

# April YTD P&L

Expressed in '000's

	April Year-to-Date				2015 YTD Actual vs. Budget				Full Year			
	2015 YTD Actual	% Sales	2015 YTD Budget	% Sales	2015 YTD Actual	% Sales	2015 YTD Budget	% Sales	2015 YTD Actual	% Sales	2015 YTD Budget	% Sales
<b>ORDERS BRANDED PRODUCT SALES</b>	<b>\$ 872,277</b>		<b>\$ 1,049,211</b>		<b>\$ 812,267</b>		<b>\$ (176,254)</b>		<b>\$ (8,990)</b>		<b>\$ 2,225,472</b>	
Fee for Service	(18,400)	2.1%	(21,242)	2.0%	(23,106)	2.8%	2,842	4.9%	(89,138)	2.0%	(89,132)	2.1%
Discounts and Allowances	(18,539)	1.9%	(22,887)	2.2%	(8,518)	0.7%	7,048	(8.8%)	(88,186)	2.7%	(134,022)	4.8%
Patent Savings Card Discount	(14,808)	1.7%	(10,703)	1.0%	(6,922)	0.8%	(4,103)	(7.8%)	(24,637)	1.1%	(28,104)	0.8%
Rebate on Branded Sales	(185,023)	17.8%	(185,778)	17.7%	(169,277)	18.6%	15,746	14.4%	(564,117)	17.5%	(517,406)	17.2%
Proposed Regulation Adjustment for Medicaid Reimburse (1)	(21,788)	2.5%	(26,151)	2.5%	(22,899)	2.8%	4,363	1.1%	(66,534)	2.0%	(60,383)	2.0%
Other	811		550		559		261	0.1%	1,542		1,631	
<b>NET REVENUE</b>	<b>\$ 646,124</b>		<b>\$ 782,293</b>		<b>\$ 614,244</b>		<b>\$ (131,774)</b>		<b>\$ (4,190)</b>		<b>\$ 2,410,545</b>	
Cost of Goods Sold	(42,807)	4.9%	(51,100)	5.1%	(43,818)	4.8%	10,173	8.9%	(162,211)	5.0%	(148,476)	4.9%
Royalty Expenses	(41,053)	4.7%	(49,314)	4.8%	(40,119)	4.8%	8,861	9.3%	(131,875)	5.0%	(122,265)	4.8%
Shipping and Warehousing	(3,775)	0.4%	(5,744)	0.4%	(4,025)	0.4%	(31)	0.0%	(10,807)	0.3%	(11,814)	0.4%
<b>TOTAL COST OF GOODS SOLD</b>	<b>(87,635)</b>		<b>(106,158)</b>		<b>(87,962)</b>		<b>18,603</b>		<b>268</b>		<b>(104,692)</b>	
<b>ORDERS PROFIT</b>	<b>\$ 558,489</b>		<b>\$ 676,135</b>		<b>\$ 526,282</b>		<b>\$ (131,774)</b>		<b>\$ (4,458)</b>		<b>\$ 2,305,853</b>	
General and Administrative (incl. Legal Costs and Legal Fees)	(52,820)	8.3%	(58,499)	7.1%	(54,482)	8.0%	1,679	6.2%	(160,426)	5.0%	(154,289)	7.0%
Legal Fees	(17,752)	2.7%	(19,271)	2.5%	(18,161)	2.7%	1,619	8.6%	(30,978)	1.6%	(61,232)	2.8%
Research and Development	(104,512)	16.1%	(134,273)	17.1%	(92,450)	13.9%	28,763	(27.7%)	(377,347)	11.7%	(212,513)	14.2%
Research and Development Other - Milestones and Alliances	(1,285)		(2,231)		(1,719)		946	(1.1%)	(6,692)		(2,284)	
Sales and Promotion	(104,808)	16.1%	(103,847)	13.2%	(98,451)	14.4%	(1,258)	(6.2%)	(209,813)	8.6%	(203,110)	13.8%
Health Care Marketing Fee	(10,800)	1.6%	(10,800)	1.4%	(10,000)	1.6%	-	600	(31,800)	1.0%	(31,251)	1.4%
Other US	602		(1,654)		466		2,627	1.3%	(8,338)		(17,933)	
<b>OPERATING EXPENSES</b>	<b>(292,172)</b>		<b>(327,148)</b>		<b>(273,652)</b>		<b>34,978</b>		<b>(184,907)</b>		<b>(342,092)</b>	
<b>OPERATING MARGIN BEFORE INCENTIVES AND SETTLEMENTS</b>	<b>\$ 266,317</b>		<b>\$ 349,987</b>		<b>\$ 252,630</b>		<b>\$ (83,166)</b>		<b>\$ (54,121)</b>		<b>\$ 1,963,761</b>	
Incentive Bonus	(14,006)	2.2%	(14,012)	1.8%	(13,484)	2.0%	6	(5.1%)	(42,618)	1.3%	(34,288)	1.6%
Insurance Income	120		2,798		(39)		(2,678)	2.1%	3,858		3,820	
Settlement Business	-		-		(35)		35		-		(14,247)	
<b>TOTAL INCENTIVE AND SETTLEMENTS</b>	<b>(13,886)</b>		<b>(11,214)</b>		<b>(13,523)</b>		<b>(2,672)</b>		<b>(38,760)</b>		<b>(48,715)</b>	
<b>OPERATING PROFIT MARGIN</b>	<b>\$ 252,431</b>	<b>29.3%</b>	<b>\$ 258,773</b>	<b>23.3%</b>	<b>\$ 239,107</b>	<b>24.2%</b>	<b>\$ (22,677)</b>		<b>\$ (52,770)</b>	<b>-5.4%</b>	<b>\$ 1,915,046</b>	<b>46.1%</b>
Royalty Income - ex-US	14,343		(13,854)	(6)	10,349		879	(1.8%)	40,692		33,361	
Ex-US Business	(42,888)		(42,831)		(31,112)		(10,087)	(21.4%)	(127,600)		(68,063)	
One Time Charges - Other Items	(712)		(368)		(716)		273	4	(2,956)		(2,149)	
Gain on PPH Sale	124,581		-		124,581		-		124,581		-	
Interest Income (Expense), net	104		57		611		67	(5.7%)	172		1,354	
<b>TOTAL OTHER ITEMS</b>	<b>\$ 85,928</b>		<b>(29,395)</b>		<b>(858)</b>		<b>\$ 116,823</b>		<b>\$ 67,966</b>		<b>(85,692)</b>	
<b>PROFIT BEFORE TAX</b>	<b>\$ 338,359</b>		<b>\$ 229,378</b>		<b>\$ 238,119</b>		<b>\$ 2,268</b>		<b>\$ 1,049,112</b>		<b>\$ 1,019,358</b>	
Tax Provision for Corporations	(895)		-		(1,538)		(643)		(6,277)		(6,742)	
<b>PROFIT AFTER TAX</b>	<b>\$ 337,464</b>	<b>39.0%</b>	<b>\$ 229,378</b>	<b>23.3%</b>	<b>\$ 236,581</b>	<b>23.7%</b>	<b>\$ 2,911</b>		<b>\$ 1,042,835</b>	<b>31.9%</b>	<b>\$ 1,012,616</b>	<b>32.8%</b>

(1) The Proposed Rule was issued in Q1 2012, which when finalized could result in a higher rebate rate on the new formulation of OxyContin. The impact on 2011 and 2010 was fully accrued in December 2011. To better reflect the economics of our earnings, we have restated the equivalent between 4 quarters 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, margins and P&L statements will not tie to previously issued reports.

(2) YTD Fee for Service rate 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 price increase adjustment of \$2.3 million.

(4) Patent Savings Card Discount is over budget due to a higher number of patient savings card redemptions and higher average redemptions, primarily related to OxyContin.

(5) Sales and Promotion is \$1.3 million higher than budget target due to the timing of the media DTC spend.

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

# April Balance Sheet

*Expressed in 000's*

	April 30, 2013 Actual	December 31, 2013 Budget	December 31, 2012 Actual
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 800,677	\$ 800,000	\$ 755,593
Accounts receivable	108,815	150,613	187,137
Due from associated companies	18,114	13,673	31,819
Other receivables	7,938	8,350	2,957
Inventories	74,405	42,881	50,631
Prepaid expenses and other assets	15,549	28,670	22,144
Restricted cash - current	23,870	-	23,927
<b>TOTAL CURRENT ASSETS</b>	<b>1,049,368</b>	<b>844,187</b>	<b>1,074,208</b>
Property and equipment, net	148,796	163,447	149,483
Investments in associated companies	26,490	14,936	7,871
Due from associated companies	3,000	3,250	3,000
Restricted cash - long term	17,202	21,700	17,205
Goodwill	23,396	23,396	23,396
Product rights, trademarks and other intangibles, net	171,079	165,982	173,249
Other assets	22,073	21,247	22,523
Investment in Infinity Common Stock	-	138,772	189,545
Deferred income taxes	19,788	17,425	19,788
<b>TOTAL ASSETS</b>	<b>\$ 1,481,192</b>	<b>\$ 1,414,342</b>	<b>\$ 1,680,268</b>
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	69,795	94,100	71,181
Accrued expenses and taxes payable	679,751	360,628	694,721
Due to associated companies	20,132	13,000	12,392
<b>TOTAL CURRENT LIABILITIES</b>	<b>769,678</b>	<b>467,728</b>	<b>778,294</b>
Other liabilities	236,738	241,382	230,249
<b>TOTAL LIABILITIES</b>	<b>1,006,416</b>	<b>709,110</b>	<b>1,008,543</b>
<b>EQUITY</b>			
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	(139,964)	(128,436)	(139,935)
Unrealized gain on Infinity stock	-	60,232	97,469
Retained earnings and partners' capital	613,748	772,444	713,199
<b>TOTAL EQUITY</b>	<b>474,776</b>	<b>705,232</b>	<b>671,725</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 1,481,192</b>	<b>\$ 1,414,342</b>	<b>\$ 1,680,268</b>

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# April Cash Flow Statement

Expressed in 000's

	April 30, 2013 Actual	December 31, 2013 Budget	December 31, 2012 Actual
<b>Operating activities</b>			
Net income	\$ 340,544	\$ 1,030,238	\$ 1,008,308
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	10,625	32,138	29,059
Distribution of Infinity Stock	230,095		
Gain on Investment in Infinity	(138,019)		
Impairment of intangible asset	-	-	20,000
Deferred income taxes	-	-	(2,600)
Loss on unconsolidated, associated companies	49,232	128,621	101,005
Loss on disposal of assets	-	-	27
Changes to working capital	39,806	(212,281)	88,604
Long-term assets and liabilities	6,910	27,431	(2,012)
<b>Total cash provided by operating activities</b>	<b>539,193</b>	<b>1,006,147</b>	<b>1,242,391</b>
<b>Investing activities</b>			
Capital expenditures	(7,768)	(35,000)	(30,467)
Purchase of product marketing rights and other intangibles	-	-	(29,982)
Restricted cash, net	60	22,472	17,337
Investments in associated companies, net	(67,851)	(134,605)	(89,089)
Investment in Infinity Common Stock	-	-	(27,500)
<b>Total cash used in investing activities</b>	<b>(75,559)</b>	<b>(147,133)</b>	<b>(159,701)</b>
<b>Financing activities</b>			
Payments from associates, net	21,445	6,792	(2,703)
Capital contributions	196	-	-
Distributions to partners for required tax payments	(92,858)	(444,000)	(459,245)
Distributions to partners non-tax	(130,670)	(538,077)	(471,643)
Distribution of Infinity Stock	(216,663)	-	-
<b>Total cash used in financing activities</b>	<b>(418,550)</b>	<b>(975,285)</b>	<b>(933,591)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>45,084</b>	<b>(116,271)</b>	<b>149,099</b>
Cash and cash equivalents:			
Unrestricted cash at the beginning of the period	755,593	716,271	606,494
<b>Unrestricted cash at the end of the period</b>	<b>\$ 800,677</b>	<b>\$ 600,000</b>	<b>\$ 755,593</b>

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# Associated Company Transactions

	2012 actual	2013 budget	2013 Forecast	Variance
Ex- US Royalties	\$ 83,961	\$ 40,692 (1)	\$ 40,692	\$ -
MRL R&D recharges	3,507	1,214	1,214	-
Senokot and Peri-Colace purchases from Canada	21,532	22,894	22,894	-
Ex-US expenses (see next slide)	65,063	127,600	164,889	37,289

(1) Decrease from prior year is due to a lower royalty rate upon patent expiration in 2012

# Ex USA Expenses

	<b>2012 Actual</b>	<b>2013 Budget</b>	<b>2013 Forecast</b>	<b>Difference</b>
France	\$ 28,155	\$ 29,597	\$ 33,946	\$ 4,349
Belgium	9,249	7,140	7,895	755
Spain	19,149	8,400	2,632	(5,768)
Portugal	-	195	-	(195)
Italy	42,079	20,800	36,184	15,384
Ireland	266	-	(658)	(658)
Finland	473	-	-	-
Netherlands	1,066	-	-	-
Norway	(603)	-	-	-
Sweden	87	-	-	-
Lucian Group	4,934	21,900	22,200	300
<b>Total - Europe</b>	<b>104,856</b>	<b>88,032</b>	<b>102,199</b>	<b>14,167</b>
Interest	(16,809)	(21,000)	(19,514)	1,486
<b>Net Expense - Europe</b>	<b>88,046</b>	<b>67,032</b>	<b>82,685</b> (1)	<b>15,653</b>
<b>Japan</b>	<b>-</b>	<b>26,093</b>	<b>8,931</b>	<b>(17,162)</b>
South Africa	279	2,424	2,784	360
Refinance MHAG Singapore / Malaysia loans	-	-	20,373	20,373
Hong Kong	3,247	1,700	5,890	4,190
Taiwan	-	4,271	1,200	(3,071)
Thailand	-	49	-	(49)
<b>Total - Asia Pacific</b>	<b>3,247</b>	<b>6,020</b>	<b>27,463</b>	<b>21,443</b>
Brazil	327	20,594	24,054	3,460
Colombia	-	2,051	2,072	21
<b>Total - Latin America</b>	<b>327</b>	<b>22,645</b>	<b>26,126</b>	<b>3,481</b>
<b>Total other</b>	<b>3,853</b>	<b>31,089</b>	<b>56,373</b>	<b>25,284</b>
<b>Overall total ex-US funding</b>	<b>91,899</b>	<b>124,214</b>	<b>147,989</b>	<b>23,775</b>
Northlake development costs	-	-	2,844	2,844
Germany losses	9,105	4,406	15,076	10,670
Infinity write off	(25,895)	-	-	-
Shionogi Upfront Fee	(8,649)	-	-	-
All other ex-US	(1,397)	(1,020)	(1,020)	-
<b>Total ex-US expense</b>	<b>\$ 65,063</b>	<b>\$ 127,600</b>	<b>\$ 164,889</b>	<b>\$ 37,289</b>

(1) Includes \$30.8 million for finding of Pearl Therapeutics opportunity. An investment of \$50 million for the purchase of Pearl stock is not expensed.

# Headcount

	2004 Approved	2006 Approved	2011 Approved	2012 Approved	2013 Approved	2013 Forecast
G&A	601	309	363	385	381	384 (2)
S&P	1,126	366	740	756	760	752 (1)
R&D	944	177	315	359	360	360
Totowa	466	73	17	18	18	18
Manufacturing & Supply Chain	95	61	63	57	60	60
Wilson	173	128	197	199	201	201
Other / President's Reserve	80	-	4	8	4	1 (2)
Targeted reductions	-	-	-	-	-	(25)
<b>TOTAL</b>	<b>3,485</b>	<b>1,114</b>	<b>1,699</b>	<b>1,782</b>	<b>1,784</b>	<b>1,751 (3)</b>

(1) - 8 Intermezzo headcount have been removed in the 2013 forecast.

(2) - President's Reserve reduction includes 1 position in Legal and 2 in Finance.

(3) - Management is evaluating all open positions and intends to close a number of those open positions. Our expectation is that 20 to 25 positions will be closed with a 2013 savings of \$1.2 to 1.5 million.

## OxyContin gross ex-factory sales

(000's)

	Year to Date April 2013			Full Year 2013		
	Actual	Budget	Variance	Actual	Budget	Variance
10mg	\$ 44,331	\$ 51,732	\$ (7,401)	\$ 142,460	\$ 156,987	\$ (14,527)
15mg	11,095	12,466	(1,371)	35,840	37,814	(1,974)
20mg	115,120	138,422	(23,302)	377,709	419,948	(42,239)
30mg	64,690	78,272	(13,582)	214,549	237,429	(22,880)
40mg	170,424	205,074	(34,650)	555,777	622,343	(66,566)
60mg	102,844	128,175	(25,331)	338,266	388,817	(50,551)
80mg	290,497	347,115	(56,618)	888,508	1,053,126	(164,618)
Total	<u>\$799,001</u>	<u>\$961,257</u>	<u>\$ (162,256)</u>	<u>\$2,553,109</u>	<u>\$2,916,464</u>	<u>\$ (363,355)</u>

OxyContin® Tablets –kilograms by year versus budget  
based on ex- factory sales

	Actual / Forecast	Budget	Change versus Budget	Change versus Prior Year
2008	19,214	20,303	-5.4%	
2009	21,131	23,805	-11.2%	10.0%
2010	20,546	22,047	-6.8%	-2.8%
2011	17,529	25,060	-30.1%	-14.7%
2012	16,515	17,214	-4.1%	-5.8%
2013	14,379	16,416	-12.4%	-12.9%



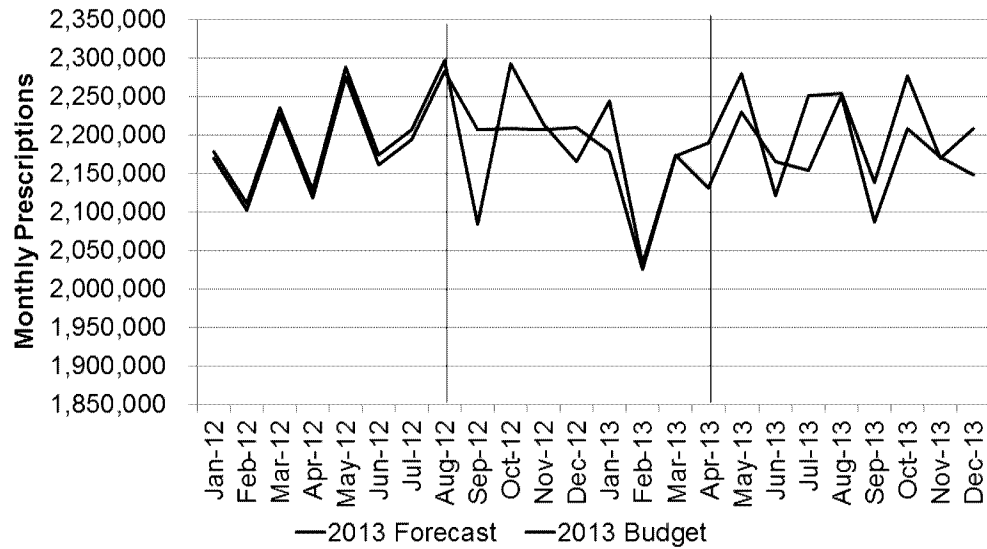
## OxyContin® Tablets – change in sales volume (in kilograms) vs. price

		Volume		Price	
	Gross Sales \$000's	kilograms	% Change	Average price per kilograms	% Change
2008	2,436,618	19,214		\$ 126,815	
2009	2,888,657	21,131	10.0%	\$ 136,702	7.8%
2010	2,997,775	20,546	-2.8%	\$ 145,906	6.7%
2011	2,781,018	17,529	-14.7%	\$ 158,652	8.7%
2012	2,777,064	16,515	-5.8%	\$ 168,154	6.0%
2013 Budget	2,916,463	16,416	-0.6%	\$ 177,660	5.7%
2013 Forecast	2,553,108	14,379	-12.9%	\$ 177,558	5.6%

Price impact shown above is slightly different than list price increases due to timing of returns, accruals and other factors.

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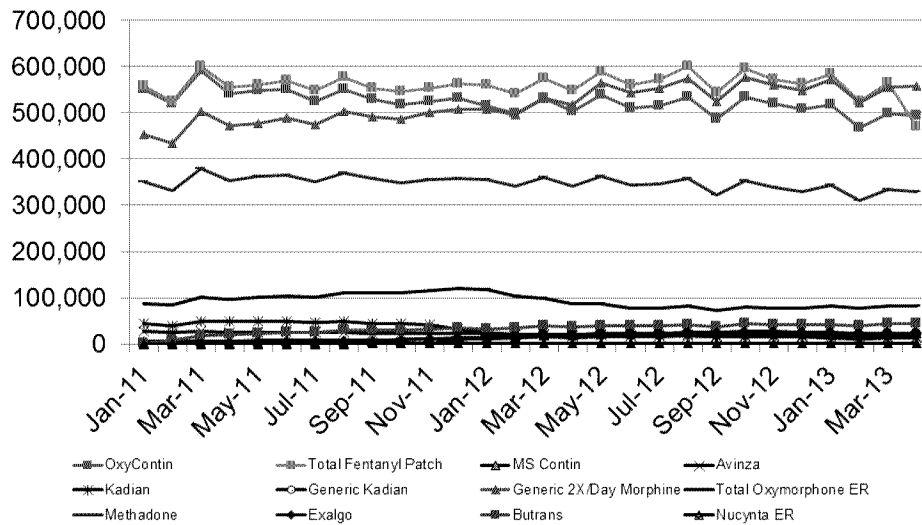
2013 Extended Release Opioid Market (brand and generics) is forecast to be at 26.0 million prescriptions in 2013, or 0.5% lower than budget.



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Total prescriptions in the ERO market have declined by 3.3% in the most recent 6mth vs. 6mth period. Branded EROs have declined by 3.8% while generic EROs have declined by 3.0% over this period.

IMS Prescriptions – Extended-Release Opioid Category (ERO)  
January 2011 – April 2013



IMS NPA

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## OxyContin – tablets per prescription --- trend since 2011

	2011 Actual	2012 Actual	YTD April Tabs/Rx	2013 Full Year Budget		Variance Budget versus Forecast			
				Tabs/Rx		Tablets	%	\$ Millions	%
				Budget	Forecast				
10mg	54.1	53.3	50.7	53.6	50.2	-3.4	-6.3%	\$ (8.9)	-6.3%
15mg	59.2	59.1	57.4	59.2	56.5	-2.6	-4.5%	(1.7)	-4.5%
20mg	65.9	65.0	63.3	65.3	63.0	-2.3	-3.5%	(13.5)	-3.4%
30mg	65.7	65.8	64.4	66.1	63.8	-2.2	-3.4%	(7.7)	-3.2%
40mg	76.4	75.2	73.5	75.5	72.9	-2.6	-3.5%	(20.5)	-3.4%
60mg	73.0	73.2	72.4	73.3	71.7	-1.6	-2.2%	(7.8)	-2.0%
80mg	92.6	91.4	90.1	91.6	89.7	-1.8	-2.0%	(18.6)	-1.8%
<b>Total*</b>	69.9	68.7	66.6	69.0	66.1	-2.9	-4.2%	\$ (78.8)	-2.8%

\*Tablets per prescription total is a weighted average.

IMS Prescriptions – lower prescriptions, particularly for the higher strengths, are projected to continue to decline - as a result the revised forecast is \$189MM lower than Budget.

			YTD April			2013 Full Year		Budget versus Forecast Variance				
	2011	2012	Rx			Budget	Forecast	Rx	% \$ Millions			
	Actual	Actual	Actual Rx's	Variance to Budget	Variance %							
10mg	1,343,933	1,296,893	428,729	17,873	4.35%	1,239,003	1,243,210	4,207	0.34%	\$ 0	0.31%	
15mg	160,207	187,758	67,826	1,979	3.01%	198,573	199,305	732	0.37%	0	0.35%	
20mg	1,698,821	1,582,931	498,346	(1,781)	-0.36%	1,508,214	1,469,170	-39,044	-2.59%	(10)	-2.61%	
30mg	538,302	586,582	200,819	(6,495)	-3.13%	625,191	602,741	-22,450	-3.59%	(9)	-3.60%	
40mg	1,314,694	1,211,777	368,554	(3,468)	-0.93%	1,121,894	1,081,214	-40,681	-3.63%	(22)	-3.66%	
60mg	459,112	472,991	155,604	(12,558)	-7.47%	507,120	465,152	-41,969	-8.28%	(32)	-8.29%	
80mg	<u>966,810</u>	<u>859,005</u>	<u>258,416</u>	<u>(19,214)</u>	<u>-6.92%</u>	<u>837,239</u>	<u>743,832</u>	<u>-93,407</u>	<u>-11.16%</u>	<u>(116)</u>	<u>-11.19%</u>	
<b>Total</b>	<b>6,481,879</b>	<b>6,197,937</b>	<b>1,978,294</b>	<b>(23,664)</b>	<b>-1.18%</b>	<b>6,037,235</b>	<b>5,804,624</b>	<b>(232,611)</b>	<b>-3.85%</b>	<b>\$ (189)</b>	<b>-6.63%</b>	

## Prescription mix impact on the 2013 revised sales forecast

	<u>2013 April YTD</u>						<u>Change</u>
	<u>2011</u> <u>Actual</u>	<u>2012</u> <u>Actual</u>	<u>2013</u> <u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>2013</u> <u>Forecast</u>	<u>Forecast</u> <u>versus</u> <u>Budget</u>
10mg	20.7%	20.9%	20.5%	21.7%	20.5%	21.4%	0.9%
15mg	2.5%	3.0%	3.3%	3.4%	3.3%	3.4%	0.1%
20mg	26.2%	25.5%	25.0%	25.2%	25.0%	25.3%	0.3%
30mg	8.3%	9.5%	10.4%	10.2%	10.4%	10.4%	0.0%
40mg	20.3%	19.6%	18.6%	18.6%	18.6%	18.6%	0.0%
60mg	7.1%	7.6%	8.4%	7.9%	8.4%	8.0%	-0.4%
80mg	14.9%	13.9%	13.9%	13.1%	13.9%	12.8%	-1.1%
20mg Equivalents	11.2MM	10.5MM	10.3MM	3.3MM	3.4MM	9.7MM	(0.6MM)

Value of Change vs. Budget  
\$79MM

57

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**From:** [REDACTED]  
**To:** Sackler, Dr Raymond R; Sackler, Beverly; Sackler, Dame Theresa; Sackler, Dr Richard; Sackler Lefcourt, Ilene; Sackler, Dr Kathe; Sackler, Jonathan; Sackler Hunt, Samantha; Sackler, Mortimer D.A.; Sackler, David; Boer, Peter; Boer, Peter; Lewent, Judy; Pickett, Cecil; Costa, Paulo; Snyderman, Ralph  
**CC:** Roncalli, Anthony; Baker, Stuart D.; Mahony, Edward; Gasdia, Russell; [REDACTED]  
[REDACTED] Stewart, John H. (US); [REDACTED]  
[REDACTED] Landau, Dr. Craig; [REDACTED]  
[REDACTED] Rosen, David (Sales and Marketing); [REDACTED]  
**Sent:** 5/30/2013 10:48:07 AM  
**Subject:** FW: Board Presentation Materials for Budget Meeting June 6th  
**Attachments:** 5-29-13 FDA Opana ER Decision (FINAL).pptx; 2013 10-Year Plan Presentation at MidYear 201300529 FINAL.PPTX; June 2013 Mid-Yr Presentation 5.25.pptx; RHYTHM BOARD JUNE 7 2013.pptx; Sales and Budget Update June 2013.pptx

Colleagues:

On behalf of John Stewart, attached please find the presentations for the US Agenda scheduled for Thursday June 6, 2013. Hard copies of all presentations will be handed out at the Board Meeting as well.

Any questions please feel free to contact John, Ed or myself.

Regards,

[REDACTED]

---

**From:** [REDACTED]  
**Sent:** Thursday, May 30, 2013 7:24 AM  
**To:** Roncalli, Anthony  
**Cc:** Stewart, John H. (US); [REDACTED] Gasdia, Russell; [REDACTED]; Mahony, Edward; [REDACTED]  
Rosen, David (Sales and Marketing); [REDACTED]  
**Subject:** Board Presentation Materials for Budget Meeting June 6th

[REDACTED]

Attached please find the following presentations (and presenters) for the US agenda items at the Budget Meeting next week:

Managed Care – [REDACTED]

**Sales & Budget Update** –Russ Gasdia/Ed Mahony/David Rosen

**US Business Development- Rhythm Pharmaceuticals –Ghrelin Agonist** – [REDACTED]

**10 Year Plan Presentation** –John Stewart/Ed Mahony/David Rosen/Russ Gasdia

**FDA Opana ER Decision** [REDACTED]

**Redacted**

Regards,

[REDACTED]





**A positive impact.**  
On medicine. And on life.

## Rhythm Pharmaceuticals Boston, MA

RM-131 Ghrelin Agonist in Ph2  
for Diabetic Gastroparesis

Mid-year Meeting  
Greenwich, June 6, 2013

## Rhythm RM-131 ghrelin agonist for diabetic gastroparesis

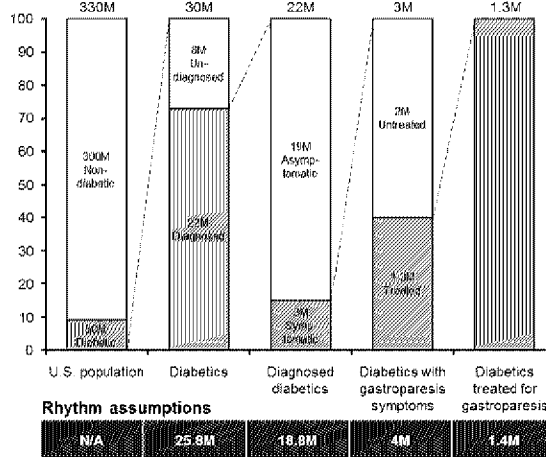
- **RM-131 s.c. injectable (5 amino acid peptide) ghrelin agonist**
- **Agonist of Growth Hormone Secretagogue Receptor; gastric motility and stomach emptying**
- **In a Phase 1B study (N=20), RM-131 demonstrated increased gut motility and improved symptoms in diabetic patients with gastroparesis**
- **Ph2 study Proof-of-Concept results due in September: (4 week, double-blind, placebo-controlled, parallel groups, N=200)**
- **Preliminary sales estimate: \$500 MM peak sales in U.S.**
- **Quantitative market research / forecast due June 14, 2013**
- **NCE patent life through 2024 with possible extensions**
- **Lifecycle development opportunities: multi-dose injector pen, microneedle patch, refractory GI motility disorders (Parkinson's gastroparesis), etc.**





# Approximately 40% or 1.3 MM of Diabetic Gastroparesis Patients Are Treated Annually

Patients suffering from diabetic gastroparesis in the U.S. (2016F)  
Percent



- ~10% of the U.S. population is expected to have diabetes in 2016 (30M), of which ~70% are expected to be diagnosed (22M)
- Of the 22M diagnosed diabetics, ~15% are expected to suffer from symptoms of gastroparesis\*
- An estimated ~40% of diabetic gastroparesis patients, or 1.3M, are expected to be treated for gastroparesis
- Analysts project the number of treated gastroparesis patients to grow at least 2% to 3% due to the increasing prevalence of diabetes and an increased awareness of gastroparesis

Our high-level estimate of treated patients is on par with Rhythm's estimate of ~1.4M

Note: \* Estimates of the percent of diabetics with gastroparesis range from 11% (Cowan) to 22% (Purdue physician survey)



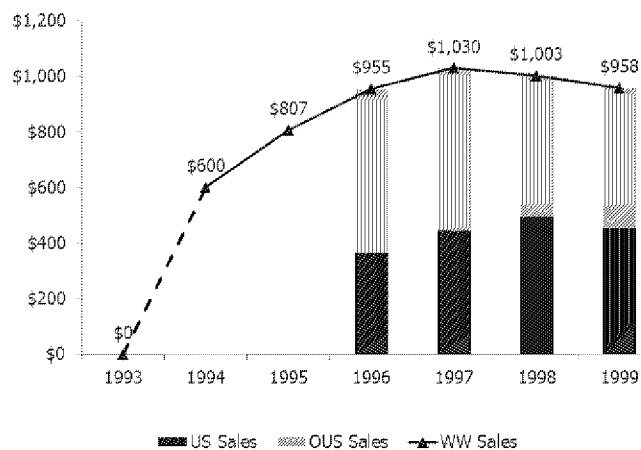
Source: American Diabetes Association (140 million), CDC (2016), Purdue Physician Survey, Diabetes Center, U.S. Census, L.E.S. analysis

## Evidence of Unmet Need: Propulsid Case Study

Propulsid's rapid uptake is indicative of the high level of unmet need in refractory GI motility disorders

- Propulsid (cisapride) was approved in 1993 to treat **nocturnal heartburn associated with GERD**
- Within 4 years of launch, Propulsid was a **billion dollar drug** and was growing 3-6% quarter over quarter, selling approximately **7.2 MM TRxs in 1997 in the US**
- In the market research conducted, some physicians indicated that their severe gastroparesis patients were purchasing Propulsid from abroad to treat gastroparesis, indicating the high unmet need in this indication specifically
- Concerns about QT prolongation, especially in children, prompted label changes and the eventual voluntary removal of the drug from the market in 1999

Propulsid Sales (1993-1999)



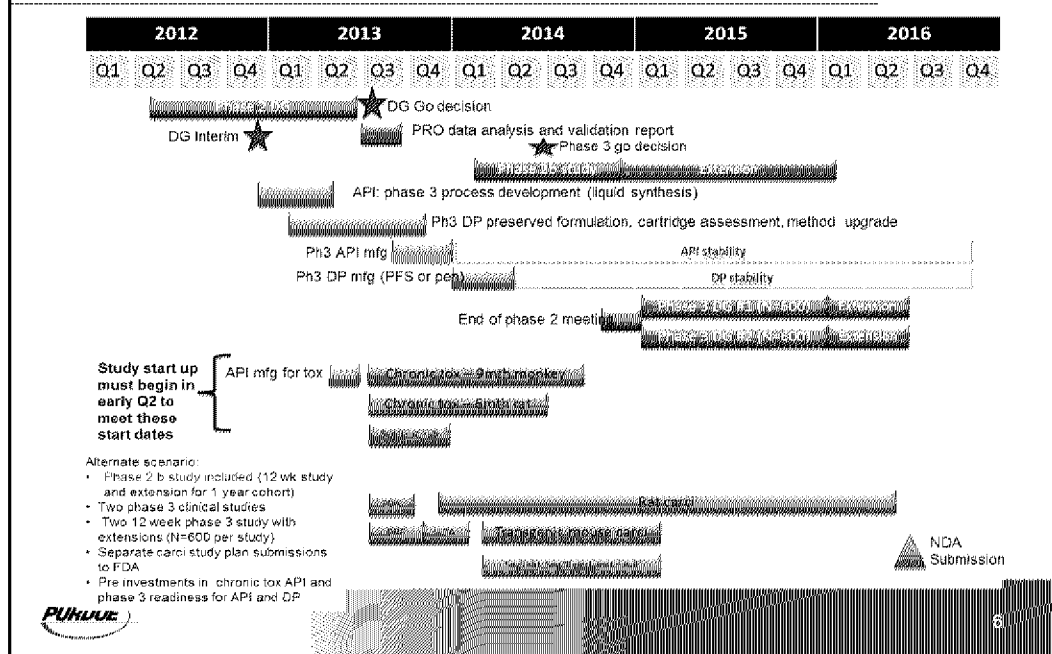
**Propulsid's fast uptake and peak revenue indicate that there is high unmet need in GI disorders**



Sources: Company analyst reports annual reports 1996-2001

Pharmaceuticals: Prescription Update - Industry Report (Dec 29, 1997) Parke-Davis, Inc.

## Rhythm Clinical Development Timeline with Phase 2b



## U.S. gastroparesis pipeline products May 2013

Compound	Phase	Company	Description	Timing
RM-101	Phase II	Rhythm	● Injectable ghrelin agonist peptide	● Ph2 data Sep 2013
EVK-001	Phase II	Evoke Pharma	● Intranasal metoclopramide spray	● Phase 2 completed in 2011
TRP-102	Phase IIb	Tranzyme	● Oral small molecule ghrelin receptor agonist	● Development discontinued late 2012
GSK-962040	Phase II	GSK	● Oral small molecule, non-peptide motilin receptor agonist	● Phase 2 trial titled "Dose Response of 28 days of dosing of GSK-962040 in Diabetic subjects with Gastroparesis" – Read out 2Q2013
VEL-5703	Phase II	Theravance / Alfa Wasserman	● Velusetrag 5-HT4 agonist; Oral	● 32 patient study; primary endpoint: GE time; 12/14 end
IR-9172	Phase I	Ironwood	● Oral guanylate cyclase agonist	● Next-gen after linaclotide ● Ph2 for dyspepsia
Other Drugs in Development				
Anamorelin	Phase III	Helsinn	● Ghrelin agonist	● Anorexia/cachexia in NSCLC
Capromorelin	Phase II	RaQualia/Shire	● Ghrelin agonist ● GH secretagogue	● In development for "GI disorders"
Capromorelin	Phase I	Helsinn	● Ghrelin Agonist	● In development for OBD

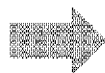


Sources: Pipeline, Cowen; Company websites; U.F.K. interviews

## Rhythm Pharmaceuticals & RM-131



- RM-131 licensed from Jansen in March 2010 for milestones and royalties
- Jansen holds 17% equity for RM-131 & RM-493\*



### Venture Capital Syndicate

#### Series A (9/2010)

Total - \$40M

- Third Rock
- NEA
- MPM Capital

#### Series B (11/2012)

Total - \$33M

- Third Rock
- NEA
- MPM Capital
- Pfizer Ventures

\*RM-493: MC4 receptor agonist for obesity, diabetes, other metabolic disorders

- Rhythm plans on splitting into 2 companies for divestiture
  - 1 company holding RM-493
  - 1 company holding RM-131

Deal Target



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# Redacted

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# Redacted

**2013**

# **10-Year Plan**

CONFIDENTIAL  
June 2013

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### 1. Introduction

John H. Stewart

P. 3

### 2. Sales

Russ Gasdia

P. 8

### 3. Financial Summary

Ed Mahony

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John H. Stewart

**INTRODUCTION**

## Introduction

- Objective continues to be to grow and diversify the business, while delivering industry leading profitability
- Continue OxyContin “exclusivity” beyond 2013

FDA decision of April 16

- Recognizes that the new formulation is “safer”
- Strong confirmation of the comprehensive nature of the company’s abuse-deterrence testing
- Further strengthens the company’s recognition/reputation as leaders in AD product development
- Creates significant obstacles for generic AD competitors
- Projected to add an additional 3 years of exclusivity

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## Introduction (cont.)

- Advances the Abuse-Deterrent Strategy
  - FDA now considers AD properties as part of the benefit/risk analysis for opioid products
  - All opioids in development at Purdue have substantial AD properties
  - Political support for AD formulations continues to be strong
  - Working on development of pharmacoeconomic evidence in support of AD formulations

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## Introduction (cont.)

- Moving beyond opioid analgesics
  - NCE program with TRPV1 in Phase 2 for OA and PHN
  - NCE program with ORL1 to proceed to dental pain trial
  - LBD pursuing complimentary product opportunities
- Move opportunistically into new therapeutic areas
  - Sleep disorders via Intermezzo has been a major disappointment
  - For treatment of opioid bowel dysfunction via Targiniq
  - Pursuing opportunities in the area of GI motility disorders

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## Introduction (cont.)

- Responding to changes in the marketplace
  - Significant anti-opioid activities
  - Pricing pressure from Managed Care Organizations
  - Demand for products with distinct clinical differentiation and demonstrable treatment benefits
  - Difficult to increase size of branded opioid analgesic market
- Focus resources to provide the evidence, outcomes and rational for use of the company's products and services.

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Russ Gasdia

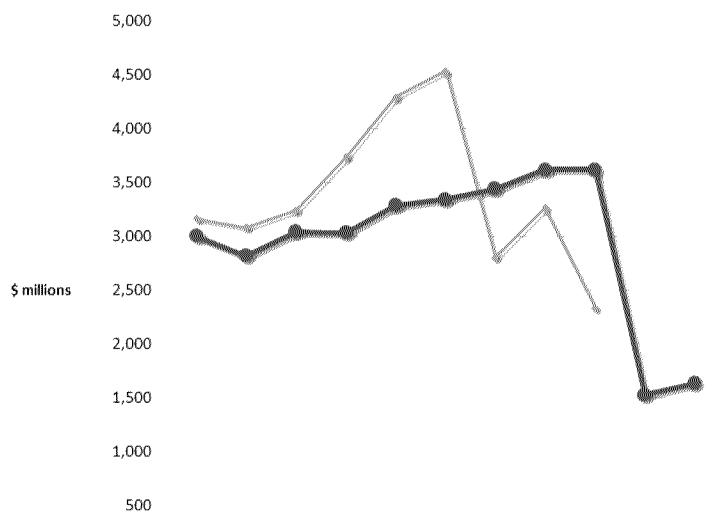
**SALES**

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## 10-Year Plan: Gross Sales

Non-Risk Adjusted



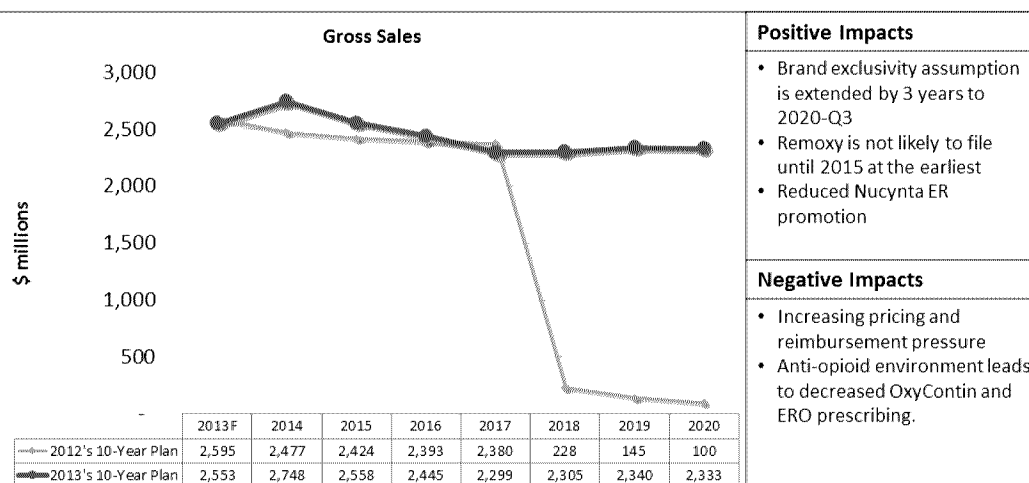
	2012 A	2013F	2014	2015	2016	2017	2018	2019	2020	2021	2022
2012's 10-Year Plan	3,168	3,087	3,242	3,738	4,295	4,540	2,805	3,270	2,337		
2013's 10-Year Plan	3,005	2,821	3,044	3,034	3,288	3,347	3,441	3,622	3,621	1,529	1,638

NON-RISK ADJUSTED		\$000s
		2012-
		2020
<b>Marketed Products - Gross Sales</b>		
10-Year Plan, presented in 2012		21,512,820
10-Year Plan, presented in 2013		24,547,780
Variance - Higher(Lower)		3,034,960
Components of Variance		
OxyContin		6,738,130
Buprenorphine (1 <sup>st</sup> Gen.) (bupren)		(520,004)
Intermezzo		(3,139,249)
Others		(73,917)
Total Variance		3,034,960
		2012-
<b>Pipeline Products - Gross Sales</b>		2020
10-Year Plan, presented in 2012		8,968,057
10-Year Plan, presented in 2013		4,675,193
Variance - Higher(Lower)		(4,292,865)
Components of Variance		
Buprenorphine (2 <sup>nd</sup> Gen.)		(1,899,458)
Targiniq (ONJ)		(1,456,768)
Hydrocodone CD (HYD)		329,048
Oxycodone AD (IR) (OCC)		240,000
FAH		(432,539)
TRPV1 (VND)		(840,306)
ORL-1		(193,814)
Total Variance		(4,292,865)
		2012-
<b>Total Products - Gross Sales</b>		2020
10-Year Plan, presented in 2012		30,481,877
10-Year Plan, presented in 2013		29,222,972
Variance - Higher(Lower)		(1,258,905)

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## Gross Sales Review: OxyContin Reformulated

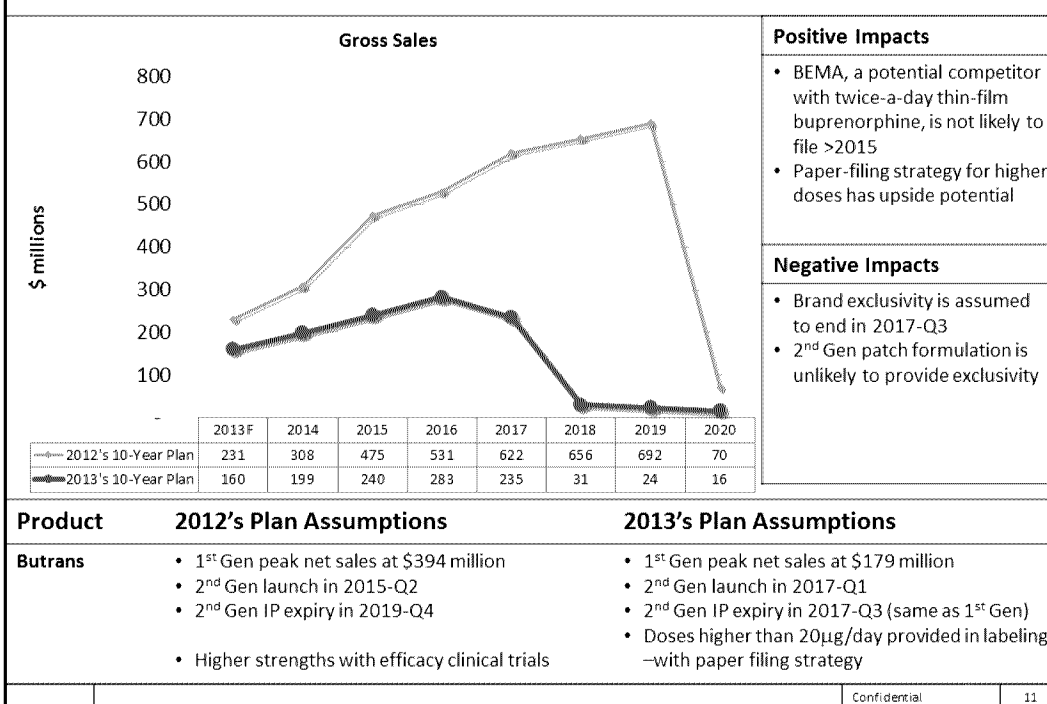


Product	2012's Plan Assumptions	2013's Plan Assumptions
<b>OxyContin Reformulated</b>	<ul style="list-style-type: none"> <li>End of exclusivity in 2017-Q4</li> <li>Generic settlements totaled \$1.1B</li> <li>Extended-release opioid market growth at ≈2% p.a.</li> </ul>	<ul style="list-style-type: none"> <li>End of exclusivity in 2020-Q4 (3 additional years)</li> <li>Generic settlements from 2014 to 2017 (2014-2017 total \$1.3 billion) increased by \$212 million while generic settlements are added in 2018 and 2020 of \$841 million (2014-2020 total \$2.2 billion)</li> <li>Extended-release opioid market growth at ≈1% p.a.</li> </ul>

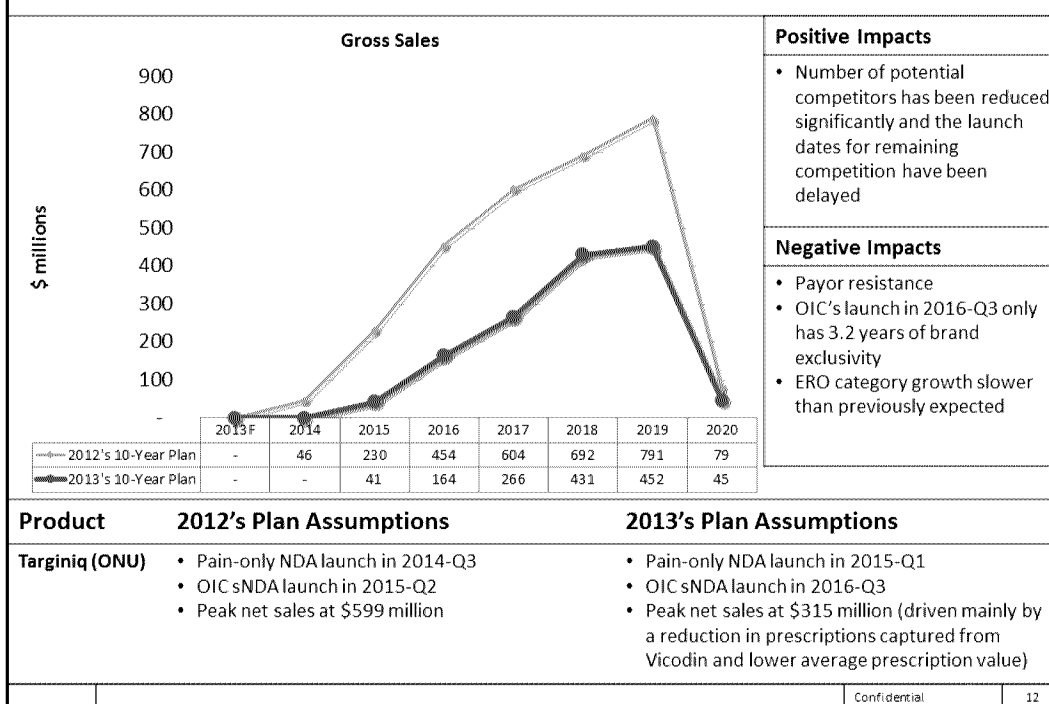
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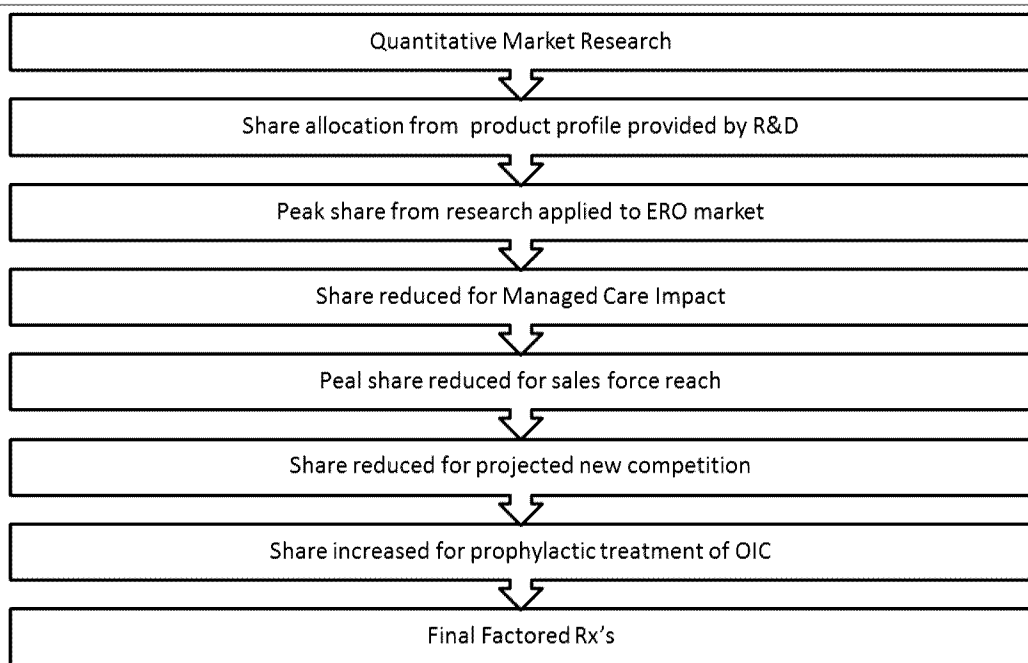
## Gross Sales Review: Butrans, 1<sup>st</sup> and 2<sup>nd</sup> Generation (5-20µg)



## Gross Sales Review: Targiniq (ONU), Pain+OIC



## Targiniq Forecast Model



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## Targiniq Forecast Model

Final factored Rx's



WAC price



Peak sales



Apply launch curve to determine sales trajectory

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## Targiniq Forecasting Studies: Methodology and Sample

- **2012 10-Year Plan**

- Synovate
- Date: April, 2011
- 150 physicians; 75 PCP's, 75 specialists (pain spec, anesthesiology, phys med & rehab, neurologists, rheumatologists).

- **2013 10-Year Plan**

- Burke
- March, 2013
- 202 physicians; 101 PCP's, 101 specialists (pain spec, anesthesiology, phys med & rehab, neurology)

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## Targiniq Forecasting Research Profile Key Differences

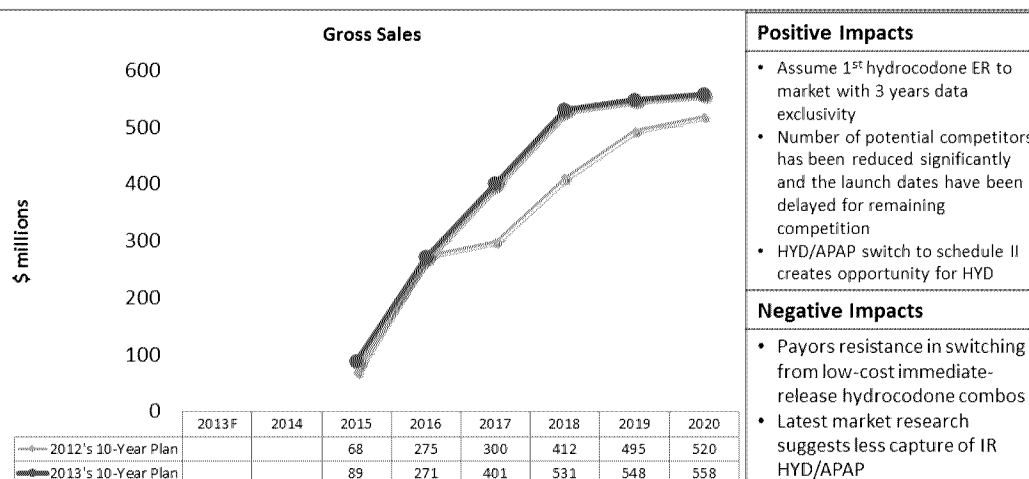
2012 10-Yr Plan (Synovate)				2013 10-Yr Plan (Burke)	
Indication and dose ceiling	Management of moderate to severe pain when a continuous, around-the-clock analgesic is needed for an extended period of time in patients requiring management of opioid-induced constipation(160 mg/day)			Management of moderate to severe pain when a continuous, around-the-clock analgesic is needed for an extended period of time in patients requiring management of opioid-induced constipation(80 mg/day)	
GI Adverse Events		ONU	Placebo	ONU	Placebo
	Nausea	15%	11%	12.2%	3.7%
	Vomiting	9%	7%	6.4%	1.9%
	Constipation	12%	7%	3.8%	1.1%
	Diarrhea	5%	4%	6.4%	1.9%
	Source: Targin EU publications			Source: ONU 3701	
Abuse Deterrence Language	- 87.5% of patients had some degree of reduction in liking and 69% had reduction in euphoria (oral and intranasal with crushed ONU) compared to oxycodone alone - 71% had reduction in euphoria (IV with crushed ONU) compared to oxycodone alone			- In opioid-dependent subjects, (ONU) effectively reduced the potential for misuse and abuse when chewed; in some cases at doses ≥ 60/30 mg, there was mild subjective withdrawal. In non-opioid-dependent subjects, (ONU) effectively reduced the potential for misuse and abuse when snorted or intravenously administered.	
				Confidential	16

## 2019 Peak Sales Version Comparison

	2012 160mg w/OIC	2013 80mg w/OIC
Market Basket	329MMRx's -- All IR & ER Opioids, incl. tramadol CAGR 2011-2019 2.1%	27MMERORx's CAGR 2012-2019 0.5%
↓ Peak Share	12.8% of ERO's (1.2% of total market) from 2011 mkt. research assuming 160mg/day maximum dose (3.9MMRx's)	8.1% from 2013 mkt. research assuming 80mg/day maximum dose (2.2MMRx's)
↓ Managed Care Adjustment based on research with payers, physicians and patients	-35% based on mkt. research (2.5MMRx's) Assumes peak commercial tier 2 coverage at 22% of lives	-35% based on mkt. research (1.4MMRx's) Assumes peak commercial tier 2 coverage at 22% of lives
↓ Reduction for Sales Force Reach	-25%: Attain peak share in top 5 deciles reached. Share in bottom 5 deciles not called on 50% of peak based on consultant advice (2.1MMRx's)	-33.5%: Attain peak share in top 5 deciles reached. Share in bottom 5 deciles not called on 25% of peak based on Butrans actuals (1.0MMRx's)
↓ Competition	-30% for Remoxy, generic OxyContin and Nektar 118 (1.5MMRx's)	-0.8% Remoxy (0.95MMRx's)
↓ Growth in ERO switches for Prophylactic treatment of OIC	N/A (Final factored Rx's = 1.5MMRx's)	Additional usage from IRO's (Final factored Rx's = 1.1MMRx's)
↓ Multiply by Average WAC Rx price to obtain peak sales	\$526 based on 10% premium over Oxy avg. Rx price. 3% annually price increase.	\$395 based on 5% premium over Oxy avg. Rx price adj. for 80mg ceiling. 3% annual price increase.
↓ Peak Sales	\$791MM	\$452MM
↓ Launch Curve	Based on McKinsey research. OIC indication assumed to launch 2Q15, 9 months after pain indication.	Based on blend of Opana ER and Nucynta ER. OIC indication assumed to launch 3Q16, 18 months after pain indication.
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## Gross Sales Review: Hydrocodone Once-a-Day (HYD)



### Positive Impacts

- Assume 1<sup>st</sup> hydrocodone ER to market with 3 years data exclusivity
- Number of potential competitors has been reduced significantly and the launch dates have been delayed for remaining competition
- HYD/APAP switch to schedule II creates opportunity for HYD

### Negative Impacts

- Payors resistance in switching from low-cost immediate-release hydrocodone combos
- Latest market research suggests less capture of IR HYD/APAP

Product	2012's Plan Assumptions	2013's Plan Assumptions
<b>Hydrocodone QD (HYD)</b>	<ul style="list-style-type: none"> <li>• Second ER hydrocodone to market</li> <li>• Launch in 2015-Q3 (standard review)</li> <li>• Peak net sales at \$410 million</li> </ul>	<ul style="list-style-type: none"> <li>• First ER hydrocodone to market</li> <li>• Launch in 2015-Q1 (priority review)</li> <li>• Peak net sales at \$403 million (favorable 1<sup>st</sup> entry offset by lower share assumption from updated market research)</li> </ul>
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## 2013 10-Year Plan: Gross-to-Net Sales Summary

Summary of Product Sales (Non-Risk Adjusted)												\$'000s	
Note: These sales do not account for OTC settlements with generic manufacturers.													
Products (Gross Sales)	2011A	2012A	2013F	2014	2015	2016	2017	2018	2019	2020	2021	2022	
OxyContin/OPF/OR	2,781,018	2,777,064	2,553,108	2,743,054	2,557,559	2,444,874	2,299,352	2,304,613	2,340,154	2,332,720	169,009	64,338	
Butrans (1st—2nd Gen. 5-20µg)	73,531	112,887	160,025	199,441	240,445	283,444	235,032	30,613	23,529	16,172	13,069	8,893	
Intermezzo		16,556	13,860										
Dilaudid	24,842	23,769	16,981	16,875	16,800	16,118	15,787	15,736	15,427	15,122	14,855	14,692	
MS Contin	13,339	12,974	11,642	11,469	11,435	11,078	10,849	10,670	10,456	10,247	10,042	9,841	
Laxatives	51,134	51,514	49,287	51,503	51,603	51,709	51,812	51,915	52,018	52,116	52,228	52,323	
Slow-Mag	5,352	5,554	5,316	5,333	5,334	5,344	5,343	5,323	5,328	5,326	5,336	5,316	
Betadine/Betasept	11,121	11,592	11,136	11,109	11,108	11,107	11,101	11,082	11,066	11,072	11,067	10,977	
Subtotal - Marketed Products	2,971,161	3,004,905	2,821,354	3,043,783	2,894,083	2,823,675	2,629,276	2,429,951	2,457,978	2,442,775	275,606	166,381	
Targiniq (ONU) - Pain—OIC					41,255	163,512	266,135	430,651	452,302	45,150	29,636	21,185	
Hydrocodone QD (HND)					88,911	271,101	401,296	530,777	548,292	557,856	465,740	44,128	
Oxycodone ADIR (OCi)					10,000	30,000	50,000	50,000	50,000	50,000	50,000	50,000	
TRPV (VND)									113,097	524,859	707,587	1,356,087	
Subtotal - Pipeline					140,166	464,612	717,431	1,011,428	1,163,690	1,177,865	1,252,963	1,471,400	
TOTAL GROSS SALES - MARKETED & PIPELINE	2,971,161	3,004,905	2,821,354	3,043,783	3,034,249	3,288,287	3,346,707	3,441,379	3,621,668	3,620,640	1,528,569	1,637,782	
Gross to Net Sales Deduction	(748,666)	(806,438)	(714,147)	(1,157,226)	(1,181,440)	(1,277,712)	(1,436,887)	(1,403,379)	(1,380,316)	(1,318,384)	(426,522)	(568,640)	
TOTAL NET SALES - MARKETED & PIPELINE	2,222,495	2,198,467	2,107,207	1,886,557	1,852,809	2,010,575	1,909,820	2,038,000	2,241,352	2,302,256	1,102,047	1,069,142	
Summary of Product Gross Sales (Risk Adjusted)													
Products (Gross Sales)	Present	2011A	2012A	2013F	2014	2015	2016	2017	2018	2019	2020	2021	2022
Marketed Products	100%	2,971,161	3,004,905	2,821,354	3,043,783	2,894,083	2,823,675	2,629,276	2,429,951	2,457,978	2,442,775	275,606	166,381
Targiniq (ONU) - Pain—OIC	80%	-	-	-	-	33,004	130,809	212,908	344,521	361,841	36,120	23,709	16,948
Hydrocodone QD (HND)	80%	-	-	-	-	71,129	216,880	321,037	424,622	438,633	446,285	372,592	35,302
Oxycodone ADIR (OCi)	90%	-	-	-	-	9,000	27,000	45,000	45,000	45,000	45,000	45,000	45,000
TRPV (VND)	15%	-	-	-	-	-	-	-	-	16,965	78,729	106,138	203,413
Subtotal - Pipeline		-	-	-	-	113,133	374,690	578,944	814,143	862,439	606,134	547,439	300,664
TOTAL GROSS SALES - MARKETED & PIPELINE (RA)		2,971,161	3,004,905	2,821,354	3,043,783	3,007,216	3,198,365	3,206,221	3,244,093	3,320,417	3,048,909	823,045	467,045
Gross to Net Sales Deduction		(748,666)	(806,438)	(714,147)	(1,157,226)	(1,172,900)	(1,252,132)	(1,397,671)	(1,342,429)	(1,288,489)	(1,152,308)	(190,504)	(106,118)
TOTAL NET SALES - MARKETED & PIPELINE (RA)		2,222,495	2,198,467	2,107,207	1,886,557	1,834,316	1,946,233	1,810,549	1,901,664	2,031,928	1,896,600	632,541	360,927
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**FINANCIAL SUMMARY**

# 10-Year Plan: Financial Highlights

Non-Risk Adjusted

(\$ millions)

	2012 Actual	2013 Forecast	2014 Plan	2015 Plan	2016 Plan	2017 Plan	2018 Plan	2019 Plan	2020 Plan	2021 Plan	2022 Plan
Gross Branded Product Sales	3,004.9	2,821.4	3,043.8	3,034.2	3,288.3	3,346.7	3,441.4	3,621.7	3,620.6	1,528.6	1,637.8
OxyContin Settlements	-	-	(313.6)	(302.9)	(291.6)	(403.4)	(342.3)	(266.1)	(232.7)	-	-
Net Branded Sales	2,200.9	2,107.2	1,891.3	1,858.5	2,017.6	1,917.1	2,045.3	2,248.7	2,309.6	1,319.7	1,111.9
Operating Margin (before Incentive, Settlements & Other Items)	1,037.8	952.6	748.5	667.4	835.4	713.9	824.6	947.2	970.4	539.4	308.9
Operating Margin % Net Branded Sales	47.2%	45.2%	39.6%	35.9%	41.4%	37.2%	40.3%	42.1%	42.0%	40.9%	27.8%
Pre-Tax Profit / (Loss)	1,010.9	916.3	604.2	557.8	769.7	681.5	780.2	898.6	917.8	444.6	271.1
EBITDA	1,038.6	944.0	631.9	585.6	797.5	709.2	807.9	926.3	945.5	472.3	298.8
Tax Distributions	459.2	331.8	298.5	275.3	381.2	337.0	386.3	445.4	454.9	220.3	133.5
Total Equity (all Companies in Pharmaceutical Group reported to Management Revisions)	671.7	590.0	590.0	590.0	590.0	590.0	590.0	590.0	590.0	450.4	400.0
Unrestricted Cash	755.8	576.0	598.9	603.8	618.8	637.5	644.3	661.8	659.2	300.0	300.0

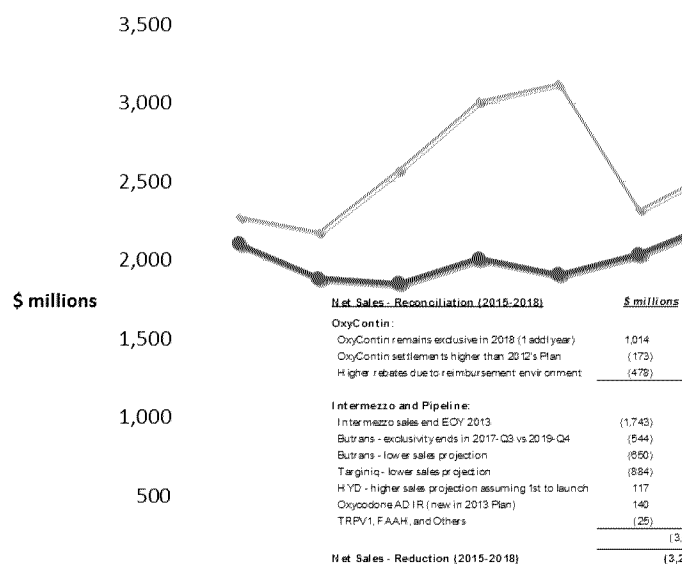
Product	Launch	Exclusivity Expiry
OxyContin	2010-Q3	2020-Q4
Butrans	2011-Q1	2017-Q3
Targiniq (ONU)	2015-Q1	2019-Q4
HydrocodoneQD (HYD)	2015-Q1	2021-Q4
TRPV1 (VND)	2019-Q1	2032-Q4

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# 10-Year Plan: Net Sales Reconciliation (2015-2018 Cumulative)

Non-Risk Adjusted



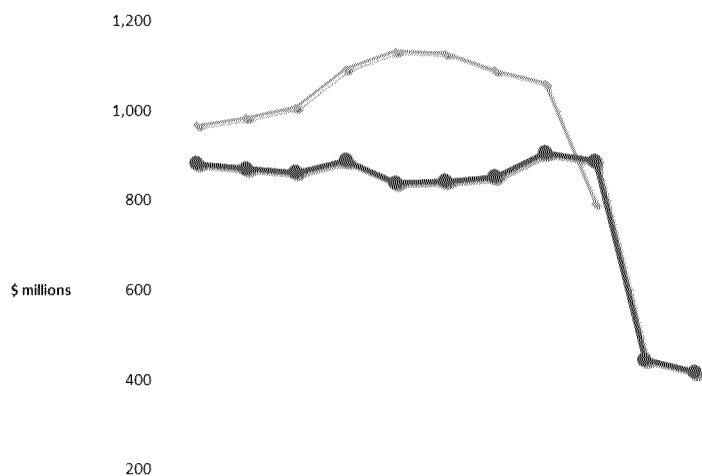
	2013F	2014	2015	2016	2017	2018	2019	2020	2021	2022
2012's 10-Year Plan	2,278	2,179	2,576	3,014	3,125	2,324	2,576	1,861		
2013's 10-Year Plan	2,107	1,887	1,853	2,011	1,910	2,038	2,241	2,302	1,102	1,069

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## 10-Year Plan: Operating Expenses

Non-Risk Adjusted



	2012 A	2013F	2014	2015	2016	2017	2018	2019	2020	2021	2022
2012's 10-Year Plan	967	985	1,008	1,094	1,133	1,128	1,090	1,062	793		
2013's 10-Year Plan	883	872	863	890	840	843	853	907	888	445	418

2012's 10-Year Plan	\$ millions	2012
Operating Expenses		2020
R&D		2,863
S&P		4,369
G&A, Legal		2,071
Others		344
Total, Presented in 2012's 10-Year Plan		9,647
2013's 10-Year Plan		2020
Operating Expenses		
R&D		2,440
S&P		3,001
G&A, Legal		2,023
Others		373
Total, Presented in 2013's 10-Year Plan		7,838
Change (2012 vs 2013's 10-Year Plan)		2012
2013 Increase / (Decrease) from 2012		2020
R&D		(423)
S&P		(1,368)
G&A, Legal		(47)
Others		30
Total, 2013 vs 2012 Plan		(1,809)

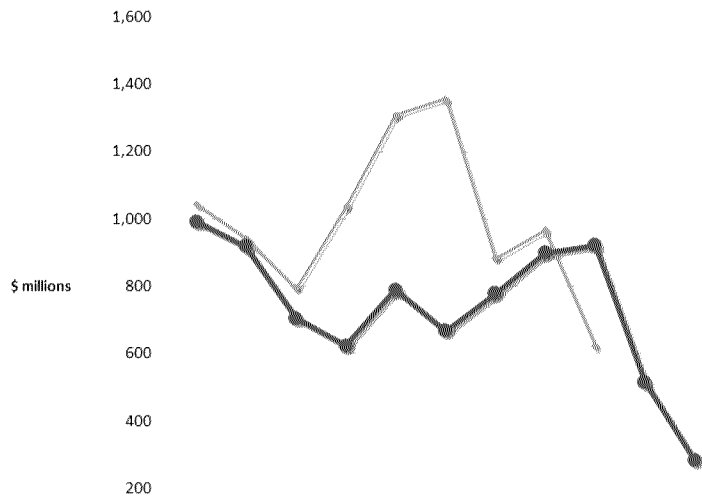
**Variance Discussion**  
**R&D** - 2013 Plan does not have FAAH and Butrans Higher Doses development expenses.  
**S&P** - 2013 Plan assumes field sales force headcount cap at 518 people versus 2012 Plan increasing to 900+. 2013 Plan does not include promotion budget for Intermzzo, Butrans Higher Doses, 3 years of Butrans 2nd Gen exclusivity, FAAH, and a 1-year delay of TRPV1.

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# 10-Year Plan: Operating Profits

Non-Risk Adjusted



	\$ millions	2012-2020
<b>Operating Profits (after inc/settl)</b>		
Presented in 2012 Plan		8,967
Presented in 2013 Plan		7,349
<b>Change, 2013 vs 2012 Plan</b>		<b>(1,608)</b>
<b>Variance Analysis (approx.)</b>		
Intermezzo, not in 2013 Plan		(970)
Butrans 2nd Gen, exclusivity ends 2017-Q3		(880)
Butrans, lower sales expectation		(218)
OxyContin, 3 additional exclusivity years offset by higher rebates and settlements		2,533
Targiniq, lower sales expectation		(750)
TRPV1/RL-1/FA4H		(422)
<b>Total Change</b>		<b>(1,608)</b>

	2012 A	2013 F	2014	2015	2016	2017	2018	2019	2020	2021	2022
2012's 10-Year Plan	1,044	944	794	1,035	1,308	1,357	883	968	623		
2013's 10-Year Plan	993	919	705	623	790	668	778	899	921	515	284

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# 2013 10-Year Plan: P&L

Non-Risk Adjusted

	2012 Actual	2013 Forecast	2014	2015	2016	2017	2018	2019	2020	2021	2022
(\$'000's)											
Gross Branded Product Sales	\$3,054,906	\$3,021,287	\$3,045,783	\$3,054,248	\$3,289,287	\$3,348,797	\$3,441,278	\$3,621,688	\$3,830,640	\$1,628,688	\$1,607,722
OxyContin Settlements	0	0	(310,645)	(302,939)	(291,875)	(403,400)	(342,293)	(286,121)	(232,860)	0	0
Fee for Service	(89,312)	(87,987)	(81,800)	(81,642)	(86,605)	(87,645)	(89,333)	(72,962)	(75,900)	(29,681)	(31,723)
Discounts and Allowances	(154,022)	(154,086)	(87,031)	(81,687)	(88,964)	(87,689)	(85,379)	(91,837)	(91,931)	(48,928)	(54,939)
Patient Savings Card Discounts	(26,104)	(41,334)	(31,499)	(37,441)	(55,239)	(65,833)	(74,793)	(80,292)	(79,184)	(64,919)	(55,233)
Additional Oxy Rebates on Final Proposed Rule	(60,383)	(73,692)	(44,233)	(43,897)	(41,977)	(39,480)	(39,609)	(40,240)	(38,537)	0	0
Rebates on Branded Sales	(817,606)	(483,552)	(639,001)	(663,963)	(733,387)	(779,144)	(791,472)	(828,513)	(816,332)	(266,997)	(426,746)
Rebates as % of Gross Branded Sales	19.2%	15.9%	20.9%	21.7%	22.3%	23.3%	23.3%	23.2%	21.3%	16.4%	26.5%
NET BRANDED REVENUES	2,158,467	2,109,556	1,986,557	1,952,899	2,010,575	1,969,928	2,025,000	2,241,252	2,382,256	1,182,047	1,069,142
AG Income	-	-	-	-	-	-	-	-	-	210,293	29,369
3rd Party Royalty Income	2,468	1,651	4,712	5,729	6,993	7,280	7,320	7,300	7,360	7,360	7,360
NET BRANDED REVENUES + AG & PROFIT SHARE INCOME	2,200,922	2,107,207	1,991,269	1,958,624	2,017,568	1,977,199	2,045,319	2,248,571	2,389,616	1,319,700	1,111,867
Cost of Goods Sold	(142,476)	(149,240)	(147,123)	(155,870)	(196,330)	(218,082)	(224,843)	(243,599)	(274,848)	(259,124)	(297,333)
Royalty Expense	(120,268)	(122,338)	(122,279)	(128,841)	(133,278)	(131,577)	(131,840)	(140,399)	(168,283)	(171,364)	(179,681)
Shipping and Warehousing	(11,814)	(11,386)	(10,151)	(9,810)	(10,272)	(10,740)	(10,794)	(10,909)	(10,840)	(7,676)	(7,778)
GROSS PROFIT	1,826,066	1,684,272	1,611,715	1,667,713	1,676,458	1,666,761	1,677,742	1,863,864	1,965,654	904,654	726,906
G&A	(154,289)	(168,426)	(186,041)	(171,852)	(177,687)	(154,093)	(180,836)	(197,208)	(204,107)	(90,000)	(90,000)
Legal Fees	7%	6%	6%	6%	6%	10%	9%	9%	9%	9%	9%
R&D - associated to projects	(81,283)	(84,475)	(49,688)	(48,181)	(44,086)	(42,154)	(43,564)	(39,806)	(38,375)	(21,702)	(22,764)
R&D - unallocated	(312,513)	(327,247)	(304,314)	(296,292)	(322,619)	(373,951)	(310,348)	(301,078)	(304,808)	(77,226)	(80,066)
R&D Other - Milestone and Advances	(2,234)	(10,992)	(4,181)	(4,191)	(4,151)	(3,791)	171	171	171	98	86
Sales and Promotion	(302,110)	(283,313)	(283,719)	(334,869)	(340,948)	(342,048)	(337,504)	(379,426)	(388,919)	(195,999)	(180,474)
Health Care Reform Fee	(149)	(46)	(56)	(56)	(56)	(56)	(56)	(56)	(56)	(56)	(56)
Other - US	(37,591)	(31,800)	(32,108)	(31,328)	(31,528)	(46,123)	(47,072)	(33,098)	(34,788)	(34,778)	(14,883)
OPERATING EXPENSES	(832,603)	(871,682)	(886,169)	(889,992)	(840,586)	(842,689)	(883,120)	(1,008,600)	(1,081,183)	(448,183)	(416,040)
OPERATING MARGIN BEFORE INCENTIVE & SETTLEMENTS	993,463	812,590	725,546	777,721	835,872	824,072	794,622	855,264	884,471	456,471	310,866
Incentive Bonus	(34,285)	(36,618)	(36,330)	(37,087)	(37,796)	(38,584)	(39,326)	(40,112)	(40,814)	(20,487)	(20,886)
Insurance Income	3,620	3,664	380	-	-	-	-	-	-	-	-
Settlement Expense	(14,247)	(1,900)	-	-	-	-	-	-	-	-	-
TOTAL INCENTIVES AND SETTLEMENTS	(44,912)	(34,854)	(35,950)	(37,087)	(37,796)	(38,584)	(39,326)	(40,112)	(40,814)	(20,487)	(20,886)
OPERATING MARGIN AFTER INCENTIVES AND SETTLEMENTS	948,551	777,736	689,596	740,634	798,076	785,488	755,296	815,152	843,657	435,984	290,000
Other Items											
Royalty Income - ex US	33,961	40,692	39,031	37,684	37,777	37,888	34,721	31,428	28,387	28,662	23,214
Ex US Expenses	(60,063)	(164,659)	(144,477)	(107,075)	(62,489)	(23,380)	(36,385)	(36,285)	(36,385)	(26,385)	(26,385)
One Time Charges/Other Items	(2,146)	(2,866)	(3,081)	(3,166)	(3,314)	(3,437)	(3,666)	(3,896)	(4,126)	(4,356)	(4,586)
Gain on sale of infinity stock	124,931	-	-	-	-	-	-	-	-	-	-
Interest (Expense)/Income	1,364	(172)	(172)	(172)	(172)	(172)	(172)	(172)	(172)	(172)	(172)
TOTAL OTHER ITEMS	18,106	(12,495)	(108,659)	(72,644)	(27,894)	(8,102)	(6,988)	(16,436)	(18,980)	(18,980)	(18,980)
PROFIT/LOSS BEFORE TAX	\$1,010,668	\$918,289	\$904,207	\$967,860	\$789,747	\$801,691	\$730,241	\$808,666	\$817,777	\$444,628	\$271,108
Pre-Tax Profit as % of Net Sales	49.0%	43.6%	32.9%	30.1%	25.3%	26.7%	20.9%	24.1%	24.2%	40.3%	28.4%

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# 2013 10-Year Plan: Balance Sheet

Non-Risk Adjusted

Balance Sheet (\$'000)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	Actual	Actual	Forecast	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan
<b>Assets</b>												
<b>Current Assets:</b>												
Cash and cash equivalents	\$ 606,494	\$ 755,593	\$ 576,026	\$ 598,892	\$ 603,842	\$ 618,794	\$ 637,519	\$ 644,257	\$ 661,805	\$ 659,193	\$ 300,004	\$ 300,004
Restricted Cash	16,000	23,927	4,800	-	-	-	-	-	-	-	-	-
Accounts and other receivable:												
Trade (net)	218,801	187,137	136,623	192,773	192,169	208,258	211,958	217,954	229,372	229,307	96,809	103,726
Associated companies	27,820	31,819	13,673	9,758	9,414	9,444	9,464	8,680	7,856	7,097	6,415	5,803
Other receivables	10,075	2,957	7,250	6,178	6,431	6,748	6,820	6,830	6,830	6,840	6,840	6,840
Total accounts and other receivable	256,696	221,913	157,546	208,709	208,014	224,451	228,242	233,464	244,059	243,244	110,065	116,370
Inventories	44,207	50,631	42,881	36,782	41,417	49,633	54,513	56,211	60,850	68,737	64,031	74,384
Prepaid expenses and other assets	32,658	22,144	23,670	23,670	23,670	23,670	23,670	23,670	23,670	23,670	23,670	23,670
Total current assets	956,095	1,074,208	804,923	888,052	876,343	916,547	943,944	957,502	990,383	994,844	497,770	514,227
Property, plant and equipment - net	143,163	149,483	159,119	210,619	220,028	222,958	221,428	221,143	221,938	223,675	228,237	229,527
Investments	19,787	7,871	69,111	69,111	69,111	69,111	69,111	69,111	69,111	69,111	69,111	69,111
Due from associated companies	3,250	3,000	3,250	3,250	3,250	3,250	3,250	3,250	3,250	3,250	3,250	3,250
Intangible assets, net	191,602	196,645	189,805	181,605	173,405	166,394	159,363	152,372	145,612	140,594	137,402	134,916
Other assets	90,454	231,856	38,672	38,672	38,672	38,672	38,672	38,672	38,672	38,672	38,672	38,672
Restricted cash	42,469	17,205	21,700	31,700	31,700	31,700	31,700	31,700	31,700	31,700	31,700	31,700
Total assets	\$1,446,780	\$1,680,268	\$1,285,580	\$1,403,009	\$1,413,109	\$1,446,633	\$1,467,489	\$1,473,851	\$1,500,667	\$1,501,846	\$1,004,142	\$1,021,603
<b>Liabilities</b>												
<b>Current liabilities:</b>												
Accounts payable	\$ 87,361	\$ 71,181	\$ 81,500	\$ 78,050	\$ 81,038	\$ 76,476	\$ 75,559	\$ 76,268	\$ 83,412	\$ 81,752	\$ 38,867	\$ 38,059
Accrued expenses and taxes	632,809	694,721	360,628	480,572	488,983	530,366	551,437	558,388	579,359	583,497	269,531	339,580
Due to associated companies	11,348	12,392	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000
Total current liabilities	731,518	778,294	455,228	571,623	583,020	619,842	639,996	647,656	675,771	678,248	321,399	390,640
Other long-term obligations	223,628	230,249	241,382	241,382	240,084	238,786	237,488	236,190	234,892	233,594	232,296	230,998
Total liabilities	955,146	1,008,543	696,610	813,005	823,104	858,628	877,484	883,846	910,663	911,842	553,695	621,638
<b>Equity:</b>												
Capital stock-Common	9	9	9	9	9	9	9	9	9	9	9	9
Additional paid in capital	1,982	1,982	1,982	1,982	1,982	1,982	1,982	1,982	1,982	1,982	1,982	1,982
Retained earnings and partners' capital	635,780	713,199	717,414	717,449	717,449	717,448	717,448	717,449	717,448	717,448	577,892	527,410
Minimum pension liability adjustment	(145,136)	(139,935)	(128,436)	(128,436)	(128,436)	(128,436)	(128,436)	(128,436)	(128,436)	(128,436)	(128,436)	(128,436)
Unrealized gain on Infinity Stock/IFX Translation	-	97,469	-	-	-	-	-	-	-	-	-	-
Subscription Receivable	(999)	(999)	(999)	(999)	(999)	(999)	(999)	(999)	(999)	(999)	(999)	(999)
Total stockholder's equity	491,635	671,725	589,970	590,005	590,005	590,004	590,004	590,005	590,004	590,004	450,448	399,966
Total liabilities and stockholder's equity	\$1,446,780	\$1,680,268	\$1,285,580	\$1,403,010	\$1,413,109	\$1,446,633	\$1,467,489	\$1,473,851	\$1,500,667	\$1,501,846	\$1,004,142	\$1,021,603

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# 2013 10-Year Plan: Statement of Cash Flows

Non-Risk Adjusted

Statement of Cash Flows	Non-Risk Adjusted											
(\$100)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	Actual	Actual	Forecast	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan
<b>Operating activities</b>												
Net income (loss) after tax before extraordinary item	\$ 1,144,453	\$ 1,008,308	\$ 911,586	\$ 597,067	\$ 550,567	\$ 762,319	\$ 673,924	\$ 772,512	\$ 890,723	\$ 909,736	\$ 440,608	\$ 267,005
Non-cash charges (credits) to net income:												
Depreciation	25,564	24,120	25,364	25,000	33,091	34,570	35,030	34,790	34,745	34,870	35,143	35,545
Amortization	2,740	4,939	6,840	8,200	8,200	7,011	7,011	7,011	6,760	5,018	3,192	2,486
Loss on equity investment companies	112,388	101,005	163,066	144,477	107,075	62,489	28,398	36,385	36,385	36,385	36,385	36,385
Working capital changes	162,044	88,604	(271,229)	67,416	7,113	12,200	11,502	(44)	12,057	(5,355)	(219,646)	51,972
Extraordinary item Payout / Reduction in Infinity	(888)		189,500	-	-	-	-	-	-	-	-	-
Long-term assets and liabilities	28,846	(2,012)	(71,153)	-	(1,298)	(1,298)	(1,298)	(1,298)	(1,298)	(1,298)	(1,298)	(1,298)
<b>Cash flow from operations</b>	<b>1,475,761</b>	<b>1,242,391</b>	<b>953,974</b>	<b>842,160</b>	<b>704,748</b>	<b>877,290</b>	<b>754,567</b>	<b>849,356</b>	<b>979,373</b>	<b>979,356</b>	<b>294,384</b>	<b>392,095</b>
<b>Investing activities</b>												
Capital expenditure	(26,823)	(30,487)	(35,000)	(76,500)	(42,500)	(37,500)	(33,500)	(34,505)	(35,540)	(36,606)	(37,705)	(38,836)
Restricted Cash, net	12,944	17,337	14,632	(5,200)	-	-	-	-	-	-	-	-
Investments in JV and associates	(100,323)	(89,089)	(224,306)	(144,477)	(107,075)	(62,489)	(28,398)	(36,385)	(36,385)	(36,385)	(36,385)	(36,385)
<b>Cash flow used by investing</b>	<b>(174,202)</b>	<b>(158,701)</b>	<b>(244,674)</b>	<b>(226,177)</b>	<b>(149,575)</b>	<b>(99,989)</b>	<b>(61,898)</b>	<b>(70,890)</b>	<b>(71,925)</b>	<b>(72,981)</b>	<b>(74,060)</b>	<b>(75,221)</b>
<b>Financing activities</b>												
Proceeds from (to) associated companies, net	(3,823)	(2,703)	18,504	3,915	344	(31)	(20)	783	824	760	681	612
Distributions for Required Tax Payments	(553,393)	(459,245)	(331,772)	(298,534)	(275,283)	(381,159)	(336,962)	(386,256)	(445,362)	(454,868)	(220,304)	(133,502)
Distributions Non Tax	(575,246)	(471,643)	(575,600)	(298,498)	(275,284)	(381,160)	(336,962)	(386,256)	(445,362)	(454,868)	(359,860)	(183,985)
<b>Cash flow provided by financing</b>	<b>(1,132,159)</b>	<b>(933,591)</b>	<b>(888,868)</b>	<b>(593,117)</b>	<b>(550,223)</b>	<b>(762,350)</b>	<b>(673,944)</b>	<b>(771,729)</b>	<b>(889,900)</b>	<b>(908,976)</b>	<b>(579,483)</b>	<b>(316,875)</b>
<b>Increase in cash and cash equivalents</b>	<b>169,400</b>	<b>149,099</b>	<b>(179,568)</b>	<b>22,867</b>	<b>4,950</b>	<b>14,952</b>	<b>16,726</b>	<b>6,738</b>	<b>17,548</b>	<b>(2,612)</b>	<b>(359,188)</b>	<b>(1)</b>
Unrestricted Cash at beginning of period	437,094	606,494	755,593	576,025	598,892	603,842	618,794	637,519	644,257	661,805	659,193	300,004
<b>Unrestricted Cash at end of period</b>	<b>\$ 606,494</b>	<b>\$ 755,593</b>	<b>\$ 576,025</b>	<b>\$ 598,892</b>	<b>\$ 603,842</b>	<b>\$ 618,794</b>	<b>\$ 637,519</b>	<b>\$ 644,257</b>	<b>\$ 661,805</b>	<b>\$ 659,193</b>	<b>\$ 300,004</b>	<b>\$ 300,004</b>

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**BACK UP**

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## 10-Year Plan Key Changes of Assumptions: 2012 vs 2013

Product	2012's Plan Assumptions	2013's Plan Assumptions
<b>OxyContin Reformulated</b>	<ul style="list-style-type: none"> <li>End of exclusivity in 2017-Q4</li> <li>Generic settlements totaled \$1.1B</li> <li>Extended-release opioid market growth at ≈2% p.a.</li> </ul>	<ul style="list-style-type: none"> <li>End of exclusivity in 2020-Q4 (3 additional years)</li> <li>Generic settlements from 2014 to 2017 (2014-2017 total \$1.9 billion) increased by \$212 million while generic settlements are added in 2018 and 2020 of \$841 million (2014-2020 total \$2.2 billion)</li> <li>Extended-release opioid market growth at ≈1% p.a.</li> </ul>
<b>Butrans</b>	<ul style="list-style-type: none"> <li>1<sup>st</sup> Gen peak net sales at \$394 million</li> <li>2<sup>nd</sup> Gen launch in 2015-Q2</li> <li>2<sup>nd</sup> Gen IP expiry in 2019-Q4</li> <li>Higher strengths with efficacy clinical trials</li> </ul>	<ul style="list-style-type: none"> <li>1<sup>st</sup> Gen peak net sales at \$179 million</li> <li>2<sup>nd</sup> Gen launch in 2017-Q1</li> <li>2<sup>nd</sup> Gen IP expiry in 2017-Q3 (same as 1<sup>st</sup> Gen)</li> <li>Doses higher than 20µg/day provided in labeling –with paper filing strategy</li> </ul>
<b>Targiniq (ONU)</b>	<ul style="list-style-type: none"> <li>Pain-only NDA launch in 2014-Q3</li> <li>OIC sNDA launch in 2015-Q2</li> <li>Peak net sales at \$599 million</li> </ul>	<ul style="list-style-type: none"> <li>Pain-only NDA launch in 2015-Q1</li> <li>OIC sNDA launch in 2016-Q3</li> <li>Peak net sales at \$315 million (driven mainly by a reduction in prescriptions captured from Vicodin and lower average prescription value)</li> </ul>
<b>Hydrocodone QD (HYD)</b>	<ul style="list-style-type: none"> <li>Second ER hydrocodone to market</li> <li>Launch in 2015-Q3 (standard review)</li> <li>Peak net sales at \$410 million</li> </ul>	<ul style="list-style-type: none"> <li>First ER hydrocodone to market</li> <li>Launch in 2015-Q1 (priority review)</li> <li>Peak net sales at \$403 million (favorable 1<sup>st</sup> entry offset by lower share assumption from updated market research)</li> </ul>
<b>Rebates</b>	<ul style="list-style-type: none"> <li>Overall rebate as % of sales at ≈19% (2012-2020)</li> </ul>	<ul style="list-style-type: none"> <li>Overall rebate as % of sales at ≈24% (2013-2022)</li> </ul>
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## Pipeline Recertification Comparison: 2012 vs 2013

*Non-Risk Adjusted*

Portfolio	Launch Date		Additional Net Sales (AUC) <sup>(1)</sup> till Generic Competition (\$mms)		Net Present Value, After-Tax (\$mms. start in 2013)	
	2012 Plan	2013 Plan	2012 Plan	2013 Plan	2012 Plan	2013 Plan
OxyContin Reformulated	2012-2017:	2010-Q3	\$10,119	\$9,553	n/a	n/a
	2018-2020:		\$402	\$3,907		
	2012-2020:		<b>\$10,521</b>	<b>\$13,460</b>		
Butrans [1st Gen: (5-20µg)]	2011-Q1	2011-Q1	\$1,307	\$752	\$198	\$100
Butrans [2nd Gen: (5-20µg)]	2015-Q2	2017-Q1	\$1,474	none	\$257	none
Butrans [1st→2nd Gen: (25-40µg)]	2017-Q1	none	\$1,237	none	\$220	none
Intermezzo (2012-2019/2013)	2012-Q2	2012-Q2	\$2,633	\$17 <sup>(2)</sup>	\$264	(\$61) <sup>(2)</sup>
Targiniq (ONU) - Pain only	2014-Q3	2015-Q1	\$1,082	\$691	\$81	\$23
Targiniq (ONU) - Pain + OIC sNDA	2015-Q2	2016-Q3	\$1,079	\$265	\$70	\$9
Hydrocodone QD (HYD) [1st to Launch]	2015-Q3	2015-Q1	\$2,756	\$2,081	\$240	\$185
Oxycodone ADIR (OCI) [new in 2013]	none	2015-Q2	n/a	n/a	~	\$100
TRPV1 (VND)	2018-Q3	2019-Q1	\$24,454	\$18,402	\$1,213	\$817
(1) AUC = Area Under Curve from 2013 (or 2012 for OxyContin) and on.						
(2) Since inception						
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## 10-Year Plan: Pipeline Launches and Exclusivity

Product	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
OxyContin Reformulated													
Butrans (1 <sup>st</sup> Gen: 5-20µg)													
Intermezzo													
Targiniq (ONU) Pain													
Hydrocodone QD (HYD)													
Oxycodone ADIR (OCI)													
Targiniq (ONU) Pain+OIC													
Butrans (2 <sup>nd</sup> Gen: 5-20µg)													
TRPV1 (VND)													
ORL-1 (OAG)											≥2020		
<input type="checkbox"/> Launched and IP Exclusive <input type="checkbox"/> IP Expired and Generic Competition													
										Confidential	32		

# Pipeline Recertification

Line	Fundamental	Timing	Prelaunch R&D					Financial Metrics (1)										IP
			2013 to Approval	2013	2014	2015	> 2015	Peak Gross Sales	# Year from Launch Till First P&L Positive	Net Present Value (NPV)	Internal Rate of Return (IRR)	Additional Net Sales (AUC) <sup>(2)</sup> till Generic Competition	Free Cash Flow <sup>(3)</sup> (AUC) till Generic Competition <sup>(4)</sup>	Free Cash Flow <sup>(3)</sup> (AUC) / Prelaunch R&D-to-Go	Number of Years from Launch till Generic Competition	Assumed IP Exclusivity (till end of)		
	Project Name	Projected Year of Approval / Launch	\$ millions					\$MMs	Yrs	\$MMs	%	\$MMs	\$MMs		Yrs			
1	Targin (ONJ) - Pain Only(15)	2015	69.4	56.5	5.3	7.7		310.0	2.2	22.8	18.6%	691.0	80.9	1.2	5.0	2019-Q4		
2	HYD (Hydrocodone QD)	2015	186.4	78.0	57.9	33.0	17.4	557.9	1.0	184.8	40.0%	2,080.8	442.5	2.4	7.0	2021-Q4		
3	OxyADIR (OC) (4)	2015	23.3	14.7	8.1	0.6	-	50.0	2.0	100.0	~	~	~	~	-	~		
4	Targin (ONJ) - OIC (16 sNDA)	2016	113.1	28.5	53.9	25.0	5.8	142.3	2.1	8.7	17.6%	264.6	47.3	0.4	3.5	2019-Q4		
5	Butrans (2nd Gen, 5-20 µg)	2017	25.8	2.9	9.9	8.7	4.3	~	~	~	~	~	~	~	0.8	2017-Q3		
6	TRPV1 (Purdue)	2019	385.7	27.0	55.9	118.5	184.4	3,253.1	2.0	816.9	30.7%	18,401.9	5,055.0	13.1	14.0	2032-Q4		
A	OxyContin Reformulated (ORF) (3)	2010						2,332.7	~	~	~	11,712.6	5,092.2	~	10.5	2020-Q4		
B	Butrans (1st Gen, 5-20 µg)	2011						283.4	3.5	100.5	74.3%	752.6	123.2	n/a	6.8	2017-Q3		
TOTAL:												1,233.8						
Note: 1. Financials from 10-Year Plan base are provided above. 2. AUC - Area under the curve from 2013 and on. 3. ORF peak gross sales are from 2020, the 1st year of Phase 4. 4. OC's NPV is approximated by 2x sales. * include the additional year post generic entry to be able to release of working capital. Italics numbers are incremental value.																		
															Confidential			
															33			

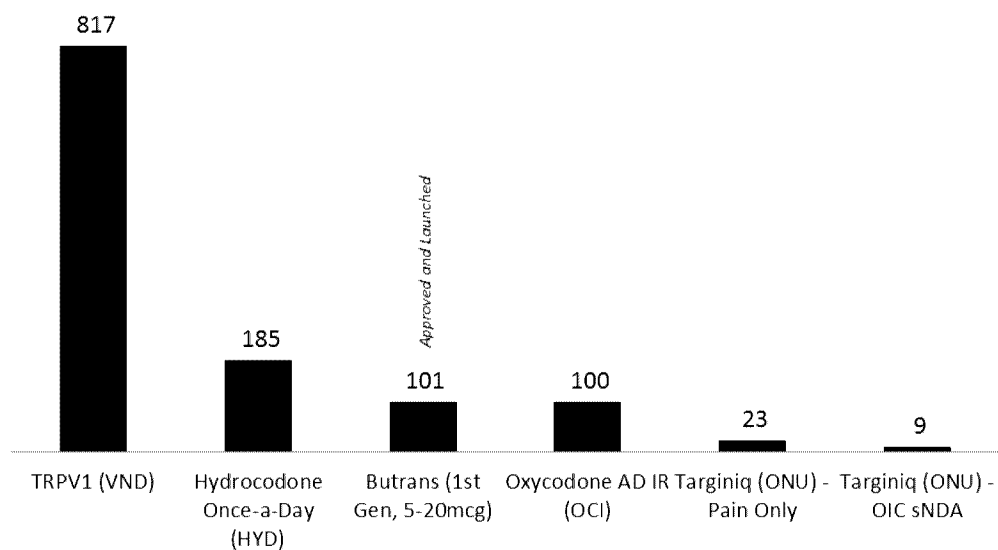


## Pipeline Recertification – NPV Ranking

*The Higher The Better*

### Net Present Value

(10-Year Plan Case, non-risk adjusted, after-tax, \$ millions)



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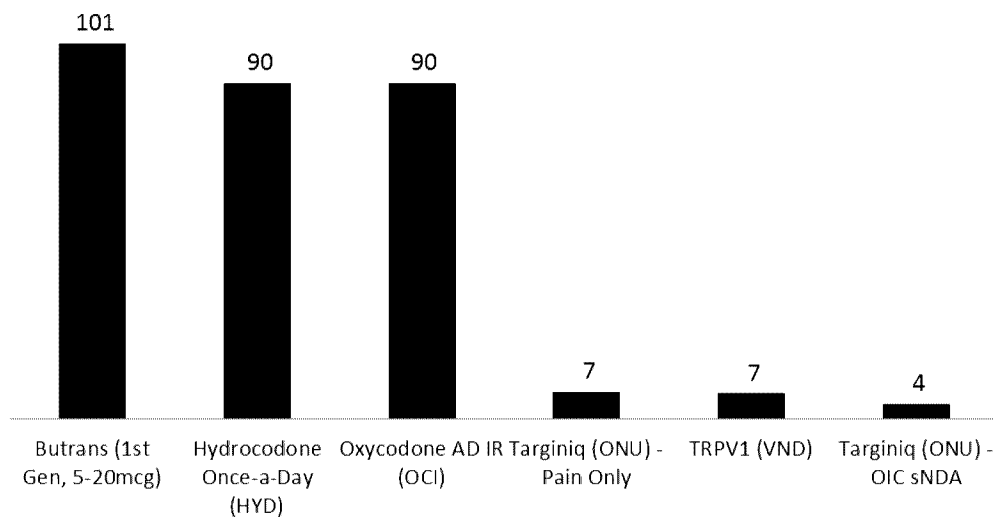
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## Pipeline Recertification – r-NPV Ranking

*The Higher The Better*

### Risk-Adjusted Net Present Value

(10-Year Plan Case, risk-adjusted, after-tax, \$ millions)



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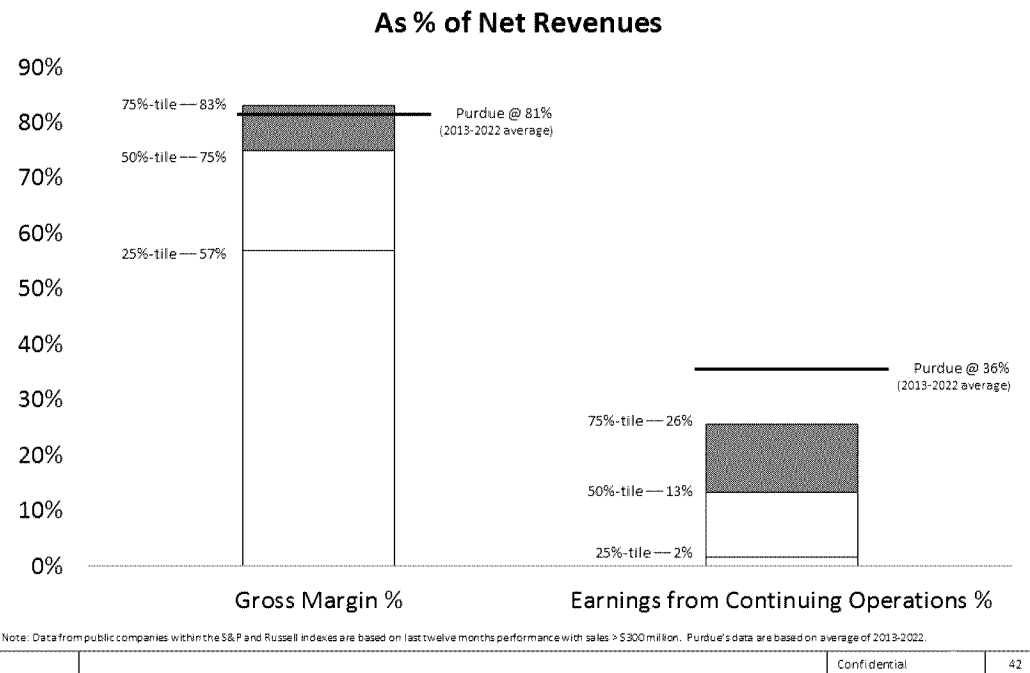
**FINANCIAL BACKUP SCHEDULES**



# Comparison with Public Pharma and Biotech Companies (1)

Gross Margin and Earnings from Continuing Operations

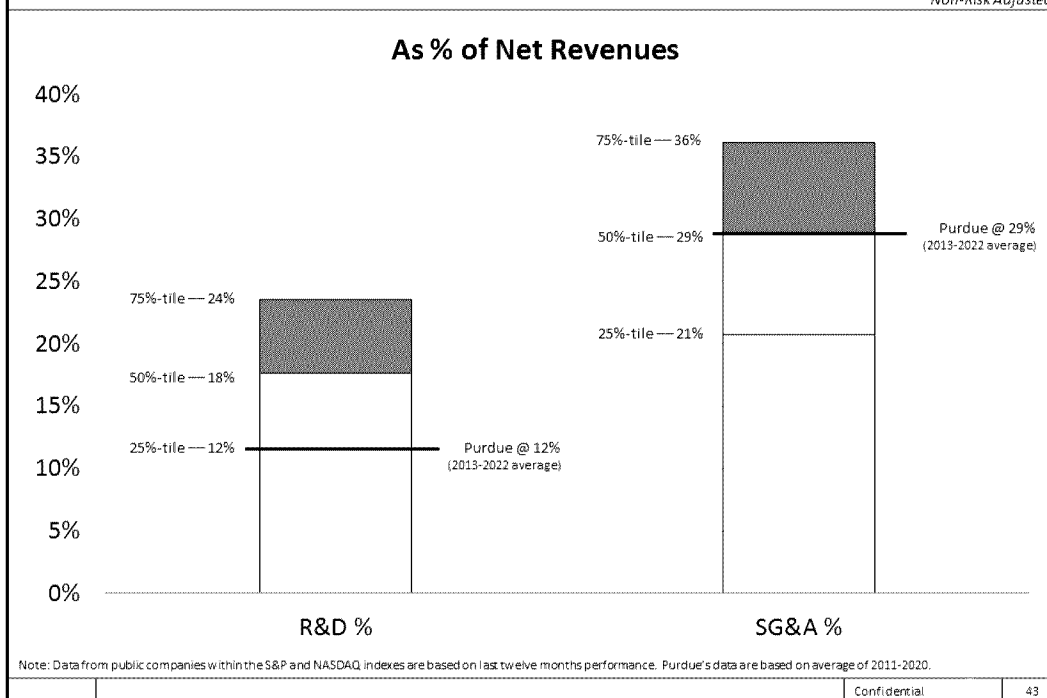
*Non-Risk Adjusted*



## Comparison with Public Pharma and Biotech Companies (2)

R&D and SG&A as % of Net Revenues

*Non-Risk Adjusted*



## 2013 10-Year Plan: Gross-to-Net Sales Summary

Summary of Product Sales (Non-Risk Adjusted)													\$000s
Products (Gross Sales)	2011A	2012A	2013F	2014	2015	2016	2017	2018	2019	2020	2021	2022	
OxyContin (ORF/QR)	2,781,018	2,777,064	2,553,108	2,748,054	2,557,559	2,444,874	2,299,352	2,304,613	2,340,154	2,332,720	169,009	64,338	
Butrans (1st+2nd Gen: (5-20µg))	73,531	112,887	160,025	199,441	240,445	283,444	235,032	30,613	23,529	16,172	13,069	8,893	
Intermezzo	-	16,556	13,860	-	-	-	-	-	-	-	-	-	
Dilaudid	24,842	23,769	16,981	16,875	16,600	16,118	15,787	15,736	15,427	15,122	14,855	14,692	
MS Contin	13,339	12,974	11,642	11,469	11,435	11,078	10,849	10,670	10,456	10,247	10,042	9,841	
Laxatives	51,134	51,514	49,287	51,503	51,603	51,709	51,812	51,915	52,018	52,116	52,228	52,323	
Slow-Mag	5,352	5,554	5,316	5,333	5,334	5,344	5,343	5,323	5,328	5,326	5,336	5,316	
Benzidine Betascept	11,121	11,592	11,136	11,109	11,108	11,107	11,101	11,082	11,066	11,072	11,067	10,977	
<b>Subtotal - Marketed Products</b>	<b>2,971,161</b>	<b>3,004,905</b>	<b>2,821,354</b>	<b>3,043,783</b>	<b>2,894,083</b>	<b>2,823,675</b>	<b>2,629,276</b>	<b>2,429,951</b>	<b>2,457,978</b>	<b>2,442,775</b>	<b>275,606</b>	<b>166,381</b>	
Targiniq (ONL) - Pain - OIC	-	-	-	-	41,255	163,512	266,135	430,651	452,302	45,150	29,636	21,185	
Hydrocodone QD (HYD)	-	-	-	-	88,911	271,101	401,296	530,777	548,292	557,856	465,740	44,128	
Oxycodone ADIR (ODI)	-	-	-	-	10,000	30,000	50,000	50,000	50,000	50,000	50,000	50,000	
TRPV1 (VND)	-	-	-	-	-	-	-	-	113,097	524,859	707,587	1,356,087	
<b>Subtotal - Pipeline</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>140,166</b>	<b>464,612</b>	<b>717,431</b>	<b>1,011,428</b>	<b>1,163,690</b>	<b>1,177,865</b>	<b>1,252,963</b>	<b>1,471,400</b>	
<b>TOTAL GROSS SALES - MARKETED &amp; PIPELINE</b>	<b>2,971,161</b>	<b>3,004,905</b>	<b>2,821,354</b>	<b>3,043,783</b>	<b>3,034,249</b>	<b>3,288,287</b>	<b>3,346,707</b>	<b>3,441,379</b>	<b>3,621,668</b>	<b>3,620,640</b>	<b>1,528,569</b>	<b>1,637,782</b>	
Gross to Net Sales Deduction	(748,666)	(806,438)	(714,147)	(1,157,226)	(1,181,440)	(1,277,712)	(1,436,887)	(1,403,379)	(1,380,316)	(1,318,384)	(428,532)	(568,640)	
<b>TOTAL NET SALES - MARKETED &amp; PIPELINE</b>	<b>2,222,495</b>	<b>2,198,467</b>	<b>2,107,207</b>	<b>1,886,557</b>	<b>1,852,809</b>	<b>2,010,575</b>	<b>1,909,820</b>	<b>2,038,000</b>	<b>2,241,352</b>	<b>2,302,256</b>	<b>1,100,037</b>	<b>1,069,142</b>	

Summary of Product Gross Sales (Risk-Adjusted)													
Products (Gross Sales)	2011A	2012A	2013F	2014	2015	2016	2017	2018	2019	2020	2021	2022	
Marketed Products	100%	2,971,161	3,004,905	2,821,354	3,043,783	2,894,083	2,823,675	2,629,276	2,429,951	2,457,978	2,442,775	275,606	166,381
Targiniq (ONL) - Pain - OIC	80%	-	-	-	-	33,004	130,809	212,908	344,521	361,841	36,120	23,709	16,948
Hydrocodone QD (HYD)	80%	-	-	-	-	71,129	216,880	321,037	424,622	438,833	445,285	372,592	35,302
Oxycodone ADIR (ODI)	90%	-	-	-	-	9,000	27,000	45,000	45,000	45,000	45,000	45,000	45,000
TRPV1 (VND)	15%	-	-	-	-	-	-	-	16,965	78,729	105,138	203,413	
<b>Subtotal - Pipeline</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>113,133</b>	<b>374,690</b>	<b>578,944</b>	<b>814,143</b>	<b>662,439</b>	<b>606,134</b>	<b>547,439</b>	<b>300,654</b>
<b>TOTAL GROSS SALES - MARKETED &amp; PIPELINE (RA)</b>	<b>2,971,161</b>	<b>3,004,905</b>	<b>2,821,354</b>	<b>3,043,783</b>	<b>3,007,216</b>	<b>3,198,365</b>	<b>3,205,221</b>	<b>3,244,093</b>	<b>3,320,417</b>	<b>3,045,909</b>	<b>823,045</b>	<b>467,045</b>	
Gross to Net Sales Deduction	(748,666)	(806,438)	(714,147)	(1,157,226)	(1,172,900)	(1,252,132)	(1,397,671)	(1,342,429)	(1,288,489)	(1,152,308)	(190,504)	(106,118)	
<b>TOTAL NET SALES - MARKETED &amp; PIPELINE (RA)</b>	<b>2,222,495</b>	<b>2,198,467</b>	<b>2,107,207</b>	<b>1,886,557</b>	<b>1,834,316</b>	<b>1,946,233</b>	<b>1,807,550</b>	<b>1,901,664</b>	<b>2,031,928</b>	<b>1,893,600</b>	<b>632,541</b>	<b>360,927</b>	

Metrics	2011A	2012A	2013F	2014	2015	2016	2017	2018	2019	2020	2021	2022	
Non-Risk Adjusted													
OxyContin as % of total gross sales	94%	92%	90%	90%	84%	74%	69%	67%	65%	64%	11%	4%	
Marketed products as % of total gross sales	100%	100%	100%	100%	95%	86%	79%	71%	68%	67%	18%	10%	
Pipeline products as % of total gross sales	0%	0%	0%	0%	5%	14%	21%	29%	32%	33%	82%	90%	
BLUPHON+HYD as % of total gross sales	2%	4%	6%	7%	12%	22%	27%	29%	28%	17%	33%	5%	
Risk-Adjusted													
Risk-adjusted sales as % of non-risk adjusted gross sales	100%	100%	100%	100%	99%	97%	96%	94%	92%	84%	54%	29%	
										Confidential		44	

ON-RISK ADJUSTED											\$00s
											2012
Marketed Products - Gross Sales	2011A	2012A	2013F	2014	2015	2016	2017	2018	2019	2020	2020
0-Year Plan, presented in 2012	2,971,161	3,167,870	3,086,723	3,195,713	3,440,259	3,566,067	3,069,521	888,889	795,886	301,892	21,512,820
0-Year Plan, presented in 2013	2,971,161	3,004,905	2,821,354	3,043,783	2,894,083	2,823,675	2,629,276	2,429,951	2,457,978	2,442,775	24,547,780
Variance - Higher/Lower	-	(162,965)	(265,369)	(151,930)	(546,176)	(742,392)	(440,245)	1,541,061	1,662,092	2,140,883	3,034,960
Components of Variance											
On/Off	-	(100,287)	(42,508)	27,257	(13,563)	52,241	(80,773)	2,375,717	2,195,565	2,232,263	6,736,130
Business Mix Change	-	22,521	7,284	(18,864)	234,859	247,130	(83,422)	6,697	4,318	4,352	562,004
Intermix	-	(32,629)	(142,574)	(337,330)	(438,336)	(540,135)	(531,414)	(520,338)	(615,965)	(771,371)	(3,109,245)
Others	-	7,115	(5,203)	7,253	(5,242)	7,397	(8,483)	(8,620)	(8,970)	(9,919)	(73,517)
Total Variance	-	(162,965)	(265,369)	(151,930)	(546,176)	(742,392)	(440,245)	1,541,061	1,662,092	2,140,883	3,034,960
											2012
Pipeline Products - Gross Sales	2011A	2012A	2013F	2014	2015	2016	2017	2018	2019	2020	2020
0-Year Plan, presented in 2012	-	-	-	46,043	297,737	729,407	1,470,875	1,916,246	2,474,057	2,034,694	8,969,057
0-Year Plan, presented in 2013	-	-	-	-	140,166	464,612	717,431	1,011,428	1,163,690	1,177,865	4,675,193
Variance - Higher/Lower	-	-	-	(46,043)	(157,572)	(264,794)	(753,444)	(904,818)	(1,310,366)	(856,829)	(4,293,865)
Components of Variance											
Business Mix Change	-	-	-	-	-	-	567,335	6,334,683	664,115	49,857	1,895,456
Tag - a, On/Off	-	-	-	46,043	(184,419)	(290,962)	338,196	261,009	338,374	(33,755)	1,495,798
Hydrocortisone OD, HYD	-	-	-	20,847	3,832	(10,737)	(118,630)	53,595	36,360	326,340	-
Oxycodone, AC, IR, OCL	-	-	-	-	30,300	30,300	50,300	50,300	50,300	50,300	240,300
FAH	-	-	-	-	-	-	-	-	118,384	(3,445)	432,538
TRPV, VND	-	-	-	-	-	-	-	(193,861)	293,388	252,957	840,336
ORL	-	-	-	-	-	-	-	-	-	(193,814)	(193,814)
Total Variance	-	-	-	(46,043)	(157,572)	(264,794)	(753,444)	(904,818)	(1,310,366)	(856,829)	(4,293,865)
											2012
Total Products - Gross Sales	2011A	2012A	2013F	2014	2015	2016	2017	2018	2019	2020	2020
0-Year Plan, presented in 2012	2,971,161	3,167,870	3,086,723	3,241,756	3,737,996	4,295,473	4,540,395	2,805,135	3,269,942	2,336,586	30,481,877
0-Year Plan, presented in 2013	2,971,161	3,004,905	2,821,354	3,043,783	3,034,249	3,288,287	3,346,707	3,441,379	3,621,668	3,620,640	29,222,972
Variance - Higher/Lower	-	(162,965)	(265,369)	(197,973)	(703,747)	(1,007,186)	(1,193,689)	636,244	351,726	1,284,054	(1,258,905)

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## OxyContin Settlements Impact to Net Sales

<u>OxyContin Settlements Assumptions</u>	<i>\$ millions</i>	<u>2014-2017</u>	<u>2018-2020</u>	<u>2014-2020</u>
2012's 10-Year Plan		(1,100)	-	(1,100)
2013's 10-Year Plan		(1,312)	(841)	(2,153)
<b>2013 Additional Settlements Over 2012</b>		<b>(212)</b>	<b>(841)</b>	<b>(1,053)</b>

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Financial Schedules

**NON-RISK ADJUSTED**

# 10-Year Plan: Financial Highlights

Non-Risk Adjusted

(\$ millions)

	2012 Actual	2013 Forecast	2014 Plan	2015 Plan	2016 Plan	2017 Plan	2018 Plan	2019 Plan	2020 Plan	2021 Plan	2022 Plan
Gross Branded Product Sales	3,004.9	2,821.4	3,043.8	3,034.2	3,288.3	3,346.7	3,441.4	3,621.7	3,620.6	1,528.6	1,637.8
OxyContin Settlements	-	-	(313.6)	(302.9)	(291.6)	(403.4)	(342.3)	(266.1)	(232.7)	-	-
Net Branded Sales	2,200.9	2,107.2	1,891.3	1,858.5	2,017.6	1,917.1	2,045.3	2,248.7	2,309.6	1,319.7	1,111.9
Operating Margin (before Incentive, Settlements & Other Items)	1,037.8	952.6	748.5	667.4	835.4	713.9	824.6	947.2	970.4	539.4	308.9
Operating Margin % Net Branded Sales	47.2%	45.2%	39.6%	35.9%	41.4%	37.2%	40.3%	42.1%	42.0%	40.9%	27.8%
Pre-Tax Profit / (Loss)	1,010.9	916.3	604.2	557.8	769.7	681.5	780.2	898.6	917.8	444.6	271.1
EBITDA	1,038.6	944.0	631.9	585.6	797.5	709.2	807.9	926.3	945.5	472.3	298.8
Tax Distributions	459.2	331.8	298.5	275.3	381.2	337.0	386.3	445.4	454.9	220.3	133.5
Total Equity (all Companies in Pharmaceutical Group reported to Management Revisions)	671.7	590.0	590.0	590.0	590.0	590.0	590.0	590.0	590.0	450.4	400.0
Unrestricted Cash	755.8	576.0	598.9	603.8	618.8	637.5	644.3	661.8	659.2	300.0	300.0

Product	Launch	Exclusivity Expiry
OxyContin	2010-Q3	2020-Q4
Butrans	2011-Q1	2017-Q3
Targiniq (ONU)	2015-Q1	2019-Q4
HydrocodoneQD (HYD)	2015-Q1	2021-Q4
TRPV1 (VND)	2019-Q1	2032-Q4

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# 2013 10-Year Plan: Profit & Loss Statement

Non-Risk Adjusted

	2012 Actual	2013 Forecast	2014	2015	2016	2017	2018	2019	2020	2021	2022
(\$'000's)											
Gross Branded Product Sales	\$3,054,966	\$2,821,287	\$2,945,785	\$3,054,248	\$3,288,287	\$3,148,797	\$3,441,278	\$3,621,888	\$3,836,640	\$1,628,888	\$1,627,722
OxyContin Settlements	0	0	(310,645)	(302,939)	(291,875)	(403,400)	(342,293)	(286,121)	(232,860)	0	0
Fee for Service	(89,312)	(87,987)	(81,800)	(81,642)	(86,605)	(87,645)	(89,333)	(72,962)	(75,900)	(29,681)	(31,723)
Discounts and Allowances	(154,022)	(184,086)	(87,031)	(81,687)	(88,964)	(81,889)	(85,879)	(91,837)	(91,935)	(48,928)	(84,939)
Patient Savings Card Discounts	(26,104)	(41,334)	(31,499)	(37,441)	(58,239)	(88,833)	(74,793)	(80,282)	(70,184)	(64,919)	(55,233)
Additional Oxy Rebates on Final Proposed Rule	(60,383)	(73,892)	(44,238)	(44,597)	(41,977)	(39,480)	(39,609)	(40,240)	(38,337)	0	0
Rebates on Branded Sales	(817,606)	(488,552)	(639,005)	(683,963)	(733,387)	(779,144)	(791,472)	(828,513)	(816,332)	(266,997)	(426,745)
Rebates as % of Gross Branded Sales	19.2%	19.2%	26.2%	25.2%	26.2%	27.2%	26.2%	26.2%	26.2%	19.2%	26.2%
NET BRANDED REVENUES	2,158,467	2,109,556	1,886,557	1,852,899	2,010,575	1,969,928	2,835,000	2,241,252	2,582,256	1,182,047	1,069,142
AG Income	-	-	-	-	-	-	-	-	-	210,293	29,369
3rd Party Royalty Income	2,458	1,681	4,712	5,729	6,993	7,280	7,320	7,300	7,360	7,360	7,360
NET BRANDED REVENUES + AG & PROFIT SHARE INCOME	2,200,922	2,107,207	1,891,269	1,858,624	2,017,568	1,977,199	2,842,319	2,248,571	2,589,616	1,319,700	1,111,867
Cost of Goods Sold	(148,476)	(148,240)	(147,128)	(168,870)	(196,335)	(218,082)	(224,843)	(243,599)	(274,848)	(266,124)	(287,335)
Royalty Expense	(120,268)	(122,338)	(122,278)	(128,841)	(133,278)	(131,577)	(131,840)	(140,398)	(168,283)	(171,364)	(179,881)
Shipping and Warehousing	(11,814)	(11,386)	(10,151)	(9,810)	(10,272)	(10,740)	(10,794)	(10,909)	(10,840)	(7,678)	(7,778)
GROSS PROFIT	1,820,466	1,684,272	1,611,711	1,667,212	1,676,454	1,666,781	1,677,742	1,865,384	1,966,658	984,654	788,906
G&A	(154,289)	(168,426)	(188,045)	(171,852)	(177,587)	(184,093)	(180,836)	(197,208)	(204,107)	(190,000)	(190,000)
G&A as % of Gross Sales	7%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%
R&D - Incurred to Gross Sales	(112,112)	(107,247)	(108,118)	(125,252)	(155,618)	(173,851)	(170,368)	(161,078)	(156,858)	(177,268)	(177,268)
R&D - Unallocated	-	-	-	-	(18,041)	(47,647)	(120,138)	(182,884)	(124,081)	(31,924)	(26,094)
R&D Other - Milestone and Advances	(2,234)	(10,992)	(4,181)	(4,191)	(4,191)	(3,791)	171	171	171	98	98
Sales and Promotion	(302,110)	(288,313)	(283,719)	(334,869)	(340,948)	(342,048)	(337,504)	(379,426)	(388,918)	(395,999)	(410,474)
SG&A as % of Gross Sales	14%	14%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Health Care Reform Fee	(31,591)	(31,590)	(32,168)	(31,328)	(31,528)	(48,153)	(47,072)	(33,098)	(34,788)	(34,778)	(14,883)
Other - US	(17,933)	(439)	(12,183)	(4,181)	(4,107)	(4,036)	(4,031)	(4,026)	(4,026)	(4,020)	(4,014)
OPERATING EXPENSES	(832,803)	(871,682)	(898,169)	(889,992)	(840,586)	(842,689)	(883,120)	(1,008,600)	(1,081,183)	(1,048,180)	(1,018,040)
OPERATING MARGIN BEFORE INCENTIVE & SETTLEMENTS	987,663	812,590	713,542	777,220	835,868	824,100	794,622	856,784	885,475	436,474	370,866
Incentive Bonus	(34,285)	(36,618)	(36,330)	(37,087)	(37,796)	(38,884)	(39,326)	(40,112)	(40,814)	(20,487)	(20,886)
Insurance Income	3,620	3,664	380	-	-	-	-	-	-	-	-
Settlement Expense	(14,247)	(1,900)	-	-	-	-	-	-	-	-	-
TOTAL INCENTIVES AND SETTLEMENTS	(44,912)	(34,854)	(35,950)	(37,087)	(37,796)	(38,884)	(39,326)	(40,112)	(40,814)	(20,487)	(20,886)
OPERATING MARGIN AFTER INCENTIVES AND SETTLEMENTS	942,751	777,736	677,592	740,133	803,072	785,216	755,296	816,672	844,661	415,987	349,980
Other Items											
Royalty Income - ex US	33,961	40,692	39,031	37,684	37,777	37,888	34,721	31,428	28,387	28,662	23,214
Ex US Expenses	(65,063)	(164,859)	(144,477)	(107,075)	(62,489)	(23,380)	(36,385)	(36,285)	(36,385)	(26,385)	(26,385)
One Time Charges/Other Items	(2,146)	(2,866)	(3,081)	(3,186)	(3,214)	(3,437)	(3,666)	(3,666)	(3,336)	(63,744)	(3,584)
Gain on sale of intangible stock	124,931	-	-	-	-	-	-	-	-	-	-
Interest (Expense)/Income	1,364	172	172	172	172	172	172	172	172	172	172
TOTAL OTHER ITEMS	18,106	(12,460)	(108,554)	(72,444)	(27,846)	8,182	(6,668)	(6,436)	(10,980)	(74,280)	(76,960)
PROFIT/LOSS BEFORE TAX	\$1,010,668	\$918,280	\$904,207	\$967,860	\$789,747	\$801,691	\$753,241	\$809,806	\$817,777	\$444,633	\$271,100
Pre-Tax Profit as % of Gross Sales	49.0%	43.6%	32.2%	33.1%	25.2%	26.7%	25.2%	26.1%	26.2%	40.3%	28.4%

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# 2013 10-Year Plan: Balance Sheet

Non-Risk Adjusted

Balance Sheet (\$'000)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	Actual	Actual	Forecast	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan
<b>Assets</b>												
<b>Current Assets:</b>												
Cash and cash equivalents	\$ 606,494	\$ 755,593	\$ 576,026	\$ 598,892	\$ 603,842	\$ 618,794	\$ 637,519	\$ 644,257	\$ 661,805	\$ 659,193	\$ 300,004	\$ 300,004
Restricted Cash	16,000	23,927	4,800	-	-	-	-	-	-	-	-	-
Accounts and other receivable:												
Trade (net)	218,801	187,137	136,623	192,773	192,169	208,258	211,958	217,954	229,372	229,307	96,809	103,726
Associated companies	27,820	31,819	13,673	9,758	9,414	9,444	9,464	8,680	7,856	7,097	6,415	5,803
Other receivables	10,075	2,957	7,250	6,178	6,431	6,748	6,820	6,830	6,830	6,840	6,840	6,840
Total accounts and other receivable	256,696	221,913	157,546	208,709	208,014	224,451	228,242	233,464	244,059	243,244	110,065	116,370
Inventories	44,207	50,631	42,881	36,782	41,417	49,633	54,513	56,211	60,850	68,737	64,031	74,384
Prepaid expenses and other assets	32,658	22,144	23,670	23,670	23,670	23,670	23,670	23,670	23,670	23,670	23,670	23,670
Total current assets	956,095	1,074,208	804,923	888,052	876,343	916,547	943,944	957,502	990,383	994,844	497,770	514,227
Property, plant and equipment - net	143,163	149,483	159,119	210,619	220,028	222,958	221,428	221,143	221,938	223,675	228,237	229,527
Investments	19,787	7,871	69,111	69,111	69,111	69,111	69,111	69,111	69,111	69,111	69,111	69,111
Due from associated companies	3,250	3,000	3,250	3,250	3,250	3,250	3,250	3,250	3,250	3,250	3,250	3,250
Intangible assets, net	191,602	196,645	189,805	181,605	173,405	166,394	159,383	152,372	145,612	140,594	137,402	134,916
Other assets	90,454	231,856	38,672	38,672	38,672	38,672	38,672	38,672	38,672	38,672	38,672	38,672
Restricted cash	42,469	17,205	21,700	31,700	31,700	31,700	31,700	31,700	31,700	31,700	31,700	31,700
Total assets	\$1,446,780	\$1,680,268	\$1,285,580	\$1,403,009	\$1,413,109	\$1,446,633	\$1,467,489	\$1,473,851	\$1,500,667	\$1,501,846	\$1,004,142	\$1,021,603
<b>Liabilities</b>												
<b>Current liabilities:</b>												
Accounts payable	\$ 87,361	\$ 71,181	\$ 81,500	\$ 78,050	\$ 81,038	\$ 76,476	\$ 75,559	\$ 76,268	\$ 83,412	\$ 81,752	\$ 38,867	\$ 38,059
Accrued expenses and taxes	632,809	694,721	360,628	480,572	488,983	530,366	551,437	558,388	579,359	583,497	269,531	339,580
Due to associated companies	11,348	12,392	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000
Total current liabilities	731,518	778,294	455,228	571,623	583,020	619,842	639,996	647,656	675,771	678,248	321,399	390,640
Other long-term obligations	223,628	230,249	241,382	241,382	240,084	238,786	237,488	236,190	234,892	233,594	232,296	230,998
Total liabilities	955,146	1,008,543	696,610	813,005	823,104	858,628	877,484	883,846	910,663	911,842	553,695	621,638
<b>Equity:</b>												
Capital stock-Common	9	9	9	9	9	9	9	9	9	9	9	9
Additional paid in capital	1,982	1,982	1,982	1,982	1,982	1,982	1,982	1,982	1,982	1,982	1,982	1,982
Retained earnings and partners' capital	635,780	713,199	717,414	717,449	717,449	717,448	717,448	717,449	717,448	717,448	577,892	527,410
Minimum pension liability adjustment	(145,136)	(139,935)	(128,436)	(128,436)	(128,436)	(128,436)	(128,436)	(128,436)	(128,436)	(128,436)	(128,436)	(128,436)
Unrealized gain on Infinity Stock/IFX Translation	-	97,469	-	-	-	-	-	-	-	-	-	-
Subscription Receivable	(999)	(999)	(999)	(999)	(999)	(999)	(999)	(999)	(999)	(999)	(999)	(999)
Total stockholder's equity	491,635	671,725	589,970	590,005	590,005	590,004	590,004	590,005	590,004	590,004	450,448	399,966
Total liabilities and stockholder's equity	\$1,446,780	\$1,680,268	\$1,285,580	\$1,403,010	\$1,413,109	\$1,446,633	\$1,467,489	\$1,473,851	\$1,500,667	\$1,501,846	\$1,004,142	\$1,021,603

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# 2013 10-Year Plan: Statement of Cash Flows

Non-Risk Adjusted

Statement of Cash Flows	Non-Risk Adjusted											
(\$100)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	Actual	Actual	Forecast	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan
<b>Operating activities</b>												
Net income (loss) after tax before extraordinary item	\$ 1,144,453	\$ 1,008,308	\$ 911,586	\$ 597,067	\$ 550,567	\$ 762,319	\$ 673,924	\$ 772,512	\$ 890,723	\$ 909,736	\$ 440,608	\$ 267,005
Non-cash charges (credits) to net income:												
Depreciation	25,564	24,120	25,364	25,000	33,091	34,570	35,030	34,790	34,745	34,870	35,143	35,545
Amortization	2,740	4,939	6,840	8,200	8,200	7,011	7,011	7,011	6,760	5,018	3,192	2,486
Loss on equity investment companies	112,388	101,005	163,066	144,477	107,075	62,489	28,398	36,385	36,385	36,385	36,385	36,385
Working capital changes	162,044	88,604	(271,229)	67,416	7,113	12,200	11,502	(44)	12,057	(5,355)	(219,646)	51,972
Extraordinary item Payout / Reduction in Infinity	(888)		189,500	-	-	-	-	-	-	-	-	-
Long-term assets and liabilities	28,846	(2,012)	(71,153)	-	(1,298)	(1,298)	(1,298)	(1,298)	(1,298)	(1,298)	(1,298)	(1,298)
<b>Cash flow from operations</b>	<b>1,475,761</b>	<b>1,242,391</b>	<b>953,974</b>	<b>842,160</b>	<b>704,748</b>	<b>877,290</b>	<b>754,567</b>	<b>849,356</b>	<b>979,373</b>	<b>979,356</b>	<b>294,384</b>	<b>392,095</b>
<b>Investing activities</b>												
Capital expenditure	(26,823)	(30,487)	(35,000)	(76,500)	(42,500)	(37,500)	(33,500)	(34,505)	(35,540)	(36,606)	(37,705)	(38,836)
Restricted Cash, net	12,944	17,337	14,632	(5,200)	-	-	-	-	-	-	-	-
Investments in JV and associates	(100,323)	(89,089)	(224,306)	(144,477)	(107,075)	(62,489)	(28,398)	(36,385)	(36,385)	(36,385)	(36,385)	(36,385)
<b>Cash flow used by investing</b>	<b>(174,202)</b>	<b>(158,701)</b>	<b>(244,674)</b>	<b>(226,177)</b>	<b>(149,575)</b>	<b>(99,989)</b>	<b>(61,898)</b>	<b>(70,890)</b>	<b>(71,925)</b>	<b>(72,981)</b>	<b>(74,060)</b>	<b>(75,221)</b>
<b>Financing activities</b>												
Proceeds from (to) associated companies, net	(3,823)	(2,703)	18,504	3,915	344	(31)	(20)	783	824	760	681	612
Distributions for Required Tax Payments	(553,393)	(459,245)	(331,772)	(298,534)	(275,283)	(381,159)	(336,962)	(386,256)	(445,362)	(454,868)	(220,304)	(133,502)
Distributions Non Tax	(575,246)	(471,643)	(575,600)	(298,498)	(275,284)	(381,160)	(336,962)	(386,256)	(445,362)	(454,868)	(359,860)	(183,985)
<b>Cash flow provided by financing</b>	<b>(1,132,159)</b>	<b>(933,591)</b>	<b>(888,868)</b>	<b>(593,117)</b>	<b>(550,223)</b>	<b>(762,350)</b>	<b>(673,944)</b>	<b>(771,729)</b>	<b>(889,900)</b>	<b>(908,976)</b>	<b>(579,483)</b>	<b>(316,875)</b>
<b>Increase in cash and cash equivalents</b>	<b>169,400</b>	<b>149,099</b>	<b>(179,568)</b>	<b>22,867</b>	<b>4,950</b>	<b>14,952</b>	<b>16,726</b>	<b>6,738</b>	<b>17,548</b>	<b>(2,612)</b>	<b>(359,188)</b>	<b>(1)</b>
Unrestricted Cash at beginning of period	437,094	606,494	755,593	576,025	598,892	603,842	618,794	637,519	644,257	661,805	659,193	300,004
<b>Unrestricted Cash at end of period</b>	<b>\$ 606,494</b>	<b>\$ 755,593</b>	<b>\$ 576,025</b>	<b>\$ 598,892</b>	<b>\$ 603,842</b>	<b>\$ 618,794</b>	<b>\$ 637,519</b>	<b>\$ 644,257</b>	<b>\$ 661,805</b>	<b>\$ 659,193</b>	<b>\$ 300,004</b>	<b>\$ 300,004</b>

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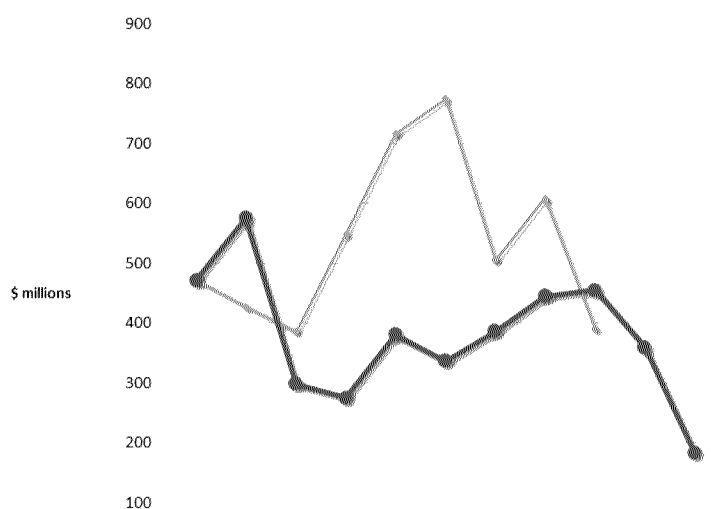
# Headcount

Non-Risk Adjusted

10 Year Plan - Headcount	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	Actual	Actual	Actual	Actual	Actual	10 Year Plan Outlook									
<b>Sales and Marketing</b>															
Sales Reps	346	397	474	508	487	517	517	517	517	517	517	517	517	385	385
DM	44	50	65	66	62	66	66	66	66	66	66	66	66	56	56
RM	6	7	9	9	11	11	11	11	11	11	11	11	11	8	8
Other	45	46	57	63	65	71	71	71	71	71	71	71	71	69	69
Subtotal - Field Sales	441	500	605	646	625	665	665	665	665	665	665	665	665	518	518
Marketing	35	40	44	45	48	55	55	57	57	57	57	57	57	57	57
Sales Support	17	21	18	23	29	32	32	32	32	32	32	32	32	32	32
Total: Sales & Marketing *	493	561	661	714	702	752	752	754	754	754	754	754	754	607	607
<b>Manufacturing</b>	309	262	262	263	262	279	292	331	370	380	384	384	391	387	387
<b>G&amp;A</b>	325	336	343	357	368	384	384	384	384	384	384	384	384	170	170
<b>R&amp;D</b>	237	252	270	299	334	360	360	360	360	360	360	360	360	283	283
<b>President's Reserve</b>					8	(24)									
<b>Total Purdue Headcount</b>	<b>1,364</b>	<b>1,411</b>	<b>1,436</b>	<b>1,633</b>	<b>1,674</b>	<b>1,751</b>	<b>1,788</b>	<b>1,829</b>	<b>1,868</b>	<b>1,878</b>	<b>1,882</b>	<b>1,882</b>	<b>1,889</b>	<b>1,447</b>	<b>1,447</b>
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## 10-Year Plan: Non-Tax Distributions

Non-Risk Adjusted



Non-Tax Distributions	\$ millions	2012-2020
Presented in 2012 Plan		4,834
Presented in 2013 Plan		3,626
Change, 2013 vs 2012 Plan		(1,208)
Variance Analysis		
5% increase in tax rate (45% vs 50%)		(363)
Lower operating profits		(804)
Others		(42)
Total Change		(1,208)

	2012 A	2013 F	2014	2015	2016	2017	2018	2019	2020	2021	2022
2012's 10-Year Plan	473	428	387	549	717	776	506	609	391		
2013's 10-Year Plan	472	576	298	275	381	337	386	445	455	360	184

Confidential

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Financial Schedules

**RISK-ADJUSTED**

# 2013 10-Year Plan: Profit & Loss Statement

Risk-Adjusted

(\$000's)	2012 Actual	2013 Forecast	2014	2015	2016	2017	2018	2019	2020	2021	2022
Gross Branded Product Sales	\$3,004,906	\$2,821,387	\$2,045,783	\$2,007,218	\$2,190,266	\$2,302,221	\$2,344,093	\$2,320,417	\$2,045,899	\$222,046	\$467,046
OxyContin Settlements	0	0	(313,648)	(302,939)	(291,578)	(403,400)	(342,293)	(256,121)	(222,660)	0	0
Fee for Service	(59,313)	(57,957)	61,808	61,022	64,874	64,848	66,436	66,962	61,491	(13,467)	(6,071)
Discounts and Allowances	(134,032)	(94,066)	(67,031)	(78,727)	(84,008)	(77,268)	(79,830)	(81,916)	(72,803)	(21,723)	(14,032)
Patient Savings Card Discounts	(26,104)	(41,334)	(31,498)	(36,000)	(30,276)	(37,666)	(52,961)	(63,160)	(46,937)	(25,960)	(11,246)
Additional Oxy Rebates on Final Proposed Rule	(60,383)	(73,692)	(44,236)	(43,687)	(41,977)	(39,450)	(39,609)	(40,240)	(33,837)	0	0
Rebates on Branded Sales	(\$17,606)	(465,552)	(639,001)	(850,314)	(719,419)	(754,909)	(753,001)	(770,069)	(706,380)	(126,316)	(74,728)
Rebates as % of Gross Branded Sales	16.2%	16.5%	22.4%	23.1%	23.0%	24.5%	24.4%	24.4%	24.3%	16.7%	16.0%
<b>NET BRANDED REVENUES</b>	<b>2,198,467</b>	<b>2,105,356</b>	<b>1,886,557</b>	<b>1,834,316</b>	<b>1,846,233</b>	<b>1,810,549</b>	<b>1,901,664</b>	<b>2,031,928</b>	<b>1,896,600</b>	<b>632,541</b>	<b>360,927</b>
AG Income	-	-	-	-	-	-	-	-	-	210,293	36,365
3rd Party Royalty Income	2,438	1,651	4,712	6,728	6,993	7,280	7,320	7,320	7,360	7,360	7,360
<b>NET BRANDED REVENUES + AG &amp; PROFIT SHARE INCOME</b>	<b>2,200,922</b>	<b>2,107,207</b>	<b>1,891,269</b>	<b>1,841,041</b>	<b>1,853,226</b>	<b>1,817,830</b>	<b>1,908,984</b>	<b>2,039,247</b>	<b>1,903,961</b>	<b>850,194</b>	<b>403,653</b>
Cost of Goods Sold	(148,475)	(149,240)	(147,108)	(163,132)	(190,491)	(205,596)	(209,114)	(217,708)	(217,870)	(184,938)	(177,168)
COGS as % of Gross Branded Product Sales	4.0%	5.3%	6.4%	8.0%	8.6%	8.9%	9.0%	9.3%	9.3%	9.0%	8.7%
3rd Party Royalty Expense	(120,268)	(122,338)	(122,278)	(124,666)	(129,779)	(126,828)	(126,427)	(126,504)	(134,042)	(124,714)	(16,653)
Shipping and Warehousing	(11,814)	(11,356)	(10,150)	(9,748)	(10,096)	(10,466)	(10,448)	(10,576)	(10,312)	(7,510)	(6,761)
<b>GROSS PROFIT</b>	<b>1,860,288</b>	<b>1,824,272</b>	<b>1,617,711</b>	<b>1,542,498</b>	<b>1,622,888</b>	<b>1,476,242</b>	<b>1,685,893</b>	<b>1,682,467</b>	<b>1,641,756</b>	<b>658,251</b>	<b>200,270</b>
G&A (incl Legal Dept but excl Legal Fees)	(184,289)	(188,426)	(166,041)	(171,852)	(177,867)	(184,932)	(190,336)	(197,206)	(204,107)	(90,116)	(28,743)
G&A as % of Net Sales	9.9%	8.5%	8.2%	8.8%	9.2%	10.2%	10.3%	10.3%	10.3%	5.4%	1.4%
R&D - allocated to projects	(312,513)	(327,247)	(304,316)	(299,292)	(252,678)	(173,561)	(110,346)	(101,076)	(104,568)	(66,518)	(81,361)
R&D - unallocated	-	-	-	-	(16,241)	(47,647)	(120,138)	(152,864)	(93,038)	-	-
R&D Other - Milestone and Alliances	(2,284)	(10,962)	(4,181)	(4,181)	(4,181)	(3,791)	171	171	171	66	66
R&D as % of Net Sales	14%	16%	16%	16%	12%	12%	12%	12%	10%	11%	17%
Sales and Promotion	(303,110)	(288,313)	(293,756)	(331,627)	(330,036)	(324,266)	(318,206)	(343,974)	(313,798)	(106,506)	(80,928)
S&P as % of Net Sales	16%	14%	16%	19%	17%	19%	17%	17%	17%	16%	17%
Pharmacy Fee (Health Reform)	(31,281)	(31,800)	(32,828)	(31,326)	(30,948)	(43,892)	(46,104)	(30,841)	(29,362)	(26,408)	(5,107)
Other - US	(17,933)	(438)	(12,163)	(4,181)	(4,107)	(4,036)	(4,031)	(4,026)	(4,026)	(4,023)	(4,014)
<b>OPERATING EXPENSES</b>	<b>(852,602)</b>	<b>(871,642)</b>	<b>(808,198)</b>	<b>(838,233)</b>	<b>(828,266)</b>	<b>(825,646)</b>	<b>(825,663)</b>	<b>(868,715)</b>	<b>(858,827)</b>	<b>(279,214)</b>	<b>(182,268)</b>
Operating Expenses as % of Net Sales	45.6%	41.4%	42.6%	45.5%	44.7%	45.5%	43.3%	42.7%	44.6%	32.8%	45.1%
<b>OPERATING MARGIN BEFORE INCENTIVE &amp; SETTLEMENTS</b>	<b>\$1,007,722</b>	<b>\$962,832</b>	<b>\$748,612</b>	<b>\$666,878</b>	<b>\$795,842</b>	<b>\$661,284</b>	<b>\$785,440</b>	<b>\$813,744</b>	<b>\$767,109</b>	<b>\$570,980</b>	<b>\$220,611</b>
Incentive Bonus	(34,286)	(35,616)	(36,330)	(37,087)	(37,796)	(38,554)	(39,326)	(40,112)	(40,914)	(13,782)	(1,508)
Insurance Income	3,520	3,558	350	0	0	0	0	0	0	0	0
Settlement Expense	(14,247)	(11,900)	0	0	0	0	0	0	0	0	0
<b>TOTAL INCENTIVES AND SETTLEMENTS</b>	<b>(45,013)</b>	<b>(44,058)</b>	<b>(35,980)</b>	<b>(37,087)</b>	<b>(37,796)</b>	<b>(38,554)</b>	<b>(39,326)</b>	<b>(40,112)</b>	<b>(40,914)</b>	<b>(13,782)</b>	<b>(1,508)</b>
<b>OPERATING MARGIN AFTER INCENTIVES AND SETTLEMENTS</b>	<b>\$962,709</b>	<b>\$918,774</b>	<b>\$712,632</b>	<b>\$629,791</b>	<b>\$758,046</b>	<b>\$622,730</b>	<b>\$746,114</b>	<b>\$773,632</b>	<b>\$726,195</b>	<b>\$557,198</b>	<b>\$219,103</b>
Other Items											
Royalty Income - ex US	83,961	40,692	39,031	37,664	37,777	37,886	34,721	31,425	26,387	26,660	23,214
Ex US Expenses	(65,063)	(164,889)	(144,475)	(107,075)	(82,458)	(60,256)	(36,358)	(36,358)	(36,358)	(36,358)	(36,358)
One Time Charges	(2,146)	(2,956)	(2,061)	(3,196)	(3,314)	(3,437)	(3,560)	(3,683)	(3,806)	(127,459)	(3,894)
Gain on sale of Infinity stock	1,364	172	172	172	172	172	172	172	172	172	172
Interest (Expense) / Income	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL OTHER ITEMS</b>	<b>18,106</b>	<b>(124,981)</b>	<b>(105,433)</b>	<b>(72,444)</b>	<b>(47,566)</b>	<b>(25,565)</b>	<b>(6,425)</b>	<b>(6,463)</b>	<b>(11,665)</b>	<b>(189,343)</b>	<b>(16,246)</b>
<b>PROFIT / LOSS BEFORE TAX</b>	<b>\$1,010,666</b>	<b>\$789,745</b>	<b>\$607,200</b>	<b>\$557,347</b>	<b>\$710,480</b>	<b>\$597,165</b>	<b>\$739,689</b>	<b>\$767,170</b>	<b>\$714,530</b>	<b>\$367,855</b>	<b>\$202,857</b>
Pre-Tax Profit as % of Net Sales	46.0%	37.4%	32.0%	30.3%	38.4%	32.9%	38.6%	37.7%	37.5%	43.1%	50.0%
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# 2013 10-Year Plan: Balance Sheet

Risk-Adjusted

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	Actual	Actual	Forecast	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan
(\$000)												
<b>Assets</b>												
Current Assets:												
Cash and cash equivalents	\$ 606,494	\$ 755,593	\$ 576,026	\$ 644,158	\$ 647,708	\$ 659,239	\$ 682,661	\$ 681,926	\$ 688,471	\$ 663,853	\$ 321,005	\$ 300,004
Restricted Cash	16,000	23,927	4,800	-	-	-	-	-	-	-	-	-
Accounts and other receivable:												
Trade (net)	218,801	187,137	136,623	172,909	171,271	184,097	177,639	183,781	193,439	178,362	52,126	29,580
Associated companies	27,820	31,819	13,673	9,758	9,414	9,444	9,464	8,680	7,856	7,097	6,415	5,803
Other receivables	10,075	2,957	7,250	6,178	6,431	5,748	6,820	6,830	6,830	6,840	6,840	6,840
Total accounts and other receivable	256,696	221,913	157,546	188,844	187,116	200,289	193,922	199,291	208,125	192,299	65,382	42,223
Inventories	44,207	50,631	42,881	36,782	40,783	47,623	51,399	52,278	54,427	54,468	46,235	44,292
Prepaid expenses and other assets	32,658	22,144	23,670	23,670	23,670	23,670	23,670	23,670	23,670	23,670	23,670	23,670
Total current assets	956,955	1,074,208	804,923	893,454	899,217	930,820	951,553	957,166	974,993	934,250	456,291	410,189
Property, plant and equipment - net	143,163	149,483	159,119	210,619	220,028	222,958	221,428	221,143	221,938	223,675	228,237	229,527
Investments	19,787	7,871	69,111	69,111	69,111	69,111	69,111	69,111	69,111	69,111	69,111	69,111
Due from associated companies	3,250	3,000	3,250	3,250	3,250	3,250	3,250	3,250	3,250	3,250	3,250	3,250
Intangible assets, net	191,602	196,645	189,805	181,605	173,405	166,394	159,383	152,372	145,612	140,594	137,402	134,916
Other assets	90,454	231,856	38,672	38,672	38,672	38,672	38,672	38,672	38,672	38,672	38,672	38,672
Restricted cash	42,469	17,205	21,700	31,700	31,700	31,700	31,700	31,700	31,700	31,700	31,700	31,700
Total assets	\$1,446,780	\$1,680,268	\$1,285,580	\$1,428,411	\$1,435,443	\$1,462,905	\$1,475,196	\$1,473,414	\$1,484,917	\$1,441,292	\$962,663	\$917,386
<b>Liabilities</b>												
Current liabilities:												
Accounts payable	\$ 87,361	\$ 71,181	\$ 81,500	\$ 81,333	\$ 83,836	\$ 78,480	\$ 78,171	\$ 78,519	\$ 82,921	\$ 74,875	\$ 25,751	\$ 16,059
Accrued expenses and taxes	632,809	694,721	360,628	502,691	508,518	542,635	556,533	555,701	564,160	529,818	166,885	131,673
Due to associated companies	11,348	12,392	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000
Total current liabilities	731,518	778,294	455,228	597,025	605,354	634,115	647,704	647,220	660,081	617,693	205,637	160,733
Other long-term obligations	223,628	230,249	241,382	241,382	240,084	238,786	237,488	236,190	234,892	233,594	232,296	230,998
Total liabilities	955,146	1,008,543	696,610	838,407	845,438	872,901	885,192	883,410	894,973	851,287	437,933	391,731
<b>Equity</b>												
Capital stock-Common	9	9	9	9	9	9	9	9	9	9	9	9
Additional paid in capital	1,982	1,982	1,982	1,982	1,982	1,982	1,982	1,982	1,982	1,982	1,982	1,982
Retained earnings and partners' capital	635,780	713,199	717,414	717,449	717,449	717,448	717,449	717,448	717,448	717,449	652,174	653,079
Minimum pension liability adjustment	(145,136)	(139,935)	(128,436)	(128,436)	(128,436)	(128,436)	(128,436)	(128,436)	(128,436)	(128,436)	(128,436)	(128,436)
Unrealized gain on Infinity Stock/IFX Translation	-	97,469	-	-	-	-	-	-	-	-	-	-
Subscription Receivable	(999)	(999)	(999)	(999)	(999)	(999)	(999)	(999)	(999)	(999)	(999)	(999)
Total stockholder's equity	491,636	671,725	589,970	590,005	590,005	590,004	590,005	590,004	590,004	590,005	524,730	525,635
Total liabilities and stockholder's equity	\$1,446,780	\$1,680,268	\$1,285,580	\$1,428,411	\$1,435,443	\$1,462,905	\$1,475,197	\$1,473,414	\$1,484,917	\$1,441,292	\$962,663	\$917,386
										Confidential		56

# 2013 10-Year Plan: Statement of Cash Flows

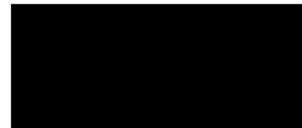
*Risk-Adjusted*

Statement of Cash Flows	Risk-Adjusted		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
(\$'000)	Actual	Actual	Forecast	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan
Operating activities														
Net income (loss) after tax before extraordinary item	\$ 1,144,453	\$ 1,008,308	\$ 911,586	\$ 604,207	\$ 546,475	\$ 728,311	\$ 619,022	\$ 691,058	\$ 765,147	\$ 704,533	\$ 194,489	\$ 1,809		
Non-cash charges (credits) to net income:														
Depreciation	25,564	24,120	25,364	25,000	33,091	34,570	35,030	34,790	34,745	34,870	35,143	35,545		
Amortization	2,740	4,939	6,840	8,200	8,200	7,011	7,011	7,011	6,760	5,018	3,192	2,486		
Loss on equity investment companies	112,388	101,005	163,066	144,477	107,075	62,489	28,398	36,385	36,385	36,385	36,385	36,385		
Working capital changes	162,044	88,604	(271,229)	112,682	5,713	8,779	16,198	(7,515)	1,054	(27,362)	(277,588)	(20,415)		
Extraordinary Item Payout / Reduction in Infinity	(888)		189,500	-	-	-	-	-	-	-	-	-		
Long-term assets and liabilities	28,846	(2,012)	(71,153)	-	(1,298)	(1,298)	(1,298)	(1,298)	(1,298)	(1,298)	(1,298)	(1,298)		
Cash flow from operations	(174,702)	1,242,391	953,974	894,567	699,256	839,662	704,361	760,431	842,793	752,146	(9,676)	54,513		
Investing activities														
Capital expenditure	(26,823)	(30,487)	(35,000)	(76,500)	(42,500)	(37,500)	(33,500)	(34,505)	(35,540)	(36,606)	(37,705)	(38,836)		
Restricted Cash, net	12,944	17,337	14,632	(5,200)	-	-	-	-	-	-	-	-		
Investments in JV and associates	(100,323)	(89,089)	(224,306)	(144,477)	(107,075)	(62,489)	(28,398)	(36,385)	(36,385)	(36,385)	(36,385)	(36,385)		
Cash flow used by investing	(174,202)	(159,701)	(244,674)	(226,177)	(149,575)	(99,989)	(61,898)	(70,890)	(71,925)	(72,981)	(74,060)	(75,221)		
Financing activities														
Proceeds from (to) associated companies, net	(3,823)	(2,703)	18,504	3,915	344	(31)	(20)	783	824	760	681	612		
Distributions for Required Tax Payments	(553,393)	(459,245)	(331,772)	(302,104)	(273,237)	(364,156)	(309,511)	(345,529)	(382,573)	(352,266)	(97,245)	(904)		
Distributions Non Tax	(575,246)	(471,643)	(575,600)	(302,068)	(273,238)	(364,156)	(309,510)	(345,530)	(382,574)	(352,266)	(162,519)	-		
Cash flow provided by financing	(1,132,159)	(933,591)	(888,868)	(600,257)	(546,131)	(728,343)	(619,041)	(690,276)	(764,323)	(703,772)	(259,083)	(29,2)		
Increase in cash and cash equivalents	169,400	149,099	(179,568)	68,133	3,550	11,530	23,422	(735)	6,545	(24,618)	(342,849)	(21,000)		
Unrestricted Cash at beginning of period	437,094	606,494	755,593	576,025	644,158	647,708	659,239	682,661	681,926	688,471	663,853	321,005		
Unrestricted Cash at end of period	\$ 606,494	\$ 755,593	\$ 576,025	\$ 644,158	\$ 647,708	\$ 659,239	\$ 682,661	\$ 681,926	\$ 688,471	\$ 663,853	\$ 321,005	\$ 300,004		
													Confidential	57



Non-Risk Adjusted versus Risk Adjusted Financials				
10-Year Plan (2013-2022, Cumulative)	Non Risk-Adjusted	With Risk-Adjusted	Difference	
	\$ millions	\$ millions	\$ millions	%
Net Branded Revenues	18,518	16,407	(2,111)	-11.4%
Pre-tax Net Profits	6,842	5,771	(1,071)	-15.6%
			Confidential	58

## Managed Care



*June 6, 2013*

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## Managed Care Landscape

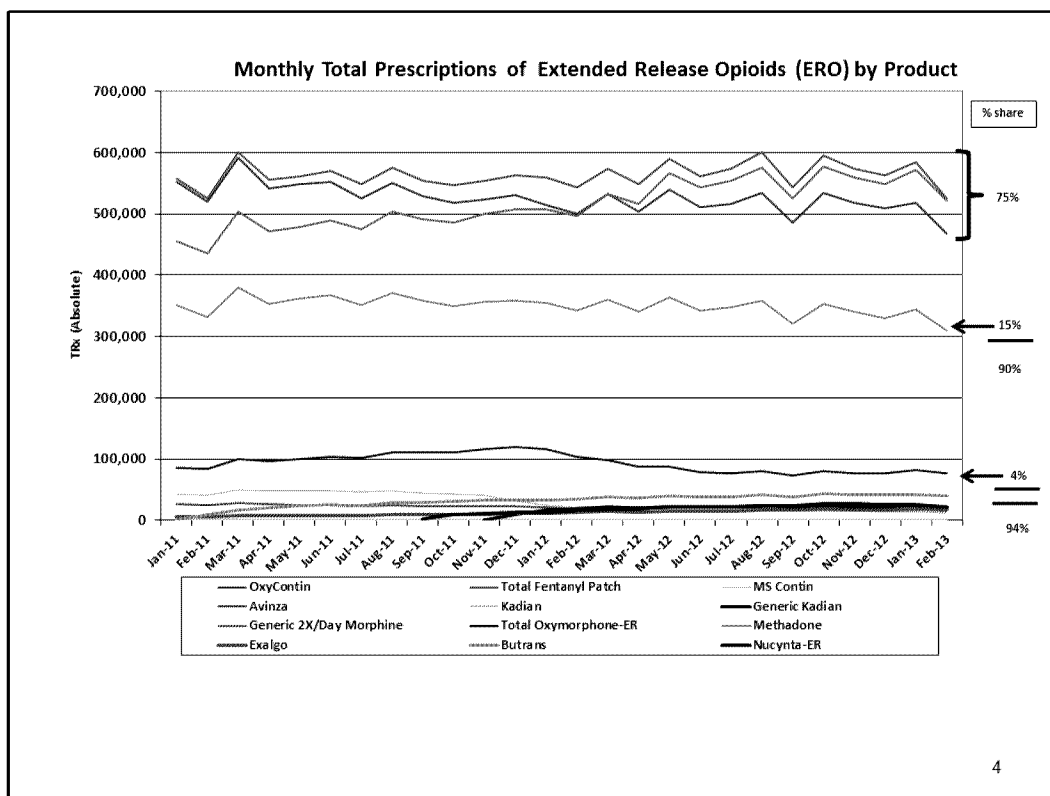
- **Employers, Government, Patients:**
  - Increasing pressure to reduce utilization of branded pharmaceuticals to reduce costs
    - Employers are seeking to reduce costs related to prescription benefit plans
    - Federal & State Government budgets are increasing as more patients move into government subsidized benefit plans
    - Patients are looking for ways to reduce medication costs
- **Third-Party Payers (Managed Care):**
  - Increasing implementation of strategies to minimize utilization of higher cost brands
    - Formulary “Tiers” with higher patient co-pays for branded products
    - Prior Authorization before an Rx is allowed
    - Step Edits/Algorithms to follow with a “generic first” approach
    - Drug Utilization Review/Counter-Detailing to Physicians by Pharm.D’s.

2

## Managed Care Landscape

- Use of generic/therapeutic alternatives versus “AB-Rated” generics is commonplace
  - Same class of medication
  - Same indication
  - Same dosage form/schedule is preferable but not necessary
- Generic/therapeutic alternatives available in the Extended-Release Opioid category
  - Generic Duragesic (transdermal fentanyl)
  - Generic MS Contin (q12h morphine)
  - Generic Dolophine (methadone)
  - Generic Opana ER (q12h oxymorphone)

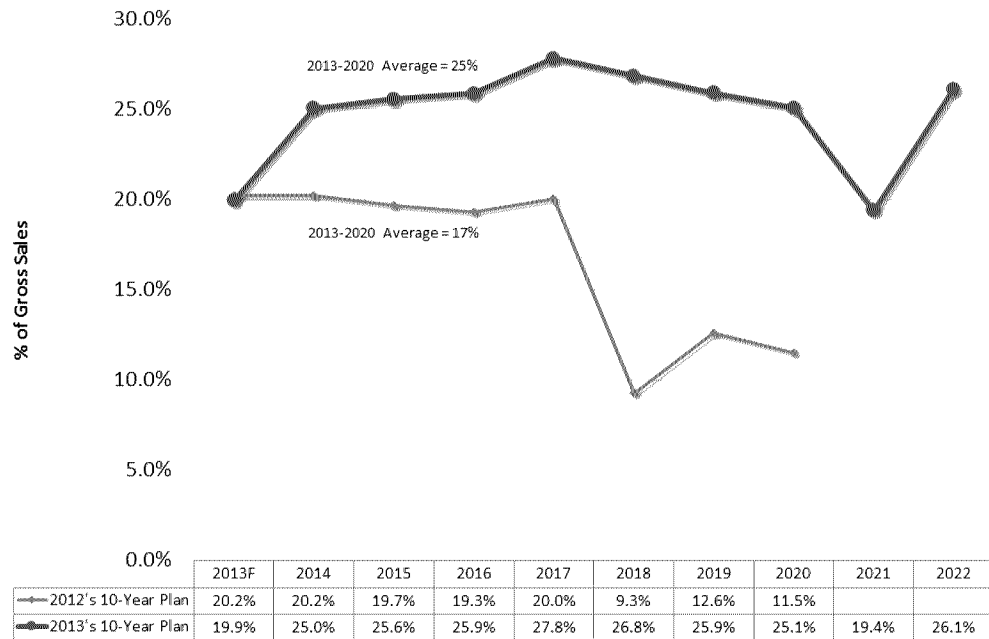
3



# 10-Year Plan: Total Rebates as % of Gross Sales

= (Rebates on Branded Sales + Additional Oxy Rebates on Final Proposed Rule) ÷ (Gross Branded Product Sales – OxyContin Settlements)

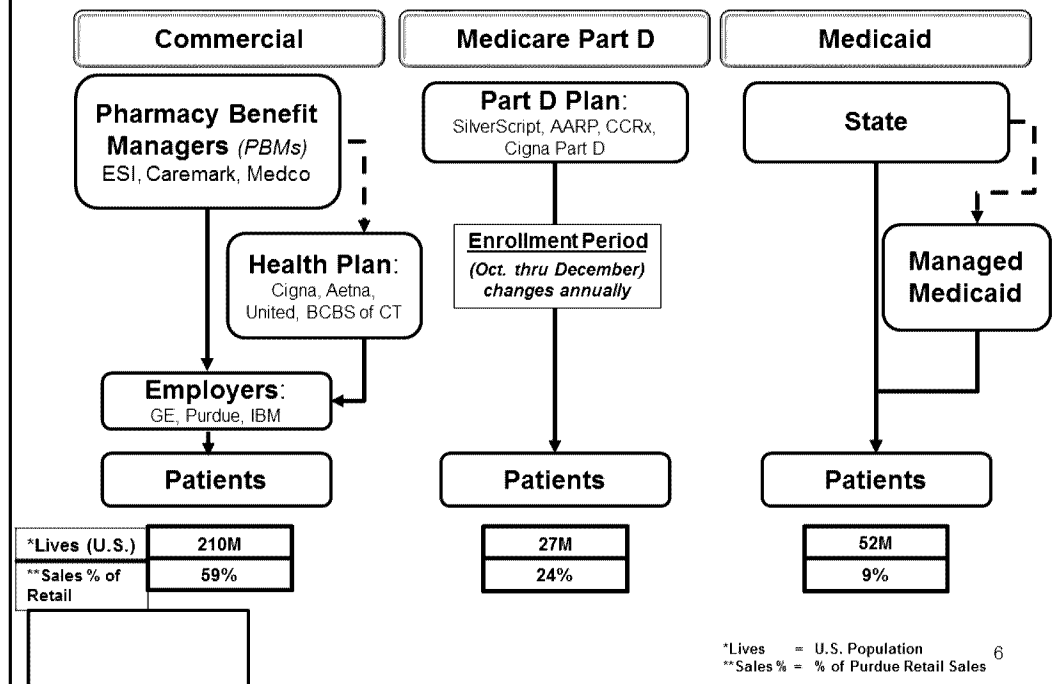
Non-Risk Adjusted



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# Three Key Payer Channels



## OxyContin – Overview

### ■ **Commercial Channel**      **85% of lives on tier 2/preferred formulary position**

- National market share 26.1%
  - Medco (30.2%), Express Scripts (28.2%), Caremark (27.4%), Prime (27.3%), United (26.8%), Regence (14.8%), Coventry (12.1%)
- Rebate Ranges *(as of percentage of Wholesale Acquisition Cost [WAC])*
  - 10.0% to 19.75%

### ■ **Medicare Part D Channel**      **50% of lives on preferred tier formulary position**

- National market share 20.5%
  - United (28.5%), Rx Solutions (28.2%), Silverscript (24%), MemberHealth (22.1%), Wellcare (5.2%), Humana (4.9%)
- Rebate Ranges *(as of percentage of Wholesale Acquisition Cost [WAC])*
  - 24.5% to 38.0%

### ■ **Medicaid Channel**      **2.0% of lives on preferred drug list**

- National market share 16.7%
  - Preferred Drug List States: Missouri, Nebraska, and Kansas



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## Butrans – Overview

- **Commercial Channel** 32% of lives on tier 2/preferred formulary position

- **National market share** 6.3%
  - Prime (8.2%), Express Scripts (7.7%), Medco (7.4%), Caremark (7.1%), Coventry (2.2%), Keystone (1.6%)
  - Aetna Butrans – 2<sup>nd</sup> tier: 34% increase in prescription in first 5 months
- **Rebate Ranges** *(as of percentage of Wholesale Acquisition Cost [WAC])*
  - 12.5% to 23.0%

- **Medicare Part D Channel** 1% of lives on preferred tier formulary position

- National market share 2.1%
  - ESI (2.7%), United (1.9%), Coventry (1.7%), Humana (1.3%), Wellcare (1.2%)
- Rebate Ranges *(as of percentage of Wholesale Acquisition Cost [WAC])*
  - 25% to 38%

- **Medicaid Channel** 3.0% of lives on preferred drug list

- National market share 2.6%
  - Preferred Drug List States: Wisconsin and Texas



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## Payer – Challenges

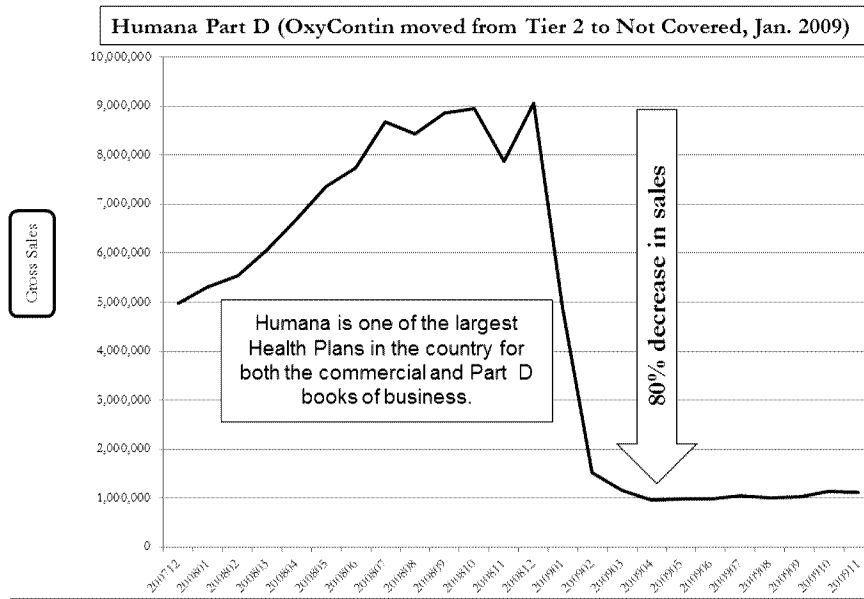
- **Consolidation within payers** → Large payers are becoming larger
  - Increased negotiating power → Pharma companies must meet demands or products' formulary position compromised
    - Pressure for increased rebates in all channels to maintain or gain formulary position
      - 3<sup>rd</sup> Tier "Access" Rebates greater than 20% demanded
      - Brand Competitors offered 40-45% (preferred) in Commercial over 60% in Medicare Part D
    - Demands to accept payers' terms and conditions
      - Monthly rebate payments
      - Price protection/predictability
      - Longer term agreements with no cancellations clauses
- **Market Dynamics** decreasing opioid utilization/cost across all Channels
  - Pressure for increased utilization of therapeutic alternatives
    - Payer process challenges (step-edits and prior authorizations) to brands in category
  - Questions surrounding long-term use of opioids for specific patient populations
  - Initiatives to validate increased total daily doses – are having impact in the field
    - Centers for Medicaid and Medicare Services (CMS) 120mg./day Medicare guidance
    - PROP (Physicians for Responsible Opioid Prescribing) Initiatives
    - Washington State Initiative and its impact outside of Washington/Workers Comp



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## Payers are able to rapidly erode sales



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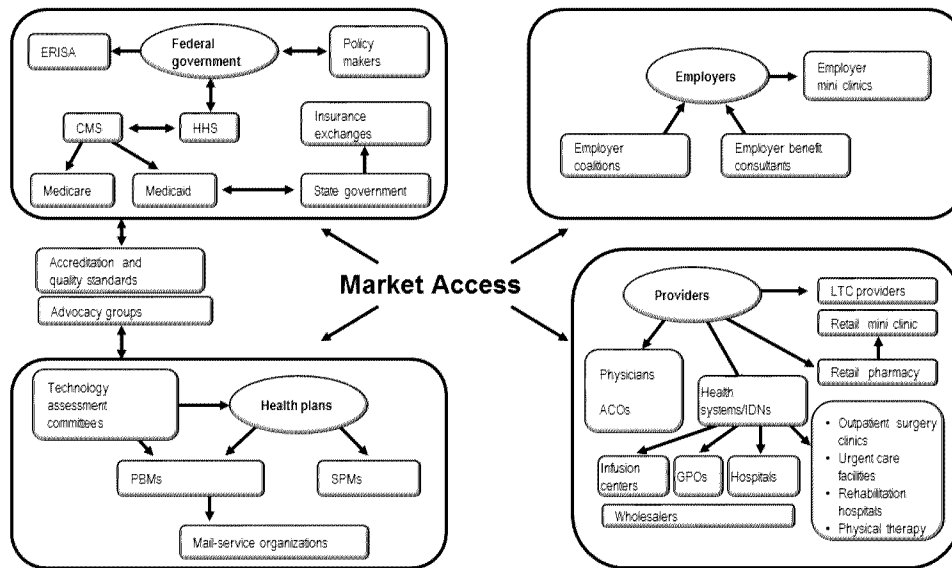
## Recent Formulary Changes for Purdue

Formulary Wins				
<i>Date</i>	<i>Account</i>	<i>Lives</i>	<i>Product</i>	<i>Est. Gross Sales</i>
Nov-12	Aetna Commercial	8.0mm	Butrans	\$3,000,000
Jul-13	Coventry Med D	800K	Butrans	\$450,000
Jan-14	Optum/United Med D	4.0mm	OxyContin	\$200,000,000
Jan-14	Caremark Med D	3.5mm	OxyContin	\$120,000,000
Jan-14	Cigna Med D	675K	OxyContin	\$46,000,000
Jan-14	Medco Med D	3.5mm	Butrans	\$1,100,000
Jan-14	Health Net Med D	200K	OxyContin	\$5,000,000
Jan-14	Health Net Med D	200K	Butrans	\$500,000
Formulary Losses				
<i>Date</i>	<i>Account</i>	<i>Lives</i>	<i>Product</i>	<i>Est. Gross Sales</i>
Jan-13	United MA-PD	2.5mm	OxyContin	\$70,000,000
Jul-13	United Commercial	14.0mm	Butrans	\$6,000,000



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## Multiple customer segments shape the healthcare delivery system in the United States; complexity is the norm



**PURDUE**

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## Strategies to Enhance Access in 2013 and Beyond

### ■ Novel Access strategies

#### □ **Low Income Subsidy/Medicare Part D**

- Offer aggressive rebates to accounts who have a disproportionate share of LIS
- OxyContin shifted from Not Covered to preferred on Member Health/CCRx (87% increase in Trx from baseline)

#### □ **Unrestricted tier 3(non-preferred brand)**

- Offer rebates to remove payer restriction(Prior Authorization or Step Edit)
- Butrans shifted from a 3<sup>rd</sup> tier PA position to unrestricted on Blue Shield of CA

#### □ **Price Predictability**

- Protects a customer at a contracted price and aides in setting payer fiscal budgets



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## Strategies to Enhance Access Continued...

- **Pull through**

- Standardizes the field sales communication process to HCPs
- Enhances market share and increases revenue after a positive formulary shift
- Customized physician target list is automatically generated to ensure managed care messaging is effectively delivered to the right audience

- **Educate internal and external stakeholders**

- Clinical support/ Health outcomes/ Value added resources

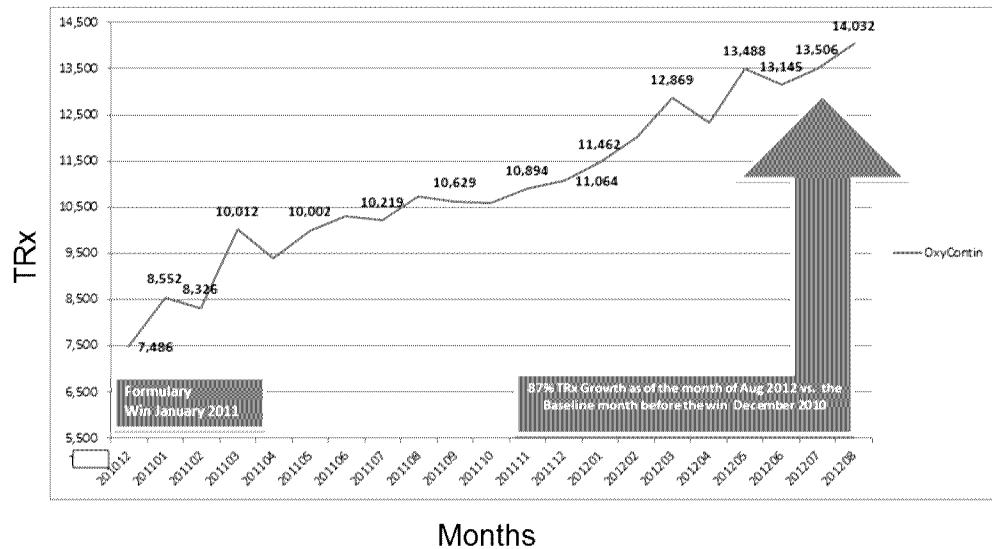
- **Market Access Support Team**

- Cross functional team designed to create compelling value propositions and generate evidence to achieve favorable formulary access



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## Member Health Part D Pull Through Results

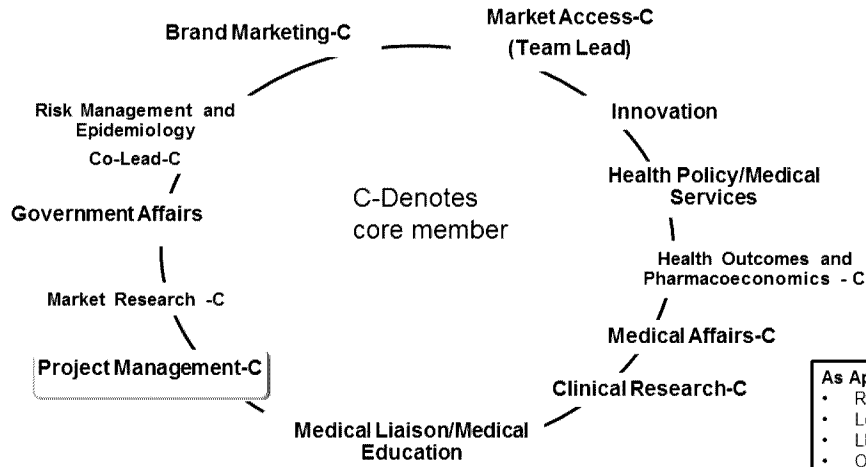


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# Market Access Support Team



**Primary Objective: Clearly differentiate our current and emerging products to customers and develop research driven value propositions and evidence to gain favorable access**

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## ONU Payer Research

- **Payers do not consider opioid-related constipation as an unmet need requiring a new extended release opioid option.**
  - It will be necessary to establish, but not overstate, the need for ONU by providing evidence of the number and type of patients who fail existing extended release opioids due to constipation and the downstream health plan costs associated with this issue.
- **It will be critical to establish the relevance of constipation in vulnerable subgroups of chronic pain patients using extended release opioids, particularly the elderly.**
  - It will be necessary to establish unmet need in a clearly defined patient subgroup where the risks and consequences of constipation are greatest, and where a combination product provides a clinically meaningful improvement in that subgroup compared to a generic extended release opioid plus standard constipation products.
- **Payer research directionally indicates that while not ideal, we launch with a “pain-only” indication, with a promotional focus that communicates the effective reduction in side effects and describe/educate the role of naloxone**



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## HYD Payer Research

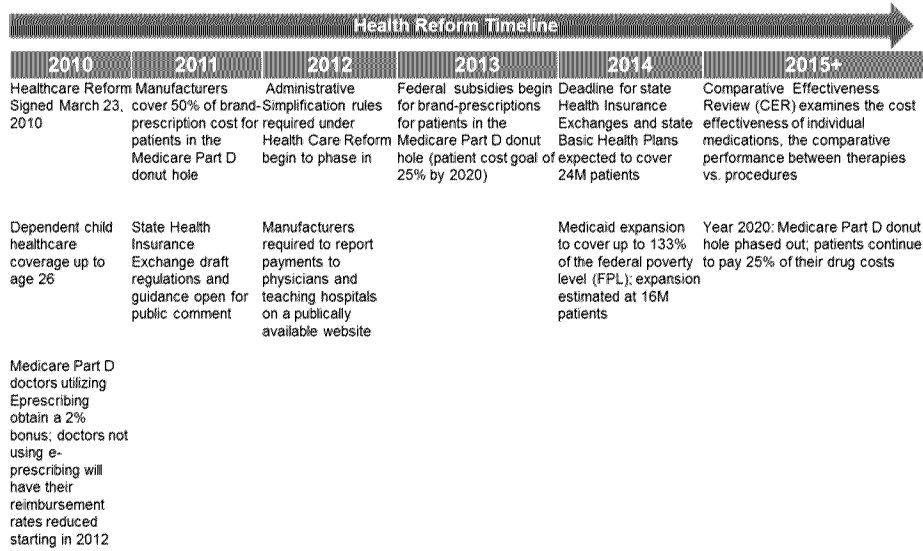
- **Payers do not understand the true risk and cost consequence of acetaminophen-related liver toxicity.**
  - Payers will not value a new hydrocodone product until they more fully understand the true incidence of opioid combination acetaminophen-related liver toxicity and the associated costs.
- **A specific role in the elderly population may be an opportunity for a place in therapy.**
  - Both 'simplification of care' and safety, based on elimination of acetaminophen, are value messages that will be especially compelling to Medicare and long-term care health plans.



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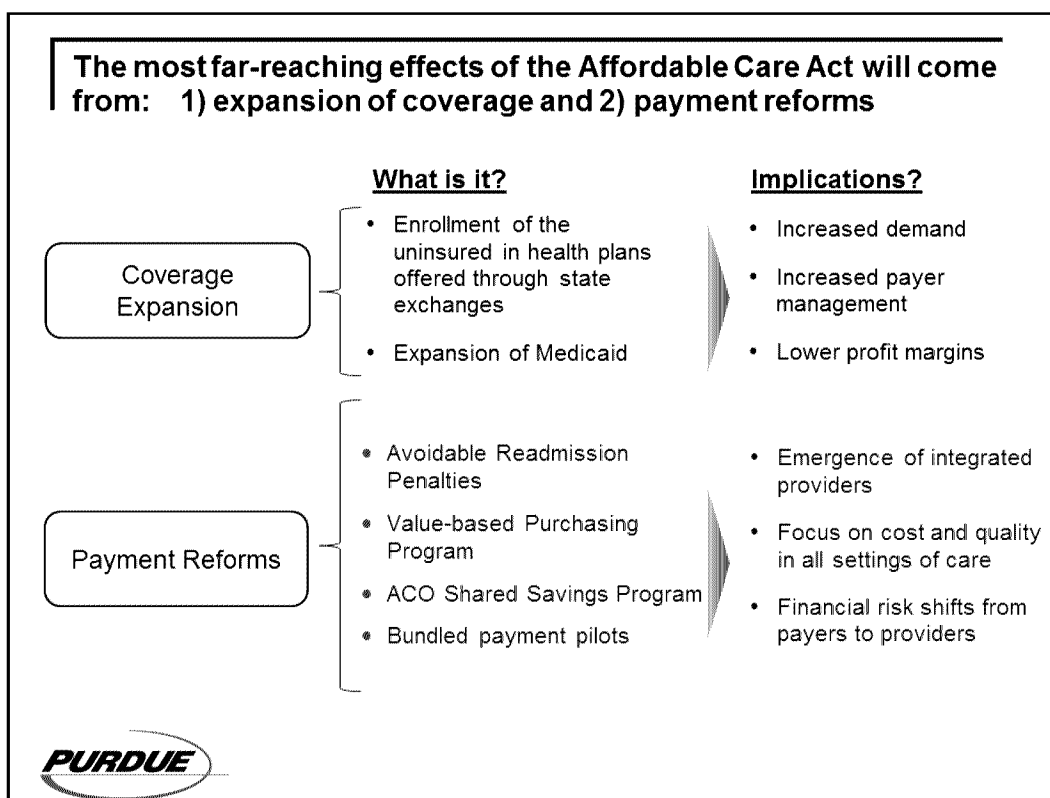
## Affordable Care Act Timeline 2010 – 2015+



Source: Healthcare reform timeline 110111

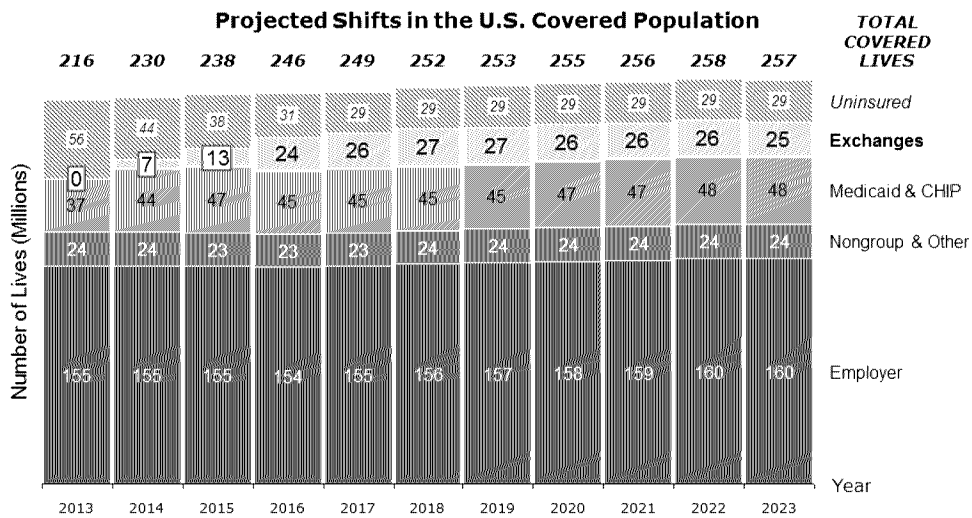


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IDNS and ACOs will control product choice and utilization differently, which will present challenges to the pharma sales model.

After 2014, 30+ million uninsured are expected to gain coverage through exchanges and Medicaid

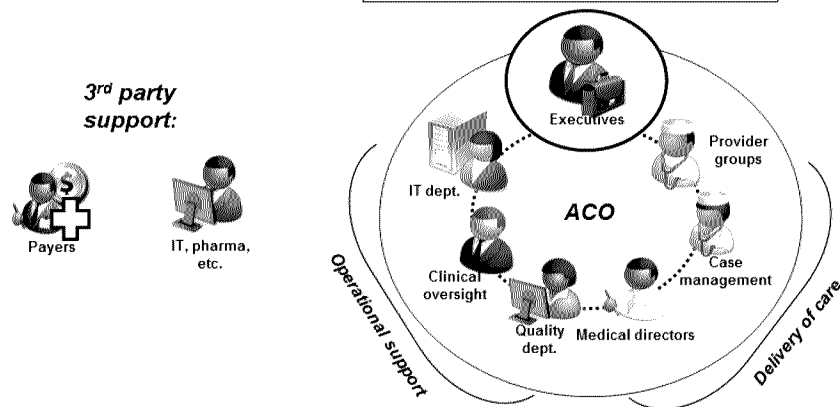


Source: CBO, February 2013 Estimate of the Effects of the Affordable Care Act on Health Insurance Coverage

## Accountable Care Organizations

- CMS is implementing ACOs to overcome fragmentation and volume orientation of existing fee-for-service system.
- Goal is to align quality and safety initiatives, shares in savings and reduce overall cost of care.

General structure of an ACO



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**In the evolving environment, real world evidence, compelling value propositions , and promotional mix must focus on stake-holders that control access to drugs across the care spectrum**

Relevant Stakeholders

Payers

IDNs/ACOs

Network P&T  
Committees

Physicians

• *Challenges in this setting of care*

- Sales Reps will face increasing barriers to access to prescribers
- Prescribers face limited discretion under formularies and protocols
- Payers will demand real world evidence in order for a product to achieve unencumbered access

• *Pharma must tailor its approach*

- Clinical evidence must be developed against standard of care and tied to relevant outcomes and payment metrics
- Manufacturer must show how new product will help provider achieve cost and quality objectives
- In regions with large, integrated providers, promotion needs to evolve from sales reps to account managers and clinical liaisons



IDNs and ACOs will control product choice and utilization differently, which will present challenges to the pharma sales model.



# **Purdue US**

## **Sales and Budget Update**



**June 2013**

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Agenda:

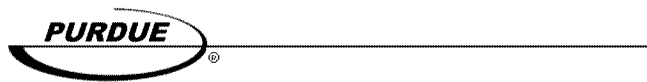
Opening Remarks	John Stewart
Sales Update	Russ Gasdia
	David Rosen
Budget Update	Edward Mahony



Net Sales are forecasted to end 2013 \$303.1 million and \$93.7 million below budget and prior year, respectively. Details and corrective actions follow:

Product	2010 Actual	2011 Actual	2012 Actual	2013 Budget	2013 Forecast	\$ Variance 2013 Budget vs 2013 Forecast
OxyContin - 10MG	\$ 121.3	\$ 146.8	\$ 152.7	\$ 157.0	\$ 142.5	\$ (14.5)
OxyContin - 15MG	23.6	27.1	34.0	37.8	35.8	(2.0)
OxyContin - 20MG	361.3	404.1	402.5	419.9	377.7	(42.2)
OxyContin - 30MG	161.0	171.7	205.3	237.4	214.5	(22.9)
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OxyContin - 60MG	315.7	300.7	340.7	388.8	338.3	(50.5)
OxyContin - 80MG	1,331.8	1,096.8	1,023.1	1,053.1	888.5	(164.6)
OxyContin	\$ 2,997.8	\$ 2,781.0	\$ 2,777.1	\$ 2,916.5	\$ 2,553.1	\$ (363.4)
Butrans	-	73.5	112.9	160.0	160.0	-
Intermezzo	-	-	16.6	57.6	13.9	(43.7)
Diauid	35.1	24.8	23.8	17.0	17.0	-
MS Contin	15.1	13.3	13.0	11.6	11.6	-
Lexativ	48.1	51.1	51.5	49.3	49.3	-
Betadine/Betasept	10.9	11.1	11.6	11.1	11.1	-
Slow Mag	4.6	5.4	5.6	5.3	5.3	-
Rybort	16.5	11.2	(6.9)	-	-	-
Uniphyll	(0.2)	(0.3)	(0.0)	-	-	-
All Other	(0.0)	(0.1)	(0.1)	-	-	-
<b>Total Gross Sales</b>	<b>\$ 3,127.9</b>	<b>\$ 2,971.2</b>	<b>\$ 3,004.9</b>	<b>\$ 3,228.5</b>	<b>\$ 2,821.4</b>	<b>\$ (407.1)</b>
Fee for Service	\$ (79.2)	\$ (74.5)	\$ (69.3)	\$ (65.3)	\$ (58.0)	\$ 7.4
Sales Discounts & Allowances	(48.8)	(56.2)	(134.0)	(88.2)	(54.1)	34.1
Patient Savings Card Discounts	(15.7)	(15.6)	(25.1)	(34.5)	(41.3)	(6.8)
Rebates on Branded Sales	(621.6)	(545.9)	(517.6)	(554.9)	(488.6)	66.3
Proposed regulation adj for Medicaid rebates	(40.0)	(68.9)	(60.4)	(76.8)	(73.9)	2.9
Other	27.6	12.4	2.5	1.7	1.7	-
<b>Total Rebates &amp; Deductions \$</b>	<b>\$ (777.8)</b>	<b>\$ (748.7)</b>	<b>\$ (804.0)</b>	<b>\$ (818.1)</b>	<b>\$ (714.2)</b>	<b>\$ 103.9</b>
<b>Rebates and Deductions %</b>	<b>24.9%</b>	<b>25.2%</b>	<b>26.8%</b>	<b>25.3%</b>	<b>25.3%</b>	<b>25.5%</b>
<b>Total Net Sales</b>	<b>\$ 2,350.1</b>	<b>\$ 2,222.5</b>	<b>\$ 2,200.9</b>	<b>\$ 2,410.3</b>	<b>\$ 2,107.2</b>	<b>\$ (303.1)</b>

# OxyContin® Sales Update



Year to date April sales were below budget by \$162 million:

- **\$61 million attributed to lower demand**
  - \$21 million due to lower numbers of tablets per prescription than assumed in budget
  - \$11 million due to lower overall prescription volume than budgeted
  - \$25 million due to higher strengths prescriptions declining more rapidly than lower strength prescriptions
- **\$101 million attributed to trade inventory changes**

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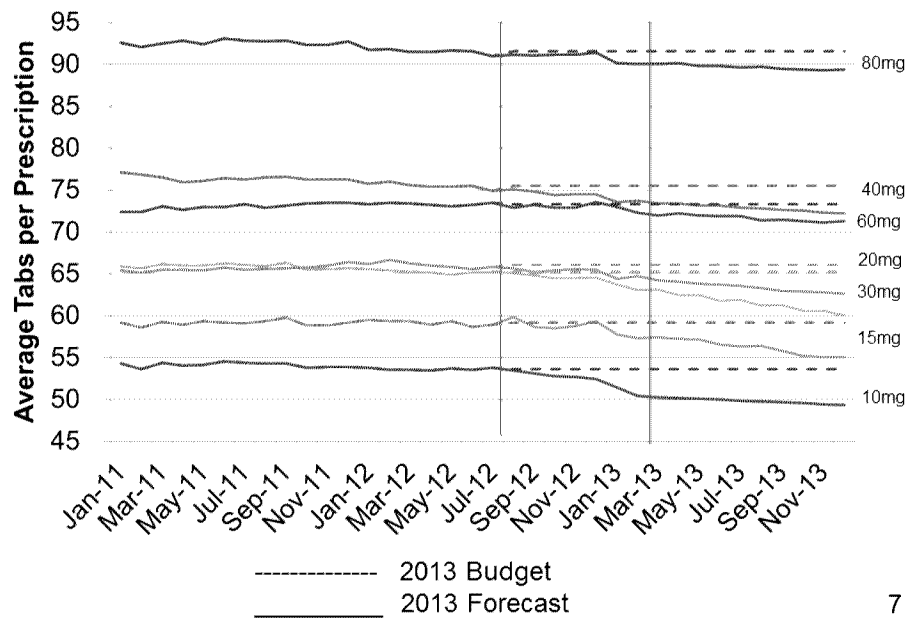
## Reconciliation of OxyContin sales from Budget to Forecast

	Year to Date April		Full Year Forecast vs. Budget	
	\$ millions	%	\$ millions	%
<b>Budget</b>	<b>\$961</b>	<b>100%</b>	<b>\$2,916</b>	<b>100%</b>
Number of Tablets per prescription lower than Budget	(\$21)	(2.2%)	(\$79)	(2.9%)
Lower total prescriptions than Budget	(\$11)	(1.2%)	(\$110)	(3.4%)
Impact of mix and in particular lower sales of higher strengths	(\$25)	(2.5%)	(\$79)	(2.8%)
Other	(\$4)	(0.5%)	\$0	(0.1%)
<b>Sub-total demand</b>	<b>(\$61)</b>	<b>(6.4%)</b>	<b>(\$268)</b>	<b>(9.2%)</b>
Impact of Trade Inventory Contraction	(\$101)	(10.5%)	(\$95)	(3.3%)
<b>Total Variance to Budget</b>	<b>(\$162)</b>	<b>(16.9%)</b>	<b>(\$363)</b>	<b>(12.4%)</b>
<b>Actual / 2013 Forecast</b>	<b><u>\$799</u></b>	<b><u>83.1%</u></b>	<b><u>\$2,553</u></b>	<b><u>87.6%</u></b>

(1) Includes the estimated demand impact of \$65 million of losing formulary coverage on the United Healthcare AARP Medicare Advantage Prescription Drug program effective January 1<sup>st</sup> 2013.

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In January there was a reduction in the number of tablets per prescription, which we project will continue.



The decline in tablets per prescription is also impacting major competitors.

Product	Jan 12 - Feb 13 Tab Per Rx Trend	Avg Tab Per Rx Jan - Feb 2012	Avg Tab Per Rx Jan - Feb 2013	Difference
OxyContin		69.4	66.8	-2.6
Generic 2x per day morphine		69.4	68.1	-1.2
Kadian + generics		59.1	58.9	-0.2
Avinza		44.2	44.4	0.2
Opana ER + generics		67.3	65.1	-2.2
Methadone		148.6	143.0	-5.7
Exalgo		46.0	43.5	-2.6
ERO Market (oral solids)		86.0	82.5	-3.4

Product	Jan 12 - Feb 13 Tab Per Rx Trend	Avg Tab Per Rx Jan - Feb 2012	Avg Tab Per Rx Jan - Feb 2013	Difference
IR oxycodone		106.3	101.4	-4.8
oxycodone combos		63.4	63.7	0.3
hydrocodone combos		57.0	58.3	1.3



The decline in tablets per prescription is projected to reduce 2013 gross sales by \$78.8 million vs. budget.

	Tablets per Prescription Full Year			Variance Budget versus Forecast			
	YTD April	Budget	Forecast	Tablets	%	Millions	%
10mg	50.7	53.6	50.2	-3.4	-6.3%	\$ (8.9)	-6.3%
15mg	57.4	59.2	56.5	-2.6	-4.5%	(1.7)	-4.5%
20mg	63.3	65.3	63.0	-2.3	-3.5%	(13.5)	-3.4%
30mg	64.4	66.1	63.8	-2.2	-3.4%	(7.7)	-3.2%
40mg	73.5	75.5	72.9	-2.6	-3.5%	(20.5)	-3.4%
60mg	72.4	73.3	71.7	-1.6	-2.2%	(7.8)	-2.0%
80mg	90.1	91.6	89.7	-1.8	-2.0%	(18.6)	-1.8%
<b>Total*</b>	66.6	69.0	66.1	-2.9	-4.2%	\$(78.8)	-2.8%

\*Tablets per prescription total is a weighted average.

Causes of the decline in tablets per prescription are being researched to quantify impact and identify corrective actions.

- Potential increased and more aggressive enforcement of quantity limits by managed care organizations.
- Potential impact of PROP's messaging and other factors discouraging use of opioids.
- Medicare Part D opioid drug utilization review program for 120mg morphine equivalent prescriptions.
- Increased DEA/law enforcement scrutiny of physicians, pharmacies and wholesalers.
- Impact of Walgreens pharmacists calls to physicians to verify C2 prescription details.

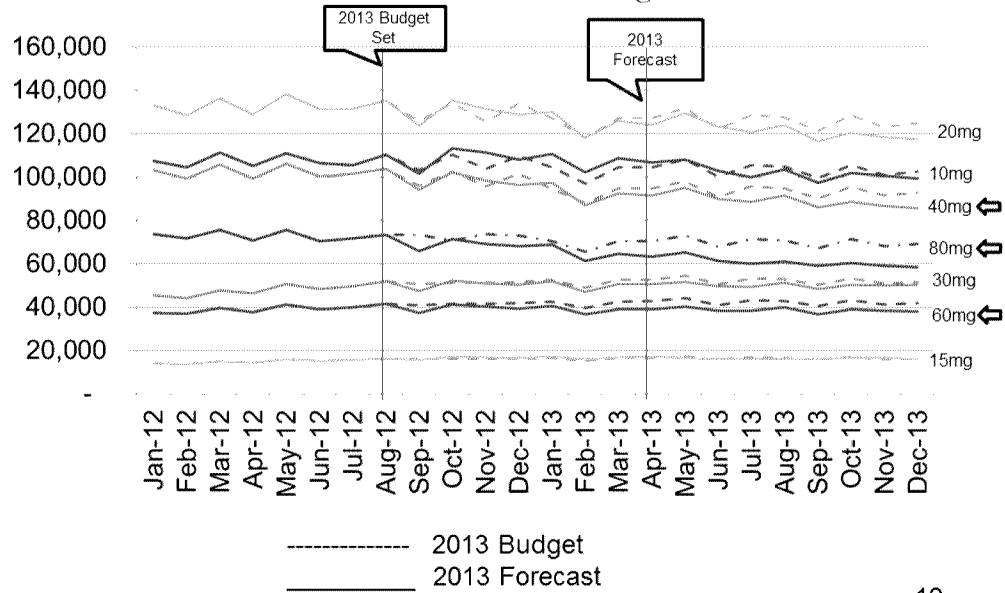
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Year to date prescriptions are 1.2% behind budget. By the end of the year prescriptions are forecast to be 3.9% behind budget. At the budgeted average value per prescription, this is projected to result in a \$110 million shortfall from budget.

	Year to Date April 2013			Full Year				
	Actual	Budget	Variance	2011 Actual	2012 Actual	2013 Budget	2013 Forecast	Variance Budget vs Forecast
Prescriptions	1,978,294	2,001,958	(23,664) -1.2%	6,481,879	6,197,937	6,037,235	5,804,624	(232,611) -3.9%
Budget price per prescription			\$468.70					\$472.89
Variance Due to Lower prescriptions			<u>\$ (11,091,451)</u>			Note 1		<u>\$ (109,998,419)</u>

(1) Includes the estimated demand impact of \$65 million of losing formulary coverage on the United Healthcare AARP Medicare Advantage Prescription Drug program effective January 1<sup>st</sup> 2013.

Prescriptions of the higher strengths are declining most rapidly. This is changing the mix of prescriptions by strength, and is projected to result in an additional \$79 million shortfall from budget.



## Potential Causes of the decline in prescriptions --- especially the higher strengths

- Direct switches from other products to the 80mg strength (in particular) are declining (6 months ended Feb 2013 versus previous 6 months showed a decline of 30.8%).
- Titration up to higher strengths, especially to the 40mg and 80mg strengths is declining.
- Potential causes which are being researched:
  - State and Medicare mg equivalent limits
  - Increased coinsurance/higher deductibles for employees
  - Increased DEA/law enforcement scrutiny of physicians, pharmacies and wholesalers
  - OxyContin primary sales calls below budget. This is likely impacting prescriptions, because calls have a positive impact. For example,
    - The loss in higher strengths in called on physicians is 33% lower than those not called on.
    - High dose prescribing grew in physicians we began calling over the last year.

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## Planned Analyses

- Potential impact of reducing number of calls/quarter on highest prescribing physicians, and initiation calls on physicians not currently reached.
- Analysis to determine what physician characteristics are associated with lower tabs/prescription and lower strength prescriptions.
- Health Plan analysis to determine the extent to which individual plans are driving changes in number of tablets/prescription, lower prescriptions, strength mix.
- Impact of generic Opana ER
- How lack of patient access to pain medications impacts healthcare costs. For example, reports of an increase in ER visits.

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## Planned Actions

- Ensure the sales force delivers the budget number of primary OxyContin sales calls.
- Implement Marketing Initiatives
  - “Individualize the Dose” campaign
  - Titration – via iPad case studies
  - Reiterate patient savings programs/managed care formulary messaging
- Continue publishing information on the impact of the abuse deterrent formulation.
- Actions will be implemented where analyses indicate.

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Trade Inventory contraction in 2013 is now estimated at \$131 million versus budgeted contraction of \$36 million

- We estimate that wholesaler inventory will return to 28 days by the end of 2013. The result is a reduction from \$296 million at end of 2012 to \$250 million at end of 2013 (inventory at the end of April was \$246 million).
- Pharmacy inventory is expected to reduce from \$239 million (31 days) at the end of 2012 to \$154 million (20 days) at the end of 2013. Inventory at end of April 2013 was \$192 million. Reductions are due to:
  - CVS and Walgreens have made public announcements targeting inventory reductions.
  - Walgreens switch to ABC to improve store service levels. As a result, Walgreens closed their Perrysburg distribution center. ABC is moving Walgreens pharmacies from a 3 times to a 6 times a week delivery schedule.
  - Like Walgreens other chains are increasing their reliance on wholesaler just in time deliveries to reduce carrying costs.
  - Fewer stores are purchasing / stocking OxyContin -- in 2011, 2012 and YTD 2013 -- 28,817, 24,744 and 22,823 stores, respectively, purchased OxyContin.
  - Consultants have reported other clients having similar levels of inventory contraction.

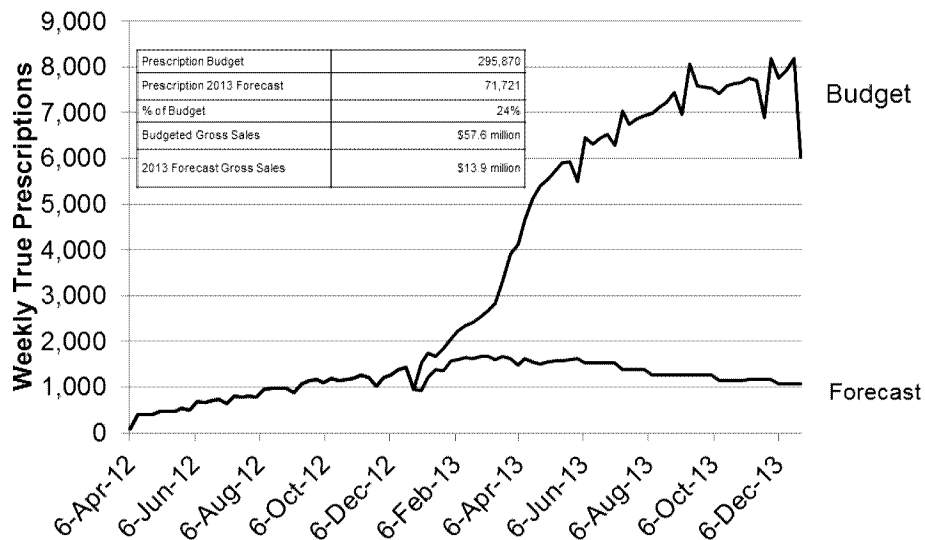
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## Intermezzo Sales Update



Intermezzo sales are forecasted to be \$14 million based on latest prescription trends and decisions to significantly decrease S&P.



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**Purdue US**

**Budget Update**

**June 2013**



Net sales are forecasted to end 2013 \$303.1 million and \$93.7 million below budget and prior year, respectively.

(\$ MM)

Product	2010 Actual	2011 Actual	2012 Actual	2013 Budget	2013 Forecast	\$ Variance 2013 Budget vs 2013 Forecast
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MS Contin	18.1	13.3	13.0	11.6	11.6	-
Laxatives	48.1	51.1	51.5	49.3	49.3	-
Betadine/Betasept	10.9	11.1	11.6	11.1	11.1	-
Slow Mag	4.6	5.4	5.6	5.3	5.3	-
Ryzolt	16.5	11.2	(6.9)	-	-	-
Uniphyl	(0.2)	(0.3)	(0.0)	-	-	-
All Other	(0.0)	(0.1)	(0.1)	-	-	-
					-	-
<b>Total Gross Sales</b>	<b>\$ 3,127.9</b>	<b>\$ 2,971.2</b>	<b>\$ 3,004.9</b>	<b>\$ 3,228.5</b>	<b>\$ 2,821.4</b>	<b>\$ (407.1)</b>
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<b>Total Rebates &amp; Deductions \$</b>	<b>\$ (777.8)</b>	<b>\$ (748.7)</b>	<b>\$ (804.0)</b>	<b>\$ (818.1)</b>	<b>\$ (714.2)</b>	<b>\$ 103.9</b>
<b>Rebates and Deductions %</b>	<b>24.9%</b>	<b>25.2%</b>	<b>26.8%</b>	<b>25.3%</b>	<b>25.3%</b>	<b>25.5%</b>
<b>Total Net Sales</b>	<b>\$ 2,350.1</b>	<b>\$ 2,222.5</b>	<b>\$ 2,200.9</b>	<b>\$ 2,410.3</b>	<b>\$ 2,107.2</b>	<b>\$ (303.1)</b>

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Pre-tax profit is forecasted to end 2013 \$118.7 million and \$94.6 million below budget and prior year, respectively.

(\$000's)	2010 Actual	2011 Actual	2012 Actual	2013 Budget	2013 Forecast	2013 Budget vs 2013 Forecast
Gross Branded Product Sales	\$3,127,873	\$2,973,161	\$3,004,908	\$3,228,472	\$2,821,367	(\$407,065)
Fee for Service	(79,157)	(94,507)	(69,515)	(85,555)	(57,957)	7,551
Discounts and Allowances	(45,752)	(86,123)	(154,033)	(83,100)	(94,088)	24,152
Patient Savings Card Discounts	(15,891)	(15,572)	(25,104)	(54,557)	(41,554)	(6,797)
Rebates on Branded Sales	(821,855)	(945,591)	(517,805)	(554,208)	(485,552)	68,214
Proposed regulation adj for Medicaid rebates	(40,041)	(65,554)	(60,555)	(75,505)	(75,502)	2,915
Other	27,811	22,880	2,435	1,881	1,881	0
Rebates as % of Gross Branded Product Sales	23.2%	26.7%	19.2%	19.6%	19.9%	
NET REVENUE	2,350,000	2,222,409	2,300,924	2,410,349	2,107,207	(303,142)
Cost of Goods Sold	(181,090)	(188,270)	(145,475)	(182,111)	(149,140)	12,971
COGS as % of Gross Branded Product Sales	5.8%	6.3%	4.9%	5.7%	5.3%	
Royalty Expense	(55,542)	(113,272)	(120,259)	(151,575)	(121,559)	9,255
Shipping and Warehousing	(11,152)	(11,851)	(11,514)	(10,807)	(11,555)	(549)
GROSS PROFIT	2,124,476	1,928,222	1,920,366	2,109,756	1,824,272	(283,484)
G&A (incl. Legal Department but excl. Legal Fees)	(157,551)	(146,887)	(154,239)	(160,425)	(155,418)	2,000
G&A as % of Net Revenues	6.8%	6.6%	7.0%	6.7%	7.3%	
Legal Fees	(50,587)	(36,952)	(61,155)	(50,973)	(54,475)	(3,500)
R&D	(189,784)	(289,937)	(512,515)	(877,247)	(527,247)	85,100
R&D Other - Milestones and Alliances	(5,899)	(604)	(2,254)	(6,892)	(10,852)	(4,260)
R&D as % of Net Revenues	7.4%	12.2%	14.3%	18.0%	15.0%	0
Sales and Promotion	(194,755)	(229,117)	(503,110)	(509,115)	(288,515)	21,800
S&P as % of Net Revenues	8.3%	10.3%	13.8%	12.8%	13.7%	0
Health Care Reform Fee	0	(28,543)	(51,151)	(51,800)	(51,800)	-
Other - US	19,844	15,555	17,855	14,555	15,555	5,555
OPERATING EXPENSES	(540,272)	(739,245)	(885,403)	(992,602)	(877,652)	70,440
Operating Expenses as % of Net Revenues	23.0%	33.4%	38.5%	41.2%	41.7%	
OPERATING MARGIN BEFORE INCENTIVES & SETTLEMENTS	1,584,203	1,188,977	1,037,763	1,117,154	946,550	(170,604)
Operating Margin as % of Net Revenues	67.4%	53.5%	45.1%	46.3%	45.4%	
Incentive Bonus	(55,744)	(55,054)	(54,255)	(42,815)	(55,815)	7,000
Insurance Income	15,555	20,555	5,520	5,555	5,555	-
Settlement Expense	(17,455)	(5,775)	(14,247)	-	(1,900)	(1,900)
TOTAL INCENTIVES AND SETTLEMENTS	(49,344)	(39,774)	(62,982)	(37,260)	(52,160)	15,000
OPERATING MARGIN AFTER INCENTIVES AND SETTLEMENTS	1,534,858	1,149,202	974,781	1,079,894	894,390	(185,504)
Operating Margin as % of Net Revenues	65.3%	51.7%	42.4%	44.8%	42.4%	
Other Items						
Royalty Income - ex US	54,759	91,197	25,951	40,892	40,892	-
Ex US Expenses	(122,645)	(120,505)	(85,085)	(127,800)	(124,359)	(2,159)
One Time Charges/Other Items	(24,477)	(2,432)	(2,145)	(2,355)	-	-
Gain on Infinity stock	-	-	-	-	124,551	124,551
Interest Income / (Expense), net	555	555	1,111	1,111	1,111	-
TOTAL OTHER ITEMS	(75,801)	(40,665)	18,016	(89,602)	124,551	214,153
PROFIT/LOSS BEFORE TAX	\$1,472,067	\$1,108,537	\$1,010,857	\$1,034,292	\$946,550	(87,742)

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Pre-tax profit is forecasted to end 2013 \$118.7 million below budget due to:

(\$ MM)

<b>2013 Budget Profit Before Tax</b>	<b>\$ 1,034.9</b>
Gross margin impact of lower OxyContin and Intermezzo sales	(281.5)
Reduced S&P spend as a result of termination of Intermezzo contract sales force	11.6
Reduced R&D expense - discontinuation of Butrans higher strength program (\$13.3 million), lower enrollment in the pain plus OIC efficacy studies (\$40.2 million), offset by a reduction in the underspend estimate (\$6.9 million) and all other (\$6.1 million)	40.1
R&D Milestones - Recently approved upfront payment to Grunenthal for MS Contin TR formulation (\$7.3 million) and removal of budgeted payment to convert McGinity patent for HYD to exclusive (\$3 million).	(4.3)
Targeted reductions (across R&D, S&P, G&A, annual bonus and other US)	30.5
Other	(2.4)
<b>Sub-Total Purdue Operations</b>	<b>(205.9)</b>
Gain on Infinity stock, not budgeted	124.6
Higher than budget ex-USA funding	(37.3)
<b>2013 Forecast Profit Before Tax</b>	<b>\$ 916.3</b>

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Distributions are forecasted to be \$575.6 million -- \$37.5 million higher than budget.

	<u>Infinity Stock</u>	<u>Cash</u>	<u>To Reinvest</u>	<u>Total</u>
<b>Budgeted Distributions</b>	\$ -	\$ 508.1	\$ 30.0 (1)	\$ 538.1
Distribution of Infinity Shares (2)	216.7	(216.7)		-
Reinvestment in Japan and Thailand	-	-	4.2	4.2
Purdue Operations - after tax impact of lower profit of \$205.9 million (3)		(97.0)		(97.0)
Other - primarily higher ex-USA and Infinity price appreciation		15.1		15.1
Reduction in equity from \$705 million to \$590 million		115.2		115.2
<b>Change</b>	<b>216.7</b>	<b>(183.4)</b>	<b>4.2</b>	<b>37.5</b>
<b>Forecast Distributions</b>	\$ 216.7	\$ 324.7	\$ 34.2	\$ 575.6

(1) \$14 million for Rhodes Pharmaceuticals and \$16 million for Rhodes Tech.

(2) 5.42 million shares distributed at \$40 per share = \$216.7 million.

(3) Net impact of lower profitability on Purdue operations (\$205.9 million) and other book/tax favorability (\$20 million).

**Abbott covenant** - Purdue is in negotiations with Abbott to have the equity covenant removed - If the covenant is removed, Purdue would be able to pay approximately \$50 million of additional distributions while still maintaining 3 months of net sales in cash.

# Balance Sheet

(\$ MMs)	2010 Actual	2011 Actual	2012 Actual	2013 Budget	2013 Forecast	2013 Budget vs Forecast
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash and cash equivalents	\$ 437.1	\$ 606.5	\$ 755.6	\$ 600.0	\$ 576.0	(\$ 23.9) (1)
Accounts receivable	212.9	218.8	187.1	150.6	136.6	(14.0) (2)
Due from associated companies	24.7	27.8	31.8	13.7	13.7	0.0
Other receivables	28.5	10.1	3.0	8.4	7.3	(1.1)
Inventories	57.3	44.2	50.6	42.9	42.9	0.0
Prepaid expenses and other assets	39.2	32.7	22.1	28.7	23.7	(5.0) (3)
Restricted cash - current	52.9	16.0	23.9	0.0	4.8	4.8 (4)
<b>TOTAL CURRENT ASSETS</b>	<b>850.7</b>	<b>956.1</b>	<b>1,074.2</b>	<b>844.1</b>	<b>804.9</b>	<b>(39.2)</b>
Property and equipment, net	140.2	143.2	149.5	163.4	159.1	(4.3)
Investments in associated companies	31.8	19.8	7.9	14.9	69.1	54.2 (5)
Due from associated companies	3.4	3.3	3.0	3.3	3.3	0.0
Restricted cash - long term	18.5	42.5	17.2	21.7	21.7	0.0
Goodwill	23.4	23.4	23.4	23.4	23.4	0.0
Product rights, trademarks and other intangibles	166.7	168.2	173.2	166.0	166.4	0.4
Other assets	24.0	73.3	22.5	21.2	21.2	0.0
Investment in Infinity stock	0.0	0.0	189.5	138.8	0.0	(138.8) (6)
Deferred income taxes	12.9	17.2	19.5	17.4	17.4	0.0
<b>TOTAL ASSETS</b>	<b>\$ 1,271.5</b>	<b>\$ 1,446.8</b>	<b>\$ 1,680.3</b>	<b>\$ 1,414.3</b>	<b>\$ 1,286.6</b>	<b>\$ (127.7)</b>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Accounts payable	\$ 63.9	\$ 87.4	\$ 71.2	\$ 94.1	\$ 81.6	(\$ 12.5) (7)
Accrued expenses and taxes payable	485.4	632.8	694.7	360.6	360.6	0.0
Due to associated companies	12.1	11.3	12.4	13.0	13.0	0.0
Long-term debt - associated companies	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL CURRENT LIABILITIES</b>	<b>561.4</b>	<b>731.5</b>	<b>778.3</b>	<b>467.7</b>	<b>455.2</b>	<b>(12.5)</b>
Other long-term liabilities	133.0	223.6	230.2	241.4	241.4	0.0
<b>TOTAL LIABILITIES</b>	<b>694.4</b>	<b>955.1</b>	<b>1,008.5</b>	<b>709.1</b>	<b>696.6</b>	<b>(12.5)</b>
<b>EQUITY</b>						
Capital stock - common	0.0	0.0	0.0	0.0	0.0	0.0
Additional paid in capital	2.0	2.0	2.0	2.0	2.0	0.0
Subscription receivable	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	0.0
Accumulated other comprehensive income	(83.7)	(145.1)	(139.9)	(128.4)	(128.4)	0.0 (8)
Unrealized gain / loss on Infinity stock	0.0	0.0	97.5	60.2	0.0	(60.2) (6)
Retained earnings and partners' capital	659.7	635.8	713.2	772.4	717.4	(55.0) (9)
<b>TOTAL EQUITY</b>	<b>577.0</b>	<b>491.6</b>	<b>671.7</b>	<b>705.2</b>	<b>590.0</b>	<b>(115.2)</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 1,271.5</b>	<b>\$ 1,446.8</b>	<b>\$ 1,680.3</b>	<b>\$ 1,414.3</b>	<b>\$ 1,286.6</b>	<b>\$ (127.7)</b>

See next slide for explanation of footnotes

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## Balance Sheet Update – footnote explanations

- (1) Forecasted cash balance of \$576 million is \$50 million higher than 3 months net sales in order to achieve equity target.
- (2) Trade Accounts Receivable - decrease primarily due to lower sales.
- (3) Decrease of prepaid expenses is due to lower forecasted payments of clinical study upfront payments.
- (4) Restricted Cash - assumes that \$19.1 million of the balance remaining in the qualified settlement trust is returned in 2013 and the \$4.8 million balance is returned in 2014.
- (5) Investments - increase primarily due to the purchase of \$50 million of stock of Pearl Therapeutics.
- (6) Infinity Investment/ Unrealized Gain - decrease is due to the distribution of Infinity stock in April 2013.
- (7) Decrease is due to lower forecasted expenses.
- (8) Accumulated other comprehensive income represents the cumulative difference between actual returns on pension plan assets being lower than the assumed return of 7%, the impact of changes in discount rates on benefit plan liabilities and other changes in benefit plan assumptions.
- (9) The equity target built into the 2013 budget was set to (1) allow Purdue to meet our three months net sales cash target, (2) ensure that the Abbott covenant is met and (3) carry the investment in Infinity stock. The 2013 forecast equity was set lower than budget because (1) the Infinity stock is no longer carried by Purdue, (2) less of a cushion is needed half way into the year to ensure the Abbott covenant is met and (3) less cash is needed to meet the 3 month of net sales cash target.

# Cash Flow

(\$ MMs)	2010 Actual	2011 Actual	2012 Actual	2013 Budget	2013 Forecast	2013 Budget vs Forecast
Operating activities						
Net income	\$ 1,463.4	\$ 1,144.5	\$ 1,008.3	\$ 1,030.2	\$ 911.6	\$ (118.7)
Adjustments to reconcile net income to net cash provided by operating activities:						
Depreciation and amortization	33.6	28.3	29.1	32.1	32.2	0.1
Impairment of intangible asset	0.0	4.0	20.0	0.0	0.0	0.0
Deferred income taxes	(6.3)	(4.3)	(2.6)	0.0	2.4	2.4
Loss on unconsolidated, associated companies	117.1	112.4	101.0	128.6	163.1	34.4 (1)
(Gain) loss on disposal of assets	0.3	0.1	0.0	0.0	0.0	0.0
Changes to working capital	142.3	162.0	88.6	(212.3)	(271.2)	(58.9) (2)
Long-term assets and liabilities	0.0	29.8	(2.0)	27.4	116.0	88.6 (3)
Changes to extraordinary item	(0.8)	(1.0)	0.0	0.0	0.0	0.0
<b>Total cash provided by operating activities</b>	<b>1,749.5</b>	<b>1,475.8</b>	<b>1,242.4</b>	<b>1,006.1</b>	<b>954.0</b>	<b>(52.2)</b>
Investing activities						
Capital expenditures	(30.4)	(26.8)	(30.5)	(35.0)	(35.0)	0.0
Purchase of product marketing rights and other intangit	(10.1)	(10.0)	(30.0)	0.0	0.0	0.0
Restricted cash, net	18.8	12.9	17.3	22.5	14.6	(7.8) (4)
Investments in associated companies, net	(119.1)	(100.3)	(89.1)	(134.6)	(224.3)	(89.7) (5)
Acquisition of Infinity common stock	0.0	0.0	(27.5)	0.0	0.0	0.0
Funding of Infinity LOC	0.0	(50.0)	0.0	0.0	0.0	0.0
<b>Total cash used in investing activities</b>	<b>(140.8)</b>	<b>(174.2)</b>	<b>(159.7)</b>	<b>(147.1)</b>	<b>(244.7)</b>	<b>(97.5)</b>
Financing activities						
Payments (to) from associates, net	(9.1)	(3.8)	(2.7)	6.8	18.5	11.7 (6)
Capital contributions	4.1	0.3	0.0	0.0	0.0	0.0
Distributions to partners for required tax payments	(651.4)	(553.4)	(459.2)	(444.0)	(331.8)	112.2 (7)
Distributions to partners non-tax	(889.8)	(575.2)	(471.6)	(538.1)	(575.6)	(37.5) (8)
<b>Total cash used in financing activities</b>	<b>(1,546.2)</b>	<b>(1,132.2)</b>	<b>(933.6)</b>	<b>(975.3)</b>	<b>(888.9)</b>	<b>86.4</b>
<b>Increase in cash and cash equivalents</b>	<b>62.5</b>	<b>169.4</b>	<b>149.1</b>	<b>(116.3)</b>	<b>(179.6)</b>	<b>(63.3)</b>
Cash and cash equivalents:						
Unrestricted cash at the beginning of the period	374.6	437.1	606.5	716.3	755.6	39.3
<b>Unrestricted cash at the end of the period</b>	<b>\$ 437.1</b>	<b>\$ 606.5</b>	<b>\$ 755.6</b>	<b>\$ 600.0</b>	<b>\$ 576.0</b>	<b>\$ (23.9)</b>

See next slide for explanation of footnotes

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## Cash flow statement – footnote explanations

- (1) Increase is due to equity losses as a result of higher funding of the European start-ups for Pearl Therapeutics.
- (2) Change in working capital is primarily due to the assumed payment of Medicaid “line extension” rebates in 2013.
- (3) Change in long term assets is due to distribution of the Infinity stock.
- (4) Change from budget is due to the actual 2012 year end balance being different from what was used in the budget and delay in the timing of the return of the QST.
- (5) Increase in investments in associated companies due to stock purchase and funding of Pearl Therapeutics.
- (6) Change from budget is due to timing of payments.
- (7) Lower tax distributions are as a result of lower pretax profit
- (8) See page 5.

## Back-Up Slides

### Budget

1. Assumptions
2. BBU P&Ls
3. R&D Details
4. Detailed rollforward schedule
5. Tax distribution reconciliation
6. April Year to Date 2013 Financial Statements
7. Associate Company Transactions
8. Ex USA Expenses
9. Headcount

### Sales

10. Sales year-to-date April
11. Sales - kilograms and price
12. Extended release opioid market
13. Tablets per prescription
14. Mix/strength

# 2013 Forecast - Key Assumptions

## A. OxyContin Sales Update:

1. ERO market Rx's are forecasted at 26.0 mm in 2013 versus budget of 26.3 mm.
2. The OxyContin share of the ERO market is forecasted to be 22.3% (5.8 mm Rx's) in 2013 versus the budget assumptions of 23.0% (6.0 mm Rx's).
3. 2013 forecast assumes no Oxycodone generic competition (no change from budget).
4. OxyContin price increase of 5.5% in February 2013 (no change from budget).
5. Branded competition in 2013 includes Opana ER, Exalgo, and Nucynta ER. Embeda is not expected back on the market until after 2013. Remoxy launch is assumed delayed – filing in 2015 or later (budget assumed late 2013).
6. Major events/assumptions impacting the forecast include:
  1. 745,000 rep calls in 2013, 50:50 split between OxyContin and Butrans achieved by the end of Q2 2013.
  2. Nucynta ER – J&J has significantly reduced promotion.
  3. Impact of \$65 million of losing formulary coverage on the United Healthcare AARP Medicare Advantage Prescription Drug program is included in forecast.
  4. TR formulations do not have a measurable impact on demand.
7. OxyContin sales by payer channel and rebate rates are assumed to be same as 2013 budget:

Rebate Eligible Sales (% of Xponent Retail Sales):	
Commercial (Tier 2)	45.2%
Commercial (Tier 3)	0.0%
Medicare Part D (Tier 2)	24.7%
Medicare Part D (Tier 3)	0.0%
Medicaid	9.9%
Tricare	2.4%
Cash / Non Rebated	17.8%
<b>Total</b>	<b>100.0%</b>

Rebate Rates	
Commercial (Tier 2)	17.7%
Commercial (Tier 3)	0.0%
Medicare Part D (Tier 2)	29.5%
Medicare Part D (Tier 3)	0.0%
Medicaid <sup>(1)</sup>	58.2%
Tricare	40.0%

(1) Continue to assume that the higher Medicaid Rebates on line extensions apply to OxyContin when CMS rules are finalized. A final rules rebate payment is forecasted to be in Q4 2013, however further delay is possible.

8. Trade inventory was forecasted to be \$459.0 million at 12/31/2012 and \$407.0 million at 12/31/2013 in the budget and \$540 million and \$393 million, respectively, in forecast.

## 2013 Forecast - Key Assumptions

### B. Butrans Sales Update:

There are no changes to the assumptions used in the budget.

### C. Intermesso Sales Update:

Mid-Year update represents current trending of prescription demand:

Rx Budget	295,870
Rx Forecast	71,721
% of Budget	24%
Budgeted Gross Sales	\$57.6 million
Forecast Gross Sales	\$13.9 million

### D. Fee For Service:

Fee For Service ("FFS") is forecasted to be \$2.5 million favorable to budget due to wholesaler inventory appreciation passed back to Purdue.

### E. Patient Savings Card Expense:

Expense is estimated based on average redemption rates and average redemption amount. Full year 2013 estimate of \$41.3 million is projected based on actual experience year to date April 2013, which are significantly higher than budget of \$34.5 million, primarily due to higher OxyContin e-voucher program redemptions. OxyContin projection estimates a redemption rate of 10.7% (vs. 7.1% budget rate) for e-voucher program and 2.7% (vs. 3.8% budget rate) for saving cards. The average redemption amounts were \$37.43 (vs. \$31.00 budget rate) for e-voucher program and \$54.01 (vs. \$46.50 budget rate) for saving cards.

### F. Technical Operations:

1. Intermesso inventory write-offs of \$2.3 million are included in forecast due to lower sales.
2. Assumes a delay in Rhodes Pharma's Oxy APAP launch to late 2013, reducing Purdue's budgeted overhead recovery by \$1.1 million.

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## 2013 Forecast - Key Assumptions

### G. S&P:

Reductions of \$11.6 million relate to termination of contract sales force effective on May 14, 2013 of \$8.0 million (includes two months of severance and fleet disposal costs) and reductions in promotional spend in light of reduced sales forecast of \$6.0 million offset by a decrease in Transcept Contribution of \$2.4 million.

### H. R&D:

1. R&D Projects include: Butrans, HYD, OCI, ONU/Targiniq, ORF, VND, ORL1 (not in budget) and MS Contin tamper resistant formulation (not in budget). Clinical spend forecasted at \$141.8 million, \$49.3 million lower than budget.
2. Butrans change in registration strategy for higher strengths results in discontinuation of Phase 3 efficacy and open label safety studies and 2<sup>nd</sup> generation timing - \$13.9 million lower than budget.
3. HYD includes 6 month extension to long-term, open label safety study of \$2.5 million (not in budget) and carryover of \$3.6 million.
4. Targiniq reflects changes to protocols in response to slower enrollment for Pain OIC studies (\$40.3 million lower than budget).
5. ORL1 reflects \$1.5 million dental pain POC study not included in original budget.
6. Shionogi Collaboration includes \$2 million milestone for IND filing (not in budget).

### I. Licensing & Business Development:

1. Possible new product licenses or acquisitions have not been included. These will be presented to the Board for approval on a project-by-project basis, when the economics, timing and justification are known.
2. Forecast assumes \$3 million payment to convert McGinny HYCR license for hydrocodone to exclusive in budget is not made.
3. Includes \$7.3 million upfront payment to Grunenthal for MS Contin tamper resistant formulation (not in budget).

### J. Ex USA:

Assumes additional funding for the purchase of \$50 million of stock of Pearl Therapeutics plus additional funding of Pearl of \$30.8 million.

### K. Investment in Infinity:

Infinity stock was distributed in April 2013 (not in budget).

### L. Tax and Distributions:

2013 tax distributions assumes \$42 million tax write-off of Transcept milestone payments (initial \$25 million plus \$10 million for each orange book listing of patents less tax amortization taken to date). This assumes all Intermezzo assets (including rights to tail royalties) are returned to Transcept by 12/31/2013.

2013 tax distribution assumes that \$11.5 million of milestone payments made prior to 2010 to Abbott-McGinny for Hydromorphone, Oxycodone and Morphine will not be written off even though no plans for development exist at this time. In order to write-off these tax assets, Purdue would have to relinquish its rights back to McGinny.

# OxyContin P&L

(\$M/Is)	2013 Forecast	% Sales	2013 Budget	% Sales	Variance	Growth	2012 Actual	% Sales	2011 Actual	% Sales
Gross Sales <sup>(1)</sup>	\$2,553.1		\$2,916.5		(\$363.4)		\$2,777.1		\$2,781.0	
Fee for Service	(53.4)		(59.9)		6.5		(65.6)		(71.0)	
Sales Disc. & Allowances/Savings Cards Disc.	(76.6)		(95.5)		18.8		(134.8)		(69.9)	
Rebates	(471.6)	26%	(547.9)	26%	76.3		(509.6)	26%	(540.4)	27%
Proposed regulation adj for Medicaid Rebates	(73.9)		(65.6)		(8.3)		(60.4)		(68.9)	
Net Sales	\$1,877.6		\$2,147.6		(\$270.0)	-13%	\$2,006.7		\$2,030.9	
COGS	(\$177.0)	9.4%	(\$190.0)	8.8%	\$13.0		(\$183.8)	9.2%	(\$192.5)	9.5%
COGS/Shipping & Warehousing	(68.7)		(77.4)		8.8		(74.5)		(81.7)	
Royalty Expense/Amort. of Milestone Pymts.	(108.4)		(112.6)		4.2		(109.3)		(110.8)	
Gross Profit	\$1,700.6		\$1,957.6		(\$257.0)		\$1,822.9		\$1,838.4	
Product Spending	(\$100.4)	5.3%	(\$100.4)	4.7%	\$0.0	0%	(\$62.0)	3.1%	(\$50.8)	2.5%
Marketing Expense	(23.6)		(23.6)		-		(14.4)		(15.1)	
Sales Force Expense <sup>(2)</sup>	(76.8)		(76.8)		-		(47.7)		(35.7)	
Other Expenses					0.0%					
G & A Allocation <sup>(3)</sup>	(79.2)		(80.2)		1.0		(77.1)		(73.1)	
Legal Fees <sup>(4)</sup>	(25.2)		(22.8)		(2.4)		(30.7)		(21.0)	
R&D Market Support <sup>(5)</sup>	(52.9)		(52.9)		0.0		(48.8)		(86.3)	
Insurance Income/Settlement Expense	0.8		0.8		0.0		4.3		30.0	
Health Care Reform Fee	(30.1)		(30.1)		-		(30.0)		(23.3)	
Product Contribution	\$1,413.5	75.3%	\$1,671.9	77.8%	(\$258.4)	-15%	\$1,578.5	78.7%	\$1,613.9	79.5%

## Notes:

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

(2) Sales force allocation based on call position/cost per call (2011 includes a shift from primary position to secondary call position due to Butrans launch, 2012 Actual includes 18% primary calls, 2013 Budget includes 50% primary calls). Year to date April OxyContin primary sales calls were running 40% behind budget. The above P&L assumes that the number of primary sales calls is at budget by year end. That assumption will be updated in the fall following more months of actual sales call reporting.

(3) 50% of consolidated G&A allocated to Oxy P&L.

(4) \$2.4 million increase is due to the Depomed patent infringement complaint received in February which was not anticipated in the budget.

(5) \$52.9 million includes cost of pediatric studies (\$14.7 million), health outcomes studies in support of payor initiatives (\$0.5 million), OxyContin Risk Management Plan (\$2.8 million), PDUFA fees (\$1.8 million), product complaint/adverse events (\$3.4 million), allocated non-branded Medical Education, RADARS etc (\$16.2 million), and allocated people costs (\$11.5 million).



## Butrans P&L

(\$MMs)

	2013 Forecast	% Sales	2013 Budget	% Sales	Variance	Growth	2012 Actual	% Sales	2011 Actual	% Sales
Gross Sales	\$160.0		\$160.0		\$0.0		\$112.9		\$73.5	
Fee for Service	(3.4)		(3.4)		-		(2.7)		(1.8)	
Sales Discounts & Allowances/Savings Cards Discounts <sup>(1)</sup>	(15.2)	21%	(15.4)	21%	0.2		(19.9)	24%	(12.6)	24%
Rebates	(14.3)		(14.3)		-		(6.1)		(3.1)	
Net Sales	\$127.0		\$126.9		\$0.2	0.1%	\$84.1		\$55.9	
COGS	(\$13.2)	10.4%	(\$15.0)	11.8%	\$1.8		(\$13.1)	15.5%	(\$10.2)	18.3%
COGS/Shipping & Warehousing <sup>(2)</sup>	(5.9)		(7.7)		1.8		(8.5)		(6.9)	
Royalty Expense/Amortization of Milestone Payments	(7.3)		(7.3)		-		(4.5)		(3.4)	
Gross Profit	\$113.8		\$111.9		\$2.0		\$71.1		\$45.7	
Product Spending	(\$100.5)	79.1%	(\$100.5)	79.2%	\$0.0	0%	(\$105.9)	125.9%	(\$120.5)	215.5%
Marketing Expense	(23.8)		(23.8)		-		(20.4)		(28.1)	
Sales Force Expense <sup>(3)</sup>	(76.7)		(76.7)		-		(85.5)		(92.4)	
Other Expenses										
G & A Allocation <sup>(4)</sup>	(7.6)		(7.6)		-		(5.1)		(3.4)	
Legal Fees <sup>(5)</sup>	(1.3)		(2.4)		1.2		(0.9)		(0.7)	
R&D Market Support <sup>(6)</sup>	(24.7)		(24.7)		(0.0)		(17.1)		(22.2)	
Health Care Reform Fee	(1.7)		(1.7)		-		(1.2)		-	
Product Contribution	(\$21.9)	-17.2%	(\$25.0)	-19.7%	\$3.1	-12%	(\$59.2)	-70.3%	(\$101.1)	-180.8%

### Notes:

- (1) Includes an accrual for returns of 10% of gross sales for 2011 and 2012 and 8% for 2013. Forecast includes lower saving card discount due to lower redemptions.
- (2) Includes standard cost of goods, inventory adjustments and product stability expenses. 2012 also includes inventory reserves for specification issues with batches manufactured by LTS in West Caldwell (\$2.3 million) and expiring batches due to lower than expected demand (\$1.0 million). Forecast includes estimated LTS reimbursement (\$2.3 million) for the value of 2012 batches with specification issues, manufactured by LTS in West Caldwell.
- (3) Sales force allocation based on call position/cost per call and 82% of primary calls in 2012 and 50% in 2013 Budget. In Q1 2013, actual experience has been closer to 70%. The above P&L assumes that the number of primary sales calls is at budget by year end. That assumption will be updated in the fall following more months of actual sales call reporting.
- (4) G&A allocated to Butrans P/L @ 6% of net sales.
- (5) Legal fees cover pre-litigation activities, responses to paragraph 4 letter challenges, document collection and review costs. Forecast includes a reduction due to non-receipt of paragraph 4 patent challenge and the lower estimate is expected to cover the 2013 remainder costs.
- (6) R&D includes cost of supporting existing strengths, product complaints/adverse events, allocated non-branded Medical Education, RADARS etc.

## Laxatives P&L

(\$MMs)

	2013 Forecast	% Sales	2013 Budget	% Sales	Variance	Growth	2012 Actual	% Sales	2011 Actual	% Sales
Gross Sales	\$49.3		\$49.3		\$0.0		\$51.5		\$51.1	
Sales Discounts & Allowances/Savings Cards Discounts <sup>(1)</sup>	(0.6)	1%	(0.6)	1%	-		(2.6)	5%	(1.1)	2%
Net Sales	\$48.6		\$48.6		\$0.0	0%	\$48.8		\$50.0	
COGS	(\$11.4)	23.4%	(\$11.4)	23.4%	\$0.0		(\$11.3)	23.1%	(\$12.8)	25.6%
COGS/Shipping & Warehousing <sup>(2)</sup>	(11.4)		(11.4)		-		(11.3)		(12.8)	
Gross Profit	\$37.2		\$37.2		\$0.0		\$37.6		\$37.2	
Product Spending	(\$15.6)	32.2%	(\$15.6)	32.2%	\$0.0	0%	(\$19.0)	38.8%	(\$17.7)	36.4%
Marketing Expense <sup>(3)</sup>	(15.0)		(15.0)		-		(14.3)		(13.8)	
Sales Force Expense <sup>(4)</sup>	(0.7)		(0.7)		-		(4.6)		(3.9)	
Other Expenses										
R&D Market Support <sup>(5)</sup>	(1.3)		(1.3)		-		(1.3)		(1.3)	
Health Care Reform Fee	-		-		-		-		-	
Product Contribution	\$20.3	41.7%	\$20.3	41.7%	\$0.0	0%	\$17.3	35.4%	\$18.3	36.5%

### Notes:

(1) Laxatives includes Senokot<sup>®</sup>, Senokot-S<sup>®</sup>, Colace<sup>®</sup>, and Peri-Colace brands. The gross sales impact of product diversion for 2012 actual and 2013 budget is (\$1.0 million) and (\$2.8 million), respectively.

(2) Cost of goods reflects units at standard cost, inventory adjustments and other costs (eg. annual product stability). 2012 actual and 2013 budget reflect production in Canada.

(3) Marketing expenses include consumer advertising, coop advertising, advertising & agency fees, samples and coupons.

(4) Sales force allocation includes cost of sales agents.

(5) Includes estimated R&D support across Medical Services, Drug Safety, Regulatory and other support functions.

## Intermezzo P&L

(\$MMs)	2013 Budget	Q1 2013 Actual	Q2 2013 Estimate	18T HALP 2013	Q3 2013 Estimate	Q4 2013 Estimate	2ND HALP 2013	2013 Forecast	Inception to Date	Variance to Budget
Gross Sales (Note 1)	\$ 67.6	\$ 6.7	\$ 4.0	\$ 7.7	\$ 5.5	\$ 2.9	\$ 8.2	\$ 15.9	\$ 30.4	\$ (45.5)
Fee for Service	(1.1)	(0.1)	(0.1)	(0.2)	(0.1)	(0.1)	(0.1)	(0.2)	(0.7)	0.2
Sales Disc. & Allow. - 2% Discount and 10% Returns	(5.5)	(0.4)	(0.5)	(0.9)	(0.1)	(0.1)	(0.1)	(0.5)	(10.6)	5.3
Reserve	(3.2)	(0.3)	(0.4)	(0.7)	(0.3)	(0.3)	(0.5)	(1.3)	(1.5)	1.5
Shipping Costs Discounts	(2.4)	(0.4)	(0.5)	(0.6)	(0.1)	(0.1)	(0.2)	(0.7)	(0.5)	1.5
Net Sales	44.0	5.6	3.5	6.3	2.7	2.4	6.1	10.9	16.6	(23.1)
COGS	(10.7)	(1.1)	(0.8)	(0.9)	(0.7)	(0.6)	(1.3)	(5.1)	(8.5)	6.8
COGS/Shipping & Warehousing (Note 2)	(4.1)	(0.5)	(0.3)	(0.6)	(0.3)	(0.3)	(0.5)	(2.6)	(5.0)	0.5
Royalty Expense	(6.5)	(0.4)	(0.5)	(0.4)	(0.4)	(0.3)	(0.7)	(1.5)	(2.3)	6.1
Gross Profit	33.3	1.4	0.6	2.0	2.1	1.8	5.9	6.8	9.2	(27.5)
Product Spending (excludes A & SF allocations)	(67.5)	(26.0)	(7.3)	(56.2)	(2.0)	(2.0)	(4.0)	(40.7)	(120.3)	16.2
Marketing Expense	(16.5)	(3.3)	(4.1)	(27.4)	(1.5)	(1.0)	(3.2)	(30.5)	(95.5)	5.0
Sales Force Expense - ISF (Note 3)	(20.9)	(5.7)	(3.7)	(19.4)	(0.4)	(0.4)	(0.5)	(10.1)	(55.2)	10.0
Legal Fees (Note 4)	(0.6)	(0.1)	(0.2)	(0.5)	(0.6)	(0.6)	(1.0)	(1.6)	(1.5)	(1.0)
R&D Market Support (Note 5)	(0.4)	(0.2)	(0.1)	(0.3)	(0.1)	(0.3)	(0.4)	(0.7)	(3.4)	(0.3)
Product Contribution Before Allocations	\$ (26.0)	\$ (27.3)	\$ (7.7)	\$ (56.8)	\$ (0.4)	\$ (1.5)	\$ (1.5)	\$ (27.1)	\$ (120.9)	\$ (12.1)
Allocated Expenses and Discontinued ISF Sales Force										
Sales Force Expense - ASF Allocation (Note 6)	(3.7)	(1.0)	(0.2)	(1.0)	(0.2)	(0.2)	(1.5)	(3.7)	(3.7)	0.0
Q & A Allocation	(1.3)	(0.5)	(0.5)	(1.3)	(0.3)	0.0	(0.3)	(1.3)	(1.5)	(0.2)
ISF Discontinuation Expenses (Note 7)	-	-	(2.0)	(2.0)	-	-	0.0	(2.0)	(2.5)	(2.5)
Transcript Contribution	10.0	7.5	-	7.5	-	-	-	7.5	7.5	(2.4)
Product Contribution	\$ (20.0)	\$ (21.7)	\$ (12.2)	\$ (51.8)	\$ (1.4)	\$ (1.8)	\$ (3.3)	\$ (27.3)	\$ (121.2)	\$ (17.3)

S&P \$ 11.8

Note 1 - Accounting rules requires recording sales based on demand.

Note 2 - Q1 included costs of stability charges and inventory reserves. Q2 to Q4 is projected at budgeted COGS as a % of sales and includes additional inventory reserves / write offs of \$2.3 million as a result of lower demand projections recorded in Q2.

Note 3 - ISF Sales Force has 30 reps, 10 DMs and 2 Other. ISF is eliminated effective May 14th, 2013. Assume 2 months of termination (salary and bonus) in Q2 on 100% of contract field force, including \$0.5MM estimated for lease and disposal costs of fleet. Assumes we retain MIS Data purchased by Sales Operations through end of year and 4 S&P Support Headcount (2 Purdue RMs, 1 Sales Operations Analyst, 1 Sales Trainer) are redeployed to open Purdue positions or leave Purdue by the end of Q2 and therefore are not allocated to Intermezzo R&D.

Note 4 - Legal fees in 2013 is estimated at \$2.5 million, before Transcript contribution of lower of 40% or \$1 million per year - so net cost to Purdue is \$1.5 million. Purdue is required to pay their proportionate share of patent defense costs for 150 days following notice of termination of agreement.

Note 5 - No work will commence on the pediatric studies due to recent FDA determination that the previously required work is not necessary.

Note 6 - Assumes only Tertiary calls from ASF from May 14th 2013.

Note 7 - Two months of discontinuance expense for Intermezzo contract field force terminated on May 14th 2013.

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## 2013 Tax and Non-Tax Distribution

(\$ millions)

2013 Forecast

Calculated Payment	2013 Payments Proposal			
	To Beacon & Rosebay	To Reinvest	Non-Tax Distribution Total	Tax Distribution
Q1: Jan-Mar	127.0 (3a)		\$ 127.0	\$ 9.3
Q2: Apr-Jun - Infinity shares	216.7 (3b)		216.7	
- cash	42.0	10.0 (3c)	52.0	167.7
Q3: Jul-Sep (projected)	77.9	4.2 (3d)	82.1	77.2
Q4: Oct (projected)		10.0 (3c)	10.0	
Q4: Nov-Dec (projected)	77.9	10.0 (3c)	87.9	77.6
<b>Total - Shareholders:</b>	<b>\$ 541.4</b>	<b>\$ 34.2</b>	<b>\$ 575.6</b>	<b>\$ 331.8</b>

(3a) included \$543K payments for the annual equity distributions guaranteed to Varus, Jibwind, and Connecticut Ave Realty under their amended partnership agreements.

(3b) Distribution of 5,416,565 Infinity shares at a value of \$40.00 per share.

(3c) \$14 million for Rhodes Pharmaceuticals were deferred from 2012 to 2013. In late November, Rhodes Pharma received Board approval to fund an additional \$16 million in 2013. Therefore, this brings the total to Rhodes Pharma at \$30 million.

(3d) Reinvestment of \$0.9 million to Japan and \$3.3 million to Thailand.

Non-Tax distributions are calculated to obtain bank equity of \$550 million which is lower than our historical target of \$600 million. Prior to making Q4 distributions we will ensure that we comfortably exceeded our \$500 million equity requirement / cash target, and depending on the outcome of this review, we could require some or all of the Q4 distribution to be deferred until Q1 of the following year.

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## P&L Rollforward - Detail

\$000s

### 2013 Budget

#### Sales

Latest estimate of Intermezzo reduces gross sales from \$57.6 million to \$14.0 million  
 Latest estimate of OxyContin reduces gross sales from \$2,916 million to \$2,553 million as a result of lower demand (\$265 million) and trade inventory contraction (\$95 million)

#### Fee for Service

Impact of lower Intermezzo sales 878  
 Impact of lower OxyContin Sales 7,177  
 Adjustment to 2012 Fee for Service recorded in 2013 but not accrued in 2012 (674)

#### Discounts and Allowances

Impact of lower Intermezzo sales on early payment discounts 874  
 Impact of lower OxyContin sales (on early payment discounts, GPO admin fees, returns etc) 10,854  
 Offset for OxyContin returns included in gross sales 15,164  
 Remove Intermezzo returns reserve included in budget since gross sales is budgeted based on demand only with no trade stocking assumption 4,701  
 Reduction in Fee for Service for price increase not included in Budget 2,539

#### Patient Savings Card Discounts

Impact of lower Intermezzo sales 1,730  
 Impact of higher redemptions on OxyContin and Butrans and higher card limits (Note 1) (8,527)  
 Note 1: Further investigation is currently being made into the higher redemption rate. If possible data errors on part of the vendor are confirmed, this number may be adjusted at a later date.

#### Rebates

Impact of lower Intermezzo sales 1,793  
 Impact of lower OxyContin sales 64,521

	2013
	Pre-Tax
	\$1,034,912
	(43,722)
	(363,363)
	(407,085)
	7,381
	874
	10,854
	15,164
	4,701
	2,539
	34,132
	1,730
	(8,527)
	(6,797)
	1,793
	64,521
	66,314

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## P&L Rollforward – Detail (continued)

### Proposed regulation adj for Medicaid rebates

Impact of lower OxyContin sales

2,913

2,913

### COGS

Higher Intermezzo inventory reserve.

(2,323)

Lower manufacturing overhead recovery due to potential launch delay of Rhodes Pharma's Oxy APAP.

(1,099)

Impact of lower sales of OxyContin and Intermezzo.

12,424

Reversal of 2012 inventory reserve for West Caldwell 7.5 mg validation batches deemed LTS responsibility.

2,328

Labor and overhead spending reduction.

1,641

12,971

### 3rd Party Royalty Income

0

### Royalty Expense

Impact of lower OxyContin sales on McGinty royalties (\$5.9 million) , partially offset by change in budgeted exchange rate resulting in higher Grunenthal royalties (\$1.6 million) which are paid at the maximum of EURO 50 million.

4,186

Impact of lower Intermezzo sales

5,050

9,236

### Shipping and Warehousing

Estimated 2013 impact of Walgreens sales shifting from Cardinal to ABC in September.

(300)

Higher than budget OTC freight rates offset by lower variable costs due to lower sales volume.

(129)

Higher Butrans inbound freight cost from Germany due to West Caldwell investigation.

(120)

(549)

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## P&L Rollforward – Detail (continued)

### Legal Fees

Intermezzo patent defense costs in 2nd half of 2013 not in budget net of Transcept 40% contribution	(1,050)	
Depomed patent litigation	(2,400)	
Chicago Investigation	(1,000)	
FDA/Exclusivity Actions	(1,000)	
Asia - Patent litigation lower activities	500	
Australia - Patent litigation for Sprint close to final	300	
BuTrans - Patent litigation - paragraph 4 letter not received to date	1,150	
		(3,500)

### G&A

Targeted reduction	2,000	
		2,000

### R&D US

Discontinuance and close out of Butrans higher strength program	13,900	
Enrollment delays in ONU pain/OIC studies	34,500	
Increase in HYD driven by carryover and 6 month extension to open label safety study	(8,200)	
Reduction in Finance underspend estimate	(6,900)	
All Other driven by Butrans 2nd Generation Tech Transfer shift to 2014 and Shionogi collaboration milestone	6,800	
Targeted reductions	10,000	
		50,100

### R&D Other - Milestone and Alliances

McGinity convert to exclusive milestone payment, now not expected to be paid in 2013.	3,000	
Upfront (€5.5 million) milestone payment to Grunenthal for MS Contin tamper resistant formulation.	(7,260)	
		(4,260)

### S&P

Targeted reduction - Intermezzo	11,600	
Targeted reduction - Other	10,000	
		21,600

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## P&L Rollforward – Detail (continued)

### Health Care Reform Fee

#### Other - US

Targeted reduction of Presidents reserve (from \$5.9 million to \$2.9 million).

Targeted reduction of headcount 20-25 positions

#### Insurance Income

#### Incentive Bonus

Targeted reduction

#### Settlement Expenses

Varum Patent Litigation settlement estimate

#### Royalty Income - ex. US

#### Ex US Expenses

Funding of Pearl Therapeutics

Higher losses in Germany

Funding of Northlake R&D

Lower funding of Spain

Other

	0
3,000	
1,500	
	4,500
	0
7,000	
	7,000
(1,900)	
	(1,900)
	0
(30,800)	
(10,670)	
(2,844)	
5,765	
1,260	
	(37,289)

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## P&L Rollforward – Detail (continued)

<b>Other Items</b>	
Gain on sale of Infinity stock.	124,581
	124,581
	0
<b>Interest Income/(Expense)</b>	
	0
	(118,652)
<b>2013 Forecast</b>	<b>\$916,260</b>

Impact on pre-tax income:	
Lower OxyContin sales	\$ (258.5)
Lower Intermezzo sales	(20.5)
Sale of Infinity stock	124.5
Targeted reductions	30.5
Other	5.3
Total	\$ (118.7)

## Tax distribution reconciliation

Lower Purdue operating profit	\$	205,944	
Extension of 50% bonus depreciation after budget		7,819	
Pension pointed to 2013 after budget		6,378	
All other Schedule M updates		186	
\$4.8 million of QST reversionary income pointed to 2014 after budget		<u>4,800</u>	
Total changes		225,127	(108,961)
Tax benefit (48.4%)			(108,961)
Ex-US		37,289	
Nondeductible milestones and other Schedule M updates		<u>(7,605)</u>	
Total changes		29,684	(14,367)
Tax benefit (48.4%)		(14,367)	
Total decrease in 2013 tax			(123,329)
Increase in 2012 tax		<u>11,100</u>	
Total decrease in 2013 tax distributions from budget			<u>\$ (112,229)</u>

## R&D Update - Detail

(\$ MM)

<b>BUP</b> - Change in registration strategy for higher strengths resulted in discontinuation of Phase 3 efficacy and open label safety studies. Change in timing of BUP 2nd Generation program results in deferral of costs to later years.	\$ (13.9)
<b>HYD</b> - Carryover spend from 2012 plus 6 month extension to long-term, open label safety study offset by phase 3b neuropathic pain study removal.	6.1
<b>ONU</b> - Slower enrollment in Pain/OIC efficacy studies (3704/3705) required protocol changes and a shift in both clinical study spend and associated ISS/ISE spend to later years.	(40.2)
<b>VND</b> - Shift in Burn Pain POC study pending outcome of OA and neuropathic pain POC study results.	(3.1)
<b>ORL1</b> - Dental Pain POC study.	1.5
<b>Clinical Supplies</b> - Carryover spend from 2012 for HYD and ONU and an increase in packaging and distribution costs for ONU.	7.1
<b>Tech Transfer</b> - Delay in Tech Transfer for BUP 2nd Generation development.	(4.0)
<b>Shionogi Collaboration</b> - Milestone for IND filing for TRPV1 backup.	(3.0)
<b>Underspend Estimate</b> - Reduction in estimate from \$25.8 million to \$18.9 million - this is the estimate of spend that will slip from 2013 to 2014 or be cancelled. The underspend estimate is based on historical underspend experienced at Purdue and Industry success rates.	6.9
Targeted reductions	(10.0)
<b>All Other, net</b>	2.5
<b>Total Decrease in Budget</b>	<u>\$ (50.1)</u>

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# April YTD P&L

Expressed in '000's

	April Year-to-Date				2015 YTD Actual vs Budget				Full Year			
	2015 YTD Actual	% Sales	2015 YTD Budget	% Sales	2015 YTD Actual	% Sales	2015 YTD Budget	% Sales	2015 YTD Actual	% Sales	2015 YTD Budget	% Sales
<b>ORDERS BRANDED PRODUCT SALES</b>	<b>\$ 872,277</b>		<b>\$ 1,049,211</b>		<b>\$ 812,267</b>		<b>\$ (176,254)</b>		<b>\$ 8,929</b>		<b>\$ 3,225,472</b>	
Fee for Service	(18,400)	2.1%	(21,242)	2.0%	(23,106)	2.8%	2,842	4.9%	(89,138)	2.0%	(89,132)	2.1%
Discounts and Allowances	(18,539)	1.9%	(22,387)	2.2%	(8,518)	0.7%	7,048	(8.8%)	(88,186)	2.7%	(134,022)	4.8%
Patent Savings Card Discount	(14,808)	1.7%	(10,703)	1.0%	(6,922)	0.8%	(4,103)	(7.8%)	(24,637)	1.1%	(28,104)	0.8%
Rebate on Branded Sales	(188,028)	17.8%	(188,778)	17.7%	(169,377)	18.6%	3,079	14.4%	(66,117)	17.5%	(91,406)	17.2%
Proposed Regulation Adjustment for Medicaid Rebates (1)	(21,788)	2.5%	(26,151)	2.5%	(22,899)	2.8%	4,363	1.1%	(66,584)	2.0%	(60,383)	2.0%
Other	811		550		589		222		1,631		2,455	
<b>NET REVENUE</b>	<b>\$ 646,124</b>		<b>\$ 782,293</b>		<b>\$ 614,244</b>		<b>\$ (131,774)</b>		<b>\$ 6,190</b>		<b>\$ 2,410,548</b>	
Cost of Goods Sold	(42,807)	4.9%	(51,100)	5.1%	(43,818)	4.8%	10,173	8.9%	(162,211)	5.0%	(148,476)	4.9%
Royalty Expenses	(41,053)	4.7%	(49,314)	4.8%	(40,119)	4.8%	8,867	9.3%	(131,875)	5.0%	(122,268)	4.8%
Shipping and Warehousing	(3,775)	0.4%	(5,744)	0.4%	(4,026)	0.4%	(31)	0.0%	(10,807)	0.3%	(11,814)	0.4%
<b>TOTAL COST OF GOODS SOLD</b>	<b>(87,635)</b>		<b>(106,158)</b>		<b>(87,963)</b>		<b>18,608</b>		<b>2,08</b>		<b>(104,692)</b>	
<b>ORDERS PROFIT</b>	<b>\$ 691,288</b>		<b>\$ 678,540</b>		<b>\$ 698,291</b>		<b>\$ (116,171)</b>		<b>\$ 4,822</b>		<b>\$ 2,105,766</b>	
General and Administrative (incl. Legal Costs and Legal Fees)	(53,820)	8.3%	(58,499)	7.1%	(54,482)	8.0%	1,679	6.2%	(160,426)	5.0%	(154,289)	7.0%
Legal Fees	(17,752)	2.7%	(19,271)	2.5%	(18,161)	2.7%	1,619	8.6%	(30,978)	1.6%	(61,232)	2.8%
Research and Development	(104,512)	16.1%	(134,273)	17.1%	(92,450)	13.9%	28,763	(2.0%)	(377,347)	11.7%	(212,513)	14.2%
Research and Development Other - Milestones and Alliances	(1,288)	0.2%	(2,231)	0.2%	(1,79)	0.0%	946	(1.1%)	(6,692)	0.2%	(2,284)	0.2%
Sales and Promotion	(104,808)	16.1%	(103,847)	13.2%	(98,451)	14.4%	(1,258)	(6.2%)	(209,813)	9.6%	(203,110)	13.8%
Health Care Marketing Fee	(10,800)	1.6%	(10,800)	1.4%	(10,000)	1.5%	-	6.0%	(31,800)	1.0%	(31,251)	1.4%
Other US	602		(1,652)		466		2,627	1.3%	(8,338)		(17,933)	
<b>OPERATING EXPENSES</b>	<b>(292,172)</b>		<b>(327,148)</b>		<b>(273,652)</b>		<b>34,978</b>		<b>(184,90)</b>		<b>(342,092)</b>	
<b>OPERATING MARGIN BEFORE INCENTIVES AND SETTLEMENTS</b>	<b>\$ 399,116</b>		<b>\$ 351,392</b>		<b>\$ 424,643</b>		<b>\$ (65,166)</b>		<b>\$ 5,722</b>		<b>\$ 1,763,674</b>	
Incentive Bonus	(14,006)	2.2%	(14,012)	1.8%	(13,484)	2.0%	6	0.0%	(42,618)	1.3%	(34,288)	1.6%
Insurance Income	120		2,798		(39)		(2,678)	2.1%	3,858		3,820	
Settlement Expense	(1,886)		(11,214)		(13,628)		(2,672)	(2.8%)	(39,060)		(48,012)	
<b>TOTAL INCENTIVE AND SETTLEMENTS</b>	<b>(15,772)</b>		<b>(22,428)</b>		<b>(13,521)</b>		<b>7,151</b>		<b>(48,800)</b>		<b>(82,470)</b>	
<b>OPERATING PROFIT MARGIN</b>	<b>\$ 383,344</b>		<b>\$ 328,964</b>		<b>\$ 438,164</b>		<b>\$ (54,820)</b>		<b>\$ 5,922</b>		<b>\$ 1,721,204</b>	
Royalty Income - ex-US	14,343		(13,864)	(6)	10,349		879	(1.8%)	(40,692)		(33,361)	
Ex-US Expenses	(42,888)		(42,831)		(31,112)		(10,087)	(2.4%)	(127,600)		(68,063)	
One Time Charges - Other Items	(712)		(368)		(716)		273	4	(2,956)		(2,149)	
Gain on PPHS Sale	124,581				124,581							
Interest Income (Expense), net	104		57		611		67	(0.7%)	172		1,354	
<b>TOTAL OTHER ITEMS</b>	<b>\$ 85,928</b>		<b>(29,395)</b>		<b>(868)</b>		<b>116,823</b>		<b>\$ 66,796</b>		<b>(89,692)</b>	
<b>PROFIT BEFORE TAX</b>	<b>\$ 469,272</b>		<b>\$ 299,569</b>		<b>\$ 437,636</b>		<b>\$ (68,292)</b>		<b>\$ 1,049,112</b>		<b>\$ 1,631,512</b>	
Tax Provision for Corporations	(895)		-		(1,538)		(643)		(6,277)		(6,742)	
<b>PROFIT AFTER TAX</b>	<b>\$ 468,377</b>		<b>\$ 299,569</b>		<b>\$ 436,098</b>		<b>\$ (67,649)</b>		<b>\$ 1,042,835</b>		<b>\$ 1,624,770</b>	

(1) The Proposed Rule was issued in Q1 2012, which when finalized could result in a higher rebate rate on the new formulation of OxyContin. The impact on 2011 and 2010 was fully accrued in December 2011. To better reflect the economics of our earnings, we have restated the equivalent between 4 quarters 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, margins and P&L statements will not tie to previously issued reports.

(2) YTD Fee for Service rate 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 price increase adjustment of \$2.3 million.

(4) Patent Savings Card Discount is over budget due to a higher number of patient savings card redemptions and higher average redemptions, primarily related to OxyContin.

(5) Sales and Promotion is \$1.3 million higher than budget target due to the timing of the media DTC spend.

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

# April Balance Sheet

*Expressed in 000's*

	April 30, 2013 Actual	December 31, 2013 Budget	December 31, 2012 Actual
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 800,677	\$ 800,000	\$ 755,593
Accounts receivable	108,815	150,613	187,137
Due from associated companies	18,114	13,673	31,819
Other receivables	7,938	8,350	2,957
Inventories	74,405	42,881	50,631
Prepaid expenses and other assets	15,549	28,670	22,144
Restricted cash - current	23,870	-	23,927
<b>TOTAL CURRENT ASSETS</b>	<b>1,049,368</b>	<b>844,187</b>	<b>1,074,208</b>
Property and equipment, net	148,796	163,447	149,483
Investments in associated companies	26,490	14,936	7,871
Due from associated companies	3,000	3,250	3,000
Restricted cash - long term	17,202	21,700	17,205
Goodwill	23,396	23,396	23,396
Product rights, trademarks and other intangibles, net	171,079	165,982	173,249
Other assets	22,073	21,247	22,523
Investment in Infinity Common Stock	-	138,772	189,545
Deferred income taxes	19,788	17,425	19,788
<b>TOTAL ASSETS</b>	<b>\$ 1,481,192</b>	<b>\$ 1,414,342</b>	<b>\$ 1,680,268</b>
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	69,795	94,100	71,181
Accrued expenses and taxes payable	679,751	360,628	694,721
Due to associated companies	20,132	13,000	12,392
<b>TOTAL CURRENT LIABILITIES</b>	<b>769,678</b>	<b>467,728</b>	<b>778,294</b>
Other liabilities	236,738	241,382	230,249
<b>TOTAL LIABILITIES</b>	<b>1,006,416</b>	<b>709,110</b>	<b>1,008,543</b>
<b>EQUITY</b>			
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	(139,964)	(128,436)	(139,935)
Unrealized gain on Infinity stock	-	60,232	97,469
Retained earnings and partners' capital	613,748	772,444	713,199
<b>TOTAL EQUITY</b>	<b>474,776</b>	<b>705,232</b>	<b>671,725</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 1,481,192</b>	<b>\$ 1,414,342</b>	<b>\$ 1,680,268</b>

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# April Cash Flow Statement

Expressed in 000's

	April 30, 2013 Actual	December 31, 2013 Budget	December 31, 2012 Actual
<b>Operating activities</b>			
Net income	\$ 340,544	\$ 1,030,238	\$ 1,008,308
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	10,625	32,138	29,059
Distribution of Infinity Stock	230,095		
Gain on Investment in Infinity	(138,019)		
Impairment of intangible asset	-	-	20,000
Deferred income taxes	-	-	(2,600)
Loss on unconsolidated, associated companies	49,232	128,621	101,005
Loss on disposal of assets	-	-	27
Changes to working capital	39,806	(212,281)	88,604
Long-term assets and liabilities	6,910	27,431	(2,012)
<b>Total cash provided by operating activities</b>	<b>539,193</b>	<b>1,006,147</b>	<b>1,242,391</b>
<b>Investing activities</b>			
Capital expenditures	(7,768)	(35,000)	(30,467)
Purchase of product marketing rights and other intangibles	-	-	(29,982)
Restricted cash, net	60	22,472	17,337
Investments in associated companies, net	(67,851)	(134,605)	(89,089)
Investment in Infinity Common Stock	-	-	(27,500)
<b>Total cash used in investing activities</b>	<b>(75,559)</b>	<b>(147,133)</b>	<b>(159,701)</b>
<b>Financing activities</b>			
Payments from associates, net	21,445	6,792	(2,703)
Capital contributions	196	-	-
Distributions to partners for required tax payments	(92,858)	(444,000)	(459,245)
Distributions to partners non-tax	(130,670)	(538,077)	(471,643)
Distribution of Infinity Stock	(216,663)	-	-
<b>Total cash used in financing activities</b>	<b>(418,550)</b>	<b>(975,285)</b>	<b>(933,591)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>45,084</b>	<b>(116,271)</b>	<b>149,099</b>
Cash and cash equivalents:			
Unrestricted cash at the beginning of the period	755,593	716,271	606,494
<b>Unrestricted cash at the end of the period</b>	<b>\$ 800,677</b>	<b>\$ 600,000</b>	<b>\$ 755,593</b>

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# Associated Company Transactions

	2012 actual	2013 budget	2013 Forecast	Variance
Ex- US Royalties	\$ 83,961	\$ 40,692 (1)	\$ 40,692	\$ -
MRL R&D recharges	3,507	1,214	1,214	-
Senokot and Peri-Colace purchases from Canada	21,532	22,894	22,894	-
Ex-US expenses (see next slide)	65,063	127,600	164,889	37,289

(1) Decrease from prior year is due to a lower royalty rate upon patent expiration in 2012

# Ex USA Expenses

	<b>2012 Actual</b>	<b>2013 Budget</b>	<b>2013 Forecast</b>	<b>Difference</b>
France	\$ 28,155	\$ 29,597	\$ 33,946	\$ 4,349
Belgium	9,249	7,140	7,895	755
Spain	19,149	8,400	2,632	(5,768)
Portugal	-	195	-	(195)
Italy	42,079	20,800	36,184	15,384
Ireland	266	-	(658)	(658)
Finland	473	-	-	-
Netherlands	1,066	-	-	-
Norway	(603)	-	-	-
Sweden	87	-	-	-
Lucian Group	4,934	21,900	22,200	300
<b>Total - Europe</b>	<b>104,856</b>	<b>88,032</b>	<b>102,199</b>	<b>14,167</b>
Interest	(16,809)	(21,000)	(19,514)	1,486
<b>Net Expense - Europe</b>	<b>88,046</b>	<b>67,032</b>	<b>82,685</b>	<b>15,653</b>
<b>Japan</b>	<b>-</b>	<b>26,093</b>	<b>8,931</b>	<b>(17,162)</b>
South Africa	279	2,424	2,784	360
Refinance MHAG Singapore / Malaysia loans	-	-	20,373	20,373
Hong Kong	3,247	1,700	5,890	4,190
Taiwan	-	4,271	1,200	(3,071)
Thailand	-	49	-	(49)
<b>Total - Asia Pacific</b>	<b>3,247</b>	<b>6,020</b>	<b>27,463</b>	<b>21,443</b>
Brazil	327	20,594	24,054	3,460
Colombia	-	2,051	2,072	21
<b>Total - Latin America</b>	<b>327</b>	<b>22,645</b>	<b>26,126</b>	<b>3,481</b>
<b>Total other</b>	<b>3,853</b>	<b>31,089</b>	<b>56,373</b>	<b>25,284</b>
<b>Overall total ex-US funding</b>	<b>91,899</b>	<b>124,214</b>	<b>147,989</b>	<b>23,775</b>
Northlake development costs	-	-	2,844	2,844
Germany losses	9,105	4,406	15,076	10,670
Infinity write off	(25,895)	-	-	-
Shionogi Upfront Fee	(8,649)	-	-	-
All other ex-US	(1,397)	(1,020)	(1,020)	-
<b>Total ex-US expense</b>	<b>\$ 65,063</b>	<b>\$ 127,600</b>	<b>\$ 164,889</b>	<b>\$ 37,289</b>

(1) Includes \$30.8 million for finding of Pearl Therapeutics opportunity. An investment of \$50 million for the purchase of Pearl stock is not expensed.



# Headcount

	2004 Approved	2006 Approved	2011 Approved	2012 Approved	2013 Approved	2013 Forecast
G&A	601	309	363	385	381	384 (2)
S&P	1,126	366	740	756	760	752 (1)
R&D	944	177	315	359	360	360
Totowa	466	73	17	18	18	18
Manufacturing & Supply Chain	95	61	63	57	60	60
Wilson	173	128	197	199	201	201
Other / President's Reserve	80	-	4	8	4	1 (2)
Targeted reductions	-	-	-	-	-	(25)
<b>TOTAL</b>	<b>3,485</b>	<b>1,114</b>	<b>1,699</b>	<b>1,782</b>	<b>1,784</b>	<b>1,751 (3)</b>

(1) - 8 Intermezzo headcount have been removed in the 2013 forecast.

(2) - President's Reserve reduction includes 1 position in Legal and 2 in Finance.

(3) - Management is evaluating all open positions and intends to close a number of those open positions. Our expectation is that 20 to 25 positions will be closed with a 2013 savings of \$1.2 to 1.5 million.

## OxyContin gross ex-factory sales

(000's)

	Year to Date April 2013			Full Year 2013		
	Actual	Budget	Variance	Actual	Budget	Variance
10mg	\$ 44,331	\$ 51,732	\$ (7,401)	\$ 142,460	\$ 156,987	\$ (14,527)
15mg	11,095	12,466	(1,371)	35,840	37,814	(1,974)
20mg	115,120	138,422	(23,302)	377,709	419,948	(42,239)
30mg	64,690	78,272	(13,582)	214,549	237,429	(22,880)
40mg	170,424	205,074	(34,650)	555,777	622,343	(66,566)
60mg	102,844	128,175	(25,331)	338,266	388,817	(50,551)
80mg	290,497	347,115	(56,618)	888,508	1,053,126	(164,618)
Total	<u>\$799,001</u>	<u>\$961,257</u>	<u>\$ (162,256)</u>	<u>\$2,553,109</u>	<u>\$2,916,464</u>	<u>\$ (363,355)</u>

OxyContin® Tablets –kilograms by year versus budget  
based on ex- factory sales

	Actual / Forecast	Budget	Change versus Budget	Change versus Prior Year
2008	19,214	20,303	-5.4%	
2009	21,131	23,805	-11.2%	10.0%
2010	20,546	22,047	-6.8%	-2.8%
2011	17,529	25,060	-30.1%	-14.7%
2012	16,515	17,214	-4.1%	-5.8%
2013	14,379	16,416	-12.4%	-12.9%

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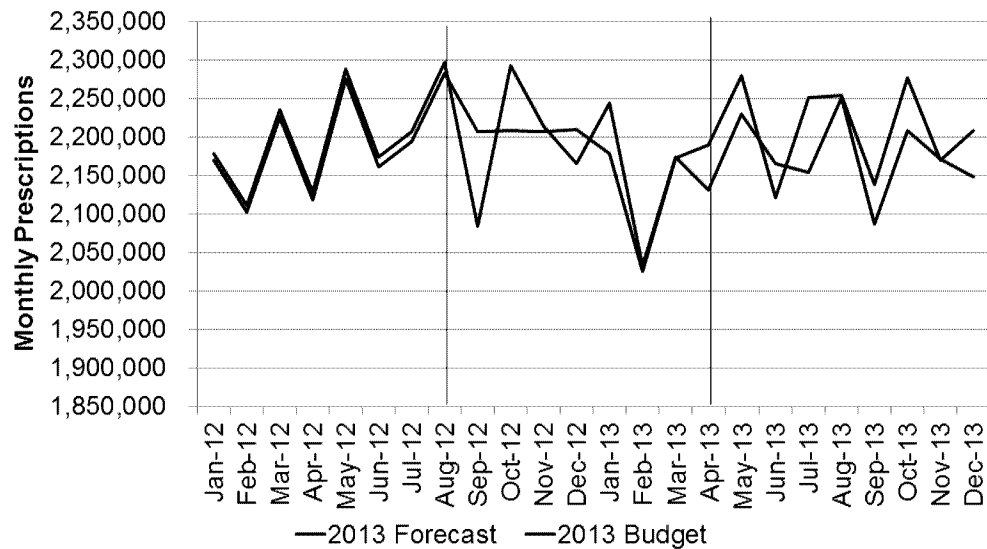
## OxyContin® Tablets – change in sales volume (in kilograms) vs. price

	Gross Sales \$000's	Volume		Price	
		kilograms	% Change	Average price per kilograms	% Change
2008	2,436,618	19,214		\$ 126,815	
2009	2,888,657	21,131	10.0%	\$ 136,702	7.8%
2010	2,997,775	20,546	-2.8%	\$ 145,906	6.7%
2011	2,781,018	17,529	-14.7%	\$ 158,652	8.7%
2012	2,777,064	16,515	-5.8%	\$ 168,154	6.0%
2013 Budget	2,916,463	16,416	-0.6%	\$ 177,660	5.7%
2013 Forecast	2,553,108	14,379	-12.9%	\$ 177,558	5.6%

Price impact shown above is slightly different than list price increases due to timing of returns, accruals and other factors.

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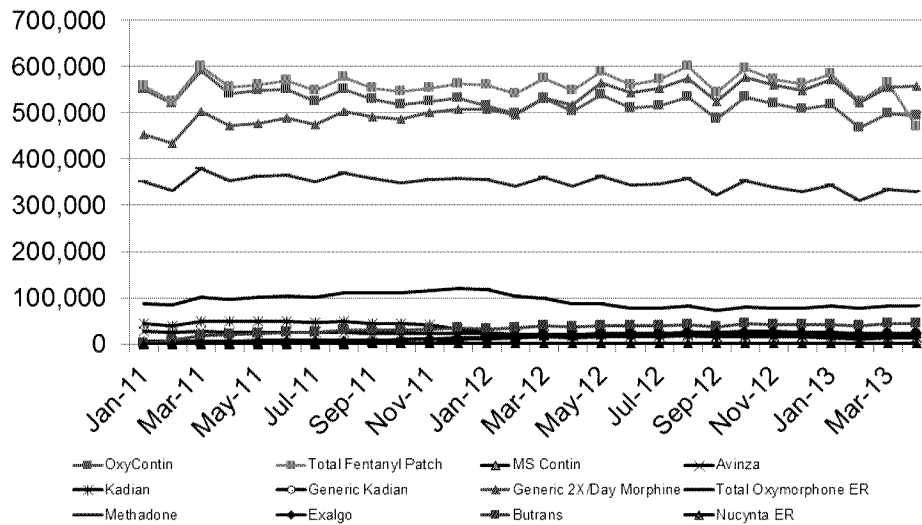
2013 Extended Release Opioid Market (brand and generics) is forecast to be at 26.0 million prescriptions in 2013, or 0.5% lower than budget.



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Total prescriptions in the ERO market have declined by 3.3% in the most recent 6mth vs. 6mth period. Branded EROs have declined by 3.8% while generic EROs have declined by 3.0% over this period.

IMS Prescriptions – Extended-Release Opioid Category (ERO)  
January 2011 – April 2013



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IMS NPA

## OxyContin – tablets per prescription --- trend since 2011

	2011 Actual	2012 Actual	YTD April Tabs/Rx	2013 Full Year Budget		Variance Budget versus Forecast			
				Tabs/Rx		Tablets	%	\$ Millions	%
				Budget	Forecast				
10mg	54.1	53.3	50.7	53.6	50.2	-3.4	-6.3%	\$ (8.9)	-6.3%
15mg	59.2	59.1	57.4	59.2	56.5	-2.6	-4.5%	(1.7)	-4.5%
20mg	65.9	65.0	63.3	65.3	63.0	-2.3	-3.5%	(13.5)	-3.4%
30mg	65.7	65.8	64.4	66.1	63.8	-2.2	-3.4%	(7.7)	-3.2%
40mg	76.4	75.2	73.5	75.5	72.9	-2.6	-3.5%	(20.5)	-3.4%
60mg	73.0	73.2	72.4	73.3	71.7	-1.6	-2.2%	(7.8)	-2.0%
80mg	92.6	91.4	90.1	91.6	89.7	-1.8	-2.0%	(18.6)	-1.8%
<b>Total*</b>	69.9	68.7	66.6	69.0	66.1	-2.9	-4.2%	\$ (78.8)	-2.8%

\*Tablets per prescription total is a weighted average.

IMS Prescriptions – lower prescriptions, particularly for the higher strengths, are projected to continue to decline - as a result the revised forecast is \$189MM lower than Budget.

			YTD April			2013 Full Year		Budget versus Forecast Variance			
	2011	2012	Rx								
	Actual	Actual	Actual	Variance	Variance						
			Rx's	to Budget	%	Budget	Forecast	Rx	%	\$ Millions	%
10mg	1,343,933	1,296,893	428,729	17,873	4.35%	1,239,003	1,243,210	4,207	0.34%	\$ 0	0.31%
15mg	160,207	187,758	67,826	1,979	3.01%	198,573	199,305	732	0.37%	0	0.35%
20mg	1,698,821	1,582,931	498,346	(1,781)	-0.36%	1,508,214	1,469,170	-39,044	-2.59%	(10)	-2.61%
30mg	538,302	586,582	200,819	(6,495)	-3.13%	625,191	602,741	-22,450	-3.59%	(9)	-3.60%
40mg	1,314,694	1,211,777	368,554	(3,468)	-0.93%	1,121,894	1,081,214	-40,681	-3.63%	(22)	-3.66%
60mg	459,112	472,991	155,604	(12,558)	-7.47%	507,120	465,152	-41,969	-8.28%	(32)	-8.29%
80mg	966,810	859,005	258,416	(19,214)	-6.92%	837,239	743,832	-93,407	-11.16%	(116)	-11.19%
Total	6,481,879	6,197,937	1,978,294	(23,664)	-1.18%	6,037,235	5,804,624	(232,611)	-3.85%	\$ (189)	-6.63%



## Prescription mix impact on the 2013 revised sales forecast

	<u>2013 April YTD</u>						<u>Change</u>
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>Actual</u>	<u>Budget</u>	<u>2013</u>	<u>Forecast</u>
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>			<u>Forecast</u>	<u>versus</u>
							<u>Budget</u>
10mg	20.7%	20.9%	20.5%	21.7%	20.5%	21.4%	0.9%
15mg	2.5%	3.0%	3.3%	3.4%	3.3%	3.4%	0.1%
20mg	26.2%	25.5%	25.0%	25.2%	25.0%	25.3%	0.3%
30mg	8.3%	9.5%	10.4%	10.2%	10.4%	10.4%	0.0%
40mg	20.3%	19.6%	18.6%	18.6%	18.6%	18.6%	0.0%
60mg	7.1%	7.6%	8.4%	7.9%	8.4%	8.0%	-0.4%
80mg	14.9%	13.9%	13.9%	13.1%	13.9%	12.8%	-1.1%
20mg Equivalents	11.2MM	10.5MM	10.3MM	3.3MM	3.4MM	9.7MM	(0.6MM)

Value of Change vs. Budget  
\$79MM

57

Message

**From:** Mahony, Edward [REDACTED]  
**Sent:** 6/5/2013 6:52:53 PM  
**To:** Boer, Peter [REDACTED]; Lewent, Judy  
[REDACTED] Pickett, Cecil [REDACTED] Costa, Paulo  
[REDACTED] Sackler, Beverly [REDACTED] Sackler, David  
[REDACTED] Sackler, Dr Kathe [REDACTED] Sackler, Dame Theresa  
[REDACTED] Sackler, Mortimer D.A. [REDACTED] Sackler, Dr Raymond R  
[REDACTED] Sackler, Dr Richard [REDACTED] Sackler, Jonathan  
[REDACTED] Sackler Lefcourt, Ilene [REDACTED] Baker, Stuart D.  
[REDACTED] Stewart, John H. (US) [REDACTED] Gasdia,  
Russell [REDACTED] Landau, Dr. Craig [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED] Snyderman, Ralph  
[REDACTED]  
**CC:** Rosen, David (Sales and Marketing) [REDACTED] Lowne, Jon  
[REDACTED]  
[REDACTED]  
[REDACTED]  
**BCC:** Stewart, John H. (US) [REDACTED]  
**Subject:** May Flash Report  
**Attachments:** 2013 May Sales Analysis Monthly Package.pdf

Colleagues,

The following is a flash financial report. This report focuses on sales, cash and material financial developments, if any. Full financial statements are published quarterly.

**NET SALES**

Net Sales for the five months ending May were \$820 million --- \$83 million lower than the same period last year and \$175 million or 18% under budget (the mid-year forecast assumes \$303.1 million under budget for full year). The reasons for the under budget sales performance are discussed below.

**OxyContin**

OxyContin net sales for the five months ending May total \$737 million --- \$157 million below budget and \$82 million lower than the same period last year (all of the variances described below were considered and discussed in the Mid-Year Update, which forecasted a reduction in OxyContin net sales of \$270 million). The variance vs. budget is due to:

- a. OxyContin demand – as reported by IMS -- is running about 7.2%, or \$64 million behind budget.
- i. OxyContin prescriptions – as reported by IMS – are 2.3% or \$20 million behind budget.
- ii. OxyContin mix among strengths and the tablets per prescription are both unfavorable to budget – combined unfavorable by \$44 million.
- b. OxyContin trade inventory is running \$93 million below budget.
- c. The 2013 budget assumed that the analgesic sales force would have OxyContin as the primary focus in 50% of all calls up from 30% at the end of 2012. That would have resulted in 150 thousand primary OxyContin sales calls in the first 5 months of 2013. Due to vacancies and a slower than expected implementation of this change OxyContin was the primary focus in about 95 thousand sales calls through the end of May, which is 69% of target. OxyContin primary sales calls are increasing and should reach target for the balance of the year.
- d. McKinsey has been engaged to work with Sales & Marketing to identify opportunities to improve performance of OxyContin.

### **Butrans**

Butrans net sales for the five months ending May were \$42.9 million --- \$5.3 million below budget but \$9.6 million above the same period last year. Prescriptions as reported by IMS are running at approximately 1.8% below budget and 18.6% above the same period last year. The net sales miss is driven by seasonal contraction in trade inventory and prescriptions running slightly below budget. The mid-year forecast assumes full year Butrans net sales of \$127 million, the same as budget. The analgesic sales force made 179 thousand primary Butrans sales calls through the end of May vs. budget of 150 thousand calls, or 119% of target.

### **Intermezzo**

Intermezzo net sales for the five months ending May were \$3.3 million ---\$9.4 million or 74% below budget. The mid-year forecast assumes full year Intermezzo net sales of \$10.9 million versus budget of \$44 million.

### **2013 Forecast**

The recently presented midyear update projects that pretax profit will be \$118.6 million below budget due to:

1. Gross margin impact of lower OxyContin and Intermezzo sales (\$281.5 million).
2. Lower expected R&D spending of \$40 million due to (a) a change in the Butrans higher doses clinical program to cancel certain clinical trial and refocus on a lower cost approach relying on existing safety data - \$13 million savings and (b) a delay in recruiting patients into the Targiniq OIC trials which will delay spending into 2014 --\$40 million re-phasing, offset by an increase across other projects of \$6 million and a reduction in underspend estimate (\$7 million)
3. Reduced S&P as a result of termination of Intermezzo contract sales force (\$11.6 million)
4. Higher ex-USA funding of \$37 million --- primarily driven by the expected license with Pearl Therapeutics.
5. Targeted reductions in operating expenses of \$30 million
6. Gain on Infinity stock not budgeted of \$125 million.

### **Cash and Short Term Investments**

At the end of May, unrestricted cash and short term investments totaled \$901 million --- which is \$81 million lower than budget. This lower than budget cash balance is due to sales being lower than budget.

Material Financial Event in the Month

None noted.

Best Regards,  
Ed

**Purdue U.S.  
Sales Flash Report  
May 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

# Purdue US Sales Summary Gross to Net

Expressed in '000's

	May 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	\$ 56,168	\$ 65,407	\$ 61,341	\$ (9,239)	\$ (5,172)	\$ 156,987	\$ 152,741	\$ 146,784	\$ 121,344	\$ 133,629
15mg	14,443	15,768	12,697	(1,325)	1,746	37,814	33,992	27,136	23,620	16,548
20mg	144,796	175,006	162,224	(30,210)	(17,427)	419,948	402,472	404,149	361,266	369,289
30mg	82,019	98,985	77,654	(16,965)	4,366	237,429	205,335	171,730	161,048	114,431
40mg	213,349	259,297	254,536	(45,948)	(41,187)	622,343	618,704	633,738	682,972	708,279
60mg	129,792	162,098	133,114	(32,306)	(3,322)	388,817	340,746	300,721	315,742	226,251
80mg	359,608	438,974	418,238	(79,366)	(58,631)	1,053,126	1,023,075	1,096,778	1,331,784	1,320,222
160mg	-	-	-	-	-	-	-	(17)	-	-
OxyContin	1,000,176	1,215,536	1,119,803	(215,360)	(119,627)	2,916,463	2,777,064	2,781,018	2,997,775	2,888,649
Butrans	53,125	59,899	39,835	(6,774)	13,290	160,025	112,887	73,531	-	-
Intermezzo	4,275	14,670	12,131	(10,395)	(7,856)	57,622	16,556	-	-	-
Dilaudid Ampules	335	1,946	3,350	(1,611)	(3,015)	4,328	8,272	6,044	10,209	5,444
Dilaudid Vials	94	359	524	(266)	(430)	797	1,306	1,302	6,638	2,417
Dilaudid Tablets	5,897	4,997	5,987	900	(90)	11,856	14,191	17,495	18,234	24,977
Dilaudid	6,326	7,303	9,861	(977)	(3,535)	16,981	23,769	24,842	35,081	32,838
MS Contin	4,616	4,944	5,579	(329)	(963)	11,642	12,974	13,339	15,101	16,860
Ryzolt	(309)	-	(5,847)	(309)	5,539	-	(6,924)	11,168	16,510	10,842
Betadine First Aid	1,740	1,680	1,579	60	161	4,027	4,118	4,164	4,249	3,858
Betadine Hospital	1,904	1,820	1,978	84	(74)	4,401	4,653	4,412	4,196	3,864
Betadine Veterinary	408	338	381	70	27	830	850	793	765	729
Betadine	4,052	3,839	3,937	213	115	9,258	9,621	9,369	9,210	8,451
Betasept	827	775	881	53	(54)	1,878	1,971	1,753	1,715	1,500
Colace	10,303	10,695	10,429	(391)	(126)	25,669	25,891	23,729	22,250	22,889
Peri-Colace	1,865	1,962	1,944	(96)	(78)	4,708	4,403	3,968	3,637	3,058
Colace / Peri-Colace	12,169	12,656	12,372	(487)	(204)	30,377	30,294	27,697	25,887	25,947
Senokot	4,023	3,859	4,122	163	(99)	9,263	10,000	10,428	9,894	7,272
Senokot - S	4,994	4,018	4,726	976	269	9,648	11,220	13,010	12,360	11,357
Senokot	9,017	7,878	8,847	1,140	170	18,911	21,220	23,437	22,253	18,629
Slow-Mag	2,312	2,221	2,201	91	111	5,316	5,554	5,352	4,585	4,703
Discontinued Products	(5)	-	(54)	(5)	49	-	(81)	(344)	(243)	3,725
Gross Branded Sales	\$ 1,096,582	\$ 1,329,720	\$ 1,209,547	\$ (233,138)	\$ (112,965)	\$ 3,228,472	\$ 3,004,905	\$ 2,971,161	\$ 3,127,873	\$ 3,012,143
Fee-for-Service	\$ (22,825)	\$ (26,923)	\$ (30,879)	\$ 4,098	\$ 8,055	\$ (65,338)	\$ (69,313)	\$ (74,507)	\$ (79,237)	\$ (76,215)
Disc. & Allowances	(19,361)	(28,734)	(16,938)	9,373	(2,423)	(88,198)	(67,018)	(49,328)	(61,312)	(60,921)
Ryzolt Returns Reserve	308	-	5,707	308	(5,399)	-	7,167	161	-	-
Intermezzo Returns Reserve	-	-	-	-	-	-	(8,981)	-	-	-
OxyContin Returns Reserve	-	-	-	-	-	-	(65,199)	(7,055)	12,519	5,359
Savings Card Discount	(18,328)	(13,676)	(9,365)	(4,652)	(8,963)	(34,537)	(25,104)	(15,572)	(15,691)	(17,131)
Rebates	(192,479)	(238,571)	(231,041)	46,092	38,562	(566,117)	(517,605)	(545,891)	(621,633)	(455,092)
Proposed regulation adj for Medicaid reba	(23,919)	(28,009)	(25,214)	4,090	1,295	(65,584)	(60,383)	(68,854)	(40,041)	-
Other	-	688	628	(688)	(628)	1,651	2,455	12,380	27,611	-
Less: Deductions Subtotal	\$ (276,604)	\$ (335,225)	\$ (307,103)	\$ 58,621	\$ 30,499	\$ (818,124)	\$ (803,982)	\$ (748,667)	\$ (777,784)	\$ (604,000)
Net Branded Sales	\$ 819,978	\$ 994,496	\$ 902,444	\$ (174,517)	\$ (82,466)	\$ 2,410,348	\$ 2,200,922	\$ 2,222,495	\$ 2,350,089	\$ 2,408,143

## Sales Summary by Product - Gross to Net

Expressed in 000's

	May Year-to-Date						Variance 2013 YTD Actual Vs.				Full Year			
	2013 YTD Actual	% of Gross Sales	2013 YTD Budget	% of Gross Sales	2012 YTD Actual	% of Gross Sales	2013 YTD Budget	% of Gross Sales	2012 YTD Actual	% of Gross Sales	2013 Budget	% of Gross Sales	2012 Actual	% of Gross Sales
<b>OxyContin</b>														
Gross Sales	\$ 1,000,176	100%	\$ 1,215,536	100%	\$ 1,122,896	100%	\$ (215,360)	100%	\$ (122,720)	100%	\$ 2,916,463	100%	\$ 2,777,064	100%
Fee for Service	(20,546)	-2.1%	(24,969)	-2.1%	(29,045)	-2.6%	4,424	-2.1%	8,500	-6.9%	(59,887)	-2.1%	(65,877)	-2.4%
Sales Discounts and Allowances	(16,787)	-1.7%	(26,082)	-2.1%	(15,465)	-1.4%	9,296	-4.3%	(1,321)	1.1%	(72,658)	-2.5%	(116,425)	-4.2%
Savings Cards Discounts	(14,697)	-1.5%	(9,557)	-0.8%	(6,428)	-0.6%	(5,140)	2.4%	(8,269)	6.7%	(22,813)	-0.8%	(18,330)	-0.7%
Rebates	(186,761)	-18.7%	(231,853)	-19.1%	(226,900)	-20.2%	45,092	-20.9%	40,139	-32.7%	(547,876)	-18.8%	(509,597)	-18.4%
Proposed Regulation Adjustment for Medicaid Rebates	(23,919)	-2.4%	(28,009)	-2.3%	(25,214)	-2.2%	4,090	-1.9%	1,295	-1.1%	(65,584)	-2.2%	(60,383)	-2.2%
<b>OxyContin Net Sales</b>	<b>737,466</b>	<b>74%</b>	<b>895,064</b>	<b>74%</b>	<b>819,844</b>	<b>67%</b>	<b>(157,598)</b>	<b>73%</b>	<b>(82,378)</b>	<b>67%</b>	<b>2,147,645</b>	<b>74%</b>	<b>2,006,453</b>	<b>72%</b>
<b>Butrans</b>														
Gross Sales	\$ 53,125	100%	\$ 59,899	100%	\$ 39,835	100%	\$ (6,774)	100%	\$ 13,290	100%	\$ 160,025	100%	\$ 112,887	100%
Fee for Service	(886)	-1.7%	(1,291)	-2.2%	(1,107)	-2.8%	405	-6.0%	222	1.7%	(3,432)	-2.1%	(2,693)	-2.4%
Sales Discounts and Allowances	(1,279)	-2.4%	(1,443)	-2.4%	(479)	-1.2%	163	-2.4%	(801)	-6.0%	(6,826)	-4.3%	(13,725)	-12.2%
Savings Cards Discounts	(3,047)	-5.7%	(3,314)	-5.5%	(2,880)	-7.2%	267	-3.9%	(168)	-1.3%	(8,573)	-5.4%	(6,198)	-5.5%
Rebates	(4,916)	-9.3%	(5,542)	-9.3%	(2,033)	-5.1%	627	-9.3%	(2,883)	-21.7%	(14,336)	-9.0%	(6,139)	-5.4%
<b>Butrans Net Sales</b>	<b>42,997</b>	<b>81%</b>	<b>48,309</b>	<b>81%</b>	<b>33,337</b>	<b>84%</b>	<b>(5,312)</b>	<b>78%</b>	<b>9,660</b>	<b>73%</b>	<b>126,858</b>	<b>79%</b>	<b>84,131</b>	<b>75%</b>
<b>Intermezzo</b>														
Gross Sales	\$ 4,275	100%	\$ 14,670	100%	\$ 12,131	100%	\$ (10,395)	100%	\$ (7,856)	100%	\$ 57,622	100%	\$ 16,556	100%
Fee for Service	(92)	-2.1%	(292)	-2.0%	(309)	-2.5%	200	-1.9%	217	-2.8%	(1,147)	-2.0%	(352)	-2.1%
Sales Discounts and Allowances	(86)	-2.0%	(293)	-2.0%	(244)	-2.0%	208	-2.0%	158	-2.0%	(6,915)	-12.0%	(9,908)	-59.8%
Savings Cards Discounts	(584)	-13.6%	(805)	-5.5%	(58)	-0.5%	221	-2.1%	(525)	6.7%	(3,150)	-5.5%	(576)	-3.5%
Rebates	(149)	-3.5%	(512)	-3.5%	(169)	-1.4%	363	-3.5%	20	-0.2%	(2,364)	-4.1%	(138)	-0.8%
<b>Intermezzo Net Sales</b>	<b>3,365</b>	<b>79%</b>	<b>12,768</b>	<b>87%</b>	<b>11,352</b>	<b>94%</b>	<b>(9,403)</b>	<b>90%</b>	<b>(7,986)</b>	<b>102%</b>	<b>44,046</b>	<b>76%</b>	<b>5,582</b>	<b>34%</b>
<b>Total for All Products</b>														
Gross Sales	\$ 1,096,582	100%	\$ 1,329,720	100%	\$ 1,209,574	100%	\$ (233,138)	100%	\$ (112,992)	100%	\$ 3,228,472	100%	\$ 3,004,905	100%
Fee for Service	(22,825)	-2.1%	(26,923)	-2.0%	(30,879)	-2.6%	4,098	-1.8%	8,055	-7.1%	(65,338)	-2.0%	(69,313)	-2.3%
Sales Discounts and Allowances	(19,053)	-1.7%	(28,734)	-2.2%	(11,231)	-0.9%	9,681	-4.2%	(7,822)	6.9%	(88,198)	-2.7%	(134,031)	-4.5%
Savings Cards Discounts	(18,328)	-1.7%	(13,676)	-1.0%	(9,365)	-0.8%	(4,652)	2.0%	(8,963)	7.9%	(34,537)	-1.1%	(25,104)	-0.8%
Rebates	(192,479)	-17.6%	(238,571)	-17.9%	(231,041)	-19.1%	46,092	-19.8%	38,562	-34.1%	(566,117)	-17.5%	(517,606)	-17.2%
Proposed Regulation Adjustment for Medicaid Rebates	(23,919)	-2.2%	(28,009)	-2.1%	(25,214)	-2.1%	4,090	-1.8%	1,295	-1.1%	(65,584)	-2.0%	(60,383)	-2.0%
Other	-	0.0%	688	0.1%	628	0.1%	(688)	0.3%	(628)	0.6%	1,651	0.1%	2,455	0.1%
<b>Total Net Sales</b>	<b>\$ 819,978</b>	<b>75%</b>	<b>\$ 994,496</b>	<b>75%</b>	<b>\$ 902,471</b>	<b>75%</b>	<b>\$ (174,517)</b>	<b>75%</b>	<b>\$ (82,493)</b>	<b>73%</b>	<b>\$ 2,410,348</b>	<b>75%</b>	<b>\$ 2,200,922</b>	<b>73%</b>

## Sales Variance to Budget

(\$ in millions)

### Gross Sales

- Impact of trade inventories lower than budget. <sup>(1)</sup>
- Lower OxyContin demand versus budget. <sup>(1)</sup>  
Lower OxyContin Sales.

\$	(126.9)	
	<u>(88.5)</u>	(215.4)

- Butrans sales due to lower trade inventory and demand.

(6.8)

- Intermezzo sales.

(10.4)

- All Other.

(0.6)

Sub-Total Gross Sales Variance

(233.1)

### Deductions

- Lower variable deductions due to lower Sales.

58.6

**Net Branded Sales Variance to Budget**

\$ (174.5)

(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 \$126.9 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 \$5.9 million.

	Inventory Value (\$000's)				Months on Hand		
	YTD May 2013			FY 2013	Apr-13		
	Actual	Budget	Variance	Budget	Actual	Budget	Variance
<b><u>OxyContin</u></b>							
Total Trade Inventory - January 1st, 2013	\$ 570,959	\$ 459,014	\$ 111,945	\$ 459,014	2.4	1.7	0.69
Wholesaler - Ending (1)	186,513	191,726	(5,213)	191,726	0.8	0.7	0.1
Pharmacy - Ending (2)	243,523	253,046	(9,524)	206,321	1.0	1.0	0.1
Hospital/Other - Ending	4,921	5,133	(212)	4,930	0.0	0.0	0.0
Total Trade Inventory - May 31st, 2013	<u>\$ 434,956</u>	<u>\$ 449,904</u>	<u>\$ (14,948)</u>	<u>\$ 402,976</u>	<u>1.9</u>	<u>1.8</u>	<u>0.1</u>
Change in Trade Inventory	\$ (136,003)	\$ (9,110)	\$ (126,894)	\$ (56,038)	0.5	(0.0)	0.6
<b><u>Butrans</u></b>							
Total Trade Inventory - January 1st, 2013	\$ 21,102	\$ 22,706	\$ (1,605)	\$ 22,706	2.1	2.0	0.1
Wholesaler - Ending (1)	11,479	11,183	295	12,970	1.0	0.9	0.1
Pharmacy - Ending (2)	11,180	15,175	(3,994)	17,470	1.0	1.2	(0.3)
Hospital/Other - Ending	324	234	90	574	0.0	0.0	0.0
Total Trade Inventory - May 31st, 2013	<u>\$ 22,983</u>	<u>\$ 26,592</u>	<u>\$ (3,609)</u>	<u>\$ 31,015</u>	<u>1.8</u>	<u>2.4</u>	<u>(0.6)</u>
Change in Trade Inventory	\$ 1,881	\$ 3,885	\$ (2,004)	\$ 8,308	0.2	(0.4)	0.7
<b><u>Intermezzo</u></b>							
Total Trade Inventory - January 1st, 2013	\$ 10,008	\$ 6,068	\$ 3,941	\$ 6,068	N/A	N/A	N/A
Wholesaler - Ending (1)	2,791	1,531	1,260	1,531	N/A	N/A	N/A
Pharmacy - Ending (2)	6,195	4,962	1,234	4,962	N/A	N/A	N/A
Hospital/Other - Ending	-	-	-	-	N/A	N/A	N/A
Total Trade Inventory - May 31st, 2013	<u>\$ 8,986</u>	<u>\$ 6,492</u>	<u>\$ 2,494</u>	<u>\$ 6,492</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Change in Trade Inventory	\$ (1,022)	\$ 425	\$ (1,447)	\$ 425	N/A	N/A	N/A

### Footnotes

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

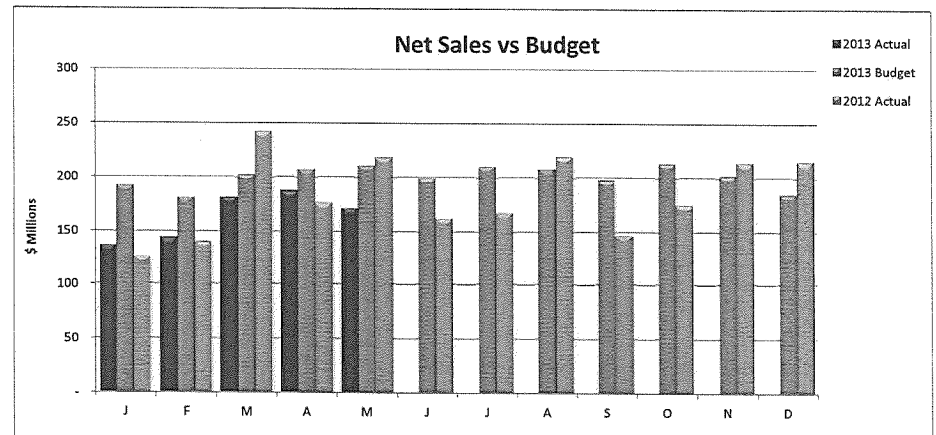
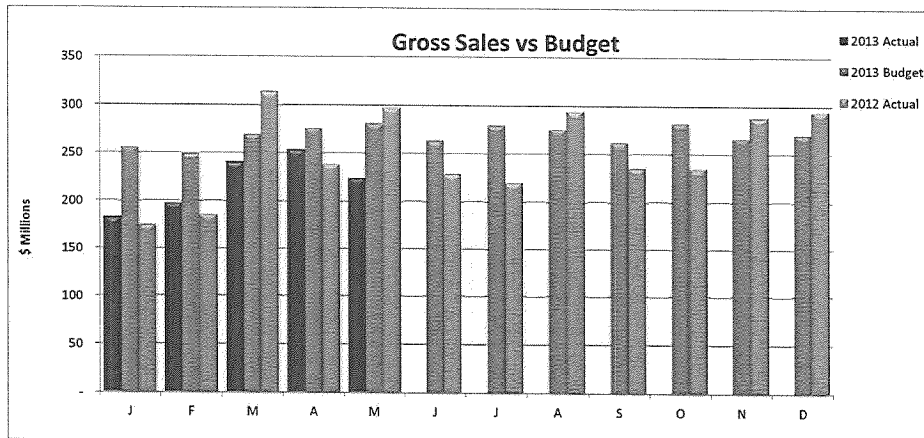
(2) - Pharmacy - assumes the pharmacies maintain stocking levels.

# 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	252.9	275.8	238.2	260.8	91.7%	106.2%	97.0%
May	223.7	280.5	297.3	212.9	79.7%	75.2%	105.1%
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	\$ 1,096.6	\$ 3,228.5	\$ 3,004.9	\$ 2,971.2	34.0%	36.9%	35.1%
YTD Cumulative	\$ 1,096.6	\$ 1,329.7	\$ 1,209.5	\$ 1,198.9	82.5%	91.5%	89.0%

# 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%	83.5%
February	143.6	181.3	140.0	154.4	79.2%	102.6%	93.0%
March	181.5	202.1	241.9	238.3	89.8%	75.0%	76.2%
Q1	461.4	575.8	508.0	555.8	80.1%	83.0%	85.4%
April	187.1	207.5	176.2	197.1	90.2%	106.2%	94.9%
May	171.5	211.2	218.2	172.9	81.2%	78.6%	99.2%
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	\$ 820.0	\$ 2,410.3	\$ 2,200.9	\$ 2,222.5	34.0%	36.9%	35.3%
YTD Cumulative	\$ 820.0	\$ 994.5	\$ 902.4	\$ 925.9	82.4%	88.6%	84.2%



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

## OxyContin Gross Sales Variance - Year to Date May 2013

### Lower Demand versus Budget

Unfavorable mix of sales between strengths versus Budget	(33,408,073) Note 1
Lower number of tablets per script versus Budget	(26,704,043) Note 2
Actual scripts lower than Budget by 57,308	(27,422,489) Note 3
All Other	(931,973)
<b>Sub-Total</b>	<b>(88,466,578)</b>

### Trade Inventory lower than Budget

(126,893,610)

### OxyContin Gross Sales Lower than Budget

**(215,360,188)**

Note 1 - Unfavorable mix of scripts between strengths of \$33.4 million

	YTD Actual Mix	Budgeted Mix	Variance		Sales Impact
10mg	536,403	507,313	29,090	5.7%	\$ 3,117,647
15mg	85,564	81,307	4,257	5.2%	766,290
20mg	624,089	617,542	6,547	1.1%	1,598,907
30mg	251,947	255,986	(4,039)	-1.6%	(1,505,329)
40mg	458,325	459,362	(1,037)	-0.2%	(743,406)
60mg	195,011	207,642	(12,631)	-6.1%	(9,620,309)
80mg	320,622	342,809	(22,187)	-6.5%	(27,021,873)
<b>Total</b>	<b>2,471,961</b>	<b>2,471,961</b>	<b>0</b>	<b>0.0%</b>	<b>\$ (33,408,073)</b>

Note 2 - Lower numbers of tablets per script versus Budget of \$26.7 million

	Actual	Budget	Variance		Sales Impact
10mg	50.7	53.6	(2.9)	-5.4%	\$ (3,277,752)
15mg	57.4	59.2	(1.8)	-3.0%	(482,025)
20mg	63.2	65.3	(2.0)	-3.1%	(5,167,324)
30mg	64.4	66.1	(1.7)	-2.5%	(2,415,756)
40mg	73.4	75.5	(2.1)	-2.7%	(6,792,504)
60mg	72.3	73.3	(1.0)	-1.4%	(2,145,981)
80mg	90.1	91.6	(1.5)	-1.6%	(6,422,701)
					<b>\$ (26,704,043)</b>

OxyContin Gross Sales Variance - Year to Date May 2013

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

	Actual Scripts at Budgeted				
	Mix	Budget	Variance		Sales Impact
10mg	507,313	519,074	(11,761)	-2.3%	\$ (1,354,712)
15mg	81,307	83,192	(1,885)	-2.3%	(358,753)
20mg	617,542	631,859	(14,316)	-2.3%	(3,839,628)
30mg	255,986	261,920	(5,934)	-2.3%	(2,280,570)
40mg	459,362	470,012	(10,650)	-2.3%	(5,864,339)
60mg	207,642	212,456	(4,814)	-2.3%	(3,746,455)
80mg	342,809	350,757	(7,947)	-2.3%	(9,978,033)
Total	2,471,961	2,529,269	(57,308)	-2.3%	\$ (27,422,489)
			-2.3%		

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

**From:** Rosen, David (Sales and Marketing)  
**Sent:** Tue 6/11/2013 9:40:22 AM  
**Subject:** Butrans=9,527; Intermezzo=1,302 (Week ending 5-31-13)  
[Copy of Butrans Weekly Report 5-31-13.xlsm](#)  
[OxyContin Wkly Report 5-31-13.xlsx](#)  
[Intermezzo Weekly Report 5-31-2013.xlsx](#)

Hi, Dr. Richard. All of our products declined due to the Memorial Day Holiday. They will bounce back next week. We will be following closely to see if Butrans' sales respond to the key Med D formulary win for ESI/Medco (3.5M lives).

Butrans

Rx Increase from last week (10,504)	-9.3%
Share	2.06%
Share last week	2.09%

Intermezzo

Rx Increase from last week (1,507)	-9.9%
Share	0.114%
Share last week	0.110%

-David

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

[REDACTED]

**Produced Natively**



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

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



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





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



Prescriptions by Strength

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



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

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



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

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



[TRxs by Channel](#)

[Distribution of Rx's by Channel](#)

[Weekly Growth in Butrans TRxs by Channel](#)

Week #

Week Ending

Week 92

26-Oct-12

Week 93

2-Nov-12

Butrans TRxs (absolute) by Channel			
Total	Retail	LTC	Mail
9,786	9,253	405	128
9,537	9,001	380	156

Distribution of Butrans TRxs by Channel			
Total	Retail	LTC	Mail
100.0%	94.6%	4.1%	1.3%
100.0%	94.4%	4.0%	1.6%

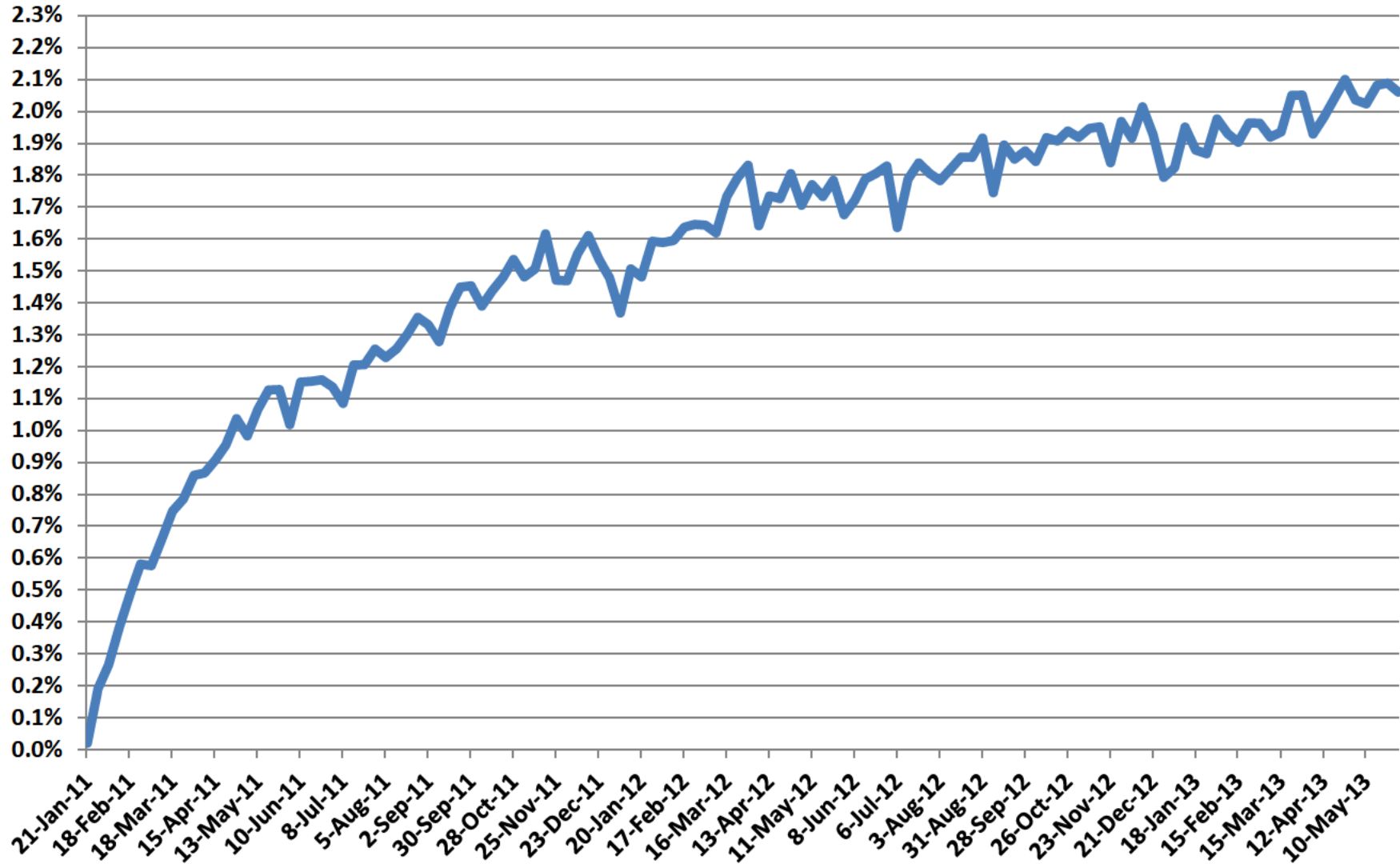


		Growth in Butrans TRXs by Channel			
		Total	Retail	LTC	Mail
<u>Week #</u>	<u>Week Ending</u>				
Week 92	26-Oct-12	1.1%	1.1%	1.5%	-1.5%
Week 93	2-Nov-12	-2.5%	-2.7%	-6.2%	21.9%

## Butrans Weekly Extended Release Opioid Rx Share

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

Weekly TRx Share



## Detailed Butrans Weekly Extended Release Opioid Market Share

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

