

Pediatric Program

- The pediatric exclusivity research program remains on-track for sNDA submission in January 2016.

Japanese sNDA for OxyContin in Non-malignant Pain

Agreement has been reached with respect to all clinical and non-clinical components to support the planned Japanese sNDA (non-malignant pain); the program is on track for a 2Q2016 submission to Japan's Pharmaceuticals and Medical Devices Agency (PMDA).

- Substantial Clinical and Non-clinical support has been supplied by Purdue to MPKK / Shionogi collaboration.

Prix Galien-USA

ORF was nominated as a "Final Candidate" in the Prix Galien awards category of "Best Pharmaceutical Product."

Butrans® (BTDS)

2012 CORPORATE SCORECARD

Corporate Scorecard Milestones for Butrans were met on or ahead of schedule.

- The Second Generation pilot PK study (BUP1504) sponsored by Mundipharma remains on plan, with Stage 1 PK results expected in February 2013.
- Clinical conduct of the thorough QTc trial (BUP1025) is complete, with the interim analysis completed per protocol on 4 October.
- High dose efficacy and safety studies (BUP3027 and BUP3028) are planned to initiate in 2013, pending favorable results from the thorough QTc trial (BUP1025) and the Second Generation pilot PK Study (BUP1504).

Other Butrans Updates

- Commercial production in West Caldwell was initiated in 4Q2012.
- The Butrans pediatric study program in support of PREA (Pediatric Research Equity Act) requirements is on track.

- Development of the intermediate dose program (7.5mcg/hr & 15mcg/hr) is proceeding to plan; submission of the Prior Approval Supplement is targeted for late January 2013 - pending receipt of the 7.5mcg/hr. strength stability data.

ONU

2012 CORPORATE SCORECARD

Corporate Scorecard Milestones for ONU were met on or ahead of schedule.

- The NDA submission (for the indication of Pain with abuse deterrent properties) planned for 2Q2013 may be impacted by additional analyses of cardiovascular safety data required by FDA; any resultant submission time line delays will be minimized to the fullest extent possible.
- A multifaceted plan to expedite enrollment in the twin pivotal studies (ONU3704/3705) required to support label expansion (OIC prevention treatment) has been created and will be implemented in 1Q13. These two pivotal studies define the critical path for sNDA submission, and all efforts are being made to expedite their conduct and completion.
 - Data to support ONU's benefit in alleviating signs and symptoms of Opioid Bowel Dysfunction (vs. OIC) are being collected in pivotal trials and will also be addressed through additional means.

Hydrocodone QD (HYD)

2012 CORPORATE SCORECARD

All 2012 corporate scorecard milestones for HYD have been met or exceeded.

- On 12/7/2012, FDA's Analgesic and Anesthetic Advisory Committee voted strongly against approval of a controlled-release hydrocodone product, Zogenix's Zohydro (twice-daily hydrocodone bitartrate extended-release capsules) - primarily because it is not an abuse-resistant formulation. The PDUFA date for Zohydro is March 1st, 2013. If not approved, Purdue's HYD product will likely be the first controlled-release hydrocodone product to market.
- NDA filing in 2Q2014 and 3Q2015 launch dates remain on track.

Enrollment in the HYD Phase 3 program (pivotal study and open-label safety study) is on schedule and supportive of an on-time NDA submission.

TRPV1 Lead (VND)

2012 CORPORATE SCORECARD

All 2012 corporate scorecard milestones for TRPV-1 have been met.

- Two human Proof-of-Concept studies (Osteoarthritis and Post -Herpetic Neuralgia) initiated in September, 2012 and are recruiting on schedule. This is the first time a Purdue new chemical entity has reached this stage of development.

ORL1 (OAG)

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

- The study was paused to allow for thorough analysis of adverse event (somnolence) and pharmacokinetic (low bioavailability) data. A plan of nonclinical experiments designed to better understand the cause of these adverse events has been agreed with Shionogi and was executed in 3-4Q12. The next decision point will be in Q12013, when the nonclinical results are available.

TRPV1 Back-up (VAN)

- The First in Human clinical trial (Single Ascending Dose) is ongoing in Japan and is expected to conclude in 1Q13.

Intermezzo (INT)

2012 CORPORATE SCORECARD

All 2012 corporate scorecard milestones for Intermezzo have been achieved.

Milestone	Target	Current Status
Post-Marketing Requirement: Patient compliance with dosing instructions in the setting of actual clinical use	4/2012	Submitted April 30, 2012
Post-Marketing Requirement: PK/PD in Pediatric ADHD	11/2012	Submitted November 29, 2012
Publication Plan Advance publication plan, comprised of 10 potential manuscripts, in accordance with prioritization	Preparation for submission to journals on target	On Plan; one manuscript submitted December 2012

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

Abuse Deterrent Immediate Release Oxycodone /ADIR - (OCI)

- Testing of Purdue and Rhodes formulations was completed as planned, including oral PK, intranasal PK, Intranasal PD and non-clinical abuse deterrence studies.
- Based upon a comparative evaluation of *in vivo* and *in vitro* data collected for the Purdue and Rhodes formulations, the team has recommended proceeding with development of the Cranbury (Purdue) formulation – primarily since it appears to offer the greater abuse-resistance.

DISCOVERY RESEARCH

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

- The main goal of the ORL-1 back-up program is to identify compounds with similar or better efficacy, ADME profiles and low risk for kidney toxicity issues, as well as reduced side effects (fatigue/somnolence) compared to V117957.
- The main focus of the backup team is the elucidation of the mechanism of the observed adverse effects, then establishing a method of differentiating a backup molecule. This approach includes the evaluation of biomarkers and EEG in rodents. One notable and preliminary finding is that human neurons appear to be highly sensitive to ORL-1 agonists as compared to rat neurons. This species difference may provide a significant clue to help understand the clinical observations. One hypothesis based on this new data is that the drug exposure in man may not need to be as high as was needed in the rat for analgesia, meaning there may be a basis for a larger separation between analgesia and somnolence than initially thought.

Purdue-Shionogi Collaboration TRPV1 Back-up Program (083)

- The IND was filed in Japan, no clinical holds, and the SAD studies are underway. Discovery research in the TRPV1 field is now finished successfully with two molecules advanced into the clinic.

Sodium Channel (Nav) Blocker

- The Nav team has been working to complete the pre-bridging studies on the front-runner molecule, V121241. The AMES test for mutagenicity was negative and we are awaiting the results of the Chromosomal Aberration studies due in mid-January.

The team's main focus has been to determine if the oral exposure of V121241 can be sufficiently elevated over the exposure at efficacy to allow this compound to enter toxicological studies. To this end, a vehicle screen, a salt/co-crystal screen and a Spray Dried Dispersion (SDD) feasibility study were run. These studies resulted in the selection of one vehicle and one SSD formulation for pharmacokinetic (PK) assessment in rats. The complete set of results from these studies is due in January. If sufficient exposure is reached, PK studies in dog and monkey will follow. This will allow the team to determine if V121241 meets the criteria to enter bridging studies.

- The chemistry and pharmacological teams are also working hard on the design & synthesis of suitable backup molecules in case V121241 drops out due to unacceptable findings.

Exploration of Signal-Biased Opiates

- In Q4 we implemented and validated a variety of cell based assays that will support the evaluation and design of new molecules as biased agonists of the mu and kappa receptors. We can now measure receptor binding, G protein-coupling, beta arresting recruitment, receptor internalization, and ERK activation. In addition we have implemented new imaging technologies that enable visualization of receptors in whole cells, thus enabling real-time observation of receptor trafficking in response to agonist activation. These systems will form the basis for research in 2013. Already, there are many new insights that will be presented during the Cranbury Discovery Research meeting being planned for March of 2013.
- We also implemented a TLR4 assay system to measure the off-target effect of known opiates on this glial cell system and have confirmed the known literature that many opiates are also off-target agonists at TLR4, and thus may produce neurogenic inflammation in vivo. With this assay in place, chemists can design this mechanism out of the profile of our newer molecules.
- We have received the R and S isomers of DHE and we are profiling them in all assays for bias and TLR4 action. This data will be complete by the end of January 2013 and will hopefully shed light on possible mechanisms to understand the clinical results obtained thus far.
- Finally, we completed the data package that demonstrated that buprenorphine is a biased agonist and in very low doses can inhibit or reverse opiate-induced constipation in rodents. We further demonstrated that this also occurs following oral administration. Patent applications have been filed and future studies are being discussed.

LICENSING AND BUSINESS DEVELOPMENT

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

Q4 2012 Full Year Results

	2012 Total	Declined in Level 1	Referred to R&D Innovation	Declined in Level 2	Declined in Level 3	Completed Deals	Active with BDC	On Hold Pending Data
4Q11 Existing opportunities active with BDC	10	0	0	2	8	0	0	0
4Q11 Existing opportunities on hold pending data	10	0	0	7	0	0	0	3
New opportunities 2012	205	146	46	4	0	1	6	2
Total 2012	225	146	46	13	8	1	6	5

Status at end of Q4 2012

Active with BDC	Transcept, Flexion, Rhythm, IBSA, Grunenthal, Xalud, Katama
Declined in Level 3	
Declined in Level 2	Convergence, Spinifex
Declined in Level 1	ImmuPharma, ReNew
Opportunities on Hold	Remain on Hold(pending new data): Xenoport, Afferent, Theravance TD-9855, Tranzyme, Pacira

Pain Projects Terminated in 2012

Spinifex	Angiotensin II (Type 2)
Array	MAP - Kinase P-38
Abbott	H-3 antagonist
Regeneron	Anti-NGF antibody
Convergence	NAV 1.7 sodium channel blocker

Other Major Opportunities Terminated in 2012

Tarsa	Oral calcitonin for osteoporosis
Theravance	Opioid antagonist for OIC
Albireo	IBAT inhibitor for constipation
Pearl	LAMA/LABA for COPD
Optinose	Fluticasone device for chronic sinusitis

ACTIVE LBD PROJECTS END OF Q4 2012

Company	Product	Indication	Status	Responsible Party	Screening Date
Transcept	Intermezzo ROW	MOTN	ROW Term sheet sent 12-6-12	Kraft	8/1/2011
Flexion	FX-006, IA sustained release steroid	Interarticular injection for sustained treatment of moderate OA of the knee	Phase 2 POC data June '13.	Darland	6/10/2012
Rhythm Therapeutics	RM-131 Ghrelin Agonist Peptide	Diabetic Gastroparesis	Currently conducting Phase 2 trial. Initial DD occurring. Waiting for data. Mtg. at JPM.	Meltzer	6/18/2012
IBSA	Flector Patch (topical diclofenac epolamine 1.3%)	Acute pain due to minor strains, sprains and contusions	IBSA approached Purdue due to their dissatisfaction with Pfizer as a partner. Purdue is developing a market forecast and first draft financial analysis. Pending Pfizer – IBSA dispute resolution.	Kraft	11/13/2012
Grunenthal	Tamper Resistant CR Morphine (MS Contin)	Pain	Late-stage term sheet	Kraft	9/28/2012
Xalud	XT-101 (IL 10 variant; intrathecal injection) long lasting	Neuropathic pain	Linda Watkins company	Downs	12/14/2012
Katama	Tolperisone –	Muscle Spasms	Follow up	Kraft	12/14/2012

	Dual voltage gated sodium and calcium channel blocker		meeting scheduled for JPM		
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CORPORATE COMPLIANCE

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

Corporate Integrity Agreement

Purdue’s final Annual Report to the Office of Inspector General was submitted September 27th, and the OIG Monitor has already reviewed the Report and asked follow up questions. Responsive answers and materials were provided. This is a faster time frame than expected, and a positive development for formal close-out of the CIA.

Subsequent to submission of the Final Report, Compliance discovered an Int Sales Force District Manager was not performing job responsibilities during the CIA with respect to “ride-alongs,” a CIA requirement (DM terminated). A decision was reached to report to this, and extensive information was provided about our investigation and remedial actions).

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Follow-up note: The letter from the OIG formally closing the CIA was received on January 28th.

Overall

Through the Fourth Quarter, the Company continues to maintain a state of effective compliance, with all components of the Annual Compliance Scorecard above the established standards.

While there are numerous compliance matters detected, investigated, and remediated on an on-going basis (64 during 4Q; 279 total for year), there have been no *significant* compliance matters to report for 4Q12, with the exception of the Intermezzo District Manager non-performance matter noted above.

EXTERNAL AFFAIRS

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

Build Support for Appropriate Pain Care through Policy Development and Implementation

- A group of U. S. Senators and U.S. Congressmen have now written to the Centers for Medicaid & Medicare Services (CMS) expressing their belief that CMS has misinterpreted the intent of the law by including abuse deterrent formulations in the definition of "line extension." Earlier in the year the Food and Drug Administration (FDA), Office of National Drug Control Policy (ONDCP) and several members of Congress contacted the Centers for Medicaid & Medicare Services (CMS) seeking a carve-out for abuse deterrent formulations from the line extension proposed regulation. Twenty-two organizations from the Pain Care Forum have also commented on the CMS regulations. The White House has expressed concerns to CMS as well. We have received very positive feedback from FDA and ONDCP that a satisfactory solution has been reached, but will not be sure until the final regulation is published. This is expected in 1Q or Q2 of 2013.
- Members of Congress introduced legislation, ([H.R. 6160](#)), that would prevent FDA from approving a non-abuse deterrent controlled substance where a deterrent formulation of the same drug is already approved. The legislation has received considerable attention from Congress. More than 100 elected officials from State and Federal offices have written to HHS and/or the FDA in opposition of generics for the old formulations of Abuse Deterrent medicines. Articles have been generated from thought leaders and Members of Congress are contemplating potential amendments similar in nature to the STOPP Act. Work on this issue will continue into 2013.

Take Appropriate Action on External Threats to Optimal Pain Care

- FDA has announced meetings in January and February 2013. Activities in preparation for those meetings are taking place at the Pain Care Forum and internally at Purdue. FDA meeting in January to consider hydrocodone

(rescheduled); http://www.ofr.gov/OFRUUpload/OFRDData/2012-30517_PL.pdf and the February public meeting on the impact of labeling of opioid analgesic drug products

http://www.pharmcast.com/FederalRegistrar/Yr2012/Dec2012/121712/12192_Opioid.htm.

Promote Purdue's Reputation in Academic, Community and Scientific Venues

- Scientific communications support was conducted surrounding the publication of data from the NAVIPPRO epidemiological study on the reformation of OxyContin in the November issue of the Journal of Pain.
- A new brochure "Advancing Medical Science" was developed as part of the Research and Development Advocacy Network (RADAN) to help recruit clinical investigators and facilitate patient enrollment in Purdue's clinical trials. The brochure is being distributed by Clinical Research, Medical Liaisons and Healthcare Alliance Development.
- Engagement was made with reporters from the Wall Street Journal that favorably impacted several stories written about the use of opioids and Purdue marketing efforts. While media outreach was limited due to concern over the DTC moratorium, stories were secured in Health and Allure, which are two influential women's magazines. In preparation for the consumer launch, Public Affairs recruited a group of healthcare professionals who will serve as media spokespeople for the brand.
- Conducted radio media tour with Lee Woodruff and Dr. Kalauokalani about the burden of pain and the Institute of Medicine Report. The radio media tour also highlighted the *In the Face of pain*[®] website as well as the Handbook for People with Pain. A total of 20 interviews were conducted with a cumulative audience of 11,171,800.

The Handbook for People with Pain launched the last week of the third quarter. A total of 11,441 were distributed since that time.

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

- Regulations to support the Kentucky law that requires physicians to access the state prescription monitoring program before prescribing controlled substances continue to be negotiated, and new legislation will be introduced.

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

SafeGuardMeds.org implemented a national awareness program to educate the public about proper storage and disposal of prescription medications. This included a continued partnership with the US Conference of Mayors. The Public Service Announcement campaign initiated in September 2011 has secured 13,580 airings, 288 million impressions and \$7,036,665 in media values.

- Purdue and the National Community Pharmacists Association conducted a Safeguard My Meds public education to promote safe storage and disposal of medications in the home.

HEALTH POLICY

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

Policy-Related

- Communication & External Affairs Committee
 - Senate Finance Committee responses: specific deliverables
 - Assisting Public Affairs with media response/standby statements, etc.
 - Detailed comparison of national opioid prescribing guidelines to complement Pain Care Forum work with CDC and respond to PROP
 - State prescribing regulations: OH - medical association leaders provided arguments; WV - rewrote definitions and other language to counter that proposed by State to enact "Pill Mill" statute
 - National Alliance for Model State Drug Laws sought assistance with Drugged Driving Legislation in response to communication from Purdue earlier in 2012

- Medical Research
 - Consulted internally on issues relating to urine drug testing reporting in trials and created clinical guideline for in-office testing for use by investigators
 - ONU Clinical Investigators' Meetings 3704 & 3705: education on abuse/addiction/urine drug testing
 - Consulted with reference laboratories to clarify urine drug test reporting

- Risk Management
 - Chairs Prescribers Sub-team for REMS Participating Companies
 - Led translation of REMS Patient Counseling Document into Spanish
 - Internal subject-matter expert lead for Medical Education comprehensive urine drug testing modular DVD, as an addition to PERFORM[®]

- Sales and Marketing
 - Consulted in revision of anti-diversion brochures
 - Reviewed BuTrans Clinical Trials Exam with Sales Training to develop further educational material for Sales Force
 - Direct education of sales representatives (Level 200: Why Does My Back Hurt? – anatomy, physiology, pathology, and treatment of low back pain)

- Other collaborations
 - Tufts MSPREP: *Development of US Drug Control Policy*
 - DIA Risk Management: *Developing and Implementing Complex REMS*
 - 23rd Annual AMA Task Force on CME Provider/Industry Relations: Keynote Address – *Conflicts of Interest*; Panel discussion - REMS-Integrating Education with Patient Safety
 - Participant: 2012 Health Sector Assembly; Abuse-liability definitions workshop of ALERTT (subcommittee of FDA-Public/Private Partnership ACTION Network); Duke University Fuqua School of Business' Collaborative on Healthcare for Aging/Advanced Illness Populations

- Abstracts accepted for American Pain Society Annual Meeting (05/2013)
 - *Review of Opioid Conversion Recommendations from Select Clinical Practice Guidelines – All are Not Equal*
 - *Analysis of Guidelines for Treating Chronic, Non-cancer Pain with Opioids*
 - *Youth Health Risk Behaviors Associated with Nonmedical Use of Prescription Pain Relievers*

Healthcare Grants and Giving

116 healthcare educational and non-educational grants were reviewed (744 YTD)

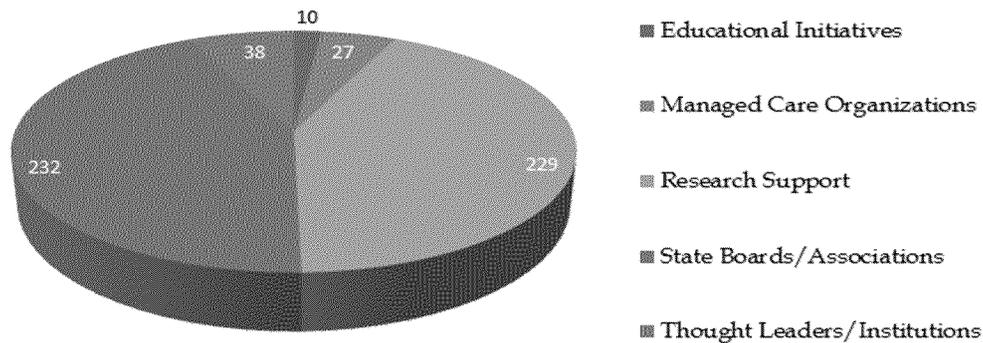
- Sixty (52%) were approved for a total \$1,437,115.00 in 4Q12.

Medical Science Liaisons (MSLs)

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

- Major areas of MSL interactions with the Healthcare Community include: 33% State Boards & Associations, 32% PPLP Research Support, 25% Educational Programs

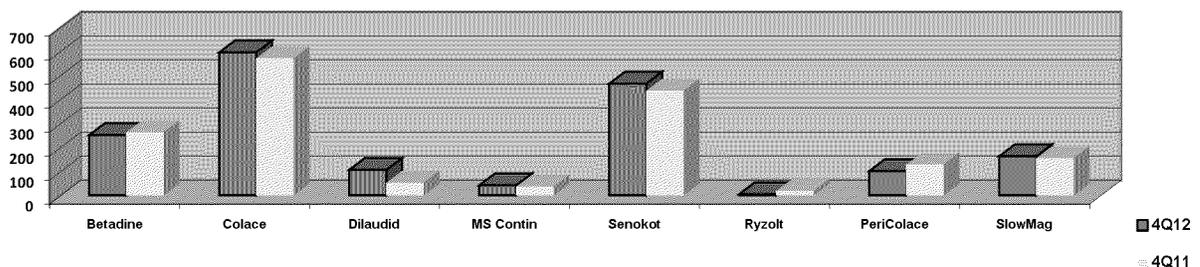
Q4 2012 Interfaces with Healthcare Community
Total = 536

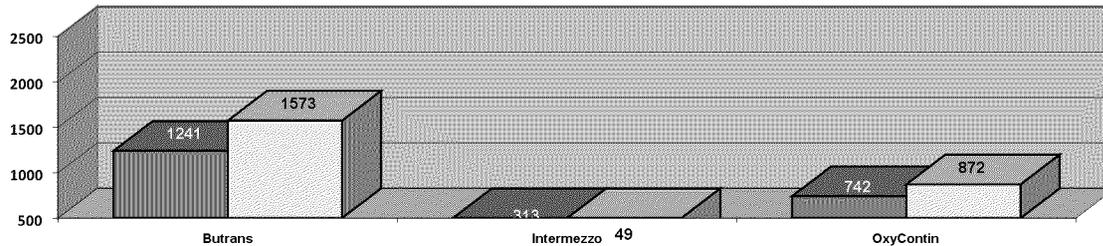


Note: 2012 year-end totals not included in this graphic due to a change in reporting format midyear.
*175 attendees in Education sessions

Medical Services

- 4Q12 Inquiries
 - 4,369 total inquiries
 - 25% decrease from 3Q12 and a 3% decrease from 4Q11
 - 81% of inquiries answered within (1) one business day
 - 98.7% answered within (10) ten business days





- Specific Products

- BuTrans = 1,241 inquiries

19% physicians, 62% consumers

- Application instructions (142)
- Application site reaction (78)
- Adhesion (47)
- Lack of Effect (41)
- Dose conversion from other opioids (41)
- AE Management (37)
- Cardiovascular (12)

- Intermezzo = 313 inquiries

58% physicians, 25% consumers

- Comparison to other zolpidem products (29)
- Gender-specific dosing (18)
- Complex behaviors (11)
- Oral Administration (10)
- Driving Study (5)

- OxyContin = 742 inquiries

9% physicians, 73% consumers

- Lack of Effect (37)
- Reformulation - what has changed (23)
- Request for epidemiological-study data (13)
- Withdrawal (13)

HUMAN RESOURCES

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

Staffing, Employee Engagement, Relations and Retention

- 200 full time employees have been recruited to Purdue in 2012. Total turnover for Purdue was 8.8% in 2012 compared to 5.0% in 2011. This increase is largely driven by turnover in the Field Sales Force, which is 12.8% YTD.
- [REDACTED] Director, R&D Innovation began his employment with Purdue on November 12, 2012, reporting to [REDACTED] Executive Medical Director.
- [REDACTED] joined the Analgesic Sales Force as Regional Manager, Northeast Region, effective October 11, 2012, reporting to [REDACTED] Area Director.
- All colleagues have been informed about the planned new U.S. manufacturing facility - to be built with the capability of providing back-up to the Wilson site, and advising that Totowa operations will be discontinued when this new facility is ready to begin production - in late 2015 or early 2016.
- An agreement has been reached with LinkedIn (a professional networking site) for 2013, whereby Purdue will have a career page on the LinkedIn site that will direct candidates to the Purdue career page to apply for positions, to facilitate the continued to use our own sourcing methods relying less on agencies for the recruitment of staff.
- 55 Colleagues were acknowledged for ten or more years of service at the December Town Hall Meeting in Stamford; 40 field members will be presented with awards at the National Sales Meeting.

Compensation & Benefits

- It was announced in November that Purdue will be amending the retirement benefits plans effective January 1st, 2013. Employees nearer to retirement will continue to participate in the Purdue Pharma L.P. Pension Plan ("Pension Plan"),

while employees with a longer time period to prepare for retirement will shift from Pension Plan participation to a new benefit providing additional contributions to the Purdue Pharma L.P. and Retirement Savings 401(k) Plan.

Training & Development

- Executive Coaching continues for a number of leaders including one-on-one coaching to managers, on motivating subordinates, improving relationships with managers, leading change and improving team effectiveness.
- Several performance coaching sessions were held for managers and colleagues in handling difficult conversations, listening, supervisory skills, managing without authority, and presentation skills.
- Culture and Leadership Team Meetings were held in Totowa to review accomplishments in 2012 and set Objectives for 2013.
- Due to a highly successful Mentoring Program in the 2nd half of 2012, the Mentoring Program will again be offered in 2013 and will be expanded to include non-exempt employees as well as exempt employees.
- Human Resources partnered with Security, EHS and site management to introduce the Workplace Violence Prevention program to every location. A working gap analysis and threat response plan is under review at each site.

Environment, Facility and Regulatory Compliance

- EHS continues to work closely with the Cranbury site and Central Engineering on the new Kilo Lab design and Hydrogenation Lab Engineering projects. An outside expert has been retained to provide oversight on these high priority projects with the potential for significant risk issues.
- Purdue ranked high among companies evaluated by the American Cancer Society for overall health and wellness programs. To further enhance wellness initiatives, Purdue is offering a robust smoking cessation program at no cost to all employees, their spouses and their dependents. In addition, a certified coach trainer has been made available at a special rate to employees, in the Stamford Fitness Center.

Community Relations

During the 4th Quarter, we processed and approved 21 community grants totaling \$454,645, including \$350,000 in tax credit donations, \$24,645 in matching funds for contributions made by Purdue colleagues to the Red Cross Hurricane Sandy Fund and

\$54,313 in matching funds for the United Way and Community Health Charities employee campaign. For the full year, we processed and distributed \$1,451,995 in community grants, of which \$635,000 earns a 100% Connecticut tax credit.

Facilities and Engineering

Phase 1 kitchen renovations were completed and Phase 2 work commenced in the server area, with a target completion date of February 11.

Full-Time Turnover Projection - YTD 12/31/2012

	Begin Count	End Count	Ave EE's	Termina- tions	% Term EE's	Retired	Resigned	% Resigned	Total T/O	YTD T/O %	Prior Year T/O
S&P											
SALES	631	609	620	17	2.7%	3	61	9.7%	81	12.8%	
MARKETING	45	48	47	3	6.7%	0	4	8.9%	7	15.6%	
SALES SUPPORT	23	29	26	0	0.0%	1	2	8.7%	3	13.0%	
FIELD OPS, SUPPORT & ADMIN	15	15	15	0	0.0%	0	3	20.0%	3	20.0%	
Total S&P	714	701	708	20	2.8%	4	70	9.8%	94	13.2%	9.2%
	% of X-FTE's			21.3%		4.3%	74.5%				
G&A											
ADMINISTRATIVE SERVICES	34	34	34	0	0.0%	0	0	0.0%	0	0.0%	
BUSINESS DEVELOPMENT	7	7	7	0	0.0%	0	0	0.0%	0	0.0%	
CORPORATE COMPLIANCE	9	11	10	0	0.0%	0	0	0.0%	0	0.0%	
ENVIRONMENT, HEALTH & SAFETY	5	6	6	0	0.0%	0	0	0.0%	0	0.0%	
EXECUTIVE	11	13	12	0	0.0%	0	2	18.2%	2	18.2%	
EXTERNAL AFFAIRS	18	18	18	0	0.0%	0	0	0.0%	0	0.0%	
FINANCE	60	62	61	1	1.7%	0	0	0.0%	1	1.7%	
GENERAL COUNSEL	47	46	47	4	8.5%	0	0	0.0%	4	8.5%	
HUMAN RESOURCES	23	23	23	0	0.0%	0	0	0.0%	0	0.0%	
IT	92	96	94	1	1.1%	0	2	2.2%	3	3.3%	
PROCUREMENT	13	12	13	0	0.0%	0	0	0.0%	0	0.0%	
QA	24	31	28	0	0.0%	0	0	0.0%	0	0.0%	
SECURITY	16	15	16	1	6.3%	1	0	0.0%	2	12.5%	
Total G&A	359	374	367	7	1.9%	1	4	1.1%	12	3.3%	2.8%
	% of X-FTE's			58.3%		8.3%	33.3%				
IRD/US											
DISCOVERY	46	50	48	2	4.3%	0	0	0.0%	2	4.3%	
CRANBURY SUPPORT	10	14	12	0	0.0%	0	0	0.0%	0	0.0%	
DRUG SAFETY & PHARMACOVIGILANCE	36	33	35	0	0.0%	0	3	8.3%	3	8.3%	
HEALTH POLICY	38	40	39	0	0.0%	0	1	2.6%	1	2.6%	
MEDICAL RESEARCH	75	95	85	2	2.7%	0	6	8.0%	8	10.7%	
NONCLINICAL R&D	47	50	49	0	0.0%	0	1	2.1%	1	2.1%	
PROGRAM MGMT	22	26	24	0	0.0%	0	1	4.5%	1	4.5%	
REGULATORY AFFAIRS	23	26	25	0	0.0%	0	1	4.3%	1	4.3%	
Total IRD/US	297	334	316	4	1.3%	0	13	4.4%	17	5.7%	3.0%
	% of X-FTE's			23.5%		0.0%	76.5%				
MFG/OPERATIONS											
PF LABS. SALARIED	17	18	18	0	0.0%	0	0	0.0%	0	0.0%	
M&SC	55	58	57	0	0.0%	0	1	1.8%	1	1.8%	
WILSON NC	189	186	188	2	1.1%	1	17	9.0%	20	10.6%	
Total MFG/OPERATIONS	261	262	262	2	0.8%	1	18	6.9%	21	8.0%	5.0%
	% of X-FTE's			9.5%		4.8%	85.7%				
Total PURDUE											
Total PURDUE	1,631	1,671	1,651	33	2.0%	6	105	6.4%	144	8.8%	5.0%
RHODES TECHNOLOGIES	138	148	143	1	0.7%	1	1	0.7%	3	2.2%	
RHODES PHARMA	22	30	26	0	0.0%	0	1	4.5%	1	4.5%	
Total RHODES	160	178	169	1	0.6%	1	2	1.3%	4	2.5%	7.9%
	% of X-FTE's			25.0%		25.0%	50.0%				
Grand Total											
Grand Total	1,791	1,849	1,820	34	1.9%	7	107	6.0%	148	8.2%	6.1%
	% of X-FTE's			23.0%		4.7%	72.3%				
INTERMEZZO CONTRACT SALES											
Total QUINTILES	303	102	203	251					251	82.8%	N/A
	% of X-FTE's			100.0%							

INFORMATION TECHNOLOGY

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

- Purdue IT successfully launched the Direct to Consumer web site - myintermezzo.com.
- IT supported packaging line upgrades in Wilson, with a focus on the shift from RFID to 2D Datamatrix barcoding, which ensure compliance with FDA regulations to identify drug packages with a unique ID number. In addition, projected cost savings from shifting to 2D barcoding are estimated to be more than \$800,000 per year.
- Early in 2012, IT enabled UPS labeling, parcel, and rate tracking functions to be executed on premises - drastically reducing shipping costs for Rhodes Pharma shipments made from Wilson. We have now completed the final phase - full integration of UPS Standard shipping into SAP - bypassing the Worldship standalone application. This has shaved an additional three minutes processing time from every Rhodes Pharma shipment from Wilson, equating to approximately one full-time employee per year. The conversion from Express Critical to UPS Standard for Rhodes will save over \$850,000 in direct shipping costs per year.
- The project team implemented a new work flow system on Nov. 9, 2012 for the Licensing and Business Development group. This implementation included executive dashboards.
- The Regulatory Document Management system upgrade was completed in November, delivering updated infrastructure components, enhanced security options, and advanced search capabilities. The project was completed by agreed-to timelines, and was delivered under budget by ~\$70,000.
- Wilson's Quality Phase-I Trackwise implementation went live on budget and on schedule on October 1, 2012. Wilson's Change Control Phase II implementation is on track for end of March 2013 completion.

- The Anaqua Intellectual Property Asset Management program is now live. The Invention Disclosure and Submission module has been rolled out to the primary invention user groups (Cranbury, Wilson, Rhodes, and Stamford) and have been widely accepted as an improved form of submitting intellectual property ideas. In addition, the Patent Review Committee ranking and collaboration module has been rolled out to the primary IP review committee. The primary application users for IP Management (docketing searching, office action monitoring, and annuity monitoring) have gone live with primary tasks in the new system.
- IT contributions to the Savings Scorecard greatly surpassed both our \$1.5MM target and \$2MM stretch goal with approximately \$9.5MM in cost savings and efficiencies from IT projects and Procurement negotiations.

###

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Cc: Stewart, John H. (US) [redacted]@pharma.com]

From: [redacted]

Sent: Fri 2/8/2013 12:24:15 PM

Subject: 4Q 2012 Purdue Report to the Board
4Q 2012 PURDUE Report to the Board2.8.13.docx

All,

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

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

Regards.... [redacted]

[redacted]
Senior Vice President, Human Resources
Purdue Pharma LP
[Redacted]
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Purdue
Quarterly Report to the Board
4th Quarter, 2012

February 8, 2013

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FINANCE

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

Topics covered:

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

2012 Financial Performance

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

Notes:

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

3. Purdue ended December 2012 with \$797 million in cash, of which \$756 million is unrestricted cash and \$41 million is restricted cash (\$24.0 million settlement trust, \$17 million cash collateralized letters of credit).
4. We expect to meet our \$500 million equity target for 2012 year-ended external reporting.
5. Operating profit is lower than budget and prior year due to increases in R&D (pipeline progressing) and increasing S&P (launching new products).

2013 Budget

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

Executive Audit Committee

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

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

Frequency: Quarterly

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

Review of unapproved Butrans carton distributed to the Field Sales Force

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

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

Senokot diversion

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

Sales training materials follow up audit

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

Pension Investment Committee

Members: Stuart Baker, [REDACTED] and Ed Mahony.

Frequency: 4 to 5 meetings per year

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

Defined Benefits Pension Plans

- PPLP Plan - The plan's Accumulated Benefit Obligation is projected at \$230 million at 12/31/2012 and the plan assets were \$231 million at 12/31/2012. Purdue made \$16.2 million of contributions (spread out evenly during the year) to the plan in 2012.
- The plan investments returned 13.7% for the 12-month ended 12/31/2012. The fund assets are invested in: (a) passive equity indexed funds, and (b) actively managed fixed income funds - which have outperformed passive fixed income. The plan's one-year return out-performed the portfolio benchmark passive index by 2.2%.

Change to PPLP Defined Benefits Pension Plan

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

Defined Contribution Pension Plan

- Purdue Pharma LP also offers employees an optional 401(k) defined contribution savings plan. The company's contribution to this plan was \$6.3 million in 2012 and is defined as a percentage of the employee's contribution to the plan. The 401(k) plan assets total \$265 million and \$310 million at the end of 2011 and 2012 respectively.

MARKETING & SALES

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

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

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

Gross Sales Budget: \$3,167.9MM

Net Sales Budget: \$2,351.5MM

2012 (\$MM)	Actual		Budget		Prior Year	
	Gross Sales	Net Sales	Gross Sales	Net Sales	Gross Sales	Net Sales
Q1	674.0	507.5	724.0	537.1	725.2	552.7
Q2	764.0	556.4	798.9	596.1	762.2	583.7
Q3	749.6	531.8	792.8	592.0	726.3	543.7
Q4	817.3	607.5	852.2	626.2	757.4	530.0
Total	3,004.9	2,203.1	3,167.9	2,351.5	2,971.2	2,210.1

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

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

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

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

Operating Budget

The department will operate within the total 2012 S&P budget of \$343.4 mm, which is 14.6% of total net sales budget of \$2,351.5 mm.

2012	Actual		Budget		Prior Year	
	\$MM	% net sales	\$MM	% net sales	\$MM	% net sales
Q1	68.3	13.4%	78.4	14.6%	54.1	9.8%
Q2	78.1	14.0%	81.6	13.7%	55.4	9.5%
Q3	76.8	14.4%	83.6	14.1%	59.1	10.9%
Q4 ⁽¹⁾	83.1	13.7%	99.7	15.9%	60.7	11.4%
Total	306.2	13.9%	343.4	14.6%	229.3	10.4%

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

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

S&P expense of \$306.2 mm was \$76.9 mm higher than prior year primarily due to expenditures associated with the Intermezzo launch.

Business Unit Performance

Each Branded Business Unit will strive to maintain its budgeted contribution on net sales: OxyContin \$1,656.4 mm/78.5% of net sales, Butrans negative \$56.3 mm, Intermezzo negative \$71.7 mm, Laxatives \$19.4 mm/38.4 % of net sales. Full year targets and results are detailed below.

	2012 Target Gross (\$MM)	2012 Target Net (\$MM)	2012 Target Product Contribution (\$MM)	2012 Target Product Contribution (%)	YTD Actual Gross (\$MM)	YTD Actual Net (\$MM)	YTD Actual Product Contribution (\$MM)	YTD Actual Product Contribution (%)
OxyContin	\$2,877.4	\$2,108.7	\$1,656.4	78.5%	\$2,777.1	\$2,012.7	\$1,579.3	78.5%
Butrans	\$135.8	\$95.9	(\$56.3)	N/A	\$112.9	\$84.4	(\$55.9)	N/A
Intermezzo	\$49.2	\$43.4	(\$71.7)	N/A	\$16.6	\$5.1	(\$84.2)	N/A
Laxatives	\$51.9	\$50.6	\$19.4	38.4%	\$51.5	\$50.3	\$18.1	31.0%

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

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

Purdue Analgesic Sales Force

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

Butrans will be in the primary position in 83% of calls and OxyContin will be in the primary position for 17% of the calls. OxyContin will be in the second position in at least 90% of Butrans' primary calls and Butrans will be in the second position in at least 90% of OxyContin's primary calls. Senokot-S Tablets will be in third position on at least 35% of all primary calls. Full Year 2012 Performance by product is detailed below:

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

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

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

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

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

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

Intermezzo Sales Force

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

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

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

Source: Phoenix Territory Management System

Result: The average physician calls per day for 2012 was 6.8 calls per day. This is below the objective of 8.0 calls per day.

2012	Daily Average Call Target	Daily Call Average Actual
Q1	N/A	N/A
Q2	8.0	6.8
Q3	8.0	7.1
Q4	8.0	6.6

Marketing Department Key Initiatives

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

- Butrans® Brand Team

Action Plan Materials

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

Butrans Patient Savings Program

Marketing recommended updates to the Butrans Patient Savings Program including increasing the trial offer for new commercially insured patients from \$75 to \$100 and the savings offer from \$40 to \$50 for 2013. This recommendation was based on an analysis where the new offer increased top line sales and maintained profitability

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

Butrans Trial Card Incentive

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

Butrans Speaker Programs

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

Butrans Experience

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

Butrans Journal

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

Public Affairs

Public Affairs completed and launched the Doctor's Channel series on Butrans with the following topics: Patient Savings Program, Dosing and Titration, Appropriate Regulatory Prescribing and Instructions for Use. The series will air for one year and is shown to HCPs in various practices including pain management, anesthesiology, family medicine and internal medicine

Market Research

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

eMarketing

- In the 4th quarter, implementation of the Butrans HCP Relationship Marketing Program continued. It includes the interactivity of invitations, an eMail series on Butrans-related topics, the Initiations Case Study program, eDetails, as well as a Butrans Web portal and Web sites that contains available materials (such as the Patient Education Brochure and the Butrans Initiation and Titration guide) for healthcare professionals to download and use to educate themselves, peers, and patients. This eMarketing initiative reinforces the branding, positioning, and key selling messages of Butrans.
- eMail delivery was suspended in November and December as labeling updates were needed for each of the eMails and this required MRL review. Despite this suspension the annual goal of 800,000 eMail messages was achieved. eMails should come back on line in January.
- Recent data on achievement of goal for each of the various components of the Relationship Marketing Program can be seen in the below two charts:

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

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

OxyContin® Tablets Brand Team:

- In the 4th quarter, reinforcement of the “Individualize the Dose” campaign was continued. Greater emphasis was placed on the OxyContin Managed Care Status and Patient Savings Program. As a result, the following promotional materials were updated and provided to Sales Representatives in October: Core Visual Aid, Appropriate Patient Case Vignettes, and the Patient Savings Program Sell Sheet.
- A “Medicare Part D” three wave direct mail and email campaign was developed by the OxyContin Brand Team to reinforce the broad formulary coverage of OxyContin to HCPs. 70% of HCPs received the promotion via email and 30% via direct mail. Deployment occurred during October and continued through December.
- A sensitivity analysis was performed and as a result, the OxyContin Savings program offerings for both the Relay Health pharmacy program and the MediMedia Savings Card program have been increased to up to \$90 in potential savings, once a patient pays the initial \$25 out-of-pocket expense during the January 2013 through March 31, 2014 program period. All collateral materials were updated to reflect the new program offering (Savings Card kits, combined program (Relay Health/ MediMedia) HCP detail sheet, and pharmacist information sheet specific to the Savings Card program). Group numbers from 2012 will be automatically rolled over to reflect the new 2013 offering in all states except for Vermont, and pharmacy alerts are being sent out (beginning in January) to minimize confusion and disruption in the marketplace.
- The OxyContin Relay Health eVoucher Program was initiated in March 2012 for new-to-brand patients for OxyContin. After only 60 days, the Relay Health Program showed a positive ROI of 1.16 and incremental revenue of \$1.77MM. In the 4th quarter, there were a total 103,127 redemptions for this program with 263,790

redemptions for 2012. The Patient Savings Card is currently driving a positive ROI of 4.3 and a 14.6 TRx lift per HCP. There were a total of 44,877 redemptions for the Savings Card program in the 4th quarter and 696,551 redemptions for 2012. Currently, 3% of prescriptions are redeemed with a Savings Card and 7% through Relay Health.

- Based on a previous positive ROI of 2.8, the OxyContin Brand Team developed an updated Product Theater Video for the Professional Television Network (PTN). This video program was made available in December and will reach a minimum of 3,000 target HCPs. The content was repurposed from the Product Theater slide deck and video recorded with [REDACTED] a national KOL in Pain Management. An analysis of ROI for this program will be undertaken at a future date.
- In the 4th quarter we continued to implement the OxyContin HCP Relationship Marketing Program. It includes the interactivity of invitations, an eMail series on OxyContin-related topics, the Conversions case study program, as well as PurdueHCP.com Web portal that contain available materials (such as the Formulary status, Patient Saving Cards and the Conversions case study program) for healthcare professionals to engage with to educate themselves, peers, and patients. This eMarketing initiative reinforces the branding, positioning, and key selling messages of OxyContin.

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

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

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

Note: CTR on the chart above represents click through rate

Intermezzo® Brand Team

- Patient Savings Programs were implemented in April. These include an eVoucher (at retail pharmacy) and Savings Card.
 - Through December 29, 11,807 redemptions have been processed (8,683 for eVouchers and 3,124 for Savings Cards).
 - YTD, 34% of prescriptions filled have been accompanied by either eVoucher or Savings Card.

- The Intermezzo sampling program was implemented and executed via mail directly to physician's offices (those who request samples). Additionally, a "Trial Offer" sampling program, which provides patients the ability to obtain three Intermezzo tablets free of cost, was implemented.
 - Through December 29, 97,525 sample units of the 1.75 mg and 85,984 of the 3.5 mg have been delivered to physician offices.
 - YTD 3,921 unique patients enrolled in the "Trial Offer" program.

- The sales force continues to leverage the Core Visual Aid and patient assessment materials provided during their District Meetings in June.
 - a. Additional sales tools will be introduced during District Meetings the week of October 8th, including materials targeted toward pharmacists, a clinical backgrounder that provides additional details regarding the two Intermezzo efficacy studies and a piece that reminds HCPs of the Intermezzo indication and how to write a prescription.
 1. The October meetings did not take place due the restructuring of the Intermezzo Sales Force (ISF).
 2. However, once the restructuring was completed new materials were provided to the ISF specific to the Direct-To-Consumer Campaign (DTC).

3. These included the DTC Patient Brochure and Patient Materials Sales Aid.

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

eMarketing

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

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

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

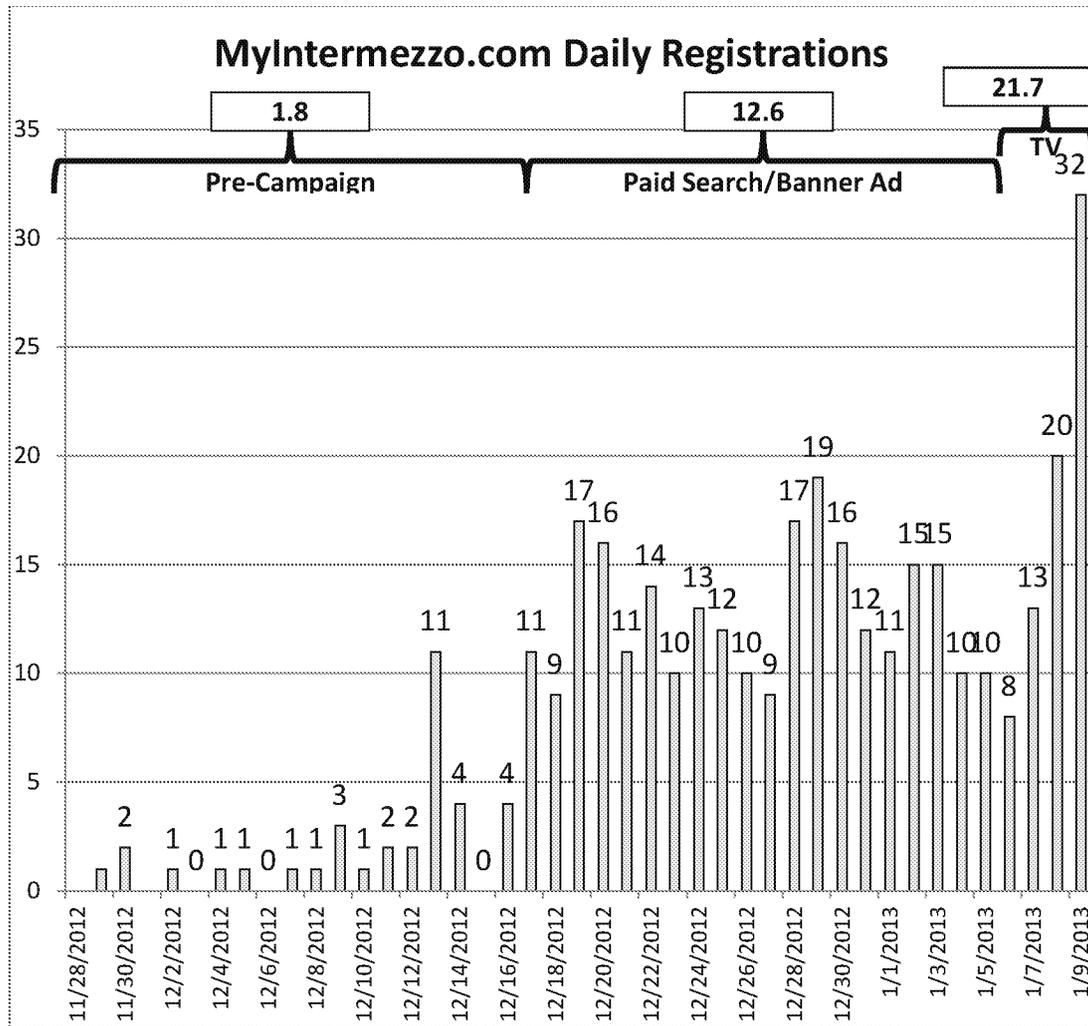
2012 YTD (Jan – Nov) Site Performance	
Total IntermezzoRX.com Visits	76,700
Non-Media Visits	16,119
Display Visits*	4,481
Paid Search Visits*	56,100
IntermezzoRx.com Registrations	646
PurdueHCP Intermezzo Visits	1,066

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

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

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

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



Laxatives Brands

- Consumer and HCP promotions continued throughout the 4th quarter:
 - National “Purchase Incentive” Program
 - Account Specific Sweepstakes Promotions at key retailers (e.g. WalMart, Walgreens and Rite Aid)

- Print advertising in demographic specific magazines such as Women’s Day, Better Homes and Gardens, and Readers Digest
- Instant redeemable coupon promotions
- Customer Relationship Marketing (CRM) to loyal customers
- Facebook and Twitter campaign
- Direct Mail to non-called on HCPs to facilitate brand recommendations

Managed Care

The tables below depict the formulary status of Purdue products in three major payer channels. Included in the tables are the percentages and number of lives in each formulary category/tier, and a brief summary follows each channel with major customers and developments/status changes in the 4th quarter of 2012.

Commercial Formulary Status ~ 211 Million lives in this channel

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

- OxyContin (Commercial)
 - OxyContin continues to maintain “best in class” access and is the only extended-release opioid brand in its market with more unrestricted access than restrictions.
 - OxyContin commercial national market share exceeds 27%. All major Pharmacy Benefit Managers and most national health plans cover OxyContin on their formularies.
- Butrans (Commercial)
 - Butrans continues to achieve improved formulary access (30% of commercial lives in a preferred position).
 - Recent formulary elevation to 2nd tier at Aetna (approximately 8mm lives nationally) has been followed by an extensive national pull-through program that will continue into 1Q13. We anticipate a greater than 30% lift in prescriptions with 2nd tier formulary access.
 - ODS, an Oregon state-wide health plan and has moved Butrans to 3rd tier.

- Intermezzo
 - From launch, the commercial channel has been the focus for Intermezzo.
 - The 2012 target of over 50% of commercial lives at 2nd tier or 3rd tier unrestricted access has been achieved. However, there are approximately 48% of commercial lives with some kind of restriction before the patient can receive Intermezzo. Most of these restrictions are at the point of sale where the pharmacist verifies that the patient has received a prescription for generic zolpidem in the last 4-6 months.
 - ProCare, a regional PBM (for self-funded employer groups) in Atlanta, GA moved Intermezzo to 2nd tier unrestricted from 3rd tier with restrictions effective January 1, 2013.
 - CVS/Caremark, a large national PBM, notified us that starting January 1, 2013, they would not be covering Intermezzo at any formulary tier and if Caremark covered patients wanted Intermezzo the patient would have pay 100% of the cost.
 1. Our colleagues in Medical and Law worked with Sales & Marketing on a clinical letter to the Chief Medical Officer of Caremark outlining concerns with this decision, with an offer to meet and discuss the decision.
 2. The goal is to re-engage Caremark's clinical and commercial teams to re-review this decision and reverse it.
 3. This non-coverage will affect the lives covered in the below table in 1Q2013.

Medicare Part D ~ 30 Million lives in this channel

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

- OxyContin (Med D)
 - OxyContin continues favorable formulary status for 2012 Medicare Part D formularies with more than 56% of seniors having access to a preferred formulary position and the corresponding favorable copay.
 - OxyContin Medicare Part D national market share exceeds 22%
 - There is continued pressure from the Med D health plans for increased brand rebates (both OxyContin and Butrans) to keep formulary position in this highly genericized market.
 - Generic fentanyl patch (market share of 26.1%), generic extended- release morphine (market share of 29.4%), and methadone (market share of 16%) all

have market share increases in the last 12 months in this channel. 91% of all prescriptions filled in this channel in 4Q12 were for generics.

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

Medicaid ~ 48 Million lives in this channel

	OxyContin		Butrans		Intermezzo	
	Lives (mm)	%	Lives (mm)	%	Lives (mm)	%
On PDL Formulary	1.3	3.1	5.7	11.9	2.5	5.1
Prior Auth Required	46.5	96.9	42.2	88.1	45.3	94.8

- The Medicaid market continues to be a channel dominated by the individual States mandating use of generics. State budget shortfalls dominate the news and many States believe these shortfalls are accelerated by expenditures from their Medicaid recipients.
 - In 2012 many States have moved their Medicaid populations to Managed Medicaid, where private commercial health plans bid to the State a specified amount per patient per month to financially cover the total health care for a percentage of the States' Medicaid recipients.
 - If the health plan exceeds this monthly cost allotment, the health plan pays the excessive cost from their pocket, if the health plan's cost is lower than the State's per patient per month specified amount the health plan profits.

Forecasting, Analytics and Market Research

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

INTERMEZZO Objectives	Key results	Recommended Actions/Potential Actions
<p><u>Sales Force Effectiveness</u> <u>(1st wave completed 5-2012,</u> <u>2nd wave completed 7-2012,</u> <u>3rd wave completed 9-2012)</u></p> <p>- Quantitative study with physicians who have received Intermezzo sales calls to track sales rep performance/message delivery</p>	<p>About 46% of physicians report that Intermezzo sales calls are the sole source of information they have on the brand</p>	<p>DTC advertising will also increase physician awareness as well as relationship marketing campaigns.</p>
<p>- Determine the influence that sales reps are having on physician behavior</p>	<p>Of physicians not prescribing, the main reasons are: 42% say lack of experience, 51% report managed care issues, 40% are satisfied with other brands, 17% do not have the right patients</p>	<p>Continue to work to remove managed care barriers, as this is the highest actionable objection to writing the brand. Emphasize availability of savings cards / trial cards - since these did not register as an often recalled message and can help overcome managed care objections.</p>
	<p>36% of physicians say that they have changed the way they discuss insomnia with their patients as a result of Intermezzo sales calls Intermezzo's indication is recalled as the main message by 64% of physicians. 42% of physicians find this message to be persuasive. The :90 ad was liked by 81% of respondents. Though the fair balance increased in the :90 ad, dislikes have not</p>	<p>Must broaden the reach to physicians beyond the sales force via persistent e-marketing, DTC and other programs. There were 506K prescribers in the market from Apr-Jun 2012. Most physicians report that sales reps are their sole source of information so far and the reach of representatives is limited.</p>

	significantly increased from the :60 ad. On an unaided basis, over 80% of respondents recalled Intermezzo name from the ad. Less than 20% of respondents recalled the Ambien name from the ad.	
INTERMEZZO Objectives	Key results	Recommended Actions/Potential Actions
<p><u>Intermezzo :90 Ad Test Underway</u></p> <p>Compare revised commercial which includes a reference to Ambien and an additional :30 of fair balance to previous commercial and normative data to see the impact that these potential changes may have had on the commercial.</p>		Initial concerns that the increase in the length of the ad would be detrimental to its effectiveness. However, this research suggested otherwise and the decision to move forward with the advertisement was made.
<p><u>Intermezzo Consumer Experience Study Underway</u></p> <p>Understand the patients' overall experience with Intermezzo from the point of filling the prescription, to first hand experiences with the drug.</p>	TBD	Will be used to identify and overcome obstacles in adoption and patient persistence. May also be used for appropriate consumer messaging.

<p><u>Intermezzo Consumer Brand Awareness Study</u></p> <p>Establish a baseline awareness of Intermezzo among consumers, which includes usage and interest levels, to enable assessment of marketing efforts over time.</p>	<p>TBD</p>	<p>Will be used to measure gains in awareness based on DTC and other early 2013 marketing and sales efforts, which is one of the key issues and objectives for the year.</p>
<p>OXYCONTIN Objectives</p>	<p>Key results</p>	<p>Recommended Actions/Potential Actions</p>
<p><u>OxyContin and Butrans Call Sensitivity / Sizing Analysis</u></p> <p>Completed 10-2012</p> <p>To Determine the impact of shifting primary calls from Butrans to OxyContin.</p>	<ul style="list-style-type: none"> - Looking at the periods Jul-Dec 2010 and Jun-Nov 2011, we saw a TRx upside of 12% for OxyContin when we went from no calls to a secondary call (P2) and 20% when we went from no calls to a primary call (P1). - Butrans had an upside of 63% when going from no calls to a P1 and 34% going from no calls to P2. - This was used to determine that a 50/50 split in primary calls using the current sales force to Butrans and OxyContin should have a net upside to Purdue of \$13M in 2013. 	<ul style="list-style-type: none"> - The ultimate recommendation was to redistribute primary calls to a 50/50 split between OxyContin and Butrans in 2013. - This is being implemented in Jan 2013.

OTC Objectives	Key results	Recommended Actions/Potential Actions
<p><u>Slow Mag Attitude and Usage Analysis</u> Detailed profile of Slow Mag consumers and why they purchase Slow-Mag.</p>	<p>In Process</p>	<p>Recent sales trends indicate Slow-Mag consumers to be highly loyal. This survey is designed to determine why (product characteristics, availability, efficacy, etc.) consumers are loyal and provide a consumer profile so that future marketing efforts can most effectively target current and potential new customers.</p>
<p>Betadine Line Extension Focus Groups</p>	<p>TBD</p>	<p>Gain an understanding of first aid and wound care practices by consumers and general opinions of the Betadine line of products as well as focus on gauging the interest of a Betadine swab product in the U.S.</p>
<p><u>Laxative Market Events Timeline Underway</u> In a format similar to what has recently been done for OxyContin, Butrans, and Slow-Mag , this may help to determine the impact of distribution, promotion and media events on the laxative line.</p>	<p>In Process</p>	<p>Actions will allow for more efficient allocation of resources to the most productive programs. In addition, the event timeline will allow us to see which external events impacted the product positively and negatively. This analysis also provides an understanding of the competitive landscape.</p>
<p><u>Laxative Attitude and Usage Analysis</u> Update understanding of laxative category and brand behavior and ultimately what motivates the</p>	<p>In Process</p>	<p>Results will allow us to select and refine product attributes communicated to consumers; understand our competition, and work to find the best marketing</p>

consumer to purchase a product.		and sales promotions to target the laxative consumer to build our consumer base.
BUTRANS Objectives	Key results	Recommended Actions/Potential Actions
<p><u>Butrans Intermediate Dosage Strength Study Completed 11-2012</u></p> <p>Qualitatively understand the impact that availability of the new strengths will have on Butrans® prescribing</p>	<p>Participants are typically neutral to favorable about proposed launch of 7.5 and 15 mcg/hr dosage strengths. Offering the new strengths will mostly likely result in no change to the number of Butrans patients and just a redistribution of prescriptions among more strengths with the largest impact to the 10 mcg/hr strength.</p> <p>The 15 mcg/hr strength could help titration between 10 and 20 mcg/hr; however, the true unmet need is a strength greater than 20 mcg/hr. About half of participants note they would prefer to see a strength higher than 20mcg/hr either instead of, or in addition to, the new strengths.</p> <p>More use of 15 mcg/hr is predicted than 7.5 mcg/hr. Many consider the 5 mcg/hr and most likely the 7.5 mcg/hr strengths too weak. Releasing the 7.5 mcg/hr may cannibalize some 10 mcg/hr strength resulting in lower total Butrans sales as a 10 mcg/hr script is worth more than a 7.5 mcg/hr script</p>	<p>Offering the additional strengths will allow representatives to speak about “something new” with physicians.</p> <p>Continue development of the higher dosage strengths.</p> <p>Adjust forecast accordingly.</p>

BUTRANS Objectives	Key results	Recommended Actions/Potential Actions
<p><u>Butrans Fibromyalgia Qualitative Study Completed 12-2012</u></p> <p>To determine the feasibility of a new indication for fibromyalgia and to obtain physicians' reactions on using buprenorphine/ Butrans for this indication.</p>	<p>Physicians indicate that there are no formal guidelines for the treatment of fibromyalgia, although they say FDA approvals or studies in fibromyalgia do influence their choice of drugs. Most patients are on multiple products. Opioids are typically considered more appropriate for patients with severe fibromyalgia.</p>	<p>Based on this research, Butrans/buprenorphine appears to have a place in the fibromyalgia market. It fills an unmet need, as it is seen as unique, and these physicians indicate that they are always happy to add another option to their armamentarium.</p> <p>Prior to any decision to pursue an indication, quantitative research should be performed to validate these findings.</p>
	<p>Gabapentin, Cymbalta and Lyrica are seen as standards of therapy for patients with moderate or severe fibromyalgia. Savella is newer and perceived to have side effect issues. Physicians are somewhat interested in Butrans. Mean Level of Interest for PCPs was 6.9 and RHEUMs was 6.2 on a 10 point scale. These physicians tend to prefer the Placebo Controlled Add-on design, as it most closely approximates their real world treatment of fibromyalgia</p>	<p>It appears that physicians are receptive to the fibromyalgia indication for Butrans even if it may be second line to established treatments. Further consideration and investigation of this indication for Butrans is merited.</p>

BUTRANS Objectives	Key results	Recommended Actions/Potential Actions
<p><u>Butrans Physician Quantitative Study Completed 12-2012</u></p> <p>To assess the perspectives of physicians who have discontinued usage of the 5mcg/hr patch, and those who have lapsed from using Butrans completely.</p>	<p>Overall satisfaction with Butrans is high. Most prescribers who have used the product like it; however, like any new product formulary coverage is the barrier.</p>	<p>Convey to HCP's Butrans improved formulary coverage.</p>
	<p>The number one reason for Butrans discontinuation from this research is the inappropriate conversion of opioid experienced patients to Butrans 5mcg/hr instead of the 10mcg/hr patch. This could set up a misperception of poor efficacy, lead to low patient satisfaction, and high discontinuation rates.</p>	<p>The sales force should focus on appropriate conversions. Another suggestion that may help clarify titration is to consider introducing a Butrans titration pack containing more than one dosage strength. This is currently being evaluated.</p>
	<p>There is some confusion among HCPs regarding Butrans' Mode of Action and the use of supplemental analgesia. They misperceive that Butrans is an agonist/antagonist combination and may interfere with other opioids.</p>	<p>We need to educate HCPs as it relates to Butrans' Mode of Action so that they can use supplemental analgesia as they titrate Butrans.</p>

BUTRANS Objectives	Key results	Recommended Actions/Potential Actions
<p><u>Butrans Marketing Mix</u></p> <p>Underway</p> <p>To measure the promotion impact of each marketing channel and associated ROI</p>	<p>TBD</p>	<p>This project will ultimately result in an ROI for every major promotional channel within one model. Ultimately, this will allow us to optimize profit by reallocating spend through a predictive model. This was successfully performed last year with OxyContin.</p>
<p><u>Butrans Speaker Program (Q1 2012 attendees and Jun-Jul 2012 Cohorts)</u></p> <p>To Determine TRx impact and ROI of Speaker Program</p>	<ul style="list-style-type: none"> - Incremental Full Costs ROI: 0.19 (Rx based deciling and control) - Incremental TRx lift/HCP: 0.69 or 58% - Speaker programs with higher proportion of Primary specialists and medium ERO decile HCPs appear to generate greater lift - Attendees with >= 1 calls post attendance appear to show higher performance 	<ul style="list-style-type: none"> - Make all attempts to invite primary specialists and medium ERO decile HCPs for speaker programs to maximize program impact

MANUFACTURING / SUPPLY CHAIN / PHARMACEUTICAL TECHNOLOGY

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

Key Metrics: Manufacturing, Supply Chain and Pharmaceutical Technology

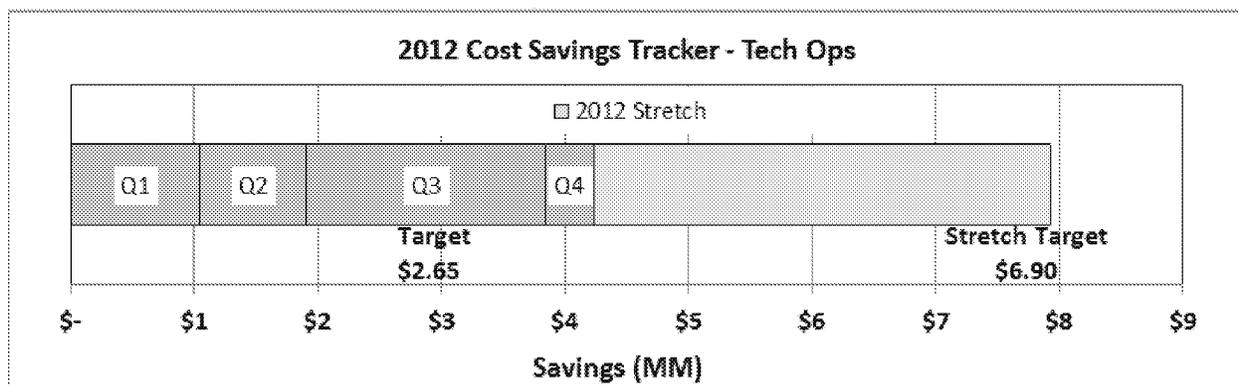
Manufacturing and Supply Chain	Q4 YTD			Full Year	
	Actual	Budget	Var	2012 Budget	2011 Actual
Tablets Manufactured (MM)	691	593	98	593	629
OxyContin	486	409	78	409	456
MS / MSER	196	163	32	163	165
Oxy APAP	-	21	(21)	21	-
Oxy Export	9	-	9	-	8
Export Packaging Bottles (000)					
Bottles Packed	310	-	310	-	308
Orders Shipped On-Time					
Wilson	99.6%	99.0%	0.6%	99.0%	99.8%
Rhodes	97.0%	99.0%	-2.0%	99.0%	99.1%
3rd Party	99.0%	99.0%	0.0%	99.0%	99.7%
Orders Shipped In-Full					
Wilson	99.0%	99.0%	0.0%	99.0%	99.6%
Rhodes	100.0%	99.0%	1.0%	99.0%	99.9%
3rd Party	100.0%	99.0%	1.0%	99.0%	99.6%
Inventory On-Hand (Months)					
OxyContin	2.1	2.5	(0.4)	2.5	2.6
BuTrans	5.5	3.0	2.5	3.0	3.3

Pharmaceutical Technology	Q4 YTD			Full Year	
	Actual	Budget	Var	2012 Budget	2011 Actual
Research and Development Hours	29,878	40,633	(10,755)	40,633	29,784
Production Hours	3,233	6,474	(3,241)	6,474	4,289
Support Hours	26,645	34,159	(7,514)	34,159	25,495
Development Batches Manufactured	83	114	(31)	114	89

Comments on Key Metrics Table

- Major surge in manufacturing activity at yearend to meet MSER and OxyContin requirements as new packaging line installed.

2012 Savings



- Through Q4, 2012, Technical Operations recorded ~ \$4.4 mm in annual savings. These savings were driven by \$1.5 mm in favorable distribution costs by changing to a lower cost shipping methodology for Butrans and Rhodes Pharma products shipped from Wilson. Negotiated savings of raw materials also contributed \$1.5 mm through favorable pricing of Oxycodone (Noramco - \$0.6 mm) and Morphine (\$0.9 mm).

Infrastructure / Capital Projects

- The installation and qualification of the first of the two new packaging lines is complete, and commercial manufacture has commenced. As a result of this project, the Wilson site has moved from RFID to 2D serialization of the OxyContin product line. The second of the two new lines will commence installation in Q1, 2013.

Rx/ OTC Highlights

- Butrans - Successfully transitioned the US market to patches produced at LTS West Caldwell in November 2012. This provides an alternate site of manufacture and shortens the lead time of US product supply to the market.
- MSER (Rhodes Pharma) - Due to strong collaboration between Purdue and Rhodes Pharma, we have successfully dealt with significant market fluctuations. After some lost sales in early 2012, MSER business for Rhodes Pharma has recovered very well through Q4, 2012. Production in Wilson will maintain adequate supplies to support the growth of this business.

Risk Mitigation: Back-up of Key Products and Materials

- Wilson as an alternate site of manufacture for Dilaudid tablets was submitted to FDA on December 27, 2012, as a CBE30.

- Sumitomo PEO for OxyContin - Qualification batches of Sumitomo's PEO-15 NF were manufactured as an alternate to Dow PEO.

New Facility

- Short list of approximately five sites is under review for incentives, suitability and due-diligence. Expect to provide a project summary at the February BOD Meeting.

QUALITY

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

Sustained Compliance

- ONF Support Activities: As previously reported, a single stability lot of ONF 10 mg tablets (WBL51) showed Out of Trend (OOT) results for unknown degradants at the 3 month stability pull. During monthly monitoring of the lot, the concentration of the degradant plateaued and remained within specification up to the label expiration date. When tested at its 24-month stability storage interval, the lot remained within specification. No additional testing is scheduled for this lot, but toxicology test results on the known degradants are expected in 1Q13.
- Phase II implementation of Trackwise for Product Complaints is in progress, and scheduled to go live on January 28, 2013.

External Manufacturing

- Dilaudid
 - An initial field alert was filed December 6, 2012, for Dilaudid 1mg/mL ampule for a missing label identified via a complaint. Inspection of the returned vial confirmed the absence of the label, and it appears that no label had been applied. Hospira is investigating this incident.
 - Four lots of Dilaudid injection, 10-count were found with open carton flaps during incoming inspection at Wilson. Corrective actions were identified with Supplier Quality Assurance assistance, and are being implemented by Hospira.

- Butrans
 - During the review of Butrans lots initially produced at West Caldwell, a discrepancy was identified in a noncritical raw material supplier. The supplier used was not included in the supplement filed for West Caldwell and no change request had been submitted to cover the change in supplier, although the supplier has been used by LTS for some time. Release of the lots is pending receipt of appropriate change control documentation. Stability data supporting the change are available, and will be filed in the next annual report which will notify FDA of the change.
 - Low dissolution Out of Specification (OOS) test results were identified in a clinical trial lot of Butrans 10mcg/h patches at the 30 month stability pull. The patches had been distributed to clinical sites in support of the BUP Pediatrics clinical trial. All patches from this lot are being withdrawn from the clinical sites and alternate supply made available.

- Slow-Mag Support Activities:
 - Investigations into the DEM issue continue, and to date no root cause has been determined. Preliminary results from the *in vivo* genotoxicity testing showed that the risk of genotoxicity/carcinogenicity of DEM in humans is negligible, if any.
 - Hurricane Sandy caused disruption in production of the alcohol used for the enteric coating process. Although a definitive root cause for the DEM has not been identified, it is formed during the coating operation. The alcohol will be sourced from a different supplier under a risk mitigation plan including one-month accelerated stability data, DEM analysis, etc.

Support for New Products

- The Rhodes Oxy/APAP deficiency response was submitted to FDA on November 7, 2012, including process and stability data generated by Wilson and Totowa QC.

- All stability studies to support the Asia / Pacific and Latin America filings for ONF are available. Time zero blister testing will be performed in January 2013. The studies packaged in bottles were initiated in December 2012, with the 1 month 40°C/75%RH samples being tested in January 2013.

RESEARCH & DEVELOPMENT

R&D's goal is to efficiently and effectively advance each pipeline project to and through the defined stage gates as described within each program's strategic development plan. R&D's objectives for 2012 are reflected in Purdue's Business Scorecard and focus on progress or completion of major milestones for each pipeline project. While there are many components within each program, emphasis is placed on those items whose progress, quality and outcome drive stage gate decisions and as a consequence, project progress to NDA submission, approval, or termination. Through 4Q2012, substantial progress has been made toward the budgeted plan.

Each of the following pipeline projects are addressed herein:

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

Reformulated OxyContin (OTR/ORF)

2012 CORPORATE SCORECARD

On December 5, 2012 the OTR3001 stretch goal of enrolling 80 patients was achieved.

ORF Messaging

Under the auspices of the ORF Messaging Committee, we developed and disseminated reformulated OxyContin *in vitro*, abuse potential, and epidemiology data on the impact of the reformulation to various external audiences.

- 40 abstracts were accepted to various associations; 43 presentations (poster and oral).
- Four manuscripts were submitted in calendar year 2012 (2 accepted, 2 pending).

Pediatric Program

- The pediatric exclusivity research program remains on-track for sNDA submission in January 2016.

Japanese sNDA for OxyContin in Non-malignant Pain

Agreement has been reached with respect to all clinical and non-clinical components to support the planned Japanese sNDA (non-malignant pain); the program is on track for a 2Q2016 submission to Japan's Pharmaceuticals and Medical Devices Agency (PMDA).

- Substantial Clinical and Non-clinical support has been supplied by Purdue to MPKK / Shionogi collaboration.

Prix Galien-USA

ORF was nominated as a "Final Candidate" in the Prix Galien awards category of "Best Pharmaceutical Product."

Butrans® (BTDS)

2012 CORPORATE SCORECARD

Corporate Scorecard Milestones for Butrans were met on or ahead of schedule.

- The Second Generation pilot PK study (BUP1504) sponsored by Mundipharma remains on plan, with Stage 1 PK results expected in February 2013.
- Clinical conduct of the thorough QTc trial (BUP1025) is complete, with the interim analysis completed per protocol on 4 October.
- High dose efficacy and safety studies (BUP3027 and BUP3028) are planned to initiate in 2013, pending favorable results from the thorough QTc trial (BUP1025) and the Second Generation pilot PK Study (BUP1504).

Other Butrans Updates

- Commercial production in West Caldwell was initiated in 4Q2012.
- The Butrans pediatric study program in support of PREA (Pediatric Research Equity Act) requirements is on track.

- Development of the intermediate dose program (7.5mcg/hr & 15mcg/hr) is proceeding to plan; submission of the Prior Approval Supplement is targeted for late January 2013 - pending receipt of the 7.5mcg/hr. strength stability data.

ONU

2012 CORPORATE SCORECARD

Corporate Scorecard Milestones for ONU were met on or ahead of schedule.

- The NDA submission (for the indication of Pain with abuse deterrent properties) planned for 2Q2013 may be impacted by additional analyses of cardiovascular safety data required by FDA; any resultant submission time line delays will be minimized to the fullest extent possible.
- A multifaceted plan to expedite enrollment in the twin pivotal studies (ONU3704/3705) required to support label expansion (OIC prevention treatment) has been created and will be implemented in 1Q13. These two pivotal studies define the critical path for sNDA submission, and all efforts are being made to expedite their conduct and completion.
 - Data to support ONU's benefit in alleviating signs and symptoms of Opioid Bowel Dysfunction (vs. OIC) are being collected in pivotal trials and will also be addressed through additional means.

Hydrocodone QD (HYD)

2012 CORPORATE SCORECARD

All 2012 corporate scorecard milestones for HYD have been met or exceeded.

- On 12/7/2012, FDA's Analgesic and Anesthetic Advisory Committee voted strongly against approval of a controlled-release hydrocodone product, Zogenix's Zohydro (twice-daily hydrocodone bitartrate extended-release capsules) - primarily because it is not an abuse-resistant formulation. The PDUFA date for Zohydro is March 1st, 2013. If not approved, Purdue's HYD product will likely be the first controlled-release hydrocodone product to market.
- NDA filing in 2Q2014 and 3Q2015 launch dates remain on track.

Enrollment in the HYD Phase 3 program (pivotal study and open-label safety study) is on schedule and supportive of an on-time NDA submission.

TRPV1 Lead (VND)

2012 CORPORATE SCORECARD

All 2012 corporate scorecard milestones for TRPV-1 have been met.

- Two human Proof-of-Concept studies (Osteoarthritis and Post -Herpetic Neuralgia) initiated in September, 2012 and are recruiting on schedule. This is the first time a Purdue new chemical entity has reached this stage of development.

ORL1 (OAG)

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

- The study was paused to allow for thorough analysis of adverse event (somnolence) and pharmacokinetic (low bioavailability) data. A plan of nonclinical experiments designed to better understand the cause of these adverse events has been agreed with Shionogi and was executed in 3-4Q12. The next decision point will be in Q12013, when the nonclinical results are available.

TRPV1 Back-up (VAN)

- The First in Human clinical trial (Single Ascending Dose) is ongoing in Japan and is expected to conclude in 1Q13.

Intermezzo (INT)

2012 CORPORATE SCORECARD

All 2012 corporate scorecard milestones for Intermezzo have been achieved.

Milestone	Target	Current Status
Post-Marketing Requirement: Patient compliance with dosing instructions in the setting of actual clinical use	4/2012	Submitted April 30, 2012
Post-Marketing Requirement: PK/PD in Pediatric ADHD	11/2012	Submitted November 29, 2012
Publication Plan Advance publication plan, comprised of 10 potential manuscripts, in accordance with prioritization	Preparation for submission to journals on target	On Plan; one manuscript submitted December 2012

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

Abuse Deterrent Immediate Release Oxycodone /ADIR - (OCI)

- Testing of Purdue and Rhodes formulations was completed as planned, including oral PK, intranasal PK, Intranasal PD and non-clinical abuse deterrence studies.
- Based upon a comparative evaluation of *in vivo* and *in vitro* data collected for the Purdue and Rhodes formulations, the team has recommended proceeding with development of the Cranbury (Purdue) formulation – primarily since it appears to offer the greater abuse-resistance.

DISCOVERY RESEARCH

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

- The main goal of the ORL-1 back-up program is to identify compounds with similar or better efficacy, ADME profiles and low risk for kidney toxicity issues, as well as reduced side effects (fatigue/somnolence) compared to V117957.
- The main focus of the backup team is the elucidation of the mechanism of the observed adverse effects, then establishing a method of differentiating a backup molecule. This approach includes the evaluation of biomarkers and EEG in rodents. One notable and preliminary finding is that human neurons appear to be highly sensitive to ORL-1 agonists as compared to rat neurons. This species difference may provide a significant clue to help understand the clinical observations. One hypothesis based on this new data is that the drug exposure in man may not need to be as high as was needed in the rat for analgesia, meaning there may be a basis for a larger separation between analgesia and somnolence than initially thought.

Purdue-Shionogi Collaboration TRPV1 Back-up Program (083)

- The IND was filed in Japan, no clinical holds, and the SAD studies are underway. Discovery research in the TRPV1 field is now finished successfully with two molecules advanced into the clinic.

Sodium Channel (Nav) Blocker

- The Nav team has been working to complete the pre-bridging studies on the front-runner molecule, V121241. The AMES test for mutagenicity was negative and we are awaiting the results of the Chromosomal Aberration studies due in mid-January.

The team's main focus has been to determine if the oral exposure of V121241 can be sufficiently elevated over the exposure at efficacy to allow this compound to enter toxicological studies. To this end, a vehicle screen, a salt/co-crystal screen and a Spray Dried Dispersion (SDD) feasibility study were run. These studies resulted in the selection of one vehicle and one SSD formulation for pharmacokinetic (PK) assessment in rats. The complete set of results from these studies is due in January. If sufficient exposure is reached, PK studies in dog and monkey will follow. This will allow the team to determine if V121241 meets the criteria to enter bridging studies.

- The chemistry and pharmacological teams are also working hard on the design & synthesis of suitable backup molecules in case V121241 drops out due to unacceptable findings.

Exploration of Signal-Biased Opiates

- In Q4 we implemented and validated a variety of cell based assays that will support the evaluation and design of new molecules as biased agonists of the mu and kappa receptors. We can now measure receptor binding, G protein-coupling, beta arresting recruitment, receptor internalization, and ERK activation. In addition we have implemented new imaging technologies that enable visualization of receptors in whole cells, thus enabling real-time observation of receptor trafficking in response to agonist activation. These systems will form the basis for research in 2013. Already, there are many new insights that will be presented during the Cranbury Discovery Research meeting being planned for March of 2013.
- We also implemented a TLR4 assay system to measure the off-target effect of known opiates on this glial cell system and have confirmed the known literature that many opiates are also off-target agonists at TLR4, and thus may produce neurogenic inflammation in vivo. With this assay in place, chemists can design this mechanism out of the profile of our newer molecules.
- We have received the R and S isomers of DHE and we are profiling them in all assays for bias and TLR4 action. This data will be complete by the end of January 2013 and will hopefully shed light on possible mechanisms to understand the clinical results obtained thus far.
- Finally, we completed the data package that demonstrated that buprenorphine is a biased agonist and in very low doses can inhibit or reverse opiate-induced constipation in rodents. We further demonstrated that this also occurs following oral administration. Patent applications have been filed and future studies are being discussed.

LICENSING AND BUSINESS DEVELOPMENT

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

Q4 2012 Full Year Results

	2012 Total	Declined in Level 1	Referred to R&D Innovation	Declined in Level 2	Declined in Level 3	Completed Deals	Active with BDC	On Hold Pending Data
4Q11 Existing opportunities active with BDC	10	0	0	2	8	0	0	0
4Q11 Existing opportunities on hold pending data	10	0	0	7	0	0	0	3
New opportunities 2012	205	146	46	4	0	1	6	2
Total 2012	225	146	46	13	8	1	6	5

Status at end of Q4 2012

Active with BDC	Transcept, Flexion, Rhythm, IBSA, Grunenthal, Xalud, Katama
Declined in Level 3	
Declined in Level 2	Convergence, Spinifex
Declined in Level 1	ImmuPharma, ReNew
Opportunities on Hold	Remain on Hold(pending new data): Xenoport, Afferent, Theravance TD-9855, Tranzyme, Pacira

Pain Projects Terminated in 2012

Spinifex	Angiotensin II (Type 2)
Array	MAP - Kinase P-38
Abbott	H-3 antagonist
Regeneron	Anti-NGF antibody
Convergence	NAV 1.7 sodium channel blocker

Other Major Opportunities Terminated in 2012

Tarsa	Oral calcitonin for osteoporosis
Theravance	Opioid antagonist for OIC
Albireo	IBAT inhibitor for constipation
Pearl	LAMA / LABA for COPD
Optinose	Fluticasone device for chronic sinusitis

ACTIVE LBD PROJECTS END OF Q4 2012

Company	Product	Indication	Status	Responsible Party	Screening Date
Transcept	Intermezzo ROW	MOTN	ROW Term sheet sent 12-6-12	Kraft	8/1/2011
Flexion	FX-006, IA sustained release steroid	Interarticular injection for sustained treatment of moderate OA of the knee	Phase 2 POC data June '13.	Darland	6/10/2012
Rhythm Therapeutics	RM-131 Ghrelin Agonist Peptide	Diabetic Gastroparesis	Currently conducting Phase 2 trial. Initial DD occurring. Waiting for data. Mtg. at JPM.	Meltzer	6/18/2012
IBSA	Flector Patch (topical diclofenac epolamine 1.3%)	Acute pain due to minor strains, sprains and contusions	IBSA approached Purdue due to their dissatisfaction with Pfizer as a partner. Purdue is developing a market forecast and first draft financial analysis. Pending Pfizer – IBSA dispute resolution.	Kraft	11/13/2012
Grunenthal	Tamper Resistant CR Morphine (MS Contin)	Pain	Late-stage term sheet	Kraft	9/28/2012
Xalud	XT-101 (IL 10 variant; intrathecal injection) long lasting	Neuropathic pain	Linda Watkins company	Downs	12/14/2012
Katama	Tolperisone – Dual voltage gated sodium and calcium channel blocker	Muscle Spasms	Follow up meeting scheduled for JPM	Kraft	12/14/2012

CORPORATE COMPLIANCE

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

Corporate Integrity Agreement

Purdue's final Annual Report to the Office of Inspector General was submitted September 27th, and the OIG Monitor has already reviewed the Report and asked follow up questions. Responsive answers and materials were provided. This is a faster time frame than expected, and a positive development for formal close-out of the CIA.

Subsequent to submission of the Final Report, Compliance discovered an Intermezzo Sales Force District Manager was not performing job responsibilities during the term of the CIA with respect to "ride-alongs," a CIA requirement (DM terminated). A decision was reached to report to this, and extensive information was provided about our investigation and remedial actions).

Follow-up note: The letter from the OIG formally closing the CIA was received on January 28th.

Overall

Through the Fourth Quarter, the Company continues to maintain a state of effective compliance, with all components of the Annual Compliance Scorecard above the established standards.

While there are numerous compliance matters detected, investigated, and remediated on an on-going basis (64 during 4Q; 279 total for year), there have been no *significant* compliance matters to report for 4Q12, with the exception of the Intermezzo District Manager non-performance matter noted above.

EXTERNAL AFFAIRS

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

Build Support for Appropriate Pain Care through Policy Development and Implementation

- A group of U. S. Senators and U.S. Congressmen have now written to the Centers for Medicaid & Medicare Services (CMS) expressing their belief that CMS has misinterpreted the intent of the law by including abuse deterrent formulations in the definition of "line extension." Earlier in the year the Food and Drug Administration (FDA), Office of National Drug Control Policy (ONDCP) and several members of Congress contacted the Centers for Medicaid & Medicare Services (CMS) seeking a carve-out for abuse deterrent formulations from the line extension proposed regulation. Twenty-two organizations from the Pain Care Forum have also commented on the CMS regulations. The White House has expressed concerns to CMS as well. We have received very positive feedback from FDA and ONDCP that a satisfactory solution has been reached, but will not be sure until the final regulation is published. This is expected in 1Q or Q2 of 2013.
- Members of Congress introduced legislation, (H.R. 6160), that would prevent FDA from approving a non-abuse deterrent controlled substance where a deterrent formulation of the same drug is already approved. The legislation has received considerable attention from Congress. More than 100 elected officials from State and Federal offices have written to HHS and/or the FDA in opposition of generics for the old formulations of Abuse Deterrent medicines. Articles have been generated from thought leaders and Members of Congress are contemplating potential amendments similar in nature to the STOPP Act. Work on this issue will continue into 2013.

Take Appropriate Action on External Threats to Optimal Pain Care

- FDA has announced meetings in January and February 2013. Activities in preparation for those meetings are taking place at the Pain Care Forum and internally at Purdue. FDA meeting in January to consider hydrocodone

(rescheduled); http://www.ofr.gov/OFRUpload/OFRData/2012-30517_PL.pdf and the February public meeting on the impact of labeling of opioid analgesic drug products

http://www.pharmcast.com/FederalRegistrar/Yr2012/Dec2012/121712/12192_Opioid.htm.

Promote Purdue's Reputation in Academic, Community and Scientific Venues

- Scientific communications support was conducted surrounding the publication of data from the NAVIPPRO epidemiological study on the reformation of OxyContin in the November issue of the Journal of Pain.
- A new brochure "Advancing Medical Science" was developed as part of the Research and Development Advocacy Network (RADAN) to help recruit clinical investigators and facilitate patient enrollment in Purdue's clinical trials. The brochure is being distributed by Clinical Research, Medical Liaisons and Healthcare Alliance Development.
- Engagement was made with reporters from the Wall Street Journal that favorably impacted several stories written about the use of opioids and Purdue marketing efforts. While media outreach was limited due to concern over the DTC moratorium, stories were secured in Health and Allure, which are two influential women's magazines. In preparation for the consumer launch, Public Affairs recruited a group of healthcare professionals who will serve as media spokespeople for the brand.
- Conducted radio media tour with Lee Woodruff and Dr. Kalauokalani about the burden of pain and the Institute of Medicine Report. The radio media tour also highlighted the *In the Face of pain*[®] website as well as the Handbook for People with Pain. A total of 20 interviews were conducted with a cumulative audience of 11,171,800.

The Handbook for People with Pain launched the last week of the third quarter. A total of 11,441 were distributed since that time.

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

- Regulations to support the Kentucky law that requires physicians to access the state prescription monitoring program before prescribing controlled substances continue to be negotiated, and new legislation will be introduced.

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

SafeGuardMeds.org implemented a national awareness program to educate the public about proper storage and disposal of prescription medications. This included a continued partnership with the US Conference of Mayors. The Public Service Announcement campaign initiated in September 2011 has secured 13,580 airings, 288 million impressions and \$7,036,665 in media values.

- Purdue and the National Community Pharmacists Association conducted a Safeguard My Meds public education to promote safe storage and disposal of medications in the home.

HEALTH POLICY

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

Policy-Related

- Communication & External Affairs Committee
 - Senate Finance Committee responses: specific deliverables
 - Assisting Public Affairs with media response/standby statements, etc.
 - Detailed comparison of national opioid prescribing guidelines to complement Pain Care Forum work with CDC and respond to PROP
 - State prescribing regulations: OH - medical association leaders provided arguments; WV - rewrote definitions and other language to counter that proposed by State to enact "Pill Mill" statute
 - National Alliance for Model State Drug Laws sought assistance with Drugged Driving Legislation in response to communication from Purdue earlier in 2012

- Medical Research
 - Consulted internally on issues relating to urine drug testing reporting in trials and created clinical guideline for in-office testing for use by investigators
 - ONU Clinical Investigators' Meetings 3704 & 3705: education on abuse/addiction/urine drug testing
 - Consulted with reference laboratories to clarify urine drug test reporting

- Risk Management
 - Chairs Prescribers Sub-team for REMS Participating Companies
 - Led translation of REMS Patient Counseling Document into Spanish
 - Internal subject-matter expert lead for Medical Education comprehensive urine drug testing modular DVD, as an addition to PERFORM[®]

- Sales and Marketing
 - Consulted in revision of anti-diversion brochures
 - Reviewed BuTrans Clinical Trials Exam with Sales Training to develop further educational material for Sales Force
 - Direct education of sales representatives (Level 200: Why Does My Back Hurt? – anatomy, physiology, pathology, and treatment of low back pain)

- Other collaborations
 - Tufts MSPREP: *Development of US Drug Control Policy*
 - DIA Risk Management: *Developing and Implementing Complex REMS*
 - 23rd Annual AMA Task Force on CME Provider/Industry Relations: Keynote Address – *Conflicts of Interest*; Panel discussion - REMS-Integrating Education with Patient Safety
 - Participant: 2012 Health Sector Assembly; Abuse-liability definitions workshop of ALERTT (subcommittee of FDA-Public/Private Partnership ACTION Network); Duke University Fuqua School of Business' Collaborative on Healthcare for Aging/Advanced Illness Populations

- Abstracts accepted for American Pain Society Annual Meeting (05/2013)
 - *Review of Opioid Conversion Recommendations from Select Clinical Practice Guidelines – All are Not Equal*
 - *Analysis of Guidelines for Treating Chronic, Non-cancer Pain with Opioids*
 - *Youth Health Risk Behaviors Associated with Nonmedical Use of Prescription Pain Relievers*

Healthcare Grants and Giving

116 healthcare educational and non-educational grants were reviewed (744 YTD)

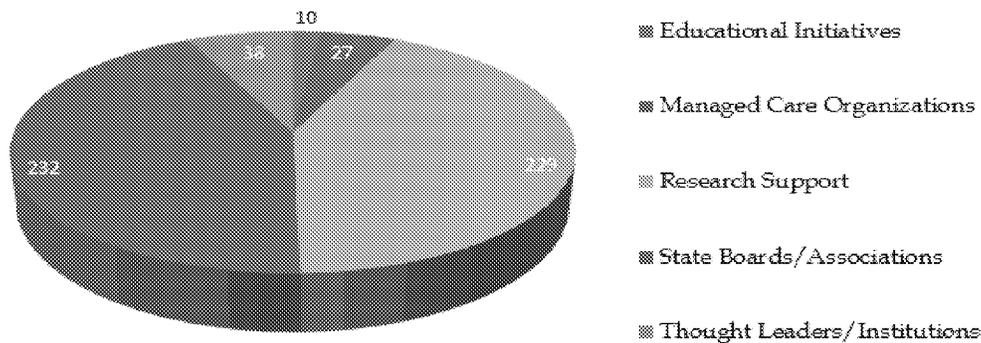
- Sixty (52%) were approved for a total \$1,437,115.00 in 4Q12.

Medical Science Liaisons (MSLs)

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

- Major areas of MSL interactions with the Healthcare Community include: 33% State Boards & Associations, 32% PPLP Research Support, 25% Educational Programs

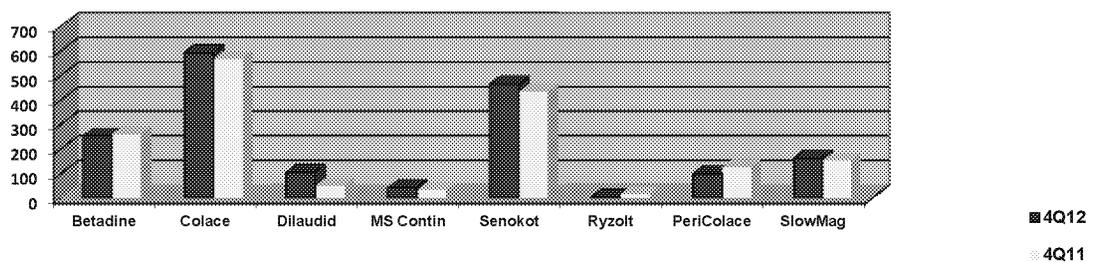
Q4 2012 Interfaces with Healthcare Community
Total = 536

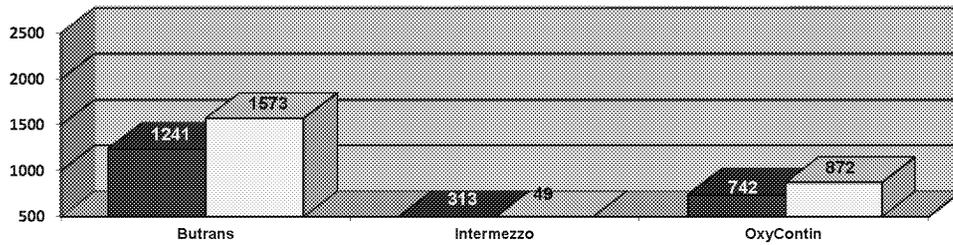


Note: 2012 year-end totals not included in this graphic due to a change in reporting format midyear.
*175 attendees in Education sessions

Medical Services

- 4Q12 Inquiries
 - 4,369 total inquiries
 - 25% decrease from 3Q12 and a 3% decrease from 4Q11
 - 81% of inquiries answered within (1) one business day
 - 98.7% answered within (10) ten business days





- Specific Products

- BuTrans = 1,241 inquiries
 - 19% physicians, 62% consumers
 - Application instructions (142)
 - Application site reaction (78)
 - Adhesion (47)
 - Lack of Effect (41)
 - Dose conversion from other opioids (41)
 - AE Management (37)
 - Cardiovascular (12)
- Intermezzo = 313 inquiries
 - 58% physicians, 25% consumers
 - Comparison to other zolpidem products (29)
 - Gender-specific dosing (18)
 - Complex behaviors (11)
 - Oral Administration (10)
 - Driving Study (5)
- OxyContin = 742 inquiries
 - 9% physicians, 73% consumers
 - Lack of Effect (37)
 - Reformulation - what has changed (23)
 - Request for epidemiological-study data (13)
 - Withdrawal (13)

HUMAN RESOURCES

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

Staffing, Employee Engagement, Relations and Retention

- 200 full time employees have been recruited to Purdue in 2012. Total turnover for Purdue was 8.8% in 2012 compared to 5.0% in 2011. This increase is largely driven by turnover in the Field Sales Force, which is 12.8% YTD.
- [REDACTED] Director, R&D Innovation began his employment with Purdue on November 12, 2012, reporting to [REDACTED] Executive Medical Director.
- [REDACTED] joined the Analgesic Sales Force as Regional Manager, Northeast Region, effective October 11, 2012, reporting to [REDACTED] Area Director.
- All colleagues have been informed about the planned new U.S. manufacturing facility - to be built with the capability of providing back-up to the Wilson site, and advising that Totowa operations will be discontinued when this new facility is ready to begin production - in late 2015 or early 2016.
- An agreement has been reached with LinkedIn (a professional networking site) for 2013, whereby Purdue will have a career page on the LinkedIn site that will direct candidates to the Purdue career page to apply for positions, to facilitate the continued to use our own sourcing methods relying less on agencies for the recruitment of staff.
- 55 Colleagues were acknowledged for ten or more years of service at the December Town Hall Meeting in Stamford; 40 field members will be presented with awards at the National Sales Meeting.

Compensation & Benefits

- It was announced in November that Purdue will be amending the retirement benefits plans effective January 1st, 2013. Employees nearer to retirement will continue to participate in the Purdue Pharma L.P. Pension Plan ("Pension Plan"),

while employees with a longer time period to prepare for retirement will shift from Pension Plan participation to a new benefit providing additional contributions to the Purdue Pharma L.P. and Retirement Savings 401(k) Plan.

Training & Development

- Executive Coaching continues for a number of leaders including one-on-one coaching to managers, on motivating subordinates, improving relationships with managers, leading change and improving team effectiveness.
- Several performance coaching sessions were held for managers and colleagues in handling difficult conversations, listening, supervisory skills, managing without authority, and presentation skills.
- Culture and Leadership Team Meetings were held in Totowa to review accomplishments in 2012 and set Objectives for 2013.
- Due to a highly successful Mentoring Program in the 2nd half of 2012, the Mentoring Program will again be offered in 2013 and will be expanded to include non-exempt employees as well as exempt employees.
- Human Resources partnered with Security, EHS and site management to introduce the Workplace Violence Prevention program to every location. A working gap analysis and threat response plan is under review at each site.

Environment, Facility and Regulatory Compliance

- EHS continues to work closely with the Cranbury site and Central Engineering on the new Kilo Lab design and Hydrogenation Lab Engineering projects. An outside expert has been retained to provide oversight on these high priority projects with the potential for significant risk issues.
- Purdue ranked high among companies evaluated by the American Cancer Society for overall health and wellness programs. To further enhance wellness initiatives, Purdue is offering a robust smoking cessation program at no cost to all employees, their spouses and their dependents. In addition, a certified coach trainer has been made available at a special rate to employees, in the Stamford Fitness Center.

Community Relations

During the 4th Quarter, we processed and approved 21 community grants totaling \$454,645, including \$350,000 in tax credit donations, \$24,645 in matching funds for contributions made by Purdue colleagues to the Red Cross Hurricane Sandy Fund and

\$54,313 in matching funds for the United Way and Community Health Charities employee campaign. For the full year, we processed and distributed \$1,451,995 in community grants, of which \$635,000 earns a 100% Connecticut tax credit.

Facilities and Engineering

Phase 1 kitchen renovations were completed and Phase 2 work commenced in the server area, with a target completion date of February 11.

Full-Time Turnover Projection - YTD 12/31/2012

	Begin Count	End Count	Ave EE's	Termina- tions	% Term EE's	Retired	Resigned	% Resigned	Total T/O	YTD T/O %	Prior Year T/O
S&P											
SALES	631	609	620	17	2.7%	3	61	9.7%	81	12.8%	
MARKETING	45	48	47	3	6.7%	0	4	8.9%	7	15.6%	
SALES SUPPORT	23	29	26	0	0.0%	1	2	8.7%	3	13.0%	
FIELD OPS, SUPPORT & ADMIN	15	15	15	0	0.0%	0	3	20.0%	3	20.0%	
Total S&P	714	701	708	20	2.8%	4	70	9.8%	94	13.2%	9.2%
	% of X-FTE's			21.5%		4.3%	74.5%				
G&A											
ADMINISTRATIVE SERVICES	34	34	34	0	0.0%	0	0	0.0%	0	0.0%	
BUSINESS DEVELOPMENT	7	7	7	0	0.0%	0	0	0.0%	0	0.0%	
CORPORATE COMPLIANCE	9	11	10	0	0.0%	0	0	0.0%	0	0.0%	
ENVIRONMENT, HEALTH & SAFETY	5	6	6	0	0.0%	0	0	0.0%	0	0.0%	
EXECUTIVE	11	13	12	0	0.0%	0	2	18.2%	2	18.2%	
EXTERNAL AFFAIRS	18	18	18	0	0.0%	0	0	0.0%	0	0.0%	
FINANCE	60	62	61	1	1.7%	0	0	0.0%	1	1.7%	
GENERAL COUNSEL	47	46	47	4	8.5%	0	0	0.0%	4	8.5%	
HUMAN RESOURCES	23	23	23	0	0.0%	0	0	0.0%	0	0.0%	
IT	92	96	94	1	1.1%	0	2	2.2%	3	3.3%	
PROCUREMENT	13	12	13	0	0.0%	0	0	0.0%	0	0.0%	
QA	24	31	28	0	0.0%	0	0	0.0%	0	0.0%	
SECURITY	16	15	16	1	6.3%	1	0	0.0%	2	12.5%	
Total G&A	359	374	367	7	1.9%	1	4	1.1%	12	3.3%	2.8%
	% of X-FTE's			58.3%		8.3%	33.3%				
IRD/US											
DISCOVERY	46	50	48	2	4.3%	0	0	0.0%	2	4.3%	
CRANBURY SUPPORT	10	14	12	0	0.0%	0	0	0.0%	0	0.0%	
DRUG SAFETY & PHARMACOVIGILANCE	36	33	35	0	0.0%	0	3	8.3%	3	8.3%	
HEALTH POLICY	38	40	39	0	0.0%	0	1	2.6%	1	2.6%	
MEDICAL RESEARCH	75	95	85	2	2.7%	0	6	8.0%	8	10.7%	
NONCLINICAL R&D	47	50	49	0	0.0%	0	1	2.1%	1	2.1%	
PROGRAM MGMT	22	26	24	0	0.0%	0	1	4.5%	1	4.5%	
REGULATORY AFFAIRS	23	26	25	0	0.0%	0	1	4.3%	1	4.3%	
Total IRD/US	297	334	316	4	1.3%	0	13	4.4%	17	5.7%	3.0%
	% of X-FTE's			23.5%		0.0%	76.5%				
MFG/OPERATIONS											
PF LABS. SALARIED	17	18	18	0	0.0%	0	0	0.0%	0	0.0%	
M&SC	55	58	57	0	0.0%	0	1	1.8%	1	1.8%	
WILSON NC	189	186	188	2	1.1%	1	17	9.0%	20	10.6%	
Total MFG/OPERATIONS	261	262	262	2	0.8%	1	18	6.9%	21	8.0%	5.0%
	% of X-FTE's			9.5%		4.8%	85.7%				
Total PURDUE	1,631	1,671	1,651	33	2.0%	6	105	6.4%	144	8.8%	5.0%
RHODES TECHNOLOGIES	138	148	143	1	0.7%	1	1	0.7%	3	2.2%	
RHODES PHARMA	22	30	26	0	0.0%	0	1	4.5%	1	4.5%	
Total RHODES	160	178	169	1	0.6%	1	2	1.3%	4	2.5%	7.9%
	% of X-FTE's			25.0%		25.0%	50.0%				
Grand Total	1,791	1,849	1,820	34	1.9%	7	107	6.0%	148	8.2%	6.1%
	% of X-FTE's			23.0%		4.7%	72.3%				
INTERMEZZO CONTRACT SALES											
Total QUINTILES	303	102	203	251					251	82.8%	N/A
	% of X-FTE's			100.0%							