UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): July 30, 2013

QUESTCOR PHARMACEUTICALS, INC.

(Exact Name of Registrant as Specified in Charter)

California	**001-14758**	**33-0476164**
(State or Other Jurisdiction of Incorporation)	**(Commission File Number)**	**(I.R.S. Employer Identification No.)**

1300 Kellogg Drive, Suite D, Anaheim, California	**92807**
(Address of Principal Executive Offices)	**(Zip Code)**

Registrant's telephone number, including area code: (714) 786-4200

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operation and Financial Condition.

On July 30, 2013, Questcor Pharmaceuticals, Inc. (the "Company") announced via press release certain operating and financial results for the quarter ended June 30, 2013. A copy of the Company's press release is attached hereto as Exhibit 99.1.

Also on July 30, 2013, the Company held a conference call with analysts and investors, the transcript and presentation slides of which are filed as Exhibit 99.2 and Exhibit 99.3, respectively, and both of which are incorporated herein by reference.

In accordance with General Instruction B.2. of Form 8-K, the information in Item 2.02 of this Current Report on Form 8-K, including Exhibits 99.1, 99.2 and 99.3, shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such a filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
99.1	Questcor Pharmaceuticals, Inc. Press Release dated July 30, 2013.
99.2	Transcript of conference call held on July 30, 2013.
99.3	Presentation slides used during conference call held on July 30, 2013.

SIGNATURES

Pursuant to the requirements of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: August 5, 2013

QUESTCOR PHARMACEUTICALS, INC.

By: /s/ Michael H. Mulroy
Michael H. Mulroy
Executive Vice President, Chief Financial Officer and
General Counsel

EXHIBIT INDEX

Exhibit No.	Description
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Exhibit 99.1

Questcor Reports Second Quarter Financial Results

- Net Sales and EPS Increase Significantly Over Prior Year -

- Vial Shipments up 50% Over Prior Year -

- Total Shipped Rxs up 35% YOY; Rheumatology Rxs Largest Growth Contributor -

ANAHEIM, Calif., July 30, 2013 — Questcor Pharmaceuticals, Inc. (NASDAQ: QCOR) today reported financial results for the second quarter and six months ended June 30, 2013.

	Three Months Ended 06/30/13	Three Months Ended 06/30/12	Percentage Change
GAAP Net Sales	$ 184.6 Million	$ 112.5 Million	64%
Non-GAAP Net Sales	$ 196.1 Million	$ 112.5 Million	74%
GAAP Diluted EPS	$ 1.12	$ 0.65	72%
Non-GAAP Diluted EPS	$ 1.35	$ 0.69	96%

	Six Months Ended 06/30/13	Six Months Ended 06/30/12	Percentage Change
GAAP Net Sales	$ 319.7 Million	$ 208.4 Million	53%
Non-GAAP Net Sales	$ 331.2 Million	$ 208.4 Million	59%
GAAP Diluted EPS	$ 1.79	$ 1.23	46%
Non-GAAP Diluted EPS	$ 2.13	$ 1.29	65%

Net sales for the second quarter ended June 30, 2013 were $184.6 million, up 64% from $112.5 million in the second quarter of 2012. The increase was driven primarily by the expanded usage of H.P. Acthar® Gel (repository corticotropin injection) by rheumatologists in the treatment of patients suffering from dermatomyositis, polymyositis, systemic lupus erythematosus, and rheumatoid arthritis. The increase in net sales was also driven by increased prescribing by nephrologists in the treatment of nephrotic syndrome (NS) and by neurologists in the treatment of multiple sclerosis (MS) relapses and infantile spasms (IS). GAAP earnings for the second quarter of 2013 were $1.12 per diluted common share, compared to $0.65 per diluted common share for last year's comparable quarter. BioVectra, the company's specialty manufacturing subsidiary which was acquired in January 2013, had net sales of $7.5 million in the second quarter of 2013.

Net sales for the second quarter include the effect of the Company's decision to accrue, based on information received in the quarter, an incremental Medicaid rebate liability of $11.5 million related to Questcor's 2001 entry into the Medicaid system subsequent to Questcor's acquisition of Acthar in 2001. The incremental liability covers periods from 2002 to 2009. Due to health care legislation passed in early 2010, there is no incremental liability for periods subsequent to 2009. On a non-GAAP basis, excluding this charge, net sales for the second quarter were $196.1 million, up 74% over the second quarter of 2012. Non-GAAP earnings for the second quarter of 2013 were $1.35 per diluted common share and exclude the incremental rebate liability, non-cash share-based compensation expense, and depreciation and amortization expense. Non-GAAP earnings for the year ago quarter were $0.69 per diluted common share. The reconciliation between GAAP and non-GAAP financial measures is provided with the financial tables included with this release.

Questcor shipped 7,050 vials of Acthar during the second quarter of 2013, up 50 percent compared to 4,710 vials in the year ago quarter. As the Company has previously disclosed, quarterly vial shipments are subject to significant variation due to the size and timing of individual orders received from Questcor's distributor. The timing of when these orders are received and filled can significantly affect net sales and net income in any particular quarter. The Company believes that investors should consider the Company's results over several quarters when analyzing the Company's performance.

"Our commercial expansion effort continues, most recently driven by increasing usage of Acthar among rheumatologists," said Don M. Bailey, President and CEO of Questcor. "The foundation for potential additional growth over the near-, medium- and long-term continues to strengthen. The first full quarter of our commercial rheumatology effort generated over 300 prescriptions, marking the best Acthar launch into a new therapeutic area that we have yet experienced. This rapid success has encouraged us to accelerate our entry into pulmonology, where we recently announced a pilot commercialization effort for respiratory manifestations of symptomatic sarcoidosis, a labeled indication for Acthar. We also continue to assess additional indications on the Acthar label for other commercial opportunities, as well as explore the use of Acthar for possible new indications, as demonstrated by the initiation of our Phase 2 study in amyotrophic lateral sclerosis (ALS). This is our second phase 2 trial, as we continue to proceed with our trial in diabetic nephropathy. Additionally, in the second quarter we acquired the rights to Synacthen®, which will further expand our melanocortin peptide R&D program. This action provides us a platform for potential further U.S. growth and the initiation of international commercial activity for Synacthen and potentially for Acthar."

"Total new paid prescriptions for Acthar were approximately 2,250 to 2,275 in the second quarter, an increase of about 35% year-over-year," commented Steve Cartt, Chief Operating Officer of Questcor. "There were 400 to 405 new paid prescriptions for NS in the quarter, up about 19% year-over-year. NS prescriptions currently account for around 40% of our Acthar business. During the second quarter there were 1,285 to 1,295 new paid prescriptions for MS, up about 12% year-over-year and up 27% sequentially. MS prescriptions currently represent over a quarter of our Acthar business. New paid prescriptions for IS were 210 to 215, up 27% year-over-year. Quite encouragingly, there were also 315 to 320 new paid Acthar prescriptions for approved rheumatology indications during the second quarter, which was the first full commercial quarter of Questcor promoting Acthar in this therapeutic area."

Mr. Cartt continued, "The vial shipment activity and prescription levels seen in late March and in April extended through the second quarter. In particular, we are experiencing solid uptake of Acthar in the approved rheumatology-related indications dermatomyositis and polymyositis, and we are also beginning to see a growing number of prescriptions for rheumatoid arthritis and lupus, both of which are on-label."

The Company believes that insurance coverage for Acthar continues to remain favorable, when Acthar is prescribed for on-label indications for patients in need of an additional FDA-approved treatment alternative.

To allow comparable analysis, the Company has defined "new paid" prescriptions in the above paragraphs to include prescriptions covered by commercial carriers, Medicare, Medicaid and Tricare in all periods regardless of the rebate percentage applicable in those periods. The numbers are based on internal company estimates and do not include prescriptions filled through the Acthar free drug program.

Year-to-Date Financial Results

Net sales for the first six months of 2013 were $319.7 million, with BioVectra contributing $15.9 million. On a non-GAAP basis, net sales for the first six months were $331.2 million. Net sales in the first six months of 2012 were $208.4 million. GAAP earnings for the first six months of 2013 were $1.79 per diluted common share, compared to $1.23 per diluted common share for the comparable period of 2012. Non-GAAP earnings for the six months ended June 30, 2013 were $2.13 per diluted common share excluding non-cash share-based compensation expense, depreciation and amortization expense, and the incremental rebate adjustment. Non-GAAP earnings for the comparable period of 2012 were $1.29 per diluted common share. The reconciliation between GAAP and non-GAAP financial measures is provided with the financial tables included with this release.

Research and Development Progress

“Questcor’s continued strong financial performance has enabled the Company to increase investment in research programs to further clarify the potential immune-modulating properties of Acthar and identify Acthar mechanisms of action applicable to other inflammatory and auto-immune diseases with high unmet medical need,” noted Dr. David Young, Chief Scientific Officer. “The Company is also identifying new patient populations in which to evaluate Acthar through clinical studies. Questcor has funded or has approved funding for approximately 70 research projects, including company-sponsored clinical and pre-clinical studies and independent physician sponsored studies.”

Research and development (R&D) investment increased 44% to $12.2 million in the three months ended June 30, 2013, as compared to $8.5 million for the year ago period. R&D investments were $23.0 million for the first six months of 2013, as compared to $14.2 million for the year ago period.

Label Enhancement Programs:

- **Amyotrophic Lateral Sclerosis (ALS):** Questcor commenced screening patients for enrollment into a dose-ranging Phase 2 clinical trial to evaluate the safety and tolerability of Acthar in patients with ALS, often referred to as Lou Gehrig’s disease. ALS is a life-threatening, progressive neurodegenerative disease that affects nerve cells in the brain and the spinal cord.
- **Diabetic Nephropathy:** Enrollment continues in a company-sponsored Phase 2 trial to evaluate the efficacy and safety of Acthar in patients with diabetic nephropathy, one of the most common causes of end-stage renal disease in the United States.

Research Regarding Approved Indications:

- **Idiopathic Membranous Nephropathy:** Enrollment continues in a company-sponsored Phase 4 trial in idiopathic membranous nephropathy. Patients enrolled in this study are refractory, or non-responsive, to current standard therapies or have relapsed after partial remission on current standard therapies.
- **Lupus:** Enrollment continues in a company-sponsored multi-site Phase 4 company-sponsored clinical trial to evaluate the efficacy and safety of daily Acthar administration over a 6-month period in patients with persistently active lupus.

- **Lupus Exacerbations**: Questcor is providing grant support for a prospective independent investigator initiated study evaluating Acthar in the treatment of lupus exacerbations. The Company has been informed by the investigator that this study has recently been completed.

Planning activities related to the initial evaluation of a select grouping of potential Synacthen indications are in process. Questcor will provide further updates on this newly initiated development program as key activities get underway.

Cash, Share Repurchase Program and Dividends

As of July 26, 2013, Questcor had cash, cash equivalents and short-term investments of $115.6 million, and restricted cash of $75.0 million set aside to secure certain post-closing payment obligations related to Questcor's acquisition of Synacthen. There were no share repurchases during the second quarter of 2013 and Questcor had 6.3 million remaining authorized shares under the Company's existing common stock repurchase plan. Diluted shares outstanding at June 30, 2013 were 61.5 million shares.

The Company issued its second quarter cash dividend of $0.25 per share to all shareholders of record at the close of business on July 22, 2013. The dividend is scheduled to be paid today, July 30, 2013. Questcor currently intends to pay regular quarterly cash dividends for the foreseeable future.

Acthar Label Information

The product label for Acthar includes 19 FDA-approved indications. Substantially all of the Company's net sales currently result from Acthar prescriptions for the following on-label indications of:

- **Nephrotic Syndrome (NS)**: "to induce a diuresis or a remission of proteinuria in the nephrotic syndrome without uremia of the idiopathic type or that due to lupus erythematosus." NS can result from several underlying conditions, and prescribing physicians indicate that Acthar is most commonly being prescribed for patients who suffer from NS due to idiopathic membranous nephropathy, focal segmental glomerulosclerosis (FSGS), IgA nephropathy, minimal change disease and lupus nephritis.
- **Multiple Sclerosis (MS)**: "for the treatment of acute exacerbations of multiple sclerosis in adults. Clinical controlled trials have shown H.P. Acthar Gel to be effective in speeding the resolution of acute exacerbations of multiple sclerosis. However, there is no evidence that it affects the ultimate outcome or natural history of the disease." When Acthar is used, it is typically prescribed as second line treatment for patients with MS exacerbations.
- **Infantile Spasms (IS)**: "as monotherapy for the treatment of infantile spasms in infants and children under 2 years of age."

- **Collagen Diseases**: “during an exacerbation or as maintenance therapy in selected cases of: systemic lupus erythematosus, systemic dermatomyositis (polymyositis).”
- **Rheumatic Disorders**: “as adjunctive therapy for short-term administration (to tide the patient over an acute episode or exacerbation) in: Psoriatic arthritis, Rheumatoid arthritis, including juvenile rheumatoid arthritis (selected cases may require low-dose maintenance therapy), Ankylosing spondylitis.”

Non-GAAP Financial Measures

The Company believes it is important to share non-GAAP financial measures with investors as these measures may better represent the ongoing economics of the business and reflect how we manage the business. Accordingly, management believes investors’ understanding of the Company’s financial performance is enhanced as a result of the disclosure of these non-GAAP financial measures. Non-GAAP financial measures should not be viewed in isolation, or as a substitute for, or as superior to, reported GAAP financial measures. The reconciliation between GAAP and Non-GAAP financial measures are provided with the financial tables included with this release.

Conference Call and Webcast Details

The Company will host a conference call and slide presentation via webcast today, July 30, 2013, at 4:30 p.m. ET/ 1:30 p.m. PT. The call can be accessed three ways:

- By webcast: At Questcor’s investor relations website, http://ir.questcor.com/
- By telephone: For both “listen-only” participants and those participants who wish to take part in the question-and-answer portion of the call, the dial-in number in the U.S. is (877) 354-0215. For participants outside the U.S., the dial-in number is (253) 237-1173.
- By audio replay: A replay of the conference call will be available for seven business days following conclusion of the live call. The telephone dial-in number for U.S. participants is (855) 859-2056. For participants outside the U.S., the replay dial-in number is (404) 537-3406. The replay access code for all callers is 16591264.

About Questcor

Questcor Pharmaceuticals, Inc. is a biopharmaceutical company focused on the treatment of patients with serious, difficult-to-treat autoimmune and inflammatory disorders. Questcor also provides specialty contract manufacturing services to the global pharmaceutical industry through its wholly-owned subsidiary BioVectra Inc. Questcor’s primary product is H.P. Acthar® Gel (repository corticotropin injection), an injectable drug that is approved by the FDA for the treatment of 19 indications. Of these 19 indications, Questcor currently generates substantially all of its net sales from the following approved indications: the treatment of proteinuria in the nephrotic syndrome of the idiopathic type, or NS, the treatment of acute exacerbations of multiple sclerosis, or MS, in adults, the treatment of infantile spasms, or IS, in infants and children under two years of age, and the treatment of certain rheumatology related conditions. With respect to nephrotic syndrome, the FDA has approved Acthar to “induce a diuresis or a remission of proteinuria in the nephrotic syndrome without uremia of the idiopathic type or that due to lupus erythematosus.” Questcor has announced its intent to initiate a pilot commercialization effort for Acthar for the treatment of respiratory manifestations of

symptomatic sarcoidosis. The FDA approved package insert for Acthar includes “symptomatic sarcoidosis” under the heading “Respiratory Diseases”. Questcor is also exploring the possibility of developing markets for other on-label indications and the possibility of pursuing FDA approval of additional indications not currently on the Acthar label where there is high unmet medical need. Questcor also has agreed to acquire certain international rights for Synacthen® (tetracosactide) and Synacthen Depot®, and has licensed the right to develop and seek FDA approval for these products in the United States. For more information about Questcor, please visit www.questcor.com.

Note: Except for the historical information contained herein, this press release contains forward-looking statements that have been made pursuant to the Private Securities Litigation Reform Act of 1995. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as “believes,” “continue,” “could,” “ensuring,” “estimates,” “expects,” “growth,” “may,” “momentum,” “plans,” “potential,” “remain,” “should,” “start,” “substantial,” “sustainable” or “will” or the negative of such terms and other comparable terminology. These statements are only predictions. Actual events or results may differ materially. Factors that could cause or contribute to such differences include, but are not limited to, the following:

- Our reliance on Acthar for substantially all of our net sales and profits;
- Reductions in vials used per prescription resulting from changes in treatment regimens by physicians or patient compliance with physician recommendations;
- Our ability to receive high reimbursement levels from third party payers;
- The complex nature of our manufacturing process and the potential for supply disruptions or other business disruptions;
- The lack of patent protection for Acthar; and the possible FDA approval and market introduction of competitive products;
- Our ability to continue to generate revenue from sales of Acthar to treat on-label indications associated with NS, MS, IS or rheumatology-related conditions, and our ability to develop other therapeutic uses for Acthar;
- Research and development risks, including risks associated with Questcor’s work in the area of NS and Lupus, efforts to develop and obtain FDA approval of Synacthen, our reliance on third-parties to conduct research and development, and the ability of research and development to generate successful results;
- The results of any pending or future litigation, investigations or claims, including with respect to the investigation by the United States Attorney’s Office for the Eastern District of Pennsylvania regarding the Company’s promotional practices and litigation brought by certain shareholders arising from the federal securities laws, currently pending in the United States District Court for the Central District of California;
- Our ability to comply with federal and state regulations, including regulations relating to pharmaceutical sales and marketing practices;
- Regulatory changes or other policy actions by governmental authorities and other third parties in connection with U.S. health care reform or efforts to reduce federal and state government deficits;
- An increase in the proportion of our Acthar unit sales comprised of Medicaid-eligible patients and government entities;
- Our ability to estimate reserves required for Acthar used by government entities and Medicaid-eligible patients and the impact that unforeseen invoicing of historical Medicaid prescriptions may have upon our results;

- Our ability to effectively manage our growth, including the expansion of our sales forces, planned international expansion, and our reliance on key personnel;
- Our ability to integrate the BioVectra business with our business and to manage, and grow, a contract manufacturing business;
- Our ability to comply with foreign regulations related to the operation of BioVectra's business and the international sales of Synacthen;
- The impact to our business caused by economic conditions;
- Our ability to protect our proprietary rights;
- The risk of product liability lawsuits;
- Our ability to successfully enter into, and operate in, international markets;
- The risk of unfavorable changes in currency exchange rates;
- Unforeseen business interruptions and security breaches;
- Volatility in Questcor's Acthar shipments, estimated channel inventory, and end-user demand, as well as volatility in our stock price;
- Our ability and willingness to continue to pay our quarterly dividend or make future increases in our quarterly dividend; and
- Other risks discussed in Questcor's annual report on Form 10-K for the year ended December 31, 2012 as filed with the Securities and Exchange Commission, or SEC, on February 27, 2013, and other documents filed with the SEC.

The risk factors and other information contained in these documents should be considered in evaluating Questcor's prospects and future financial performance.

Questcor undertakes no obligation to publicly release the result of any revisions to these forward-looking statements, which may be made to reflect events or circumstances after the date of this release.

For more information, please visit www.questcor.com or www.acthar.com.

QUESTCOR PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(In thousands, except net income per share data)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Revenue				
Pharmaceutical net sales	$177,045	$112,452	$303,817	$208,421
Contract manufacturing net sales	7,528	—	15,885	—
Total net sales	184,573	112,452	319,702	208,421
Cost of sales (exclusive of amortization of purchased technology and IPR&D asset)	17,221	6,379	33,410	11,900
Gross profit	167,352	106,073	286,292	196,521
Operating expenses:				
Selling and marketing	37,900	27,609	73,362	49,324
General and administrative	13,126	8,647	25,675	14,089
Research and development	12,240	8,485	23,033	14,150
Depreciation and amortization	1,014	321	2,084	612
Impairment of purchased technology	—	—	719	—
Total operating expenses	64,280	45,062	124,873	78,175
Income from operations	103,072	61,011	161,419	118,346
Interest and other (expense) income, net	20	218	(322)	434
Foreign currency transaction loss	—	—	(488)	—
Income before income taxes	103,092	61,229	160,609	118,780
Income tax expense	33,969	19,724	52,424	38,732
Net income	$ 69,123	$ 41,505	$108,185	$ 80,048
Change in unrealized gains or losses on available-for-sale securities, net of related tax effects and changes in foreign currency translation adjustments.	(1,480)	(14)	(2,674)	77
Comprehensive income	$ 67,643	$ 41,491	$105,511	$ 80,125
Net income per share:				
Basic	$ 1.17	$ 0.68	$ 1.86	$ 1.28
Diluted	$ 1.12	$ 0.65	$ 1.79	$ 1.23
Shares used in computing net income per share:				
Basic	58,938	61,112	58,075	62,308
Diluted	61,498	64,113	60,581	65,305
Dividends declared per share of common stock	$ 0.25	$ —	$ 0.50	$ —

See accompanying notes.

Reconciliation of Non-GAAP Adjusted Financial Disclosure

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Adjusted net income	$ 83,323	$ 44,244	$128,987	$ 84,514
Share-based compensation expense (1)	(4,382)	(2,521)	(8,546)	(4,054)
Depreciation and amortization expense (2)	(1,882)	(218)	(3,131)	(412)
Interest expense associated with contingent consideration (3)	(194)	0	(391)	0
Compensation expense associated with BV Trust (4)	(193)	0	(339)	0
Foreign currency transaction loss (5)	0	0	(328)	0
Medicaid adjustment for 2002 - 2009 (6)	(7,717)	0	(7,751)	0
BioVectra purchase price adjustment (7)	168	0	169	0
Impairment of purchased technology (8)	0	0	(485)	0
Net income - GAAP	$ 69,123	$ 41,505	$108,185	$ 80,048
Adjusted net income per share - basic	$ 1.41	$ 0.72	$ 2.20	$ 1.36
Share-based compensation expense (1)	(0.07)	(0.04)	(0.15)	(0.07)
Depreciation and amortization expense (2)	(0.03)	0.00	(0.05)	(0.01)
Interest expense associated with contingent consideration (3)	0.00	—	(0.01)	—
Compensation expense associated with BV Trust (4)	0.00	—	(0.01)	—
Foreign currency transaction loss (5)	—	—	(0.01)	—
Medicaid adjustment for 2002 - 2009 (6)	(0.13)	—	(0.13)	—
BioVectra purchase price adjustment (7)	0.00	—	0.00	—
Impairment of purchased technology (8)	—	—	(0.01)	—
Net income per share - basic	$ 1.17	$ 0.68	$ 1.86	$ 1.28
Adjusted net income per share - diluted	$ 1.35	$ 0.69	$ 2.13	$ 1.29
Share-based compensation expense (1)	(0.07)	(0.04)	(0.14)	(0.06)
Depreciation and amortization expense (2)	(0.03)	0.00	(0.05)	(0.01)
Interest expense associated with contingent consideration (3)	0.00	—	(0.01)	—
Compensation expense associated with BV Trust (4)	0.00	—	(0.01)	—
Foreign currency transaction loss (5)	—	—	(0.01)	—
Medicaid adjustment for 2002 - 2009 (6)	(0.13)	—	(0.13)	—
BioVectra purchase price adjustment (7)	0.00	—	0.00	—
Impairment of purchased technology (8)	—	—	(0.01)	—
Net income per share - diluted	$ 1.12	$ 0.65	$ 1.79	$ 1.23
Net sales - Questcor	$177,045	$112,452	$303,817	$208,421
Net sales - BioVectra	7,528	0	15,885	0
Consoldiated net sales	184,573	112,452	319,702	208,421
Medicaid adjustment	11,500	0	11,500	0
Adjusted consolidated net sales	$196,073	$112,452	$331,202	$208,421

Notes to Reconciliation of Non-GAAP Adjusted Financial Disclosure

Net income per share – basic and diluted may not foot due to rounding.

Use of Non-GAAP Financial Measures

Our “non-GAAP adjusted net income” excludes the following items from GAAP net income:

1. Share-based compensation expense.
2. Depreciation and amortization expense, including amortization expense on our purchased intangibles.
3. Interest expense associated with the net present value adjustment on our contingent consideration.
4. Compensation expense associated with the BV Trust agreement.
5. Foreign currency transaction loss.
6. Medicaid adjustment for prior period 2002 - 2009
7. BioVectra purchase price adjustment related to a labor rebate received in the second quarter 2013
8. Impairment of purchased technology related to our acquisition of Doral.

QUESTCOR PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share information)
(unaudited)

	June 30, 2013	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$ 81,765	$ 80,608
Short-term investments	10,221	74,705
Total cash, cash equivalents and short-term investments	91,986	155,313
Accounts receivable, net of allowances for doubtful accounts of $345 and $0 at June 30, 2013 and December 31, 2012, respectively	70,659	61,417
Inventories, net of allowances of $1,040 and $52 at June 30, 2013 and December 31, 2012, respectively	16,828	9,909
Current portion of restricted cash	25,000	—
Prepaid expenses and other current assets	5,082	4,900
Deferred tax assets	4,908	5,737
Total current assets	214,463	237,276
Property and equipment, net	33,704	2,073
Purchased technology, net	—	1,493
Goodwill	20,811	—
Other Intangibles, net	32,130	—
In process R&D asset, net	175,777	—
Restricted cash, less current portion	50,000	—
Deposits and other assets	1,324	70
Deferred tax assets	11,519	11,519
Total assets	$539,728	$ 252,431
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 12,365	$ 13,069
Accrued compensation	10,520	21,300
Sales-related reserves	35,590	37,376
Dividend payable	15,000	—
Accrued royalties	16,862	9,802
Current portion of contingent consideration in conjunction with acquisition of BioVectra	4,364	—
Current portion of in process R&D liability in conjunction with acquisition of Synacthen	25,000	—
Income taxes payable	4,277	7,360
Current portion of long-term debt	1,662	—
Other accrued liabilities	4,776	1,492
Total current liabilities	130,416	90,399
Long-term debt, less current portion	15,125	—
Contingent consideration in conjunction with acquisition of BioVectra	25,399	—
In process R&D liability in conjunction with acquisition of Synacthen	91,046	—
Non current deferred tax liability	11,351	—
Other non current liabilities	4,143	203
Total liabilities	277,480	90,602
Shareholders' equity:		
Preferred stock, no par value, 5,334,285 shares authorized; none outstanding	—	—
Common stock, no par value, 105,000,000 shares authorized, 59,993,867 and 58,544,206 shares issued and outstanding at June 30, 2013 and December 31, 2012, respectively	40,733	15,938
Retained earnings	224,149	145,851
Accumulated other comprehensive (loss) income	(2,634)	40
Total shareholders' equity	262,248	161,829
Total liabilities and shareholders' equity	$539,728	$ 252,431

See accompanying notes.

QUESTCOR PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(unaudited)

	Six Months Ended June 30,	
	2013	2012
OPERATING ACTIVITIES		
Net income	$ 108,185	$ 80,048
Adjustments to reconcile net income to net cash provided by operating activities:		
Share-based compensation expense	12,679	6,014
Deferred income taxes	962	234
Amortization of investments	245	928
Depreciation and amortization	4,645	612
Impairment of purchased technology and goodwill	719	—
Loss on disposal of property and equipment	95	10
Changes in operating assets and liabilities, net of business acquisition:		
Accounts receivable	(2,883)	(18,873)
Inventories	4,270	(1,191)
Prepaid income taxes	—	2,948
Prepaid expenses and other current assets	1,175	381
Accounts payable	(2,569)	6,780
Accrued compensation	(10,780)	(106)
Accrued royalties	7,060	1,015
Sales-related reserves	(1,786)	4,605
Income taxes payable	(2,684)	—
Contingent consideration	1,082	—
Other accrued liabilities	2,555	920
Other non-current liabilities	21	(221)
Net cash flows provided by operating activities	122,991	84,104
INVESTING ACTIVITIES		
Purchase of property and equipment	(1,138)	(548)
Purchase of short-term investments	(52,001)	(96,631)
Proceeds from maturities of short-term investments	116,206	139,438
Restricted cash	(75,000)	—
Acquisition of BioVectra, net of cash acquired	(46,692)	—
Acquisition of Synacthen	(60,000)	—
Proceeds from sale of Doral	700	—
Deposits and other assets	—	(1)
Net cash flows (used in) / provided by investing activities	(117,925)	42,258
FINANCING ACTIVITIES		
Repayment of funded long-term debt	(613)	—
Repayment of other long-term debt	(212)	—
Income tax benefit realized from share-based compensation plans	5,173	4,261
Dividends paid	(14,887)	—
Issuance of common stock, net	6,943	2,663
Repurchase of common stock	—	(185,093)
Net cash flows used in financing activities	(3,596)	(178,169)
Effect of cash on changes in exchange rates	(313)	—
Increase (decrease) in cash and cash equivalents	1,157	(51,807)
Cash and cash equivalents at beginning of period	80,608	88,469
Cash and cash equivalents at end of period	$ 81,765	$ 36,662
Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest	$ 380	$ 12
Cash paid for income taxes	$ 49,234	$ 31,285
Supplemental Disclosures of Investing and Financing Activities:		
Dividend payable	$ 15,000	$ —
In conjunction with the acquisition of BioVectra at January 18, 2013:		
Incremental fair value of assets acquired, net	$ 80,698	
Less: fair value of contingent consideration	(30,383)	
	50,315	
Loss on foreign exchange rate	488	
Total cash paid for acquisition of BioVectra	$ 50,803	

See accompanying notes.

Operator

Good day, ladies and gentlemen, and welcome to the Questcor Pharmaceuticals second quarter of 2013 earnings conference call. At this time, all participates are in a listen-only mode. Later, we'll conduct a question-and-answer session, and instructions will follow at that time. (Operator Instructions).

As a reminder, this conference is being recorded. I will now turn the call over to your host, Doug Sherk of EVC. Please go ahead.

Doug Sherk

Thank you, Stephanie, and good afternoon, everyone. Thank you for joining us today for the Questcor Pharmaceuticals conference call to discuss the second quarter of 2013 financial results. This afternoon after the market closed, Questcor received its earnings release, which is posted on the Company's website at www.questcor.com.

Today's call is also being broadcast live via webcast, which is available at the Questcor website. A slide presentation will accompany today's remarks by management. To access both the webcast and the presentation slides, go to Questcor's website, click the Investor Relations link, and then click on Events and Presentations.

For those of you listening to today's call via telephone, you can review the accompanying presentation slides on the webcast, as I've just reviewed. Just make sure you choose the no-audio, slides-only option. There'll be a taped replay of this call, which will be available approximately one hour after the call's conclusion, and will remain available for seven days. The Operator will provide the replay instruction at the end of today's call.

Before we get started, we'd like to remind you that during the course of this conference call the Company will make projections and forward-looking statements regarding future events.

We encourage you to review the Company's past and future filings with the SEC, including without limitation the Company's Forms 10-K and 10-Q, which identify the specific factors that may cause actual results or events to differ materially from those described in these forward-looking statements. These factors include Questcor's reliance on Acthar for substantially all of its net sales and profits, its ability to receive strong levels of reimbursement from third party payers, and risks associated with Questcor's R&D program.

The Company will also make statements relating to non-GAAP financial measures, including non-GAAP net sales and earnings per share. Investors should refer to the Regulation G non-GAAP reconciliation table included as part of the Company's earnings release today.

The Company 10-Q for the second quarter is planned to be filed with the SEC later this week. The Company will also make comments about the level of net sales in the therapeutic areas in which Acthar is used to treat patients. Please note that the commentary regarding this subject is based on internal Company estimates, and these estimates could turn out to be incorrect.

During the question-and-answer session today, please keep your questions to two, and then re-queue for any additional questions.

Finally, consistent with Questcor's previously-announced policy, the Company will not respond to questions about its trading window, stock repurchase blackout policy, potential or pending government investigations, or mergers and acquisitions matters.

With that, let's turn the call over to Don Bailey, President and Chief Executive Officer of Questcor.

Don Bailey

Thanks, Doug. Good afternoon, everyone. With me today are Steve Cartt, our Chief Operating Officer; Dr. David Young, our Chief Scientific Officer; and Mike Mulroy, our Chief Financial Officer and General Counsel. They will each make prepared remarks. Then I will wrap things up, and we'll take your questions.

In the second quarter, our expanded commercial effort continued to build positive momentum, which resulted in record financial results. We saw an increase in underlying demand for Acthar in the second quarter, as demonstrated by growth in Acthar prescriptions across the mix of therapeutic areas that we currently serve.

In addition, our newest focus on educating rheumatologists about Acthar and its availability for treating patients suffering from dermatomyositis, polymyositis, and certain other rheumatology indications, for which Acthar is FDA-approved, is working well, with increased usage of Acthar amongst — among rheumatologists, driving our growth in the quarter.

During the quarter we shipped 7,050 vials of Acthar, up 50% compared to 4,710 vials in the year-ago quarter. The strong execution by our commercial team resulted in second quarter net sales on a GAAP basis of $184.6 million. This includes $177 million of Acthar sales, up 57% from the prior-year period, and $7.5 million of revenue from BioVectra. Net sales on a non-GAAP basis were $196.1 million, up 74% from $112.5 million in the second quarter of 2012.

At the same time, we are optimistic about our future growth potential. We achieved important milestones during the quarter and in recent weeks, that we believe will strengthen the foundation for additional growth over the near, medium, and long term.

For the next several years, we will continue the commercial expansion effort already well underway, and we will continue to explore the use of Acthar to provide therapeutic benefit to patients suffering from other series, difficult-to-treat, autoimmune and inflammatory disorders currently on the Acthar label.

In a few minutes, Steve will review our new pilot commercialization effort for respiratory manifestations of symptomatic sarcoidosis, which is potentially serious, difficult-to-treat disorder, already on the FDA-approved package insert for Acthar.

The pilot effort will focus on pulmonologists, who are the respiratory specialists who treat this rare autoimmune disorder, and will follow the model we have successfully used in the neurology, nephrology, and rheumatology specialty markets.

For the mid-term timeframe, in the second quarter we acquired the rights to Synacthen, which will further expand our melanocortin research and development program, and provide Questcor with a platform for international growth.

Longer-term, we continue to explore the use of Acthar for new indications that are not on the Acthar label, including our recently-initiated Phase 2 study in ALS. ALS is often referred to as Lou Gehrig's disease and is a progressive degenerative disease affecting motor neurons.

David will review the clinical study for ALS and Acthar's potential role in the treatment of this disease, later on in this call. David will also comment on additional progress on the Acthar scientific front, including positive results that were recently presented from a key investigator-initiated study in lupus flares which, when published, could impact how rheumatologists view Acthar as a potential treatment alternative for lupus patients.

Let me turn the call over to the rest of the team to provide more detail on our results and activities. I'll get back on the call at the end to provide an update on our outlook. Steve?

Steve Cartt

Thanks, Don, and good afternoon, everyone. I'll provide a review of second quarter results for our key markets of nephrology, MS relapses, rheumatology, and infantile spasms.

In the second quarter, after adjusting for the one-time accounting charge of $11.5 million discussed in our earnings release, we generated $189 million in Acthar net sales on a non-GAAP basis, a significant increase over the same period last year. We believe this $189 million figure better profiles the business level for Acthar in the quarter, as it excludes both BioVectra revenues and the one-time accounting charge.

Clearly, the prescription levels and vial shipment activity that we saw in late March and in April, extended through the second quarter. The prescription trends in the quarter reflect continued solid demand and favorable insurance coverage for Acthar across all of our markets.

In particular, we are experiencing an early and rapid increase in Acthar prescribing by rheumatologists for dermatomyositis, polymyositis, rheumatoid arthritis, and lupus.

As a reminder, we significantly expanded our rheumatology commercial effort in February of this year when we increased our rheumatology sales force from 12 sales reps to 55 reps. We are encouraged by the positive earlier results from this expanded effort.

Let me provide further details on what we're seeing in each of our businesses. Total new paid prescriptions for Acthar were approximately 2,250 to 2,275 in the second quarter, an increase of over 30% year over year.

For nephrology, presently our largest market, we had between 400 and 405 new paid Acthar prescriptions during the second quarter, up about 20% over the same period last year.

We believe this growth is due to nephrologists recognizing the need for additional treatment options in nephrotic syndrome patients, particularly those who've already tried first-line therapy or even second- or third-line therapy, and are in need of another FDA-approved treatment alternative.

We believe that the average patient with nephrotic syndrome uses around 7 or 8 vials per course of therapy. Nephrology currently represents about 40% of Acthar business. As a reminder, nephrotic syndrome that is not well controlled often leads to end-stage renal disease, which requires lifelong renal dialysis or a kidney transplant.

Moving on to neurology, there were between 1,285 and 1,295 Acthar prescriptions in MS during the quarter, up about 12% over the year-ago quarter. On average, there are about 1.5 vials dispensed per Acthar prescription for MS relapse, and MS currently represents over a quarter of Acthar's business.

I'll turn now to our newest market, rheumatology. As you may recall, following encouraging results from our small pilot effort during the third and fourth quarters of last year, we significantly expanded our rheumatology commercial team from 12 sales reps to 55 reps in February.

The second quarter was our first full quarter with this expanded team, educating rheumatologists about Acthar and its availability for the treatment of dermatomyositis, polymyositis, and certain other rheumatology-related indications for which Acthar is FDA-approved.

While we are still in the early stages of this new effort, we're pleased with our progress. In the quarter, rheumatologists wrote between 315 and 320 new paid prescriptions for Acthar in approved indications, more than double the level of rheumatology prescriptions in the first quarter, making this probably the best Acthar launch into a new therapeutic area that we have yet experienced.

It's important to note that we saw more prescriptions in the quarter for other on-label rheumatology indications, particularly rheumatoid arthritis and lupus, than there were prescriptions for DM/PM. We believe this prescribing activity illustrates the need for an additional treatment alternative for these conditions, as well as the significant long-term potential for Acthar in rheumatology.

We are seeing an average of five vials per prescription in rheumatology. These vials are usually dispensed to patients over roughly a three-month period or so. Importantly, like in our other approved indications, insurance coverage for Acthar in our rheumatology-related indications has been favorable.

Overall, we're very encouraged by our early performance in this important new market for Acthar, and believe Acthar prescribing by rheumatologists will continue to increase.

I'll now comment briefly on infantile spasms. Acthar prescriptions for IS in the second quarter of 2013 were between 210 and 215, up 25% year over year.

It is important to note we have significant quarter-to-quarter variability in paid IS prescriptions due to fluctuations in the incidence of this very rare and devastating disorder. As a reminder, a typical course of therapy for IS is roughly 3.5 to 4.5 vials over the course of 2 to 4 weeks.

We continue to be fully committed to providing rapid access to Acthar for this vulnerable patient population, and also to provide support for continued research and educational efforts related to IS.

I'll now comment briefly on our pilot commercialization effort for Acthar for the treatment of respiratory manifestations of symptomatic sarcoidosis, a potentially serious, difficult-to-treat disorder, already included on the FDA-approved package insert for Acthar.

In early July we announced our plans to start a small pilot sales force of five to ten representatives, focused on pulmonologists, who are the respiratory specialists treating this rare autoimmune disorder.

We have just assigned a very experienced, proven member of our commercial team to lead this important new effort, and we expect hiring and training of the new pulmonology sales personnel to be completed during the third and fourth quarters of this year, with calls to pulmonologists beginning some time during the fourth quarter.

Symptomatic sarcoidosis appears to carry all the hallmarks of a classic Acthar opportunity, based on the small size of the patient population and the treating physician population, and the seriousness of the disorder.

Only Acthar and steroids are approved for this indication; and pulmonologists we have spoken to, indicate that there are a significant number of patients in need of an additional treatment alternative.

Like lupus, sarcoidosis can manifest in a number of areas. In most patients this includes the lungs, but in some patients it can also include the skin, eyes, and muscular skeletal systems.

There are an estimated 150,000 sarcoidosis patients in the US, with roughly half suffering from symptomatic disease activity. We estimate, based on market research interviews and discussions with key opinion leaders, that 30,000 to 35,000 patients with this condition might be appropriate candidates for Acthar therapy.

On a final note, and as I alluded to earlier, we believe that the overall reimbursement environment for Acthar continues to remain favorable across all key Acthar indications, based on our analysis of claims processing activity.

It is important to remind everyone that Acthar prescriptions are handled on a case-by-case basis, with the vast majority of cases undergoing significant review by the payer for appropriateness.

In a few moments I'll turn the call over to David Young, our Chief Scientific Officer, to talk about our R&D activities; but first I'd like to comment on the latest addition to our product portfolio, Synacthen.

We're quite intrigued by the possibilities with Synacthen, both in the US and internationally. While there is much work to be done, our activities to transition Synacthen from Novartis are now well underway.

We are working with Novartis personnel to transfer critical data and information, are in the process of beginning to make contact with current distributors, and are conducting a full assessment of data that Novartis has available on the product. As was the case with Acthar back when we acquired it in 2001, the Synacthen business has been severely neglected over the years and clearly needs to be reenergized.

The major difference, of course, between the two situations, is that Synacthen has never been made available to patients in the US, despite decades of being available to patients outside the US. For the first time, we are now poised to invest the dollars required to develop Synacthen for the US market, in an effort to finally change that lack of availability after so many years.

This opens up many possibilities. Our own internal research indicates that, while the two products are in the same general class, there are significant and important differences between Acthar and Synacthen.

This is leading us to consider Synacthen for a range of possible indications, including some for which it is approved in certain markets outside the US, and others where it has never been approved, but where we believe it could potentially play an important therapeutic role for patients.

However, because so much of the Synacthen data is old, and some is even nonexistent, we are in the process of performing preliminary scientific and commercial analyses to help us select the top indications from a list we have determined, based on what we now know about Synacthen's pharmacology and clinical properties.

Planning activities are in progress, related to the initial evaluations of a select group of these potential Synacthen indications, and we look forward to providing further updates on this newly-initiated development program as key activities get underway.

I'll now turn the call over to Dr. David Young, our Chief Scientific Officer, who will bring you up to date on our scientific efforts and Company-sponsored clinical programs. David?

David Young

Thanks, Steve. Good afternoon, everybody. I am pleased to provide you with an update on our R&D efforts. Overall, activity continues to grow in our R&D programs through Company-sponsored and investigator-initiated studies. Today, however, I will focus my comments largely on our Company-sponsored research programs, and one key investigator-initiated study in lupus flares.

The purpose of the Company-sponsored research has been, and will be — one, to better understand the difference and potential therapeutic benefit of various melanocortin peptides; two, to better understand the benefit of Acthar on devastating medical conditions for which patients need another treatment option; three, to build on the body of evidence surrounding the efficacy and safety of Acthar for on-label indications; and four, to develop the evidence to demonstrate the clinical benefit of Acthar, and Synacthen new indications.

Let me begin by providing some insight into what we are finding in the melanocortin peptide non-clinical research that is proving to be important to our neurology, nephrology, and rheumatology indications.

We have investigated the effect of Acthar on immune cells, and have found effects different than that seen with steroids for synthetic melanocortin peptide. In studies looking at Acthar's direct effect on cells, we have again found that Acthar can act differently from steroids or synthetic melanocortin peptides. This non-clinical research continues to add to the body of evidence that Acthar is unique and different than steroids or Synacthen.

Let me update you on our Company-sponsored clinical studies related to the on-label Acthar indications. Our idiopathic membranous nephropathy Phase 4 study is ongoing. As a reminder, this is a randomized placebo-controlled trial enrolling treatment-refractory patients, which we define as patients nonresponsive to other therapy, or as having relapsed from partial remission on other therapy.

The screening and enrollment for this study has been extremely poor. Two major reasons have been that patients were excluded who had progressive membranous nephropathy, which is very difficult to treat, and some patients or physicians have not wanted to take the chance that the patient might receive a placebo.

We cannot change the placebo [concept]; but in our desire to complete this trial sooner rather than later, we recently altered the protocol to include the progressive membranous nephropathy patient, as well as made other protocol changes to expand the pool of patients qualified for this study.

We also have a Phase 4 randomized, placebo-controlled trial underway, looking at persistently active systemic lupus erythematosus, or SLE. This study was initiated in the fourth quarter of last year. Although conventional treatment for SLE usually includes corticosteroids and other treatment, there is a need for alternative therapeutic options, particularly in those lupus patients who may not be adequately controlled with, or who are intolerant to other therapy.

Our enrollment rate per site per month, has been approximately what we projected. However, there have been significant delays in getting sites up and running because the site IRB and contract (inaudible) have been slow. We still expect to have top line data in 2014, and the study should complete in 2015.

In a related SLE study, recently interim results were presented from a small investigator-initiated open-labeled study, evaluating the ability of Acthar to reduce severity of active lupus flares in patients who had inadequately responded to other treatment.

These interim results revealed that, when treated with Acthar, patients had physically significant improvement in the standard lupus endpoint that indicate reduction of disease activity. We understand from the investigator that he has now completed the study and is preparing to submit the data to a peer-reviewed publication later this year.

Based on our growing knowledge of Acthar's biological activity, we are also evaluating, through Company-sponsored IND trials, Acthar's efficacy and safety in other indications not currently on-label.

We recently announced that patient screening has commenced for our safety/tolerability Phase 2 study of Acthar in patients with ALS, or Lou Gehrig's disease.

ALS, as discussed before, is a life-threatening, progressive, neurodegenerative disease that affects nerve cells in the brain and the spinal cord. No clinical research efforts — I'm sorry, non-clinical research efforts have provided us with data suggesting that Acthar may be of therapeutic benefit to patients with ALS, leading us to conduct this Phase 2 study.

The study will seek to enroll up to 40 patients in an eight-week, randomized, open-label trial, designed to explore the safety and tolerability of four dosing regimens of Acthar. Patients who successfully conclude the initial eight-week trial will then have the option to participate in a 28-week open-label expansion.

The study will also examine whether Acthar provides any functional improvement to ALS patients.

We anticipate that the results of this study will provide us and the FDA with important information to determine next steps in our development program.

Our diabetic nephropathy Phase 2 proof-of-concept study, which is a randomized, placebo-controlled trial, continues to actively screen and enroll patients. Approximately 50% of the patients are now enrolled. We should be able to complete enrollment by the first half of 2014.

Longer-term, we are evaluating other on-label and new indications for Acthar, and are certainly excited about the opportunities we have with the recent acquisition of Synacthen.

Based on our understanding of the different melanocortin peptides, we are excited about working on Synacthen, which, while in the same class of compounds as Acthar, provides a different pharmacological profile than Acthar, thus potentially offering a greater clinical benefit than Acthar for some indications.

We are evaluating the potential Synacthen indications, as Steve mentioned. We will provide further updates as key activities get underway.

As you can see, we have a growing level of non-clinical and clinical research underway. We look forward to keeping you posted on the progress of these programs as the year evolves. Now, Mike Mulroy, our CFO, will discuss financial highlights. Mike?

Mike Mulroy

Thanks, David. Good afternoon, everyone. Please note that I will reference various non-GAAP financial measures in my remarks. In our earnings release that went out just after the market closed today, we provided a reconciliation table, and that table is also provided in the slides accompanying this call. Investors are encouraged to refer to the table.

Net sales on a non-GAAP basis for the second quarter were $196.1 million, which includes $188.5 million of Acthar sales and $7.5 million of revenue from BioVectra. To calculate non-GAAP net sales, we have added back $11.5 million related to an estimated Medicaid rebate liability relating to Questcor's entry into the Medicaid system after acquiring Acthar in 2001. The liability is for the period from 2002 to 2009. This does not impact periods subsequent to 2009.

In the second quarter of 2013, our sales reserve rate, which includes Medicaid, was 12.6% of our gross revenues of $211 million, or $26.5 million. Excluding the $11.5 million discussed above, our sales reserve rate was 7.1% of gross revenue, or $15 million. This percentage has declined from prior periods as a reduced Medicaid rebate went into effect in the first quarter of 2013.

We continue to see growth in OpEx, with second quarter reflecting the addition of a newly-expanded rheumatology field force, a substantial increase in R&D investment, and the inclusion of BioVectra's operating expenses.

R&D investment in the second quarter increased 44% to $12.2 million, as compared to $8.5 million for the year-ago period. Our operating margin on a non-GAAP basis was 58%, down from 60% in the year-ago quarter, reflecting the build-out of our operations to support the growth in our business. Our operating margin was also reflected by the addition of BioVectra, which, as a specialty contract manufacturer, has lower operating margins than our base business.

We expect to continue to grow our R&D effort and other important programs, and expect to see OpEx grow by $5 million to $10 million in the third quarter, over the level in Q2.

For the first time in Questcor's history, operating income in a quarter exceeded $100 million. For the second quarter we were at $103.1 million compared to $61 million for the second quarter of 2012.

Turning to the bottom line, GAAP earnings per share for the quarter were $1.12 diluted, based on 61.5 million diluted shares outstanding, up from $0.65 in the year-ago period. Non-GAAP earnings per share for the quarter were $1.35 diluted, up from $0.69 in the year-ago period.

While we have made important investments in 2013 in both BioVectra and Synacthen, our balance sheet remains strong. We have post-closing payment obligations in both transactions, but expect to fund these obligations out of working capital. At July 26th we had $190.6 million in cash, which included $75 million in restricted cash.

We also continue to generate cash. Operating cash flow during the second quarter was $81.5 million, driven primarily by net income of $69.1 million in the quarter. Return on equity was 120.8% in the second quarter.

We did not repurchase any shares in the quarter. Questcor issued its second quarter cash dividend of $0.25 per share to all shareholders of record at the close of business on July 22nd. That dividend is scheduled to be paid today.

Now I'll turn the call back to Don for a summary and some comments on our outlook.

Don Bailey

Thanks, Mike. So, to summarize, our expanded commercial effort resulted in a strong performance in the second quarter. As we continue to build positive momentum in the business, we believe that demand for Acthar, based on prescriptions being paid, can continue to increase.

In addition, we are strengthening the foundation for additional growth over the near, medium, and long term, with strategic initiatives now underway, as we explore the use of Acthar to treat serious, difficult-to-treat, autoimmune and inflammatory disorders currently on the Acthar label, and continue to explore the use of Acthar for potential new indications.

Operator, we can now open up the call for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Josh Schimmer, Lazard Capital Markets.

Josh Schimmer

I guess on the first quarter there were a number of kind of one-time-ish-type factors that drove the number there. Can you help maybe quantify which of those were at play, bolstering the second quarter, and how do we think about those ultimately smoothing out as we go into the third and fourth quarter?

Don Bailey

Sure, Josh. Very good question. So, just as a reminder, in the first quarter in particular there were some inventory things going on — some factors that were affecting inventory. And we thought that we ended the first quarter a little low in inventory, especially at the specialty pharmacy locations. We think that situation corrected itself during April, for the most part, as we discussed on the last call. And since then it has stayed pretty steady.

So, we would think that it wouldn't be unreasonable to say that $5 million to $10 million of the second quarter revenue is really a factor associated with inventory restocking, if you will. And we think — and what can you have to say, Mike, about how the inventory ended the quarter?

Mike Mulroy

Yes. We thought — based on the visibility we have into the channel, we thought inventory remained within the normal range at the end of the quarter.

Don Bailey

Okay. So, that's normalized now, Josh, and we don't expect anything. All the other factors that were at play in Q1 have pretty well gone by the wayside.

Josh Schimmer

Great. And then on the sarcoid indication, what's — I guess there's some very old literature for Acthar which suggests that at least a short course of therapy can improve the uveitis component. It wasn't as apparent, the effect on the lung pathology. Is your expectation that the pulmonologists will be treating all the different aspects of the disease, and they will look to treat uveitis? Or, how do you kind of, with this one sales force, attack the potential prescribers of sarcoid, which would include the ophthalmologists, the dermatologists, and the pulmonologists?

Don Bailey

Well, it's a very good question. And we've been receiving some prescriptions over the years, and more lately — far more lately. So, that's what piqued our interest here. Let me let Steve talk a little bit about this. I don't think we have really good answers for you yet. And that's part of that purpose of the pilot program. Steve?

Steve Cartt

Yes. Hi, Josh. Good question. I guess one of the key pieces of information there is that most of patients have the lung manifestations. I think it's about 90% plus, based on the research we've done. But as you say, they can have other manifestations as well. Some of these are clearly on-label. I mean, you have the uveitis, which is an on-label indication, that crops up with sarcoid as well.

So, since pulmonologists are the primary management specialists for this disease, they'll do the overall management of the patient. This is our understanding at this point. They do the overall management, and they're kind of the primary caregivers for the patients. But they will sometimes refer out to other specialties to get a consult. But we do feel they'll be primarily driven through pulmonology.

Of course, this is all very new. We're — you know, that's the whole reason for doing these pilots. And we've learned so much in these pilots in the past, that has helped steer our strategies and messaging, going forward. We expect it'll be the same way with sarcoidosis.

Josh Schimmer

And why sarcoid in the pulmonology guys to start with, as opposed to the ophthalmology? Can you just discuss what drove that selection — one versus the other?

Steve Cartt

Well, I — yes. I think — yes. Sarcoidosis is — in some ways, it's very similar to some of the other indications where we're already seeing usage. It's a small physician target audience as opposed to other areas. Ophthalmology's quite a bit bigger, for example.

So, it really felt like there was good linkage between sarcoidosis and some of our other indications where we're seeing good usage and good patient feedback right now — for example, lupus. And it seemed to fit the model most closely, and we're most confident in this one as a next step.

Don Bailey

Yes. Josh, also, we were seeing some prescriptions here, I think, that also helped us sway towards sarcoidosis.

Operator

(Operator Instructions). Steve Byrne, Bank of America Merrill Lynch.

Steve Byrne

I was wondering if you have done any extended-release or formulation work with Synacthen that could potentially lead to some intellectual property?

Don Bailey

Well, certainly, the current formulation of Synacthen is meant to be therapeutic, and hence has an extended-release component to it. We certainly will be looking at various aspects of IP — you know, getting patents with Synacthen, that — and that's in our plans. We're not going to discuss exactly what that is, of course.

Steve Byrne

And now that you've had a little more opportunity to dig into the ex US marketing authorizations, do you still see that as taking as much as a couple of years to get that transferred?

Don Bailey

Well, we're well underway. And it will take some time. I'll let Steve give you a little bit more color on that.

Steve Cartt

Sure. It's going to be a process, and we're beginning to have discussions with the distributors and marketing partners Novartis has had for Synacthen. It's hard to put an exact timeframe on it. We're going to do it as rapidly as possible, but we have to do — we definitely have to be working closely with Novartis throughout this process, as well as distributors.

So, given that there are a number of different players involved, we probably won't be able to do it as fast as we'd ideally like to; but I think that, kind of, year, year-and-a-half timeframe, with some distributors and partnerships being brought on earlier in that timeframe, and other ones kind of rolling out over that same time period. It's something we should expect. It's not going to be overnight, for sure.

Steve Byrne

Thank you.

Operator

Mario Corso, Mizuho USA.

Mario Corso

Congratulations on the quarter. A couple of things I wanted to ask about. I guess I was a little bit confused about the destocking comment, or restocking comment, I should say. When I run the Rxs through the model, it looks like demand — the vials-per-Rx you talk about — would actually indicate vial shipments that are a few hundred above what you actually shipped. So, it seems to me that demand had still outstripped your shipments in the quarter.

And then, on rheumatology, I'm wondering — obviously, an extremely strong quarter. Do you have a sense from June and July of whether that's going to continue to go up over the next few quarters if the current trends continue? Thanks.

Don Bailey

Sure. So, on the first question, I guess I gave you kind of a conservative approach to — in my answer to Josh's similar question. It really depends on the timing of how the vials are applied and the various therapeutic indications.

And recall that, as these prescriptions are written, all the vials aren't issued right away. They're — if it's a three-month course of treatment, the vials tend to get metered out over that three months.

When we run our models, we get anything from what I said was kind of on the conservative end — it — there might have been a little bit of — higher level of inventory than demand. With slightly different assumptions, we would get something closer to what you're talking about, Mario.

So, I think it really just depends on some unknowns and unknowables, which is exactly what the — what's going on at the pharmacy level, when they're metering out these vials to patients.

With respect to rheumatology, it's a really good question. And Steve, you probably had a little time to think about this, and have been watching the trends. What do you think?

Steve Cartt

Yes. I — we're feeling pretty encouraged by the early returns in rheumatology. There's clearly a high unmet need in these disease states where Acthar is FDA-approved — rheumatoid arthritis; lupus; DM/PM, of course; psoriatic arthritis — we're beginning to see a few prescriptions for that as well.

Given how early we are, and the level of interest, and the fact that now they have an additional treatment option that they — most of the rheumatologists didn't realize that they had, I would expect to see growth going forward.

I believe we have the head of our Commercial team on the line as well, if I'm not mistaken. Maybe, Eldon, you could comment on what you're hearing from the field right now, and what your team is hearing as far as interest level in Acthar for these various rheumatology indications, and any feedback you're getting.

Eldon Mayer

Sure, Steve. Yes. I'd like to also just underscore what you said in the beginning about how early this overall effort is, keeping in mind that we completed the expansion of our rheumatology sales force at the beginning of this year, and even had hires that went into the — well into the first quarter.

So, many of our sales folks are — have still just really only been in territory for a short time. So, the overall effort is at its early stages overall, not just for sales but for marketing. We're gearing up all of our teams as well.

But to the point of feedback, the feedback has been just very, very positive overall. We hear on a regular basis many success stories about how patients are benefiting from Acthar across all of the indications that we're promoting. Which is, I think, made even more significant by the fact that when Acthar is typically utilized early on by a doctor, they're reserving it last-line for some of the worst patients; and still, we're hearing very positive feedback very often, which is just very encouraging indeed.

So, we're hearing that, again, across a number of the areas as well. And we're talking about areas of — where we have very limited datasets, as we are able to augment those efforts with more support, and more ability to educate doctors about the potential benefits of Acthar, I think that bodes very well for the future.

Don Bailey

Hey, Steve, aren't you also considering expanding that sales force just a little bit?

Steve Cartt

Yes. It's a good point. We are adding — when we originally aligned the sales force for rheumatology, we actually created about 62 or so territories. We filled 55 of those initially. We wanted to kind of get a feel for how that early effort would go.

And given the positive early results, we're going ahead and filling the additional seven territories. So, we're going to be up to 62 reps here within the next couple of months.

Operator

Biren Amin, Jefferies.

Biren Amin

I wanted to ask when this enactment deal is going to close, and have you received any SEC inquiries relating to the agreement?

And also, with regards — I guess, question for David on the preclinical data that you shared with us. When will those data be published or presented? Thanks.

Don Bailey

So, let me let Mike ask the — answer the first question. As we said in our prepared remarks, we can't comment on any interaction with any government agency. But, why don't you talk about those two, and then David can talk about the preclinical —

Mike Mulroy

Right. On the first part, Biren — there's really two parts to the transaction. The US element has already closed. So, we've already licensed the product for development in the US.

The international piece will close — I think that was touched upon by Steve Byrne in some of his questioning — when various international marketing authorizations are ready to be transferred over. And there's a regulatory process, country by country, to do that. And also, with our own — establishing a distribution infrastructure to take over. Which, again, we should expect to happen over the next year to two years, as discussed earlier. David, do you want to talk about the preclinical?

David Young

Yes. In terms of the preclinical, we're looking at a lot of different disease models relevant to our indications, as well as a lot of basic pharmacology — what's going on in these different indications or diseases. So, we will have some coming out near the end of the year, but then more will actually come out next year. So, there will be a little bit coming out at the end of the year, both in terms of potential abstracts submitted and publications we may be submitting near the end of the year.

When they actually get publicized to the public — you know, out to the public, that will depend on the — you know, both when the meetings are, as well as when the — if the publication and when the publication's accepted. So, again, a lot of the material will come out at the beginning and end of next year.

Operator

Tim Chiang, CRT Capital.

Tim Chiang

Don, I had one question for you, which is tied to business development. Certainly, the stock has done extremely well since you announced the Synacthen purchase. I mean, do you have any interest in doing additional business development over the next 12 months?

Don Bailey

Well, Tim, we certainly have done a lot already this year. We'd like to see our cash build back up, frankly. And we have a lot of integration work to do with Synacthen. So, I don't think we'll be doing anything else in the very near term, although we may — something small is always possible. We're very interested in anything that's in this melanocortin neighborhood.

And for those people who aren't totally familiar with this, melanocortin hormones come out of the pituitary gland, and both Acthar and Synacthen are in that family. And these melanocortin therapeutics seem to have a very good effect on diseases that are hard to treat.

So, we're very focused on that area right now, and if there's something that's in that sweet spot, then we might have some interest. Otherwise, I don't think we'll be doing anything else this year.

Tim Chiang

Okay. Great. Thanks.

Operator

David Amsellem, Piper, Jaffray.

David Amsellem

Just along the lines of business development, there's a lot of news flow these days about companies trying to buy down their tax rate. And, I guess, what are your thoughts about potentially over time, a transaction to put yourself in a more advantageous position from a tax perspective?

Don Bailey

That's an excellent question. And our asset is a US asset. It's really only sold here. I think it's a little bit more difficult for us to accomplish this; but certainly worth looking at. Mike, do you have any comment on it?

Mike Mulroy

I would just make the generic comment that a transaction would have to make sense on its merits. We'd look at it holistically and [that should be] part of that. But, yes.

David Amsellem

Thanks. And then my second question is on —

Don Bailey

But we did buy Synacthen in Ireland. So, we did form an Irish subsidiary to buy Synacthen, so — or, accomplished a transaction at least; we didn't technically buy it [there].

Mike Mulroy

Yes. So, the asset we bought from Novartis resides in an Irish sub of Questcor.

Don Bailey

Right.

David Amsellem

Then secondly —

Mike Mulroy

(multiple speakers)

David Amsellem

Secondly, on — and I joined late, so I apologize if you already addressed this. Can you remind us, if you haven't done so, what you think the duration of treatment should be in sarcoidosis?

Don Bailey

Well, that's a good question. And I think that right now we're — well, Steve, why don't I let you answer that question?

Steve Cartt

Yes. That's something we'll learn. Like Don mentioned, we have had a few prescriptions come in. It's kind of too-small sampling to draw any conclusions from.

But because, like I mentioned earlier, it does carry some similar traits to our rheumatological indications, and we seem to see about an average of five vials, that could be something we end up looking at down the road. But, again, it's too early. We haven't really seen enough prescriptions to draw any conclusions at all on that. But we'll keep you posted.

Don Bailey

Yes. And to remind all investors, over time the initial number of vials used for MS went down, and for nephrotic syndrome they went up. So, we've seen it go in both directions in rheumatology still, in the early days, and sarcoidosis even earlier. So —

Operator

(Operator Instructions). James Molloy, Janney.

James Molloy

Actually, I wonder if there's any follow-up on the sarcoidosis. Any anecdotal feedback you could share from the pulmonologists' success with the drug? I mean, five vials seems like a good number, and I guess we'll — as you just said, (inaudible) go up or down, we'll see as more scrips come in. Any sort of feedback from the field that you could share?

Don Bailey

Steve, have you got any comments?

Steve Cartt

Yes. It's, again, very small numbers. We have had positive feedback from a couple of doctors we've heard from. Obviously, throughout the pilot program, as prescriptions start to take hold a bit, and we hear some more feedback from doctors, and even from patients sometimes, on what they're seeing, using Acthar for sarcoidosis — we'll get a much better idea. We'd like to see a ramp-up in prescriptions, and prescriptions being covered by insurance, and also getting positive feedback from patients.

And then, if you overlay the positive results from clinical trials, our experience is that that bodes very, very well for developing a new market. We've seen that in our other areas, and hopefully that'll be the case with sarcoid. But again, it's — we're just the beginning of this.

Don Bailey

Yes, Jim. One thing we see over and over again is, doctors, in a lot of cases, aren't even aware that Acthar is approved for these conditions. So, if you talk to a pulmonologist, they might not even be aware that there's an approved therapy for sarcoidosis. We saw that with polymyositis. We've seen that over and over again, where doctors are surprised to hear that there's a therapy even available.

James Molloy

Maybe a quick follow-up. Is there sort of a cut-off level at which you'll say, all right, this is taking root and we're going to double the sales reps? And then maybe follow-up on that is, any price increases in the quarter?

Don Bailey

Well, we certainly will follow the same formula we've used up to now. We'll let the marketplace tell us when it's time to increase the sales force. As you know, with MS we went very gradually over a number of years. We went a little faster with nephrology, and we went much more quickly with rheumatology. so, we'll see how this goes. And yes, we did take a price increase — a small price increase in June.

Operator

Patrick Lin, Primarius Capital.

Patrick Lin

Congrats on the quarter. Just a quick question on whether or not you guys have any plans to do roadshows to meet and catch up with investors, please. Thank you.

Don Bailey

Sure, Patrick. Yes. We have a couple of roadshows in San Francisco and Toronto coming up. And then we'll be at a conference — we'll be at the Morgan Stanley Conference, and then I think headed to Chicago in September. So, we look forward to seeing those of you who are on that pathway.

Patrick Lin

Thank you.

Operator

I will now turn the call back over to management for closing remarks.

Don Bailey

Well, I want to thank all the investors for calling in. If you have further questions, please contact our IR team or management. We'll talk to you all later.

Operator

Ladies and gentlemen, this call will be available for replay today after 7.30 pm through August 6th, 2013 at 11.59 pm. You may access the replay by dialing 800-585-8367 or 404-537-3406, and entering access code 16591264.

That does conclude today's conference. You may all disconnect, and have a wonderful day.

NASDAQ: QCOR

Second Quarter 2013

Conference Call

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Conference Call Logistics

- Today's webcast, accompanying slide presentation and archived replay is available online at http://ir.questcor.com/events.cfm

- Telephone replay is available by dialing:
  - U.S.: (855) 859-2056.
  - International: (404) 537-3406.
  - Passcode: 16591264

Safe Harbor Statement

Note: Except for the historical information contained herein, this press release contains forward-looking statements that have been made pursuant to the Private Securities Litigation Reform Act of 1995. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "believes," "continue," "could," "ensuring," "estimates," "expects," "growth," "may," "momentum," "plans," "potential," "remain," "should," "start," "substantial," "sustainable" or "will" or the negative of such terms and other comparable terminology. These statements are only predictions. Actual events or results may differ materially. Factors that could cause or contribute to such differences include, but are not limited to, the following: Our reliance on Acthar for substantially all of our net sales and profits; Reductions in vials used per prescription resulting from changes in treatment regimens by physicians or patient compliance with physician recommendations; Our ability to receive high reimbursement levels from third party payers; The complex nature of our manufacturing process and the potential for supply disruptions or other business disruptions ;The lack of patent protection for Acthar; and the possible FDA approval and market introduction of competitive products; Our ability to continue to generate revenue from sales of Acthar to treat on-label indications associated with NS, MS, IS or rheumatology-related conditions, and our ability to develop other therapeutic uses for Acthar; Research and development risks, including risks associated with Questcor's work in the area of NS and Lupus, our reliance on third-parties to conduct research and development and the ability of research and development to generate successful results; The results of any pending or future litigation, investigations or claims, including with respect to the investigation by the United States Attorney's Office for the Eastern District of Pennsylvania regarding the Company's promotional practices and litigation brought by certain shareholders arising from the federal securities laws, currently pending in the United States District Court for the Central District of California; Our ability to comply with federal and state regulations, including regulations relating to pharmaceutical sales and marketing practices; Regulatory changes or other policy actions by governmental authorities and other third parties in connection with U.S. health care reform or efforts to reduce federal and state government deficits; An increase in the proportion of our Acthar unit sales comprised of Medicaid-eligible patients and government entities; Our ability to estimate reserves required for Acthar used by government entities and Medicaid-eligible patients and the impact that unforeseen invoicing of historical Medicaid prescriptions may have upon our results; Our ability to effectively manage our growth, including the expansion of our sales forces, and our reliance on key personnel; The impact to our business caused by economic conditions; Our ability to protect our proprietary rights; The risk of product liability lawsuits; Unforeseen business interruptions and security breaches; Volatility in Questcor's monthly and quarterly Acthar shipments, estimated channel inventory, and end-user demand, as well as volatility in our stock price; and Other risks discussed in Questcor's annual report on Form 10-K for the year ended December 31, 2012 as filed with the Securities and Exchange Commission, or SEC, on February 27, 2013, and other documents filed with the SEC.

The risk factors and other information contained in these documents should be considered in evaluating Questcor's prospects and future financial performance.

QUESTCOR®

Q2-2013 Financial Highlights

- 7,050 vials shipped
- $184.6M GAAP net sales; $196.1M Non-GAAP net sales
- $1.12 GAAP diluted EPS; $1.35 Non-GAAP diluted EPS

Note: See Reconciliation of Non-GAAP Adjusted Financial Disclosure slide 12.

QUESTCOR®

Foundation for Growth

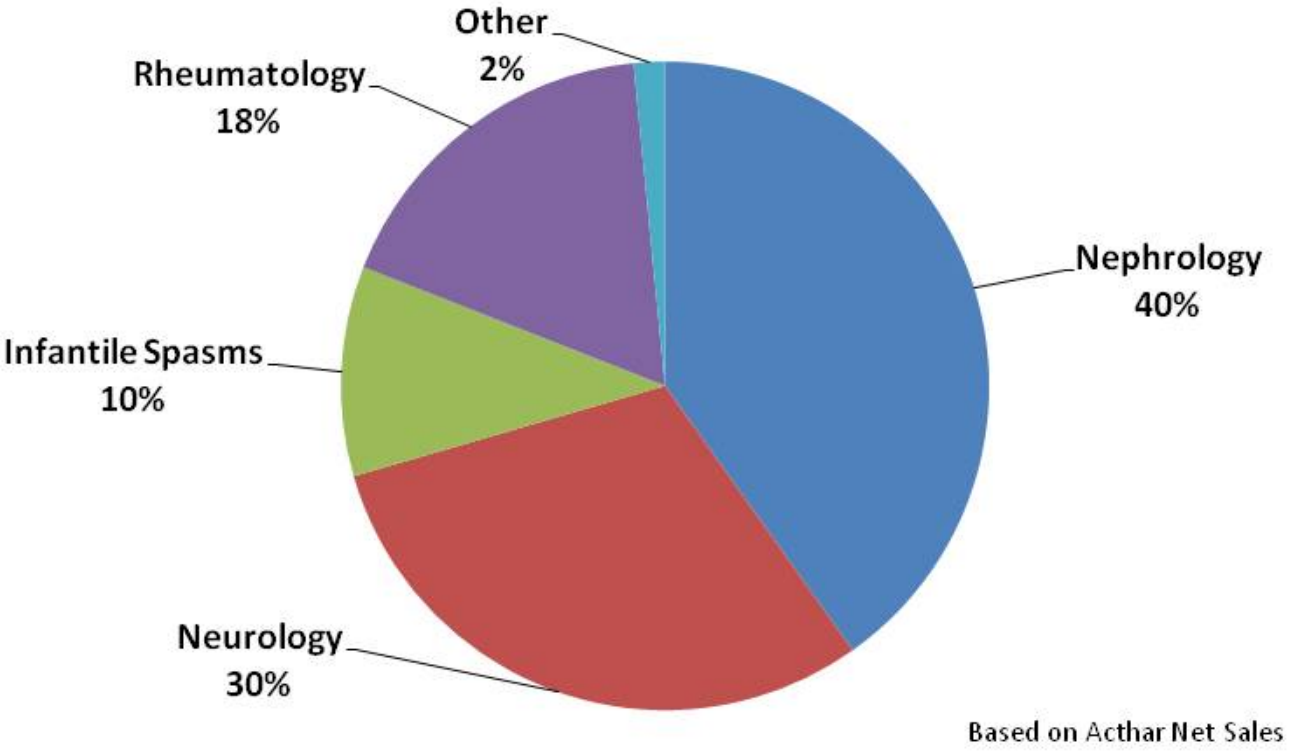
- Short-Term: Continue commercial pursuits in MS, NS, rheumatology and sarcoidosis. Investigate other on-label indications and build body of evidence.
- Mid-Term: Develop international market for Synacthen and develop it for U.S. market
- Longer-Term: New indications for Acthar, Synacthen and potentially other melanocortin therapeutics

New Paid Acthar Prescriptions by Therapeutic Area*

	Paid Rx	Comparison	
	Q2 – 2013	Q2 – 2012	Q1 – 2013
NS	**400 - 405**	**↑19%**	**↑3%**
MS	**1,285 - 1,295**	**↑12%**	**↑27%**
IS	**210 - 215**	**↑27%**	**↑37%**
Rheumatology	**315 - 320**	**N/M**	**↑122%**

* Includes prescriptions covered by commercial carriers, Medicare, Medicaid and Tricare in all periods regardless of the rebate percentage applicable in those periods.

Approximate Business Mix



Based on Acthar Net Sales

QUESTCOR®

Based on internal company estimates.

Stable Reimbursement Environment

- MDs typically reserve Acthar for when another FDA-approved treatment alternative is needed, usually after first-line therapy
  - Serious, difficult-to-treat medical conditions
- Coverage decisions are determined on a case-by-case basis, considering patient condition, disease severity, and treatment history
- Consistent level of insurance coverage over last several years
  - Prior authorizations and close payer scrutiny continue to be the norm

The Emerging Science Behind Acthar and Synacthen

Preclinical and Clinical Studies

- Understanding the biological properties of Acthar and Synacthen
  - Specific biochemical pathways, cells, and tissues
  - Immunomodulation and anti-inflammatory effects
- Further research related to on-label indications
  - Lupus
  - Idiopathic Membranous Nephropathy
- New Acthar indications being explored under IND
  - Diabetic Nephropathy
  - Amyotrophic Lateral Sclerosis

QUESTCOR®

ALS Phase 2 Open-Label Safety Study for Acthar

- **Goals**
  - Assess short-term safety and tolerability of Acthar in ALS
  - Inform dosage selection for future studies
- **Study Design**
  - Enroll up to 40 patients at multiple sites in U.S.
  - 8-week treatment, plus optional 28-week open label extension
  - Patients randomized to one of four dosing regimens

Findings to Drive Design for Pivotal Efficacy Study

QUESTCOR®

Q2-2013 Financial Results

	Q2 – 2013	Q2 – 2012	Change
Net Sales ($M)	**$184.6**	$112.5	64%
Net Sales ($M), Non-GAAP	**$196.1**	$112.5	74%
Fully Diluted, GAAP EPS	**$1.12**	$0.65	72%
Fully Diluted, Non-GAAP EPS	**$1.35**	$0.69	96%
Cash flow from operations ($M)	**$81.5**	$43.2	
Diluted shares outstanding	**61.5**	64.1	

Reconciliation of Non-GAAP Adjusted Financial Disclosure

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Adjusted net income	$83,323	$44,244	$128,987	$84,514
Share-based compensation expense (1)	(4,382)	(2,521)	(8,546)	(4,054)
Depreciation and amortization expense (2)	(1,882)	(218)	(3,131)	(412)
Interest expense associated with contingent consideration (3)	(194)	0	(391)	0
Compensation expense associated with BV Trust (4)	(193)	0	(339)	0
Foreign currency transaction loss (5)	0	0	(328)	0
Medicaid adjustment for 2002 - 2009 (6)	(7,717)	0	(7,791)	0
BioVectra purchase price adjustment (7)	168	0	169	0
Impairment of purchased technology (8)	0	0	(485)	0
Net income - GAAP	$69,123	$41,505	$108,185	$80,048
Adjusted net income per share - basic	$1.41	$0.72	$2.20	$1.36
Share-based compensation expense (1)	(0.07)	(0.04)	(0.15)	(0.07)
Depreciation and amortization expense (2)	(0.03)	0.00	(0.05)	(0.01)
Interest expense associated with contingent consideration (3)	0.00	—	(0.01)	—
Compensation expense associated with BV Trust (4)	0.00	—	(0.01)	—
Foreign currency transaction loss (5)	—	—	(0.01)	—
Medicaid adjustment for 2002 - 2009 (6)	(0.13)	—	(0.13)	—
BioVectra purchase price adjustment (7)	0.00	—	0.00	—
Impairment of purchased technology (8)	—	—	(0.01)	—
Net income per share - basic	$1.17	$0.68	$1.86	$1.28
Adjusted net income per share - diluted	$1.35	$0.69	$2.13	$1.29
Share-based compensation expense (1)	(0.07)	(0.04)	(0.14)	(0.06)
Depreciation and amortization expense (2)	(0.03)	0.00	(0.05)	(0.01)
Interest expense associated with contingent consideration (3)	0.00	—	(0.01)	—
Compensation expense associated with BV Trust (4)	0.00	—	(0.01)	—
Foreign currency transaction loss (5)	—	—	(0.01)	—
Medicaid adjustment for 2002 - 2009 (6)	(0.13)	—	(0.13)	—
BioVectra purchase price adjustment (7)	0.00	—	0.00	—
Impairment of purchased technology (8)	—	—	(0.01)	—
Net income per share - diluted	$1.12	$0.65	$1.79	$1.23
Net sales - Questcor	$177,045	$112,452	$303,817	$208,421
Net sales - BioVectra	7,528	0	15,885	0
Consolidated net sales	184,573	112,452	319,702	208,421
Medicaid adjustment	11,500	0	11,500	0
Adjusted consolidated net sales	$196,073	$112,452	$331,202	$208,421

Net income per share – basic and diluted may not foot due to rounding.

Use of Non-GAAP Financial Measures
Our "non-GAAP adjusted net income" excludes the following items from GAAP net income:

1. Share-based compensation expense.
2. Depreciation and amortization expense, including amortization expense on our purchased intangibles.
3. Interest expense associated with the net present value adjustment on our contingent consideration.
4. Compensation expense associated with the BV Trust agreement.
5. Foreign currency transaction loss.
6. Medicaid adjustment for prior period 2002 - 2009
7. BioVectra purchase price adjustment related to a labor rebate received in the second quarter 2013
8. Impairment of purchased technology related to our acquisition of Doral.

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Q2-2013 Financial Highlights

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- $1.12 GAAP diluted EPS; $1.35 Non-GAAP diluted EPS

Note: See Reconciliation of Non-GAAP Adjusted Financial Disclosure slide 12.

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Second Quarter 2013

Conference Call

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