- Intermezzo net sales of $6.4 mm were $11.0 mm or 63.5% less than budget due to lower demand.

2013 year-to-date actual net sales of $982.9 mm were lower than 2012 by $81.9 mm or 7.7%. This variance was primarily driven by lower OxyContin net sales of $97.2 mm offset by an increase in Butrans net sales of $11.2 mm and Intermezzo net sales of $3.0 mm.

The Mid-Year Forecast reduced the 2013 budgeted net sales from $2,410.3 million to $2,107.2 million, or $303.1 million, to account for the OxyContin and Intermezzo sales trends described above. Year-to-date June sales are in line with the Mid-Year Forecast.

Operating Budget

The 2013 S&P budget is $309.9 mm, which is 12.9% of total net sales budget of $2,410.3 mm.

2013	Actual		Budget		Prior Year	
	$MM	% net sales	$MM	% net sales	$MM	% net sales
Q1	81.7	17.7%	75.8	13.2%	68.3	13.4%
Q2	65.9	12.6%	82.4	13.3%	78.1	14.0%
Q3	-	-	77.9	12.6%	76.8	14.4%
Q4	-	-	73.8	12.3%	82.7	13.7%
Total	147.6	15.0%	309.9	12.9%	305.7	13.9%

S&P expense of $147.6 mm was $10.6 mm lower than budget due to timing - lower OxyContin promotional spend ($2.8 million) and lower Butrans promotional spend ($3.0 million), lower people driven expenses ($2.8 million) partially due to higher than budgeted vacancies in the Analgesic Sales Force and lower sales bonus, lower expenses related to the contract sales force ($1.3 million) largely driven by vacancies (10%), and all other ($0.6 million).

S&P expense of $147.6 mm was $1.3 mm higher than prior year primarily due to higher Intermezzo promotional spend ($6.0 million), lower spending in the contract sales organization ($12.0 million) due to a reduction from 275 representatives in first half of 2012 to 90 through May 2013, higher people driven expenses primarily due to higher sales bonus ($2.9 million), and all other ($4.4 million).

The Mid-Year Forecast reduced the budgeted S&P spend from $309.9 million to $288.3 million - related to reductions in Intermezzo contract sales force and promotions of $11.6 million and additional targeted reductions of $10.0 million. Actions are in process to realize these reductions.

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Business Unit Performance

Each Branded Business Unit will strive to maintain its budgeted contribution on net sales: OxyContin $1,672.6 mm/77.9% of net sales, Butrans negative $25.0 mm, Intermezzo negative $19.5 mm, Laxatives $21.3 mm/43.8 % of net sales. Q2 2013 targets and results are detailed below.

	2013 Target Gross ($MM)	*2013 Target Net ($MM)*	*2013 Target Product Contribution ($MM)*	*2013 Target Product Contribution (%)*	*YTD Actual Gross ($MM)*	*YTD Actual Net ($MM)*	*YTD Actual Product Contribution ($MM)*	*YTD Actual Product Contribution (%)*
OxyContin	$2,916.5	$2,147.6	$1,672.6	77.9%	$1,191.0	$878.1	$651.4	74.2%
Butrans	$160.0	$126.9	($25.0)	N/A	$64.0	$52.2	($15.0)	N/A
Intermezzo	$57.6	$44.0	($19.5)	N/A	$4.9	$6.4	($30.1)	N/A
Laxatives	$49.3	$48.6	$21.3	43.8%	$25.0	$24.4	$9.5	38.9%

OxyContin's product contribution of $651.4 mm was lower than budget by $164.0 mm. This variance was driven by lower net sales of $192.9 mm offset by lower COGS/ Royalties of $18.0 mm and lower all other expenses of $11.0 mm. Year-to-date product contribution is in line with Mid-Year Forecast, with the exception of trade inventory running $39.0 million below the Mid-Year Forecast and timing.

Intermezzo's product contribution of ($30.1 mm) was lower than budget by $11.1 mm. This variance was primarily driven by lower net sales of $11.0 mm. Year-to-date product contribution is in line with Mid-Year Forecast.

Butrans product contribution of ($15.0mm) was lower than budget and Mid-Year Forecast by $0.9 mm. The variance was primarily driven by lower net sales of $6.8 mm offset by lower spending of COGS/Product Spending of $4.4 mm and lower R&D expenses /other of $3.3 mm.

OTC's product contribution of $9.5 mm was lower than budget and Mid-Year Forecast by $0.6 mm. The variance is primarily driven by higher net sales of $0.3 mm offset by higher COGS /Shipping of $1.0 mm largely driven by timing of samples and higher inventory write offs and freight charges.

Purdue Analgesic Sales Force

June YTD 2013 Performance by product is detailed below:

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Calls by Product
2013 Budget v. Actual
June YTD

Primary Calls	Budget	Act	Var	Budget	Act
Butrans	181,986	213,267	31,280	50%	64%
OxyContin	181,986	117,820	(64,166)	50%	36%
Total Primary Calls	363,973	331,087	(32,886)	**100%**	**100%**

Secondary Calls	Budget	Act	Var	Budget	Act
OxyContin	163,788	182,574	18,786	45%	55%
Butrans	163,788	111,833	(51,955)	45%	34%
Total Secondary Calls	327,575	294,406	(33,169)	**90%**	**89%**

Tertiary Calls	Budget	Act	Var		
Intermezzo	127,390	226,959	99,568		
Total Tertiary Calls	127,390	226,959	99,568	**35%**	**69%**

PDEs	Budget	Act	Var
Butrans	263,880	269,183	5,303
OxyContin	263,880	209,107	(54,773)
Intermezzo	12,739	22,696	9,957
Total PDEs	540,499	500,986	(39,513)

Calls	Budget	Act	Var
Butrans	345,774	325,099	(20,675)
OxyContin	345,774	300,394	(45,380)
Intermezzo	127,390	226,959	99,568
Total calls	818,938	852,452	33,514

Result: 2013 June YTD presentations are below goal. This was primarily driven by higher than budgeted vacancies (averaging 3.5% versus budget of 2.5%) and lower calls per day (6.9 actual versus 7.1 goal). During Q2 2013, OxyContin primary sales calls increased versus the first quarter, up 10 points to an average of 40% of all prescriber calls, but still below budget target of 50%. Butrans primary presentations are ahead of budget year-to-date. Overall secondary calls for OxyContin and Butrans are on budget, with 89% of all prescriber calls including a second position presentation for either OxyContin or Butrans. Finally, Intermezzo tertiary calls are above budget at 69% of all calls versus a budget of 35%. Continued efforts are being made at the field-management level to improve implementation of the call objectives. Most notable is the increase in OxyContin primary presentations through improved planning, continued monitoring of

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implementation and increased communication to the field in order to reinforce the importance of achieving the established call objectives.

2013	Call Goal	Calls Made	Difference	% to Goal
Q1	172,788	153,314	-19,474	89%
Q2	191,184	177,773	-13,411	93%
Q3	196,845	0	0	0%
Q4	183,960	0	0	0%
Total	744,777	331,087	-32,885	44%

Source: Weekly Metric Report through June 28, 2013.

Result: Second quarter prescriber calls totaled 177,773, which was 13,411 behind budgeted calls or 93% of budget. This was primarily driven by higher than budgeted vacancies (3.0% vs. 2.5 %.). Turnover in the 2nd quarter was lower than the 1st quarter (3.0% versus 4.1%) and call average lower than budget (6.9/day versus 7.1/day). Efforts to reduce turnover, as was seen in 2nd quarter versus 1st quarter, as well improvement upon call averages will continue.

2013	Daily Average Call Target	Daily Call Average Actual	Prior Year
Q1	7.1	6.8	7.0
Q2	7.1	6.9	7.0
Q3	7.1		7.0
Q4	7.1		7.0

Result: The average physician calls per day for Q2 2013 were 6.9. This was slightly below the objective of 7.1 calls per day and has increased versus Q1. Call productivity is expected to increase towards the targeted goal throughout 2013. Vacancies in Q2 averaged around 3.0%, which is slightly higher than the budgeted 2.5% vacancy rate but less than the Q1 average of 4.1%.

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Intermezzo Sales Force

The Intermezzo Sales Force was discontinued May 13, 2013. Prior to that, the 2013 Budgeted prescriber call target was 131,946 with a daily call average of 7.5 prescribers per day.

June YTD 2013 Performance by product is detailed below, which includes calls by the Intermezzo Sales Force through May 13, 2013, after which promotion of the product continued with the Analgesic Sales Force.

2013	Call Goal	Calls Made	Difference	% to Goal
Q1	30,611	34,340	3,729	112%
Q2	33,870	16,624	-17,246	49%
Q3	34,873	0	0	0%
Q4	32,591	0	0	0%
Total	131,946	50,964	-13,518	39%

Source: Phoenix Territory Management System

Result: The average physician calls per day for Q2 2013 is 8.2 calls per day. This is above the objective of 7.5 calls per day.

2013	Daily Average Call Target	Daily Call Average Actual
Q1	7.5	8.0
Q2	7.5	8.2
Q3	7.5	
Q4	7.5	

Marketing & Sales Department Key Initiatives

Butrans® Brand

In the second quarter, the Analgesic Sales Force (ASF) received follow up training on sales materials introduced at the National Sales meeting. Newly introduced were two new patient profiles designed to improve patient identification and titration:

- Market Research background
  - 73% of 5 mcg Butrans patients discontinue therapy by day 35
  - 83% of patients who discontinued were never titrated to higher doses

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- When asked why they do not prescribe Butrans, HCPs often say they have not identified the "right patient"

- Patient profiles might be useful tools to help HCPs
  - Identify patients
  - Start them on the right dose
  - Titrate them if necessary

Butrans Speaker Programs

The ASF is actively engaged in implementing speaker programs for Butrans. Analysis demonstrated the following:

- Incremental full costs ROI (Dinner Program): 0.41 While the ROI is not positive, speaker programs continue to be an important source for educating HCPs about appropriate use of Butrans and support the overall marketing mix. To improve the ROI of these programs, additional training is underway to help the sales force identify the best candidates to invite to the programs, this includes:
  - Invite Super Core targets rather than Core targets that are Brand and Extended Release Opioid (ERO) decile 8-10 and Immediate Release Opioid (IRO) decile 10 HCPS as they generate the highest Rx lift
    - Higher Brand and Market decile attendees appear to be more responsive in each specialty group.
  - Invite Primary specialists as because they continue to show the highest responsiveness, followed by Nurse Practitioners/Physician's Assistants (NP/PA).
  - Following attendance at a program, HCPs must receive follow up sales calls to reinforce what was learned and to identify an appropriate patient type to start on Butrans
- We have shared the ROI results with senior sales management and discussed whether or not to continue speaker programs in 2014. Because they are deemed an important part of the overall promotional mix, we plan to continue speaker programs into next year allowing for about 1.5 speaker programs per sales representative. We will continue to monitor the ROI and the efforts to improve attendance.
- Because speaker programs delivered during lunchtime have not shown to be as responsive as those delivered over dinner, we have discontinued the lunchtime speaker programs effective August 1, with the exception of Minnesota since Minnesota does not allow speaker programs over dinner, only during lunch hour.

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Butrans eMarketing Initiatives

In the second quarter, implementation of the Butrans HCP Relationship Marketing Program continued. The program includes interactive components, such as eMail series on Butrans-related topics, Search Engine Marketing, Web site interactions, online display advertising, and the "Initiations" Case Study iPad program.

As of the end of May, 3 of the 5 "Reach Tactics" were close, or above, the target goal for the period. The other two goals were for the online advertising program, which was paused due to labeling updates that were made. That occurred in early June and will be reported on in the next report.

As of the end of May, 4 of 7 Engagement Tactics were at or significantly above goal. Both Program and Display advertising were paused due to labeling updates but were back online in early June and will be reported on in the next report.

The flagship series of Butrans eMails are the Recruitment eMails. This series is designed to recruit target HCPs to go to Butrans websites and engage with Butrans online assets. YTD over 248K Recruitment eMails have been sent with an open rate exceeding our goal of 3.2%. Click-through rate for these eMails met our target goal of 3.2%. In addition to the Recruitment eMails, the Pharmacy & Therapeutic commercial and Medicare Part D eMail series and the Initiation Dose eMail series were launched during the period informing our Target HCPs of the need to select the appropriate dose of Butrans when initiating the product.

Search Engine Marketing (SEM) is actively driving HCPs seeking information associated with Butrans to educational information about the product on Google, Yahoo and Bing search engines. These search engines drive traffic to either Butrans.com or the Butrans pages on PurdueHCP.com. By the end of May the Search campaign had exceeded its impression goal by 128% achieving 4.8 million search impressions. These impressions resulted in over 41 thousand clicks, 126% of goal, to the combined sites at a cost of $2.75 a visit.

Visits to Butrans.com, as well as Butrans content located on PurdueHCP.com, continued to exceed goals. By the end of June there were 56K visits to PurdueHCP.com. The visits to Butrans.com includes visits to the mobile Butrans.com which was created for visitors using smartphones and other mobile devices and now accounts for 22% of all visits to Butrans.com.

To support the Sales Force, an Initiations 2.0 iPad Patient Vignette app was launched. This app has 5 case studies for representatives to engage their target HCPs during in-services to determine which patients are appropriate for Butrans and if appropriate what starting dosage should be used.

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OxyContin® Tablets Brand

In the second quarter, the Analgesic Sales Force (ASF) received training at the May District Meetings on the approved language for the OxyContin Full Prescribing Information that describes the abuse deterrence studies conducted with the reformulated tablets.

The sales representatives were provided talking points on how to appropriately introduce the new label information to healthcare professionals (HCPs) utilizing the OxyContin Full Prescribing Information as well as a Reference Guide to help answer potential questions that may arise as a result of the label update.

An OxyContin Label Update "Leave Behind", which incorporates comments received from FDA's Office of Prescription Drug Promotion (OPDP), will be provided to the ASF for dissemination to their HCPs in July to help further communicate the labeling update.

The new sales materials introduced include:

- iPad Interactive Patient Case Vignettes
- Updated PBM "leave behind" visual aid
- Relationship Marketing (RM) invitations
- Pharmacist Information Guide

The new sales material support the primary promotional messages for OxyContin, which is centered on supporting HCPs in selecting appropriate patients who meet OxyContin's indication. This includes a continued focus on the appropriate initiation and titration of OxyContin, stressing the "Individualize the Dose" message, and Managed Care pull-through messaging of formulary coverage and the patient savings program.

OxyContin's formulary coverage for both commercially-insured lives, as well as Medicare Part D lives, is a competitive advantage that continues to resonate well with HCPs.

OxyContin Medical Journal Advertisement

A new OxyContin medical journal advertisement was developed to highlight the brand's Medicare Part D coverage. The advertisement was launched in June in the Annals of Long Term Care. Targeted to HCPs that practice in the long term care setting this journal ad reinforces the brand's excellent Medicare Part D coverage and leverages images of older patients.

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OxyContin Patient Savings Program

Approximately 13% of all prescriptions for OxyContin include redemption of either a savings card or eVoucher. Savings cards represent approximately 3% of redemptions, with eVouchers accounting for approximately 10% of redemptions.

For the first quarter, there were approximately 29,000 redemptions for the savings card and approximately 152,000 redemptions for the Relay Health (eVoucher) program. Analysis conducted in 2012 demonstrated that there is a positive ROI and prescription lift associated with prescribers who utilize the Savings Program. Analysis also demonstrated that patients who redeem a savings card or eVoucher remain on therapy longer than patients who do not.

Based on the findings of this analysis, several eMarketing initiatives are being implemented to increase awareness with prescribing HCPs about the availability of the patient savings program. The OxyContin Patient Savings Program is available to HCPs to print off at PurdueHCP.com and then provided to patients to redeem at retail pharmacies when filling their prescription for OxyContin.

OxyContin eMarketing Initiatives

In the second quarter of 2013, there was continued implementation of the OxyContin HCP Relationship Marketing Program. The program has been expanded to now reach approximately 76k HCPs, which is an increase from 72K HCP in Q1. The program includes a variety of activities for reaching, and engaging, the targeted HCPs. These include "interactivity invitations", an email series on OxyContin-related topics, Search Engine Marketing and Online Display Advertising. Core Brand information is provided on the PurdueHCP.com web portal, which contains available materials (such as Managed Care formulary status and Patient Saving Cards) for healthcare professionals to engage and educate themselves, peers, and patients. These eMarketing initiatives reinforce the branding, positioning, and key selling messages of OxyContin.

Recent data as of the end of May has all four Reach Tactics achieving or exceeding its year-to-date (YTD) goals. Of note, the Search Engine Marketing Impressions were at 150% of goal which caused the Portal Visits to exceed its goal by 228%.

As of the end of May, we achieved all six of the proposed Engagement Tactics with the exception of Search Engine Marketing (SEM) Click Thru Rate (CTR) metric of .72% versus the goal of 1.26%. Site Registrations, Savings Card Downloads and Fingertip Formulary Lookup exceed their goals significantly.

To support the Sales Force, an iPad Patient Vignette app was launched. This app has 5 case studies for representatives to engage their target HCPs during in-services to determine which patients are appropriate for OxyContin and if appropriate what

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starting dose should be used. The cases go on to require a dose titration to help the HCPs understand how to appropriately titrate patients by reinforcing the S.T.A.R.T. Titration Principles introduced in Q1.

This campaign was introduced to assist the ASF representatives in communicating the key elements of appropriate OxyContin titration. It also allows for an easy way to remember the key elements when titrating patients to the appropriate OxyContin dose. S = Supplement with an immediate-release analgesic, T = Titrate every 1-2 days as needed, A = Adjust the dose by 25%-50%, R = Reassess the patient's analgesia and tolerability throughout the treatment, and T = Tailor the dose based on the reassessment, titrating up or down.

Email Initiatives

OxyContin Patient Savings Card expiration emails were developed to inform HCPs of the 2013 savings update to $90 in an effort to increase savings card redemptions. New cards are released annually in January and expire on March 31st the following year. In order to minimize disruptions between offer periods, the expiration date of existing savings cards was extended so that patients with 2012 savings cards will be automatically rolled over to the new 2013 program with the enhanced savings of up to $90. This email drove downloads of the 2013 $90 savings card to ensure patients continue to save on their OxyContin prescriptions.

Emails targeted towards HCPs practicing in Massachusetts were also developed to remind them that the use of patient savings cards are now permissible in Massachusetts and that they can download OxyContin Savings Cards at PurdueHCP.com. Previous law in Massachusetts had prohibited the dissemination of Savings Cards to HCPs for all pharmaceutical products.

On April 16, 2013 the FDA determined that the original OxyContin extended release tablets were withdrawn from commerce for reasons of safety or effectiveness. The FDA stated that they will not accept or approve any abbreviated new drug applications (generics) that rely upon the approval of original OxyContin. In addition, the FDA approved new language in the OxyContin label that describes the abuse-deterrence studies conducted with the reformulated tablets. In an effort to increase HCP awareness of this decision, and the reformulation, an announcement email driving HCPs to the press release on the Purdue Pharma corporate site was sent to HCPs within the RM program.

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Intermezzo® Brand

During early second quarter, a decision was made to discontinue the Contract Sales Organizations (CSO) in May 2013. The ASF was directed to include Intermezzo in a primary position on retail pharmacy calls.

Sales Material:

New materials included a promotional piece that is designed to be utilized with retail pharmacists. It stresses the fact that no other product is AB-rated to Intermezzo, or shares the same indication. This is designed to educate retail pharmacists, and at the same time minimize "switches" at the retail pharmacy from Intermezzo to generic immediate-release zolpidem (Ambien). In addition, a clinical "backgrounder" was introduced. It provides details regarding the two Intermezzo efficacy studies. This is designed to support the representatives in their promotional efforts, demonstrating the efficacy of Intermezzo.

There was also a new sales aid developed to remind HCPs of the Intermezzo indication and how to write a prescription, since the doses are new to HCPs, as is the "prn" indication. This is a supplement to the Core visual aid. Furthermore, both the ISF and ASF were provided a new DTC Patient Brochure, which can be left in HCP waiting rooms and provides valuable information for the patient. Along with the material being utilized by the ISF and the ASF, they are actively implementing other initiatives to support the promotion of Intermezzo.

In-service Initiative:

During the second quarter, the ASF was directed to identify 10 offices where there was high potential for Intermezzo. These 10 offices would be provided an Intermezzo in-service. They were directed to utilize the "Five Patient Vignettes/Case Studies", as well as existing material, to support the promotional messaging/positioning. Analysis is underway to measure the impact of these in-services on prescribers within the 10 offices per territory. Results will be provided during the third quarter.

Intermezzo Patient Savings Program

For the first half of 2013, web generated savings cards represented 19% of all savings cards redeemed. In the final few weeks of the second quarter, there were two weeks in excess of 25% of all redemptions occurring from web generated savings cards.

Intermezzo Sample Program

There were 5,233 Trial Offer redemptions processed in the first half of 2013. Web generated Trial Offer cards represented 18% of Trial Card redemptions.

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Intermezzo Speaker Programs

Through the end of the second quarter, seventy-seven speaker programs have been completed, with 758 confirmed HCP attendees as of the June report. The speaker programs are currently averaging eleven HCP's per event. The Intermezzo speaker program officially ended July 1st.

Professional Television Network (PTN) - Healthcasts

The Intermezzo Brand Team has developed video for PTN. Program to-date through June 21st has reached a viewership total of 2,796 prescribers, versus a goal of 3,000 high decile physicians.

Intermezzo eMarketing (Healthcare Professionals)

As of the end of June almost 4.1 Million eMails have been sent to the 100,000 Target HCPs. Slightly over 5.8% of these messages are opened exceeding our goal of 5% and these "opens" resulted in 8.2K clicks to the Intermezzo web properties for HCPs.

Slightly over 2MM online media impressions were delivered to HCPs YTD via the sites listed in the table below. These impressions resulted in 2.5K visits to **IntermezzoRx.com**

Over 77K visits to IntermezzoRx.com occurred by the end of June 2013 with most of these coming from Search Marketing and online advertising promotion. Average visits per month dropped during April, May and June compared to the first three months of the year as a result of the lack of consumer DTC promotion during these months. The table below illustrates the drop in visits as the DTC advertising decreased.

To support the Analgesic Sales Force doing Intermezzo in-services interactive Patient Vignettes were launched to Field Reps. The vignette program consists of 5 interactive cases where the HCP decides if the hypothetical patient is appropriate for Intermezzo and, if appropriate, what is the correct dose for that patient.

Intermezzo eMarketing (Consumer)

Intermezzo Consumer eMarketing initiatives significantly changed in the second quarter of 2013 with the conclusion of the DTC Online Banner and Search Advertising. Traffic generated to the site dropped from 100,000 visits a month to 1,000 visits a month. Without the major DTC programs, the team focused on programs Purdue could manage by itself including:

- Visits to myIntermezzo.com including the mobile version of the site

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- The launch of WebMD Take Action Program
- The launch of the Facebook.com/myIntermezzo pages

Visits to myIntermezzo.com were over 385,000 YTD June with April, May and June contributing less than 5K visits. The primary traffic drivers to the site were Direct Referrals (people typing in the address on their computers) driving 70% of visits and Search driving 22% of visits.

The WebMD Take Action Program (TAP) launched in mid-May and will run until mid-August. The program consists of 11 pages of Intermezzo content placed within the Insomnia area of WebMD.com. Included on the 11 pages are Questions to ask your MD, Savings and Free Trial Offer Cards, View the Commercial, Important Safety Information, What is MOTN insomnia, as well as other content sourced from myIntermezzo.com.

Custom driver ads on WebMD.com drive interested WebMD visitors to the Intermezzo content and to interact with that content. In addition, advertising drivers were added to Medscape.com to engage the HCP community and drive them to the TAP program residing on WebMD.com. Results will be available next report.

The myIntermezzo Facebook pages places Intermezzo content on the world's largest social media site. The content includes Information about Intermezzo, Important Safety Information, Savings and Free Offer Card information, photos, status updates and the opportunity to view the Intermezzo commercial. The page has the option to "disable comments" from outside users. Visitors to the page are encouraged to "Like" or "Share" the page to expose additional Facebook users to the page. As of the end of June the site had the endorsement of 50 different Facebook users in the terms of "Likes" of the page. A memo was issued that - per Purdue HR policy - employees are not allowed to "Like" or "Share" the page. Promotion of the page will begin in July.

Purdue Laxative Brands

The most significant initiatives during the second quarter were focused on supporting efforts to gain increased distribution for both Colace and Senokot. A major achievement was placing Senokot TO GO®– in Dollar Stores, which represents a new class of trade for the brands and additional distribution. Each brand is being supported by account specific social media postings and retail specific emails are being sent to customers that have opted-in to receive information through our expansive Customer Relationship Marketing initiatives. This is aimed at establishing an ongoing "relationship" with loyal customers.

Colace and Senokot brands are now represented on Twitter and Facebook.

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During the second quarter the Customer Relationship Marketing (CRM) program continued. In addition, the brands were supported by instant redeemable coupons, bonus packs and a national free standing insert coupon.

Managed Care Update

The tables below depict the formulary status of Purdue products in three major payer channels. Included in the tables are the percentages and number of lives in each formulary category/tier, and a brief summary follows for each channel with major customers and developments/status changes in the second quarter of 2013.

2013 - Formulary Status Quarterly Update Grid

				% Lives Covered/Not Covered			
Product	**Payor Channel**	**Formulary Status**	**2013 Goal**	**Q1**	**Q2**	**Q3**	**Q4**
OxyContin	Commercial	T2	86%	85%	85%	TBD	TBD
		T3 Open	5%	4%	4%	TBD	TBD
		T3 Restricted		4%	5%	TBD	TBD
		NOF		8%	6%	TBD	TBD
	Medicare Part D	Preferred	57%	49%	51%	TBD	TBD
		Covered	13%	13%	12%	TBD	TBD
		NOF		38%	38%	TBD	TBD
	Medicaid	On PDL		2%	2%	TBD	TBD
		Off PDL		98%	98%	TBD	TBD
Butrans	Commercial	T2	35%	31%	32%	TBD	TBD
		T3 Open	45%	49%	49%	TBD	TBD
		T3 Restricted		9%	9%	TBD	TBD
		NOF		10%	10%	TBD	TBD
	Medicare Part D	Preferred	10%	1%	7%	TBD	TBD
		Covered	20%	11%	12%	TBD	TBD
		NOF		88%	81%	TBD	TBD
	Medicaid	On PDL		16%	20%	TBD	TBD
		Off PDL		84%	80%	TBD	TBD
Intermezzo	Commercial	T2	10%	10%	10%	TBD	TBD
		T3 Open	45%	26%	26%	TBD	TBD
		T3 Restricted		26%	28%	TBD	TBD
		NOF		37%	37%	TBD	TBD
	Medicare Part D	Preferred		0%	0%	TBD	TBD
		Covered		10%	9%	TBD	TBD
		NOF		90%	91%	TBD	TBD
	Medicaid	On PDL		5%	6%	TBD	TBD
		Off PDL		95%	94%	TBD	TBD
	Lives			**Q1**	**Q2**	**Q3**	**Q4**
	Commercial			210,393,154	210,602,346		
	Medicare Part D			30,685,085	32,263,032		
	Medicaid			52,631,132	52,546,204		
Total National Lives				**293,709,371**	**295,411,582**		

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OxyContin (Commercial)

OxyContin continues to maintain "best in class" access and is the only extended-release opioid brand with more "unrestricted" access than restrictions. The 2013 objective is to maintain the current level of preferred-brand/2nd Tier status of 85% of lives covered. OxyContin commercial national market share exceeds 26% and major health plans and pharmacy benefit managers with OxyContin in a preferred status exceed the national market share.

The OxyContin label change announcement was met with mixed responses from our major managed care customers. The negative comments stemmed from the customers' realization that generic formulations of OxyContin are not likely to appear in the immediate future, and as such they will need to continue paying "brand" prices for the product. Very few of these customers seemed to appreciate/recognize the value of the AD properties of the reformulated product.

Butrans (Commercial)

In mid-fourth quarter 2012, Aetna's commercial prescription plan elevated Butrans to a preferred formulary position (approximately 8mm lives nationally). This formulary position was followed by an extensive national pull-through program, and through the first 5 months of this program, Aetna prescriptions have increased by 34%.

OxyContin (Medicare Part D)

OxyContin continues to have favorable status for 2013 Medicare Part D formularies, with over 57% of eligible patients having access to OxyContin on Medicare Part D formularies across the nation.

OxyContin Medicare Part D national market share exceeds 20%. Generic fentanyl patch (market share of 27.2%), generic extended- release morphine (market share of 30.4%), and methadone (market share of 15%) all have market share increases in the last 12 months in this channel. Over 9 out of every 10 patients in this market channel receiving a prescription for an extended release opioid will receive one of these four products

Butrans (Medicare Part D)

Butrans formulary approvals in Medicare Part D have accelerated in the last quarter, with Medco Medicare D announcing that not only will Butrans be a formulary item on their Choice and Value Med D plans as of January 2014, but Medco Medicare D has added Butrans effective June 1, 2013. Medco Med D covers 3.5mm patients nationally - which is close to 10% of all Medicare D recipients.

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Forecasting, Analytics and Market Research (FAMR)

During the second quarter the major focus was devoted to launch preparations for ONU and HYD.

For ONU, positioning research was completed. This will provide additional insights into the product's optimal positioning statement(s). These statements will be used to generate messages that will be tested in additional market research.

For HYD positioning research is being initiated. The research group is also closely monitoring the market impact as a result of the conversion of HYD/APAP in New York State to Schedule II from Schedule III. Since its status change in New York, HYD/APAP volume has declined by 10% - with oxycodone IR, oxycodone/APAP and codeine combinations appearing to pick up the volume. A national conversion to schedule II for HYD/APAP could mean an increased opportunity for HYD, so this is being monitored closely.

FAMR is in the process of completing a benchmarking study designed to strengthen the Competitive Intelligence function. Additional work is being done with a third-party vendor, TGaS, to formulate a strategic plan for FAMR. This will likely include some changes in structure and function. FAMR is working with the IT Department to consolidate all data into a single database. This will enable data to be extracted more efficiently, allowing for greater effectiveness in regards to being able to provide more detailed and timely analyses.

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INTERMEZZO Objectives	Key results	Recommended Actions/Potential Actions
Intermezzo Speaker Program (refresh with Jun 12- Jan 13 cohorts) Completed 2nd QTR 2013 To Determine TRx impact and ROI of Speaker Program	- Incremental full costs ROI: 0.09 - Incremental TRx lift/HCP: 0.78 (slightly statistically significant) - There appears to be sensitivity to call frequency post attendance - Psychiatrists with Market Decile 10 had the highest responsiveness while all other market deciles still had positive TRx lift over control, albeit at a reduced level - Intermezzo super core targets appear to have higher responsiveness than core targets - Number of calls delivered post speaker program seems to be the most sensitive variable, corresponding to higher percentage of HCPs with positive TRx lift - 92% of matched to control attendees did not prescribe Intermezzo prior to Speaker Event. 18% of non-prescribers had some responsiveness post Speaker Event	- Make all effort to enroll insomnia market decile 10 HCPs - Recruitment of high market decile Psychiatrists, PCPs, and NP/PAs will likely improve program effectiveness - Continue engagement through field force post speaker event - Consider scaling back speaker programs or halt speaker programs as overall there seems to be low ROI performance

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OXYCONTIN Objectives	Key results	Recommended Actions/Potential Actions
Sources of higher strength and tablets dispensed declines (internal) - Understand the sources of decline of the OxyContin's 40, 60 and 80mg strengths since the launch of the reformulation - understand the sources of the declines of the tablets per Rx dispensed across all strengths	- The decline in higher strengths is occurring market-wide, affecting products in addition to OxyContin. - Decreasing switches from IR/Combination opioids to the ERO class and decreasing up-titration appear to be drivers - Decreasing tablets per Rx is also a market-wide phenomenon - For most products, there isn't a strength-related factor to the decline in number of tablets per Rx, though for OxyContin the 10mg has declined somewhat more than the others - There is minimal regionality to the trend – all regions appear to be declining relatively equally, though there is some variation at the state level - The bulk of the trend is coming from the lowest decile physicians	- Additional analysis is being conducted at the physician level by McKinsey (below) - Reasons for decline will be explored by McKinsey and in primary research we are going to conduct in 2013
OxyContin Drivers and Tactics (McKinsey) - Confirm internal findings re: current product and market trends. Identify specific reasons for those	- TBD	- Implement proposed marketing and sales tactics - Further quantify findings and track results

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trends - Conduct additional analysis at the region, state, zip code and physician level to attempt to isolate physicians or geographies - Conduct qualitative research with physicians, payors and pharmacists to strive drive to understand how the dynamics of the opioid prescribing environments have changed and are affecting them - Test strategies through field experiments - Propose specific strategies and tactics to help improve business		of new tactics
OxyContin Physician Qual/Quant Primary Research (3Q planned) - Examine drivers of increasing / decreasing prescribers - Quantify impact of external pressures (DEA, press, pharmacies, etc.) - Understand the impact non-opioids (e.g., Cymbalta, Lyrica, etc.) may be having on the ERO market	- TBD	- Help develop new tactics and strategies for 2014 - Inform planning for the launches of ONU and HYD into the ERO market in early 2015
<u>OxyContin Savings Card & eVoucher</u> - To determine ROI and incremental Rx from patients and physicians	Underway. Expected final results in mid-July.	Results will be utilized to determine if programs should be extended

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OxyContin Marketing Mix - To measure the promotion impact of each marketing channel and ROI - This utilizes multiple regression modeling to isolate each marketing channel's influence on OxyContin prescribing as well as to help understand how each of these variable interacts	TBD	Results will be utilized to optimize spend
OTC Objectives	**Key results**	**Recommended Actions/Potential Actions**
Colace Website Focus Groups Test two new websites with laxative consumers and Colace consumers to gauge their interest.	Consumers provided feedback on preferred website features and functionality after previewing two potential website redesign concepts. Consumers were clear that a laxative website should mainly provide product information and savings opportunities such as a coupon.	New website to be created for launch based on consumer recommendations that represents a blend of ideal components of two websites previewed.
Peri-Colace Concept Test Focus Groups Underway 4-5 positioning concepts to be reviewed with Peri-Colace and Laxative consumers to gain feedback on appeal and	TBD	Two most appealing concepts to be developed into potential advertising campaigns and quantitatively tested. Best

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ability to generate purchase interest.		concept will be considered for 2014 advertising campaign.
Betadine Packaging Quantitative Study **Underway** To determine which new packaging for Betadine OTC resonates best with consumers.	• Two different designs (white bottle vs. brown bottle) will be tested among both users of Betadine and antiseptic users to understand if one design appeals to users more than the other and if so, what would their purchase interest be in the product. • The two designs will also be compared to the current packaging to see if there is a broader appeal if new packaging was introduced. • 4 different concepts will be tested for Betadine as well to provide marketing a potential opportunity in future journal ads.	Once research is completed marketing will decide whether a new packaging design is appropriate for Betadine and potentially which concept would be appropriate for a journal ad moving forward.
BUTRANS Objectives	**Key results**	**Recommended Actions/Potential Actions**
Butrans Fibromyalgia Quantitative Study Completed 2nd QTR 2013 To determine the impact of an additional indication	Identify key dynamics in the fibromyalgia market that will impact market potential and adoption of this new indication. Understand physicians'	Results shared with sales, marketing, FAMR, medical research, ad agency and RADEX. After performing an analysis it was determined not to pursue

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(fibromyalgia) for Butrans. To measure uptake of Butrans for the treatment of fibromyalgia.	approaches to treatment and map key treatment algorithms. Understand current treatment practice for Fibromyalgia patients. Gain reaction to the varying product profile combinations. After exposure to each scenario, measure uptake of the new product. Identify the impact this new indication will have on prescribing in comparison to currently-available Fibromyalgia products.	a fibromyalgia indication or conduct extensive clinical trials. Medical research is still exploring the feasibility of more economical clinical studies.
Butrans Concept & Journal Ad Testing **Underway** To evaluate 5 new Butrans concepts for a 2014 marketing campaign refresh. It is typical in pharmaceuticals to refresh campaigns every 2-3 years.	Advance the 2 or 3 winning concepts from the concept test forward for journal ad testing against the current Butrans journal ad - and two competitor ads for benchmarking. Also, determine which titration graphic best illustrates the introduction of the new 15 mcg/hr dose.	Use the winning journal ad and titration graphic to build a new marketing campaign (marketing materials, sales aids, journal ads) and combine with messaging for Butrans in 2014.

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Butrans Speaker Program (refresh with Jun 12- Dec 12 cohorts) Completed 2nd QTR 2013 To Determine TRx impact and ROI of Speaker Program	- Incremental full costs ROI: 0.42 - Incremental TRx lift/HCP: 1.4 (Statistically significant) - Brand and ERO decile 8-10 and IRO decile 10 HCPS appear to generate high Rx lift - Primary specialty attendees continue to show highest responsiveness, followed by Secondary and NP/PA. PCP still trails in performance - Attendees show lift was highest with more calls prior and/or post attendance - Butrans and OxyContin Super Core targets appear to be more responsive than core targets - Higher Brand and Market decile attendees appear to be more responsive in each specialty group. However, the percentage of responders is lower for PCP compared to Primary Specialty	- Make all effort to enroll Brand decile 6-10, ERO decile 8-10, and IRO decile 10 HCPs - Continue engagement through field force post speaker event as there seems to be increased responsiveness with higher levels of PDEs - Lunch programs appear to be non-responsive and we should consider not continuing with lunch speaker programs - Possibly scale back speaker programs, change contents, or halt speaker programs for a short duration as there seems to be diminishing performance with time

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Butrans Marketing Mix Underway, expected completion by mid-July - To determine ROI and incremental Rx from patients and physicians using multiple regression modeling	TBD	Results will be utilized to optimize spend
Butrans Physicians Television Network (PTN) Underway, expected completion by mid-July - To determine ROI and incremental Rx from HCPs utilizing PTN	TBD	Results will be utilized to determine whether program will be continued

MANUFACTURING / SUPPLY CHAIN / PHARMACEUTICAL TECHNOLOGY

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

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