Sepracor Inc.

Fact Book 2009

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Corporate Profile

Sepracor, an indirect wholly-owned subsidiary of Dainippon Sumitomo Pharma, is a research-based pharmaceutical company focused on discovering, developing and commercializing differentiated products that address large and growing markets and unmet medical needs. These are prescribed principally by primary care physicians and certain specialists. Our drug discovery and development program, together with our corporate development and licensing activities, have yielded a portfolio of products and product candidates intended to treat a broad range of indications. We are currently concentrating our product development efforts in two therapeutic areas: respiratory diseases and central nervous system disorders.

Mission Statement

Sepracor is dedicated to discovering, developing and commercializing innovative pharmaceutical products and services that improve health and quality of life. We understand our responsibility to ensure that decisions are guided first and foremost by what is in the best interest of patients. We are committed to the welfare of the patients we serve and to the success of our employees.

Executive Management Team

Left to right: Andrew I. Koven, Robert F. Scumaci, Mark Iwicki, Adrian Adams, Mark H.N. Corrigan, Richard Ranieri

Adrian Adams
President and Chief Executive Officer

Mark H.N. Corrigan, M.D.
Executive Vice President,
Research & Development

Mark Iwicki
Executive Vice President and
Chief Commercial Officer

Andrew I. Koven
Executive Vice President,
General Counsel and Corporate Secretary

Richard Ranieri
Executive Vice President,
Human Resources & Administration

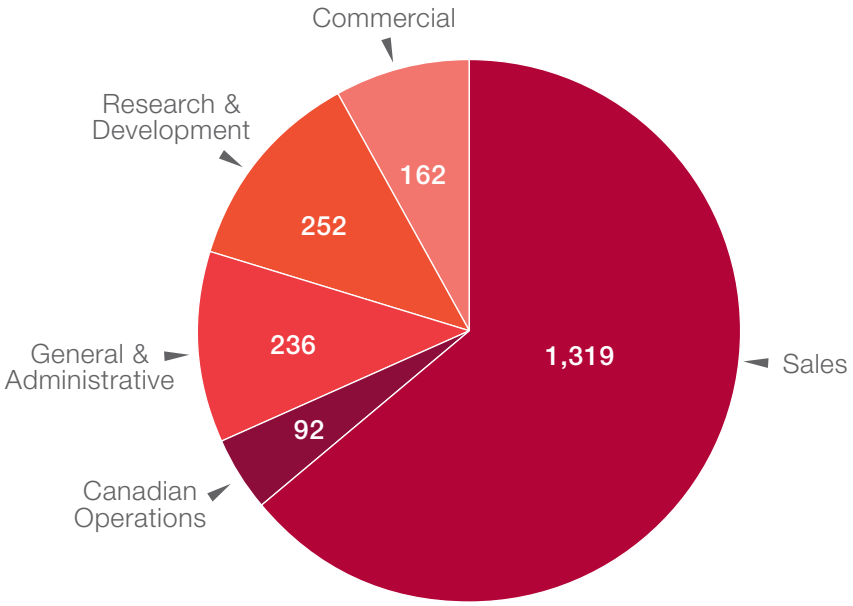
Robert F. Scumaci
Executive Vice President
and Chief Financial Officer

Highlights

Year Founded:	1984
Headquarters:	Marlborough, Massachusetts, U.S.A
Other Locations: Canada	Mississauga, Ontario, Canada; Windsor, Nova Scotia,
Number of Employees:	Approx. 2,100
Number of Sales Representatives:	Approx. 1,320
Total Revenues:*	$927 M (Non-GAAP) $944 M (GAAP)
Product Sales:*	$863 M
Cash and Short- and Long-Term Investments:*	$742 M

* For nine months ended September 30, 2009

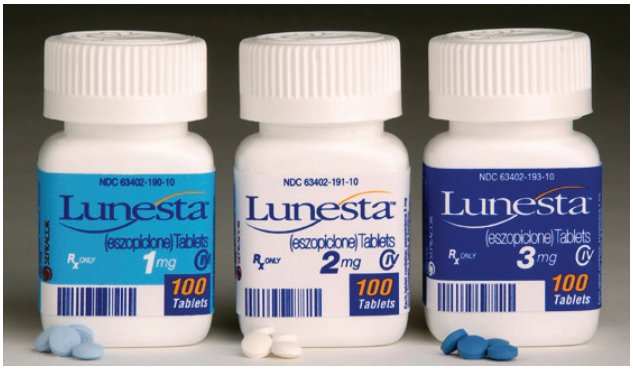
Sepracor Employee Base



Significant Corporate Milestones

1984:	Founded in 1984
Late 1980s:	Isomer/metabolite patents filed
1991:	Initial Public Offering; listed on NASDAQ as SEPR
1993:	ALLEGRA® (fexofenadine HCl) licensed to HMR (now sanofi-aventis)
1997:	CLARINEX® (desloratadine) licensed to Schering-Plough
1999:	XYZAL®/XUSAL™ (levocetirizine) licensed to UCB (outside U.S. and Japan) XOPENEX® Inhalation Solution launched
2005:	LUNESTA® and XOPENEX HFA® launched
2007:	BROVANA® launched LUNESTA out-licensed in Japan to Eisai U.S. marketing rights to STEDESA™ in-licensed from BIAL
2008:	U.S. marketing rights to ciclesonide franchise acquired from Nycomed - OMNARIS® and ALVESCO® launched. Additional ciclesonide development candidates also acquired. U.S. marketing rights to XOPENEX / ipratropium combination acquired from Arrow Acquired Oryx Pharmaceuticals in Canada
2009:	STEDESA™ submitted to U.S. Food & Drug Administration Dainippon Sumitomo Pharma acquires Sepracor

U.S. Commercialized Products



Name:	LUNESTA® (eszopiclone)
Launched:	2005
Therapeutic Category:	Sedative Hypnotic
Indication:	Insomnia
Sales Representatives:	755
2008 Revenues:	$600.3 M
2009 Revenues:	Qtr 3: $127.3 M Jan – Sept: $418.9 M

Product Description:

- A non-narcotic sedative hypnotic indicated for sleep onset and sleep maintenance
- Activity on GABA-A receptor complex across α1, α2 and α3 receptor subtypes

Therapeutic Overview:

- Approx. 30-40% of adults have symptoms of insomnia in a given year
- Approx. 15% of adults have chronic insomnia
- Chronic insomnia is more prevalent with age and among women

Market Opportunity:

- Insomnia market size: Approx. $4 B+, 5% annual growth
- Highly competitive market established with generic options
- 1/3 of the volume from Prescriptions (Rx) and 2/3 from Over The Counter (OTC); 90% of the sales from Rx and 10% from OTC

Promotional Priorities:

- Continue to optimize promotional spend for significantly improved contribution
- Focus promotional messages on gamma-aminobutyric acid (GABA) receptor activity differentiation, particularly against zolpidem
- Target promotional spend with emphasis on margin improvement
- Continue online direct-to-consumer and relationship management programs designed to drive conversion and persistency

Sources: National Center for Sleep Disorder Research, Decision Resources, IMS, Sepracor Internal

Xopenex®
(levalbuterol HCl) Inhalation Solution
0.31 mg, 0.63 mg and 1.25 mg*
*Potency expressed as levalbuterol.

Name:	XOPENEX® (levalbuterol HCl) Inhalation Solution
Launched:	1999
Therapeutic Category:	Short-Acting Beta-Agonist (Nebulized)
Indication:	Asthma
Sales Representatives:	295
2008 Revenues:	$441.0 M
2009 Revenues:	Qtr 3: $86.1 M Jan – Sept: $294.2 M

Product Description:

- A bronchodilator indicated for the treatment or prevention of acute bronchospasm in patients with reversible obstructive airway disease
- Only contains the therapeutically active (R)-isomer of albuterol

Therapeutic Overview:

- Current asthma prevalence is approx. 28 M people
- Approx. 71% of patients are diagnosed

Market Opportunity:

- Current Short-Acting Beta-Agonist (SABA) market (MAT Sept '09): Approx. $2.5 B
- Annual Total Prescriptions (TRx) growth rate: Approx. 4.4%
- Seasonal and competitive market with generic options
- Approx. 78% of patients are prescribed Inhalers
- Approx. 26% of patients are prescribed Nebulizers

Promotional Priorities:

- Continue to increase contribution margins
- Broaden focus on XOPENEX brand family through "Asthma" sales team
- Increase detailing to loyalists and pediatricians
- Continue to focus on brand differentiation
- Drive patient starts with XoPack sample pack

Sources: IMS, CDC, National Asthma Education and Prevention Program. Expert Panel Report 3: Guidelines for the Diagnosis and Management of Asthma (EPR – 3 -2007), U.S. Department of Health and Human Services, Sepracor Internal

Xopenex HFA
(levalbuterol tartrate) Inhalation Aerosol

Name:	XOPENEX HFA® (levalbuterol tartrate) Inhalation Aerosol
Launched:	2005
Therapeutic Category:	Short-Acting Beta-Agonist (Metered Dose Inhaler)
Indication:	Asthma
Sales Representatives:	295
2008 Revenues:	$74.2 M
2009 Revenues:	Qtr 3: $22.8 M Jan – Sept: $57.7 M

Product Description:

- A bronchodilator indicated for the treatment or prevention of acute bronchospasm in patients with reversible obstructive airway disease
- Only contains the therapeutically active (R)-isomer of albuterol

Therapeutic Overview:

- Current asthma prevalence is approx. 28 M people
- Approx. 71% of patients are diagnosed

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Sources: IMS, CDC, National Asthma Education and Prevention Program. Expert Panel Report 3: Guidelines for the Diagnosis and Management of Asthma (EPR – 3 -2007), U.S. Department of Health and Human Services, Sepracor Internal

Brovana® 15 mcg
(arformoterol tartrate) Inhalation Solution

Name:	BROVANA® (arformoterol tartrate) Inhalation Solution
Launched:	2007
Therapeutic Category:	Long-Acting Beta-Agonist (Nebulized)
Indication:	Chronic Obstructive Pulmonary Disease (COPD)
Sales Representatives:	142
2008 Revenues:	$57.3 M
2009 Revenues:	Qtr 3: $18.5 M Jan - Sept: $56.2 M

Product Description:

- An inhalation solution bronchodilator indicated for the maintenance treatment of COPD
- Clinical benefits include rapid onset and sustained bronchodilation

Therapeutic Overview:

- Approx. 12 M people are diagnosed with COPD
- Risk factors include smoking, pollution and existing lung impairment

Market Opportunity:

- Large Total Prescriptions (TRx) market for COPD: Approx. 22 M TRxs
- Untapped market opportunity: currently only 1 M patients are treated with nebulized therapy
- Only two long-acting beta-agonist (LABA) nebulized products available
- Significant market volume in Medicare and Home Health Care

Promotional Priorities:

- Continue to build volume
- Maintain or improve high level of unrestricted access for managed care patients (93% as of Sept. 2009)
- Continue to improve share of voice and awareness among targeted physicians
- Broaden focus on BROVANA through new Specialty Markets Business Unit
- Focus physician targeting on top prescribers

Sources: IMS, CDC, NHLBI, Sepracor Internal

omnaris®
(ciclesonide) Nasal Spray, 50 mcg

Name:	OMNARIS® (ciclesonide) Nasal Spray
Launched:	2008
Therapeutic Category:	Corticosteroid Nasal Spray
Indication:	Allergic Rhinitis
Sales Representatives:	755
2008 Revenues:	$14.6 M
2009 Revenues:	Qtr 3: $7.3 M Jan - Sept: $22.3 M

Product Description:

- An inhaled nasal steroid indicated for treatment of nasal symptoms of Seasonal Allergic Rhinitis (SAR) in patients ≥ 6 yrs and Perennial Allergic Rhinitis (PAR) in patients ≥ 12 yrs
- Prodrug activated after nasal administration that provides significant improvement in Total Nasal Symptom Score (TNSS), within 24-48 hours

Therapeutic Overview:

- Allergic Rhinitis (AR) affects 65 M people
- Most patients suffer from PAR or both PAR and SAR
- Strong association between AR and other respiratory disorders

Market Opportunity:

- Current Intranasal Steroid (INS) market (MAT Sept '09): Approx. $2 B
- Annual Total Prescriptions (TRx) growth rate: Approx. 1-3%
- Generic competition in the marketplace
- Market is promotionally sensitive with significant direct-to-consumer activity

Promotional Priorities:

- Grow prescription and volume share during fall allergy season
- Continue to increase patient awareness through direct-to-consumer marketing campaign
- Continue to drive uptake with key specialists (e.g., Allergists, Ear, Nose & Throat specialists)
- Emphasize consumer marketing as an integral component of brand promotional strategy

Sources: IMS, Sepracor Internal

Alvesco® (ciclesonide) Inhalation Aerosol 80 mcg, 160 mcg

Name::	ALVESCO® (ciclesonide) Inhalation Aerosol
Launched:	2008
Therapeutic Category:	Inhaled Corticosteroid
Indication:	Asthma
Sales Representatives:	295
2008 Revenues:	$16.8 M

Product Description:

- An inhaled corticosteroid (ICS) indicated for maintenance treatment of asthma as prophylactic therapy in adult and adolescent patients ≥ 12 years old

Therapeutic Overview:

- Current asthma prevalence approx. 28 M people
- Approx. 13 M people suffer from asthma attacks annually
- Therapy goals include reducing impairment by maintaining lung function

Market Opportunity:

- Current ICS market (MAT Sept '09): Approx. $1.4 B
- Annual Total Prescriptions (TRx) growth rate: 6%
- Educational programs to improve compliance with treatment guidelines

Promotional Priorities:

- Grow prescription share and volume during fall allergy season
- Continue to broaden primary care physician (PCP) launch to positively impact new prescription trends
- Continue to achieve strong share growth among key specialists (e.g., Allergists, Pulmonologists)
- Focus PCP promotional efforts on benefit of site-activated efficacy
- Promote patient programs including starter kits with co-pay reduction cards to encourage initial trial
- Continue to use other relationship management programs

Sources: IMS, CDC, National Asthma Education and Prevention Program. Expert Panel Report 3: Guidelines for the Diagnosis and Management of Asthma (EPR – 3 -2007), U.S. Department of Health and Human Services, Sepracor Internal

Commercial Model: Product Ownership with Optimized Resources

Primary Care Physician (PCP) Focus

755 Sales Representatives

LUNESTA® / OMNARIS® Sales Representatives

Specialty Focus

295 Sales Representatives

XOPENEX® / ALVESCO® Sales Representatives

Home Health Care & Specialty Focus

142 Sales Representatives

BROVANA® Sales Representatives

Sales Representatives Will be Market Driven

- Product, Disease State & Market Experts
- 100% Product Ownership & Accountability
- Pay for Performance
- Experts In Territory Analytics & Planning

Sepracor R&D – Projected Pipeline*

Product Development Pipeline

Product Candidate	Target Indication	Preclinical	Phase I/II	Phase III	Under FDA Review
STEDESA™ **	Epilepsy – Adjunct				
OMNARIS® HFA Nasal MDI	Allergic Rhinitis				
Eszopiclone – Japan	Insomnia				
STEDESA	Epilepsy – Adult Monotherapy				
SEP-227018	Insomnia				
ALVESCO® HFA	Asthma – Pediatric				
STEDESA	Bipolar				
STEDESA	Neuropathic Pain				
SEP-225289	TBD				
SEP-227162	MDD				
SEP-227900	Cognition, Pain, Alzheimer's				
SEP-228432	ADHD				
XOPENEX® & Ipratropium I.S.***+	COPD				
Ciclesonide I.S.***	Asthma				
BROVANA® + ciclesonide I.S.***	COPD				

* Pending DSP and Sepracor Integration Portfolio Review

** Under License from BIAL

*** Inhalation Solution

Late-Stage Research and Development Pipeline Assets

Name: STEDESA™ (eslicarbazepine acetate)

Status: Under U.S. Food and Drug Administration (FDA) Review

Therapeutic Category: Anti-epileptic

Indication: Epilepsy

Target Profile:

Efficacy
- Clear dose-response correlation
- Marked, sustained seizure reduction

Tolerability/Safety
- Favorable tolerability and safety profiles
- Relatively low risks of rash, weight gain or hyponatremia in study population

Health Outcomes
- Significant improvements in quality of life over one-year treatment period

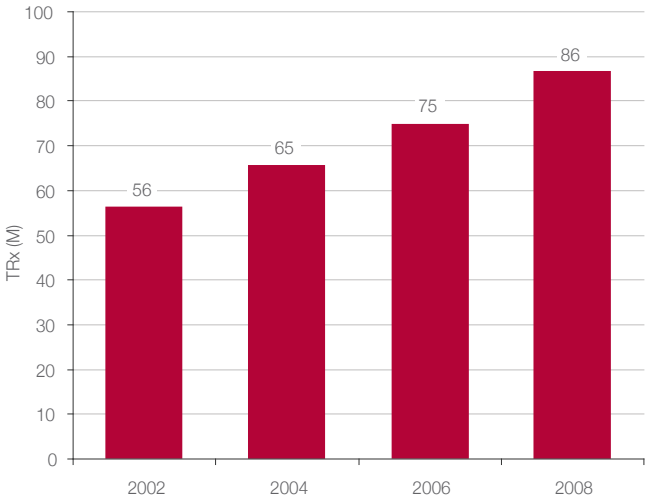
Milestones:
- Submitted New Drug Application (NDA) for adjunctive use in adults to FDA on March 30, 2009
- FDA action date expected January 30, 2010

Ongoing Development:
- U.S. Phase III adult monotherapy study initiated in April 2009
- Pediatric and additional indication programs for bipolar disorder and neuropathic pain are in planning stages

Market Opportunity:
- Approx. 2.7 M people with epilepsy in U.S.
- U.S. epilepsy treatment market estimated $3.5 B

Anti-Epileptic Drugs – TRxs

86 million RXs* in 2008 with a 7.5% CAGR** '02 - '08

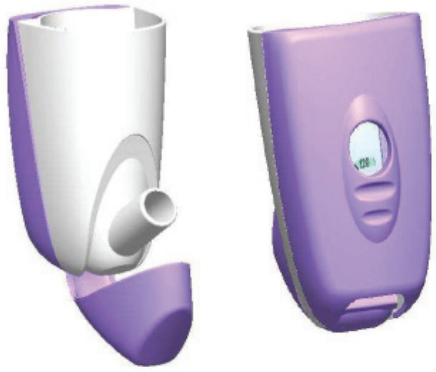


* Total Prescriptions ** Compound Annual Growth Rate

Sources: IMS NPA and IMS Health-plan analysis, 2006-2007, n=73,399 projected to U.S. insured population, Sepracor Internal

OMNARIS® ciclesonide HFA

- Automatic dose counter
- Powerful spray delivers medication deep into nasal passages
- Compact, portable device



Name:	OMNARIS® ciclesonide HFA
Status:	Phase III Development
Therapeutic Category:	Corticosteroid Nasal Aerosol
Indication:	Allergic Rhinitis
Target Profile:	• Potential to be first available corticosteroid formulated in an HFA nasal aerosol • Formulation designed for no run-off or dripping, which are common problems with most aqueous formulations
Milestones:	• Phase III seasonal allergic rhinitis study complete • Potential New Drug Application (NDA) submission Qtr1 '11
Ongoing Development:	• Phase III perennial allergic rhinitis study initiated Qtr3 2009
Market Opportunity:	• Intranasal corticosteroid market: Approx. $2 B • Approx. 20% of patients discontinue use of nasal medications due to tolerability issues • Prior to chlorofluorocarbons (CFC) phase-out, intranasal steroid aerosols represented approx. 25% of Total Prescriptions (TRx) volume

Sources: IMS, Sepracor Internal

Corporate Development & Licensing Update

Key Sepracor Partners

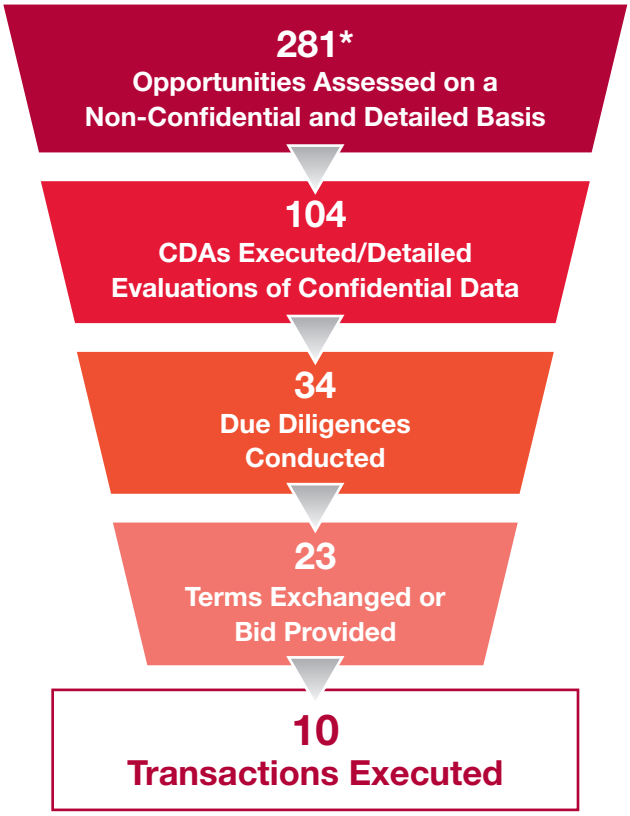
Out-Licensed	
Eisai Inc.	Lunesta® (eszopiclone) 1, 2 AND 3 MG TABLETS (For Japanese Market)
UCB Pharma	Xyzal®
Schering-Plough	Clarinex®
Sanofi Aventis	allegra®

In-Licensed	
3M	Xopenex HFA® (levalbuterol tartrate) Inhalation Aerosol (Technology Partner)
Nycomed	Alvesco® (ciclesonide) Inhalation Aerosol 80 mcg, 160 mcg; omnaris® (ciclesonide) Nasal Spray, 50 mcg
Bial	STEDESA™
Arrow Pharmaceuticals	Xopenex® (levalbuterol HCl) Inhalation Solution / Ipratropium

Current Priorities

- Remain aggressive in pursuing licensing opportunities
- Support DSP's overall CD&L efforts
- Target attractive opportunities in CNS and other areas to complement pipeline
- Continue to build reputation as partner of choice

Recent Commercial Development & Licensing Activity



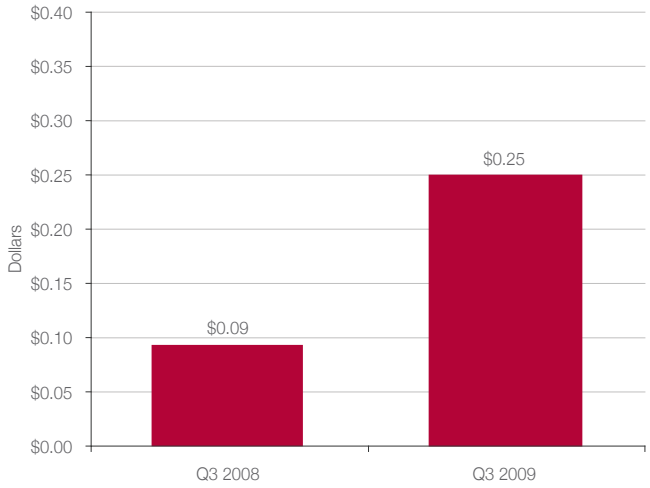
* Includes products and companies, both public and private.

Corporate Priorities and Opportunities

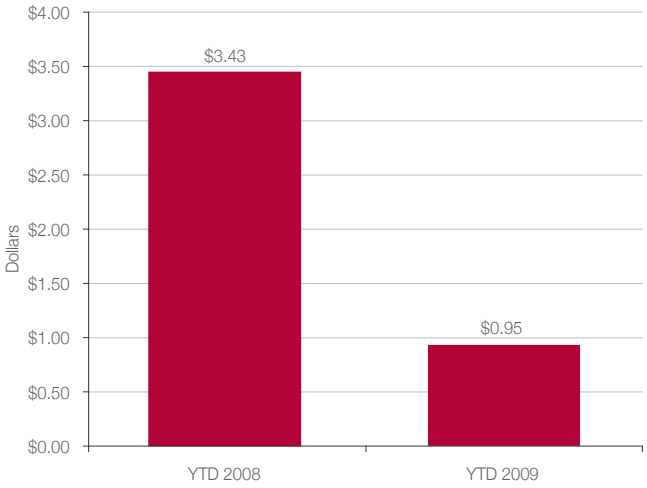
- Drive strong product portfolio performance with continued focus on efficiencies, effectiveness and profitability;
- Continue to generate efficiencies to achieve cost savings and build foundation for the future;
- Successfully execute high-priority R&D initiatives (STEDESA and OMNARIS HFA) to strengthen pipeline and enhance current franchises;
- Aggressively pursue corporate development and licensing opportunities that enhance the portfolio and complement strategic direction; and
- Deliver sustainable earnings momentum and enhanced value.

2009 Continued Strong Non-GAAP Earnings Momentum

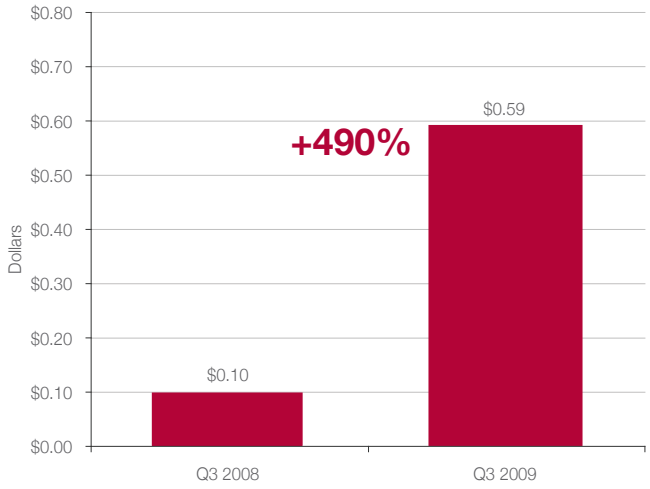
GAAP EPS Q3 ’08 vs. Q3 ’09



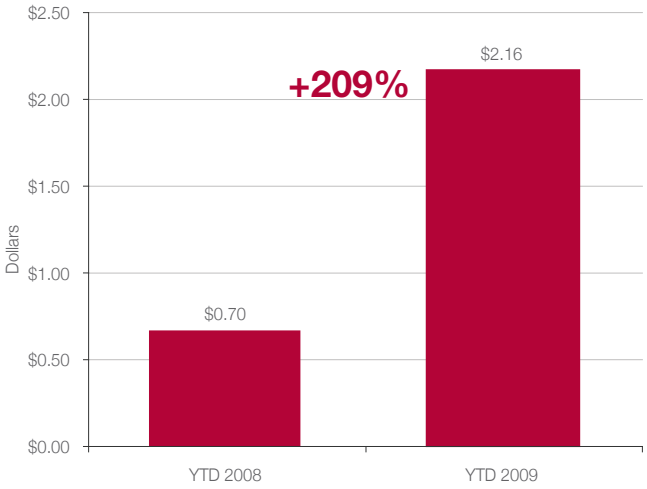
GAAP EPS YTD ’08 vs. YTD ’09



Non-GAAP EPS Q3 ’08 vs. Q3 ’09



Non-GAAP EPS YTD ’08 vs. YTD ’09



YTD denotes January through September 30, 2009

Consolidated Income Statement for Three Months Ended Sept. 30, 2009 (unaudited)

(In thousands, except per share amounts)	Three Months Ended Sept. 30, 2009	Three Months Ended Sept. 30, 2008
REVENUE		
Product Revenue – Lunesta	$ 127,253	$ 154,641
Product Revenue – Xopenex	86,139	77,936
Product Revenue – Xopenex HFA	22,825	18,526
Product Revenue – Brovana	18,512	14,743
Product Revenue – Omnaris AQ	7,281	1,303
Product Revenue – Alvesco	0	17,100
Product Revenue – SPI	5,130	5,000
License Fees	613	1,899
Royalties	19,699	16,525
Total Net Revenue	287,452	307,673
Cost of Revenue	29,070	35,518
Gross Margin	258,382	272,155
OPERATING EXPENSES		
Research and Development	48,527	63,014
Sales and Marketing	116,088	171,428
Distribution	2,988	4,981
General and Administrative	24,964	27,174
Transaction Costs	8,869	0
Amortization of Intangible Assets	1,496	1,689
Restructuring	(347)	0
Total Operating Expenses	202,585	268,286
Operating Profit	55,797	3,869
Interest Income (Expense)	(4,182)	(4,816)
Gain on Early Extinguishment of Debt	0	309
Other Income (Expense)	91	39
Equity in Loss of Investee – BioSphere	(72)	(293)
Total Other Income (Expense)	(4,163)	(4,761)
Net Income (Loss) Before Income Taxes	51,634	(892)
(Provision for) Benefit from Income Taxes	(23,039)	11,707
Net Income After Income Taxes	$ 28,595	$ 10,815
Basic Outstanding Shares	109,688	108,959
Diluted Outstanding Shares	113,602	116,821
Basic EPS	$ 0.26	$ 0.10
Diluted EPS	$ 0.25	$ 0.09

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Product Revenue – Omnaris AQ	7,281	1,303
Product Revenue – Alvesco	0	17,100
Product Revenue – SPI	5,130	5,000
License Fees	613	1,899
Royalties	19,699	16,525
Total Net Revenue	287,452	307,673
Cost of Revenue	26,923	33,543
Gross Margin	260,529	274,130
OPERATING EXPENSES		
Research and Development	48,527	63,014
Sales and Marketing	116,088	171,428
Distribution	2,988	4,981
General and Administrative	24,964	27,174
Transaction Costs	0	0
Amortization of Intangible Assets	32	32
Restructuring	0	0
Total Operating Expenses	192,599	266,629
Operating Profit	67,930	7,501
Interest Income (Expense)	1,603	4,721
Other Income (Expense)	111	39
Equity in Loss of Investee – BioSphere	(72)	(293)
Total Other Income (Expense)	1,642	4,467
Net Income Before Income Taxes	69,572	11,968
Provision for Income Taxes	(2,226)	(180)
Net Income After Income Taxes	$ 67,346	$ 11,788
Basic Outstanding Shares	109,688	108,959
Diluted Outstanding Shares	113,602	116,821
Basic EPS	$0.61	$0.11
Diluted EPS	$0.59	$0.10

Consolidated Income Statement for Nine Months Ended Sept. 30, 2009 (unaudited)

(In thousands, except per share amounts)	Nine Months Ended Sept. 30, 2009	Nine Months Ended Sept. 30, 2008
REVENUE		
Product Revenue – Lunesta	$ 418,926	$ 438,344
Product Revenue – Xopenex	294,196	303,262
Product Revenue – Xopenex HFA	57,711	52,669
Product Revenue – Brovana	56,186	37,989
Product Revenue – Omnaris AQ	22,280	8,727
Product Revenue – Alvesco	0	17,100
Product Revenue – SPI	13,960	6,648
License Fees	19,426	4,385
Royalties	61,183	53,473
Total Net Revenue	943,868	922,597
Cost of Revenue	90,043	90,841
Gross Margin	853,825	831,756
OPERATING EXPENSES		
Research and Development	180,496	187,542
Sales and Marketing	352,635	499,389
Distribution	9,040	11,638
General and Administrative	73,008	78,772
Transaction Costs	8,869	0
Research and Development – In Process Upon Acquisition	0	89,995
Amortization of Intangible Assets	4,488	5,872
Restructuring Expense	29,744	(566)
Total Operating Expenses	658,280	872,642
Operating Profit (Loss)	195,545	(40,886)
Interest Income (Expense)	(14,316)	(6,574)
Gain on Early Extinguishment of Debt	2,526	309
Other Income (Expense)	605	(9,393)
Equity in Loss of Investee – BioSphere	(499)	(768)
Total Other Income/(Expense)	(11,684)	(16,426)
Net Income (Loss) Before Income Taxes	183,861	(57,312)
(Provision for) Benefit from Income Taxes	(75,239)	456,179
Net Income After Income Taxes	$ 108,622	$ 398,867
Basic Outstanding Shares	109,470	108,377
Diluted Outstanding Shares	113,950	116,286
Basic EPS	$ 0.99	$ 3.68
Diluted EPS	$ 0.95	$ 3.43

Non-GAAP Consolidated Income Statement for Nine Months Ended Sept. 30, 2009 (unaudited)

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Product Revenue – Omnaris AQ	22,280	8,727
Product Revenue – Alvesco	0	17,100
Product Revenue – SPI	13,960	6,648
License Fees	2,472	4,385
Royalties	61,182	53,473
Total Net Revenue	926,913	922,597
Cost of Revenue	83,759	87,869
Gross Margin	843,154	834,728
OPERATING EXPENSES		
Research and Development	160,496	177,542
Sales and Marketing	352,635	499,389
Distribution	9,040	11,638
General and Administrative	73,008	78,772
Amortization of Intangible Assets	95	99
Total Operating Expenses	595,274	767,440
Operating Profit	247,880	67,288
Interest Income (Expense)	5,516	18,330
Gain on Early Extinguishment of Debt	0	0
Other Income (Expense)	956	(287)
Equity in Loss of Investee – BioSphere	(499)	(768)
Total Other Income (Expense)	5,973	17,275
Net Income Before Income Taxes	253,853	84,563
Provision for Income Taxes	(7,427)	(2,756)
Net Income After Income Taxes	$ 246,426	$ 81,807
Basic Outstanding Shares	109,470	108,377
Diluted Outstanding Shares	113,950	116,286
Basic EPS	$ 2.25	$ 0.75
Diluted EPS	$ 2.16	$ 0.70

Reconciliation of GAAP to Non-GAAP Measures – 2009 (unaudited)

(In thousands, except per share amounts)	Quarter to Date September 30, 2009	EPS	Year to Date September 30, 2009	EPS
Non-GAAP net income	$ 67,346		$ 246,426	
Non-GAAP diluted income per common share		$ 0.59		$ 2.16
Special Items:				
Valuation allowance release related to taxes	-	-	-	-
Research and development milestone payment	-	-	(20,000)	(0.18)
Research and development – in process upon acquisition	-	-	-	-
Impairment loss on investment	(20)	-	(351)	-
Insurance settlement	-	-	-	-
Gain on extinguishment of debt	-	-	2,526	0.02
Restructuring	347	-	(29,744)	(0.26)
Transaction costs	(8,869)	(0.08)	(8,869)	(0.08)
GSK accelerated deferred revenue recognition	-	-	16,954	0.15
Recurring non-GAAP adjustment:				
Cost of goods sold – amortization of intangible assets	(2,147)	(0.02)	(6,284)	(0.06)
Amortization of intangible assets	(1,464)	(0.01)	(4,393)	(0.04)
Imputed interest on acquired intangible assets	(3,040)	(0.03)	(9,242)	(0.08)
Interest expense related to FASB staff Position APB 14-1	(2,745)	(0.02)	(10,591)	(0.09)
Total special items and recurring non-GAAP adjustment before income taxes	(17,938)	(0.16)	(69,994)	(0.62)
Income tax benefit [1]	(20,813)	(0.18)	(67,810)	(0.60)
Net income, as reported under GAAP	$ 28,595		$ 108,622	
Diluted income per common share, as reported under GAAP		$ 0.25		$ 0.95

(1) The projected cash tax rate for the 12 months ending 12/31/09 for both actual & forecast is 2.9%. This equates to an effective rate for Q3 of 3.2%.

Reconciliation of GAAP to Non-GAAP Measures – 2008 (unaudited)

(In thousands, except per share amounts)	Quarter to Date September 30, 2008	EPS	Year to Date September 30, 2008	EPS
Non-GAAP net income	$ 11,788		$ 81,807	
Non-GAAP diluted income per common share		$ 0.10		$ 0.70
Special Items:				
Valuation allowance release related to taxes	(11,887)	(0.10)	431,480	3.71
Research and development milestone payment	-	-	(10,000)	(0.09)
Research and development – in process upon acquisition	-	-	(89,995)	(0.76)
Gain on extinguishment of debt	-	-	309	-
Restructuring	-	-	566	-
Impairment loss on investment	309	-	(9,106)	(0.08)
Recurring non-GAAP adjustment:				
Cost of goods sold – amortization of intangible assets	(1,975)	(0.02)	(2,972)	(0.03)
Amortization of intangible assets	(1,657)	(0.01)	(5,773)	(0.05)
Imputed interest on acquired intangible assets	(3,099)	(0.03)	(5,165)	(0.04)
Interest expense related to FASB staff position APB 14-1	(6,438)	(0.06)	(19,739)	(0.16)
Total special items and recurring non-GAAP adjustment before income taxes	(24,747)	(0.21)	289,605	2.50
Income tax benefit [1]	23,774	0.20	27,455	0.24
Net income, as reported under GAAP	$ 10,815		$ 398,867	
Diluted income per common share, as reported under GAAP		$ 0.09		$ 3.44
Weighted average shares outstanding – diluted 2009	113,602		113,950	
Weighted average shares outstanding – diluted 2008	116,821		116,286	

(1) Assumes a 5.53% tax rate for YTD September 2008.