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[2nd Quarter 2013 Board Report.docx](#)

Hello Everyone,

Please see the attached 2<sup>nd</sup> Quarter Board Report for updates on 2013 results versus objectives. This was another demanding business quarter with many accomplishments yet, at the same time, many difficult challenges.

You will see in the report the normal breakdown of results by each business function. We continue to present significant transparency into commercial operations to highlight actions taken to succeed in the changing business environment - you will hear substantially more about that at the upcoming July 25<sup>th</sup> Board Meeting.

Should you have questions, please let me know.

Regards,

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**Purdue**  
**Quarterly Report to the Board**  
**2nd Quarter, 2013**

**July 23<sup>rd</sup>, 2013**

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## FINANCE / INFORMATION TECHNOLOGY

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Assure 2013 sales, profitability, efficiency, cash flow, compliance and pipeline objectives are supported by proactive, future-focused and meaningful financial analysis. Assure that Purdue's financial reporting and forecasting provide transparency into business results, and financial reporting internal controls are in place.

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Topics covered:

- |                                  |   |
|----------------------------------|---|
| 1. 2013-Q2 Financial Performance | 5. Treasury - Short-term Cash Investments |
| 2. Non-Tax Distributions         |   |
| 3. 2013 Forecast                 | 6. Pension Investment Committee           |
| 4. Executive Audit Committee     |   |
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### 1. 2013-Q2 Financial Performance

	June Year-to-Date				Full Year		
	2013 Actual	2013 Forecast	2013 Budget	2012 Actual	2013 Forecast	2013 Budget	2012 Actual
Expressed in 000's							
Net Branded Revenues	982,916	1,030,832	1,193,444	1,064,796	2,107,208	2,410,349	2,200,922
Operating Margin	385,313	434,783	525,076	483,771	918,660	1,124,604	992,750
EBITDA	486,816	511,878	496,214	482,062	948,265	1,066,878	1,038,561
Net Profit Before Tax	470,836	495,875	480,231	468,124	916,260	1,034,912	1,010,856
Owner's Equity	518,573	581,944	855,844	624,308	590,000	705,232	671,725
Non-tax Distributions	357,626	357,626	120,250	471,600	575,600	538,100	471,643
Days Sales Outstanding	33.2	35.0	35.0	35.4	35.0	35.0	33.2
Accounts Receivable Outstanding > 90 Days Past Due	< 1%	< 1%	< 1%	< 1%	< 1%	< 1%	< 1%
Capital Spending	12,887	17,500	17,500	13,203	35,000	35,000	30,467
Unrestricted Cash on Hand	830,712	823,778	985,738	787,797	576,056	600,000	755,593
Available Liquidity	830,712	823,778	985,738	787,797	576,056	600,000	755,593
Available Liquidity - Average Months Sales	5.1	4.8	5.0	4.4	3.3	3.0	4.1
Headcount	1,689	1,751	1,784	1,672	1,751	1,784	1,666

Notes:

- (1) Net revenues are lower than budget primarily due to lower OxyContin sales.
- (2) Partner non-tax distributions of \$42 million were made in early July.
- (3) See full financial report for detailed information.

### 2. Non-Tax Distributions

In 2013 Forecast, non-tax distributions were projected to total \$600.8 million. Of the \$600.8 million, \$30 million was budgeted to be reinvested into Rhodes Pharmaceuticals and \$4.2 million for Japan and Thailand investments.

- April -- \$127 million cash paid plus \$216.7 million in Infinity shares (5.4 million shares at \$40 per share),
- July -- \$42 million cash paid,
- October -- \$130.5 million cash,
- December -- \$50.5 million cash,
- Rhodes reinvestment Q3 / Q4 -- \$30 million cash, and
- Japan and Thailand investments in Q3 -- \$4.2 million cash.

### 3. 2013 Forecast

<u>Expressed in 000's</u>	2013 Forecast	2013 Budget	Variance	Variance %
Gross Branded Product Sales	2,821,387	3,228,472	(407,085)	-12.6%
Net Branded Sales	2,107,208	2,410,349	(303,141)	-12.6%
Operating Margin	918,660	1,124,604	(205,944)	-18.3%
Operating Margin %	43.6%	46.7%	-3.1%	-6.6%
Net Profit Before Tax	916,260	1,034,912	(118,652)	-11.5%
EBITDA	948,265	1,066,878	(118,613)	-11.1%
Tax Distributions	331,800	444,000	(112,200)	-25.3%
Non-tax Distributions	575,600	538,100	37,500	7.0%
Total Equity (all Companies in Pharmaceuticals Group reported to Management Revisions)	590,000	705,232	(115,232)	-16.3%
Total Equity (US Operating Companies - Bank Reporting Group)	550,000	670,000	(120,000)	-17.9%
Unrestricted Cash on Hand	576,056	600,000	(23,944)	-4.0%

Notes: Lower than budget gross sales due to lower OxyContin sales (\$363 million) and lower Intermezzo sales (\$44 million).

- Lower operating expenses
  - R&D of \$50 million primarily due to enrollment delays in the ONU pain/OIC studies (\$35 million) and close out of Butrans higher strength studies (\$14 million).
  - S&P of \$22 million due to lower Intermezzo promotional support and termination of contract field force (\$12 million) and target reductions (\$10 million).

### 4. Executive Audit Committee

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

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

Frequency: Quarterly

- The committee's most recent meeting in June included discussions of controls relating to procurement card usage, controls and audits related to managed care rebates, an update on CSA Compliance activities and Internal Audit activities.
- The committee members routinely meet with Ernst & Young, without Purdue financial management present.
- No material matters to report.

#### 5. Treasury - Short-Term Cash Investments

- Purdue's cash holding is currently invested in Treasury bills and U.S. Government Securities mutual funds. These securities are primarily registered in Purdue's name to reduce counter-party risk.
- These investments earn approximately 0.05-0.07% per annum with an outstanding investment balance of \$952 million at the end of June 2013.
- The group invests 80-90% of investable funds in Treasury investments with the rest in FDIC-insured bank accounts for daily funding operations.

#### 6. Pension Investment Committee

Members: [REDACTED] Ed Mahony, [REDACTED]

Frequency: 4 to 5 meetings per year

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

#### **Defined Benefits Pension Plans**

- PPLP Plan - The plan's Accumulated Benefit Obligation<sup>1</sup> is projected at \$220-230 million at 12/31/2013 and the plan assets were \$241 million at 6/30/2013.
- The plan investments returned 16.9% for the 12-month ended 5/31/2013. The fund assets are invested in: (a) passive equity indexed funds and (b) actively managed fixed income funds - which have outperformed passive fixed income. The plan's 1-year return over-performed the portfolio benchmark passive index by 1.6%.

<sup>1</sup> Pension plan liability calculation above is calculated under ERISA/IRS guidance. Accounting guidance projects future benefits so liabilities are higher, but less relevant to our funding decisions.

- The 2013 budget assumes a total funding of \$10.5 million (spread out evenly during the year) to the PPLP plan.
- PF Labs (Union) Plan - PF Labs has a smaller defined benefit plan - \$6.7 million in assets – covering ex-employees, the plan is well funded and small contributions are being made.

#### **Change to PPLP Defined Benefits Pension Plan**

- With an expectation of rising interest rates, SEI (our investment manager) recommended a reduction in fixed income investment allocation from the current 45% to 35% by the end of 2013 while increasing equity investment allocation from the current 55% to 65%. Most of the shifts go to international and emerging markets equities.
- The Pension Investment Committee reviewed the proposal and agreed to adopt SEI's recommendation.

#### **Defined Contribution Pension Plan**

- Purdue Pharma LP also offers employees a 401(k) defined contribution savings plan. The company's contribution to this plan is expected to be \$8.2 million in 2013.
- The 401(k) plan funds' assets total \$310 million and \$344 million at the end of 2012 and June 2013 respectively.
- The plan offers employees a broad range of active, passive, and target-date investment options. The funds offered are generally very good performers in their classes. Marginal and poor performers are frozen to new investment and/or removed. Nearly all funds in Purdue's lineup are rated by Morningstar at 3-star or higher.
- The employees choose how their account balances are invested from the investment choices offered.

#### **Changes to PPLP 401(k) Plan Line-Up**

- Vanguard Inflation-Protected Secs Inv (index fund) -- TIPS investment category (VAIPX) is added.

- Fidelity Freedom Funds have been changed from actively-managed funds to passive index funds. Freedom Funds are target-dated funds.
- Fidelity Asset Manager 50% Fund is removed amid its performance correlation with Fidelity Puritan Fund which is a better overall performer.

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## MARKETING & SALES

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Assure 2013 sales and market share targets are met or exceeded. 2013 ex-factory net sales budget is \$2,410.3 mm. Operate within approved S&P budget of \$309.9 mm, with a target savings goal of \$15.6 mm.

Meet or exceed total prescriber call targets of 744,777 with Primary Detail Equivalents split 50/50 between Butrans and OxyContin. OxyContin and Butrans will receive second position presentations following primary presentations for each product in at least 90% of all prescriber calls. Intermezzo will be in third position on at least 35% of all prescriber calls.

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

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**Gross Sales Budget: \$3,228.5MM**

**Net Sales Budget: \$2,410.3MM**

2013 (\$MM)	Actual		Budget		Prior Year	
	Gross Sales	Net Sales	Gross Sales	Net Sales	Gross Sales	Net Sales
Q1	620.0	461.4	773.4	575.8	674.0	508.0
Q2	685.3	521.5	819.4	617.6	764.0	556.8
Q3			816.4	616.7	749.6	533.0
Q4			819.3	600.2	817.3	603.1
Total	1305.3	982.9	3228.5	2410.3	3004.9	2200.9

*Note: Net sales for all periods reported have been restated to include other income.*

2013 year-to-date actual net sales of \$982.9 mm is lower than budget by \$210.5 mm or 17.6%. This variance was driven by:

- OxyContin net sales of \$878.1 mm were \$192.9 mm or 18.0% less than budget. This variance versus budget was due to (a) a trend toward lower tablets and milligrams per prescription not anticipated in the budget, and (b) lower wholesaler inventory.

- Butrans net sales of \$52.2 mm were \$7.1 mm or 12.0% less than budget driven primarily by contraction in trade inventory.
- 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.

### **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 (%)
<i>OxyContin</i>	\$2,916.5	\$2,147.6	\$1,672.6	77.9%	\$1,191.0	\$878.1	\$651.4	74.2%
<i>Butrans</i>	\$160.0	\$126.9	(\$25.0)	N/A	\$64.0	\$52.2	(\$15.0)	N/A
<i>Intermezzo</i>	\$57.6	\$44.0	(\$19.5)	N/A	\$4.9	\$6.4	(\$30.1)	N/A
<i>Laxatives</i>	\$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:

<b>Calls by Product 2013 Budget v. Actual June YTD</b>					
<b>Primary Calls</b>	<b>Budget</b>	<b>Act</b>	<b>Var</b>	<b>Budget</b>	<b>Act</b>
Butrans	181,986	213,267	31,280	50%	64%
OxyContin	181,986	117,820	(64,166)	50%	36%
<b>Total Primary Calls</b>	<b>363,973</b>	<b>331,087</b>	<b>(32,886)</b>	<b>100%</b>	<b>100%</b>
<b>Secondary Calls</b>	<b>Budget</b>	<b>Act</b>	<b>Var</b>	<b>Budget</b>	<b>Act</b>
OxyContin	163,788	182,574	18,786	45%	55%
Butrans	163,788	111,833	(51,955)	45%	34%
<b>Total Secondary Calls</b>	<b>327,575</b>	<b>294,406</b>	<b>(33,169)</b>	<b>90%</b>	<b>89%</b>
<b>Tertiary Calls</b>	<b>Budget</b>	<b>Act</b>	<b>Var</b>		
Intermezzo	127,390	226,959	99,568		
<b>Total Tertiary Calls</b>	<b>127,390</b>	<b>226,959</b>	<b>99,568</b>	<b>35%</b>	<b>69%</b>
<b>PDEs</b>	<b>Budget</b>	<b>Act</b>	<b>Var</b>		
Butrans	263,880	269,183	5,303		
OxyContin	263,880	209,107	(54,773)		
Intermezzo	12,739	22,696	9,957		
<b>Total PDEs</b>	<b>540,499</b>	<b>500,986</b>	<b>(39,513)</b>		
<b>Calls</b>	<b>Budget</b>	<b>Act</b>	<b>Var</b>		
Butrans	345,774	325,099	(20,675)		
OxyContin	345,774	300,394	(45,380)		
Intermezzo	127,390	226,959	99,568		
<b>Total calls</b>	<b>818,938</b>	<b>852,452</b>	<b>33,514</b>		

**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 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 2<sup>nd</sup> quarter was lower than the 1<sup>st</sup> 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 2<sup>nd</sup> quarter versus 1<sup>st</sup> 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%.

## 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
  - 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.

### **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.

### **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.

### **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](http://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](http://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 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 31<sup>st</sup> 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](http://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.

### **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.

### **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 1<sup>st</sup>.

### **Professional Television Network (PTN) - Healthcasts**

The Intermezzo Brand Team has developed video for PTN. Program to-date through June 21<sup>st</sup> 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
- 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.

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.

<b>2013 - Formulary Status Quarterly Update Grid</b>							
Product	Payor Channel	Formulary Status	2013 Goal	% Lives Covered/Not Covered			
				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	
	<b>Lives</b>			<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>
	Commercial			210,393,154	210,602,346		
	Medicare Part D			30,685,085	32,263,032		
	Medicaid			52,631,132	52,546,204		
	<b>Total National Lives</b>			<b>293,709,371</b>	<b>295,411,582</b>		

### **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/2<sup>nd</sup> 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.

## **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.

INTERMEZZO Objectives	Key results	Recommended Actions/Potential Actions
<p><b><u>Intermezzo Speaker Program (refresh with Jun 12- Jan 13 cohorts)</u></b></p> <p><u>Completed 2<sup>nd</sup> QTR 2013</u></p> <p>- To Determine TRx impact and ROI of Speaker Program</p>	<ul style="list-style-type: none"> <li>- Incremental full costs ROI: 0.09</li> <li>- Incremental TRx lift/HCP: 0.78 (slightly statistically significant)</li> <li>- There appears to be sensitivity to call frequency post attendance</li> <li>- 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</li> <li>- Intermezzo super core targets appear to have higher responsiveness than core targets</li> <li>- Number of calls delivered post speaker program seems to be the most sensitive variable, corresponding to higher percentage of HCPs with positive TRx lift</li> <li>- 92% of matched to control attendees did not prescribe Intermezzo prior to Speaker Event. 18% of non-prescribers had some responsiveness post Speaker Event</li> </ul>	<ul style="list-style-type: none"> <li>- Make all effort to enroll insomnia market decile 10 HCPs</li> <li>- Recruitment of high market decile Psychiatrists, PCPs, and NP/PAs will likely improve program effectiveness</li> <li>- Continue engagement through field force post speaker event</li> <li>- Consider scaling back speaker programs or halt speaker programs as overall there seems to be low ROI performance</li> </ul>

OXYCONTIN Objectives	Key results	Recommended Actions/Potential Actions
<p><b><u>Sources of higher strength and tablets dispensed declines (internal)</u></b></p> <ul style="list-style-type: none"> <li>- Understand the sources of decline of the OxyContin's 40, 60 and 80mg strengths since the launch of the reformulation</li> <li>- understand the sources of the declines of the tablets per Rx dispensed across all strengths</li> </ul>	<ul style="list-style-type: none"> <li>- The decline in higher strengths is occurring market-wide, affecting products in addition to OxyContin.</li> <li>- Decreasing switches from IR/Combination opioids to the ERO class and decreasing up-titration appear to be drivers</li> <li>- Decreasing tablets per Rx is also a market-wide phenomenon</li> <li>- 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</li> <li>- There is minimal regionality to the trend - all regions appear to be declining relatively equally, though there is some variation at the state level</li> <li>- The bulk of the trend is coming from the lowest <u>decile</u> physicians</li> </ul>	<ul style="list-style-type: none"> <li>- Additional analysis is being conducted at the physician level by McKinsey (below)</li> <li>- Reasons for decline will be explored by McKinsey and in primary research we are going to conduct in 2013</li> </ul>
<p><b>OxyContin Drivers and Tactics (McKinsey)</b></p> <ul style="list-style-type: none"> <li>- Confirm internal findings re: current product and market trends. Identify</li> </ul>	<ul style="list-style-type: none"> <li>- TBD</li> </ul>	<ul style="list-style-type: none"> <li>- Implement proposed marketing and sales tactics</li> <li>- Further quantify findings and track results of new tactics</li> </ul>

<p>specific reasons for those trends</p> <ul style="list-style-type: none"> <li>- Conduct additional analysis at the region, state, zip code and physician level to attempt to isolate physicians or geographies</li> <li>- 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</li> <li>- Test strategies through field experiments</li> <li>- Propose specific strategies and tactics to help improve business</li> </ul>		
<p><b>OxyContin Physician Qual/Quant Primary Research (3Q planned)</b></p> <ul style="list-style-type: none"> <li>- Examine drivers of increasing / decreasing prescribers</li> <li>- Quantify impact of external pressures (DEA, press, pharmacies, etc.)</li> <li>- Understand the impact non-opioids (e.g., Cymbalta, Lyrica, etc.) may be having on the ERO market</li> </ul>	<p>- TBD</p>	<ul style="list-style-type: none"> <li>- Help develop new tactics and strategies for 2014</li> <li>- Inform planning for the launches of ONU and HYD into the ERO market in early 2015</li> </ul>
<p><b><u>OxyContin Savings Card &amp; eVoucher</u></b></p> <ul style="list-style-type: none"> <li>- To determine ROI and incremental Rx from patients</li> </ul>	<p>Underway. Expected final results in mid-July.</p>	<p>Results will be utilized to determine if programs should be extended</p>

and physicians		
<p><b><u>OxyContin Marketing Mix</u></b></p> <ul style="list-style-type: none"> <li>- To measure the promotion impact of each marketing channel and ROI</li> <li>- 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</li> </ul>	TBD	Results will be utilized to optimize spend
<b>OTC Objectives</b>	<b>Key results</b>	<b>Recommended Actions/Potential Actions</b>
<p><b><u>Colace Website Focus Groups</u></b></p> <p>Test two new websites with laxative consumers and Colace consumers to gauge their interest.</p>	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.
<p><b><u>Peri-Colace Concept Test Focus Groups Underway</u></b></p> <p>4-5 positioning concepts to be reviewed with Peri-Colace and Laxative consumers to</p>	TBD	Two most appealing concepts to be developed into potential advertising campaigns and quantitatively tested. Best

<p>gain feedback on appeal and ability to generate purchase interest.</p>		<p>concept will be considered for 2014 advertising campaign.</p>
<p><b><u>Betadine Packaging Quantitative Study</u></b></p> <p><b><u>Underway</u></b></p> <p>To determine which new packaging for Betadine OTC resonates best with consumers.</p>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• The two designs will also be compared to the current packaging to see if there is a broader appeal if new packaging was introduced.</li> <li>• 4 different concepts will be tested for Betadine as well to provide marketing a potential opportunity in future journal ads.</li> </ul>	<p>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.</p>
<p><b>BUTRANS Objectives</b></p>	<p><b>Key results</b></p>	<p><b>Recommended Actions/Potential Actions</b></p>
<p><b><u>Butrans Fibromyalgia Quantitative Study</u></b></p> <p><b><u>Completed 2<sup>nd</sup> QTR 2013</u></b></p> <p>To determine the impact of an additional indication</p>	<p>Identify key dynamics in the fibromyalgia market that will impact market potential and adoption of this new indication.</p> <p>Understand physicians'</p>	<p>Results shared with sales, marketing, FAMR, medical research, ad agency and RADEX. After performing an analysis it was determined not to pursue</p>

<p>(fibromyalgia) for Butrans.</p> <p>To measure uptake of Butrans for the treatment of fibromyalgia.</p>	<p>approaches to treatment and map key treatment algorithms.</p> <p>Understand current treatment practice for Fibromyalgia patients.</p> <p>Gain reaction to the varying product profile combinations.</p> <p>After exposure to each scenario, measure uptake of the new product.</p> <p>Identify the impact this new indication will have on prescribing in comparison to currently-available Fibromyalgia products.</p>	<p>a fibromyalgia indication or conduct extensive clinical trials. Medical research is still exploring the feasibility of more economical clinical studies.</p>
<p><b><u>Butrans Concept &amp; Journal Ad Testing</u></b></p> <p><b><u>Underway</u></b></p> <p>To evaluate 5 new Butrans concepts for a 2014 marketing campaign refresh. It is typical in pharmaceuticals to refresh campaigns every 2-3 years.</p>	<p>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.</p>	<p>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.</p>

<p><b><u>Butrans Speaker Program (refresh with Jun 12- Dec 12 cohorts)</u></b></p> <p><u>Completed 2<sup>nd</sup> QTR 2013</u></p> <p>- To Determine TRx impact and ROI of Speaker Program</p>	<ul style="list-style-type: none"> <li>- Incremental full costs ROI: 0.42</li> <li>- Incremental TRx lift/HCP: 1.4 (Statistically significant)</li> <li>- Brand and ERO decile 8-10 and IRO decile 10 HCPS appear to generate high Rx lift</li> <li>- Primary specialty attendees continue to show highest responsiveness, followed by Secondary and NP/PA. PCP still trails in performance</li> <li>- Attendees show lift was highest with more calls prior and/or post attendance</li> <li>- Butrans and OxyContin Super Core targets appear to be more responsive than core targets</li> <li>- 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</li> </ul>	<ul style="list-style-type: none"> <li>- Make all effort to enroll Brand decile 6-10, ERO decile 8-10, and IRO decile 10 HCPs</li> <li>- Continue engagement through field force post speaker event as there seems to be increased responsiveness with higher levels of PDEs</li> <li>- Lunch programs appear to be non-responsive and we should consider not continuing with lunch speaker programs</li> <li>- Possibly scale back speaker programs, change contents, or halt speaker programs for a short duration as there seems to be diminishing performance with time</li> </ul>
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<p><b><u>Butrans Marketing Mix</u></b></p> <p><u>Underway, expected completion by mid-July</u></p> <p>- To determine ROI and incremental Rx from patients and physicians using multiple regression modeling</p>	TBD	Results will be utilized to optimize spend
<p><b><u>Butrans Physicians Television Network (PTN)</u></b></p> <p><u>Underway, expected completion by mid-July</u></p> <p>- To determine ROI and incremental Rx from HCPs utilizing PTN</p>	TBD	Results will be utilized to determine whether program will be continued

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**MANUFACTURING / SUPPLY CHAIN / PHARMACEUTICAL TECHNOLOGY**

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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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## Key Metrics: Manufacturing, Supply Chain and Pharmaceutical Technology

Manufacturing and Supply Chain	Q2 YTD			Full Year	
	Actual	Budget	Var	2013 Budget	2012 Actual
<b>Tablets Manufactured (MM)</b>	<b>336</b>	<b>363</b>	<b>(27)</b>	<b>726</b>	<b>691</b>
OxyContin	184	205	(21)	394	486
MS / MSER	147	126	21	246	196
Oxy APAP	-	32	(32)	86	-
Oxy Export	5	-	5	-	9
<b>Export Packaging Bottles (000)</b>					
Bottles Packed	171	-	171	-	310
<b>Orders Shipped On-Time</b>					
Wilson	100.0%	99.0%	1.0%	99.0%	99.6%
Rhodes	100.0%	99.0%	1.0%	99.0%	97.0%
3rd Party	99.5%	99.0%	0.5%	99.0%	99.0%
<b>Orders Shipped In-Full</b>					
Wilson	99.5%	99.0%	0.5%	99.0%	99.0%
Rhodes	100.0%	99.0%	1.0%	99.0%	100.0%
3rd Party	100.0%	99.0%	1.0%	99.0%	100.0%
<b>Inventory On-Hand (Months)</b>					
OxyContin	2.3	2.5	(0.2)	2.5	2.1
BuTrans	5.4	3.0	2.4	3.0	5.5

Pharmaceutical Technology	Q2 YTD			Full Year	
	Actual	Budget	Var	2013 Budget	2012 Actual
<b>Research and Development Hours</b>	<b>17,136</b>	<b>15,909</b>	<b>1,227</b>	<b>22,273</b>	<b>29,878</b>
Production Hours	2,791	2,591	200	3,628	3,233
Support Hours	14,345	13,318	1,027	18,645	26,645
<b>Development Batches Manufactured</b>	<b>79</b>	<b>75</b>	<b>4</b>	<b>77</b>	<b>83</b>

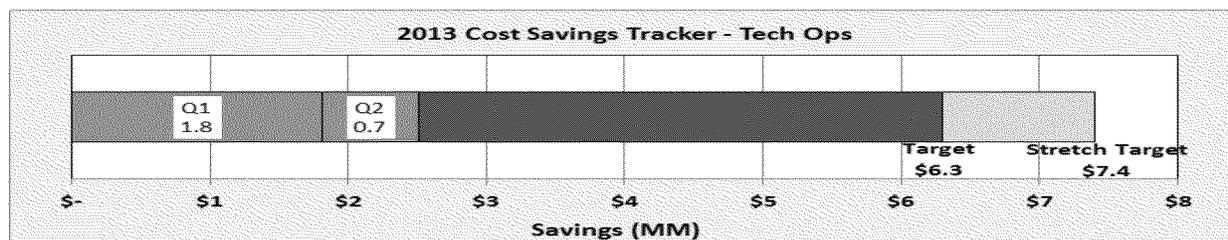
### Notable Comments for the Period

- Successfully completed the qualification of the second new packaging line in Wilson while supporting commercial demand from a single line using multiple shifts over the last 6 months. The new packaging lines had technical issues yet no impact on ONF supply, and was also able to clear the Rhodes MSER order backlog.
- ONF inventory increased to \$104.5 million due to higher API shipping levels, slower market demand and less flexibility of a single packaging line. This will be adjusted to match the lower market demand in next quarter.

- MS Contin / MSER - Scale-up and process optimization is complete with great potential for improved operational efficiencies. The new batch size is 6X previous scale, and is planned to be part of routine manufacture in Q3, 2013
- Intermezzo - With the sales of Intermezzo not realizing forecast, production was cancelled at Patheon and Sharp. Future production is being evaluated for Q3 2013 based on the expiry dating of the current stock and need to supply the market in 2014.
- Butrans - Maintained supply as the validation and commercial tech transfer to LTS in West Caldwell was suspended in January 2013 due to an Out of Specification investigation. GMP issue is now resolved (see Quality Report).
- Senokot XTRA - Product has been moved to CPC, and currently evaluating an XTRA product that also includes DSS which could be marketed as Senokot or Peri-Colace.

**Risk Mitigation: Back-up of Key Products and Materials**

- Totowa successfully manufactured and released four clinical placebo lots in addition to three 20 mg commercial lots of ONF during Q2 2013.
- Dow - First two lots of the custom grade Polyox material has been received, which will address the degradant issue. This custom Polyox will also be used by our affiliates in Europe.



*Through Q2 2013, Technical Operations implemented ~ \$2.5 million in forecasted annual savings.*

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**QUALITY**

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

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## Update on Internal GMP Investigations / Audits and Regulatory Audits

- ONF
  - As previously reported, the investigation into an Out of Trend (OOT) stability result for unknown degradants in ONF lot WBL51 required in vivo genotoxicity testing. A follow-up field alert report was filed with the FDA Atlanta District at the end of May 2013. The reports for this testing demonstrated favorable results for the lack of genotoxicity in humans. A final field alert report is in preparation to provide the reports to the FDA Atlanta District.
  - An increased number of complaints for short counts of tablets in bottles for ONF were received in Q2 2013 due to technical issues with the new packaging lines. Investigation identified two root causes – one procedural in the event of an alarm, and the other a software issue. Corrective actions are in progress.
- Totowa received their biannual FDA inspection on April 16 -22, 2013. The site received one minor 483 observation. The response to the observation was filed on time, and all FDA commitments were completed by June 30, 2013. The EIR (Establishment Inspection Report) has been received.
- Butrans
  - The investigation into the Out of Specification (OOS) test result reported in the last quarterly report is nearing completion. Investigation is for the degradant Buprenorphine N-Oxide at the 3-month 40°C/75%RH stability sample for a 7.5 mg clinical lot produced at LTS West Caldwell, and at the 3-month stability interval for the 40°C/75%RH 5mg validation lot supporting the introduction of the first West Caldwell produced batches to the market. The identified root cause is the incorrect orientation of the release liner on the patch. Restart of activities at West Caldwell in Q3 2013 is pending completion of the investigation report.
  - A field alert was filed on June 24, 2013, for foreign matter associated with a complaint received from a pharmacist. The patch contained a black stain under the release liner for the unused patch. The investigation is underway.
- Slow-Mag Support – The report to close out the investigation into the DEM issue is in progress. No root cause has been determined. The final response to the FDA 483 providing the *in vivo* genotoxicity results (non-genotoxic) was filed with the FDA NE District on June 18, 2013.
- ONF approval for Chile was received, and all documents have been prepared to support the first product shipments scheduled for the beginning of Q3 2013.

- The Korean FDA (KFDA) inspected the Wilson manufacturing site on March 11 - 14, 2013. The inspection report was delayed slightly and was received in Wilson on April 30, 2013. Wilson provided their responses to all observations to Mundipharma Korea by the requested deadline to allow translation prior to submitting to KFDA for review.
- Wilson received an Almac Qualified Person inspection on June 18-19, 2013, associated with Wilson production of clinical supplies. The site received two minor observations, one related to validation including a specific EU requirement, and the other to the lack of Quality Agreements for contract laboratories. The latter is also covered in a new FDA draft guidance.
- Fisher Scientific Services - Due to a trend of high numbers of human errors in the packaging of PPLP clinical supplies, there was a For-Cause Audit of Fisher Scientific Services in late June 2013. No major observations were identified, but there were recommendations for improved management oversight of each packaging run.
- Trackwise Software Project - Auditing module has been initiated, and User Requirements are currently being collected. The project is scheduled for completion in Q3 2013, and will enhance our audit management capability.

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## RESEARCH & DEVELOPMENT

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R&D's goal is to efficiently and effectively advance each pipeline project up to and through the defined stage gates as described within each program's strategic development plan. R&D's objectives for 2013 are reflected in Purdue's Business Scorecard and focuses on progress or completion of major milestones for each pipeline project. While there are many components within each program, emphasis is placed on those items whose progress, quality and outcome drive stage gate decisions and as a consequence, project progress to NDA submission, approval, or termination. Through 2Q 2013 substantial progress has been made toward the budgeted plan.

Each of the following pipeline projects are addressed herein:

- Reformulated OxyContin® (OTR/ORF)
- Cross-Pediatric Program (OxyContin/Butrans/Hydrocodone)
- Butrans® (BTDS)
- Targiniq (ONU)
- Hydrocodone QD (HYD)
- TRPV1 Lead (VND)

- TRPV1 Back-Up (VAN)
  - ORL1 (OAG)
  - Intermezzo (INT)
  - Abuse Deterrent Immediate Release Oxycodone /ADIR - (OCI)
  - MS Contin Reformulation - to an AD Formulation
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### **Reformulated OxyContin (OTR/ORF)**

#### **All R&D scorecard activities for reformulated OxyContin remain on track:**

- Approved labeling supplement related to abuse-deterrence (revised product label)
- Messaging regarding a) evidence base for use of opioids to treat chronic, non-cancer pain, and b) abuse deterrent properties/outcomes driven by reformulated OxyContin
- Pediatric exclusivity research program

On April 16, 2013, the FDA concluded that original OxyContin was withdrawn from sale for safety reasons due to the reformulated version demonstrating lower potential for abuse than original OxyContin, and, as a result, the FDA barred generic versions of original OxyContin that lack abuse-deterrent features from the market. The decision established that the FDA recognizes that an opioid's benefit/risk profile can change due to the availability of an alternative product with a lower potential for abuse. Concurrent with and related to this decision, on April 16 FDA also approved Purdue's labeling supplement to describe the abuse-deterrent features of reformulated OxyContin. This revised product labeling and promotional materials include detailed text characterizing the physicochemical properties of the formulation, in vitro testing results, intranasal in vivo abuse potential data and label claims for both.

Reformulated OxyContin epidemiological studies are ongoing. FDA's advice letter on post-marketing requirement studies was received on May 23 requesting the following changes to the postmarketing epidemiological studies requirement: a) extend studies for at least 2 extra years, b) annual update to be provided to FDA on January of each year, c) revision of 6 formal post-marketing studies to 3 formal post-marketing studies and provide justification of supplemental studies. Purdue-sponsored studies, as well as non-Purdue studies are being published in peer reviewed journals. Multiple publications, abstracts, posters and presentations of these data are planned for 2013 and beyond.

#### **Support for Independent Associated Companies**

Purdue assistance, including support from R&D continues with Independent Associated Companies for ORF approval. Activities supporting Latin America are: a submission in Mexico is planned for July 2013, submissions in 12 remaining Latin American countries

are planned for 4Q 2013 and pre-launch activities are underway in Chile for ORF 10, 20, and 40 mg. Mundipharma Colombia sponsored a symposium on the *New Abuse-Deterrent Opioids-Characteristics and Innovative features of the OxyContin formulation* at the Colombian chapter of the International Association for the Study of Pain (IASP) on June 22. In the Asia Pacific territory, a submission is planned for June 2013 for Hong Kong, and a submission is planned for several Mundipharma Asia Pacific countries for 2Q-3Q 2013. Purdue R&D continues to provide technical support for the ongoing review of ORF by the Australian TGA.

10mg ORF - degradants

Preliminary results indicate that the combined in vivo micronucleus/ comet assay in rats, performed on two identified degradation products, was not genotoxic. The weight of evidence indicates that neither ORF degradant poses a genotoxic risk to humans. On May 24, a field alert was sent to the FDA’s Atlanta District informing them that the degradation products are not genotoxic. The final reports of these studies will be submitted to FDA, when completed, projected by end of July 2013.

Cross-Pediatric Program (OxyContin/Butrans/Hydrocodone)

A cross pediatric program team was formed in May 2013 to recognize efficiencies and apply experience and best practices developed for OTR3001 to transfer to BUP3031 and to future pediatric studies.

<b>OTR3001 (Safety Study) Enrollment</b>		
<b>Milestone/Target by December 2013</b>	<b>Rating</b>	<b>Current Status</b>
≥ 127 patients	5	98 patients enrolled of N=154 as of June 27, 2013
119 patients	3	
< 112 patients	1	

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

<b>BUP3031 (Safety Study) Enrollment</b>		
<b>Milestone/Target by December 2013</b>	<b>Rating</b>	<b>Current Status</b>
≥ 15 patients	5	6 patients enrolled

10 patients	3
≤ 7 patients	1

Several current OTR3001 sites have been identified for co-conduct with BUP3031. This will recognize efficiencies greatly reducing the time for new Butrans sites to become activated and open to enrollment.

Hydrocodone pediatric study protocol (HYD4001) was internally approved and signed off on June 13, 2013 and will be submitted to the FDA by the end of June. Conduct of HYD4001 will not initiate until the results of the adult audiology findings are evaluated and understood. The proposed PREA commitment date is March 2018 for final report submission to the FDA.

### **Butrans® (BTDS)**

**All R&D scorecard activities for Butrans remain on track:**

- Progress Butrans PREA (pediatric research) program (This scorecard activity has been transferred to the Cross-Product Pediatric Team and has been reported in that section)
- Stage-Gate analysis required to make go/no-go decision for 2nd Generation and higher strength patches (This scorecard activity was completed in May with the decision to pursue development of the new LTS 2nd Generation prototypes and the decision to pursue higher doses without conducting additional Phase 3 clinical trials)

### **Other Butrans Updates**

The FDA notified Purdue that the action date for the pre-approval supplement supporting registration of the Butrans 15 mcg/h patch is July 27, 2013.

The out-of-specification (OOS) stability investigation for 7.5 mcg/h patches continues at the LTS facility in West Caldwell without identification of root cause. Commercial production in West Caldwell remains on hold until the investigation is completed. Manufacturing in Andernach and planning for the submission of a Prior Approval Supplement for 7.5 mcg/h patches has been initiated.

Results from the Higher Dose Thorough QTc trial (BUP1025) confirm results of Study BUP1011 which demonstrated a small positive effect (per ICH E14 Guideline) on delaying the QT interval with treatment of Butrans 40mcg/h (achieved with 2 X 20mcg/hr patches).

**Redacted**

New 2<sup>nd</sup> Generation formulation prototypes have been developed that appear to be reproducible and meet the target in-vitro profile. Stability testing is ongoing to support IMPD submission and initiation of pilot PK trial in September 2013.

### **Targiniq (ONU)**

**The following R&D scorecard activities are presented below:**

- The initial NDA filing is on track for end of September, 2013.
- Twin pivotal studies required to support planned sNDA submission (opioid induced constipation) are enrolling at a rate inconsistent with current submission and launch plan.

The NDA submission (for the indication of Pain with abuse deterrent properties) is on track for September 2013. If approved, the product label is expected to characterize Targiniq as a safe and effective opioid analgesic with pharmacologic abuse deterrent properties. The favorable safety and tolerability data (inclusive of GI events) generated in the single US pivotal study (ONU3701) will be submitted for inclusion in the product label, along with wording that speaks to the purpose and/or mechanism of action of the naloxone component. However, there will be no direct comparison to OxyContin's tolerability data in this label.

A multi-faceted plan to expedite enrollment in the replicate pivotal studies (ONU3704/3705) required to support label expansion (OIC treatment) is being implemented. These two pivotal studies define the critical path for sNDA submission for the OIC/bowel effects indication, and all efforts are being made to expedite their conduct and completion - and the revised target sNDA submission date is 4Q2015. A stage gate strategy will be implemented in 3Q13 to determine the effect of efforts to increase enrollment rate and re-evaluate overall likelihood of success of these studies.

### **Hydrocodone QD (HYD)**

**All R&D scorecard activities for HYD remain on track:**

- Enrollment in the HYD Phase 3 program (pivotal study and open-label safety study) is on schedule and supportive of an NDA submission in Q2 2014.

### **TRPV1 Lead (VND) 116517**

**All R&D scorecard activities for TRPV-1 remain on track:**

- Complete enrollment in two Proof-of-Concept studies in support of go/no-go decision

Two human Proof-of-Concept studies (Osteoarthritis and Post -Herpetic Neuralgia) initiated in September, 2012 and are recruiting on /close to schedule (OA study fully enrolled, PHN study amended to accelerate enrollment). A go/no-go decision for one or both potential indications (general nociceptive pain and neuropathic pain) is targeted for late 2013/early 2014.

**TRPV1 Back-up (VAN) 120083**

**All R&D scorecard activities for VAN remain on track:**

- Progress first-in-human experiment under Japanese IND

The First in Human clinical trial (Single Ascending Dose) and a Multiple Ascending Dose study (including Caucasian subjects) have been successfully conducted in Japan, results pending draft study report (expected in 3Q13).

**ORL1 (OAG)**

**All R&D scorecard activities for ORL1 remain on track.**

**Intermezzo (INT)**

**All corporate scorecard milestones for Intermezzo are on track.**

Milestone	Target	Current Status
Post-Marketing Requirement: Patient compliance with dosing instructions in the setting of actual clinical use	4/2013	Submitted on April 30, 2013
Post-Marketing Requirement: PREA Phase 2 dose-finding study	No longer applicable	FDA waived the requirement for PREA entirely in May 2013
Advance publication plan, comprised of 5 potential manuscripts, in accordance with prioritization	Preparation for submission to journals on target	On Plan; one manuscript published; 3 under review at journals; 1 being readied for submission to journal; 9 insomnia-related posters presented at annual international Sleep meeting

Progress continues on the publication plan of previously completed studies, including new analyses of post dose sleep architecture as measured during the sleep laboratory study.

**Abuse Deterrent Immediate Release Oxycodone /ADIR - (OCI)**

**All R&D scorecard activities for OCI remain on track:**

- Initiate abuser panel study in June

- Complete clinical and registration batches in Wilson plant. (Manufacture of clinical supplies were completed April 26 in Wilson)

An End-of- Phase 2 Meeting was held at FDA May 21, 2013 with the following key outcomes:

- The Agency communicated their concern regarding potential for GI adverse effects related to sodium lauryl sulfate (SLS), the excipient added as an aversive agent to reduce the potential that OCI will be snorted by abusers. They have requested the safety data from the pilot PK study and our assessment of maximum daily dose of IR oxycodone upon which the Agency would base the non-clinical requirements for qualification of the corresponding amount of SLS.
- The Agency agreed to review our toxicology risk assessment for SLS ahead of the NDA submission but could not provide a timeline for review.
- The Agency also requested that we add a 30mg dose to the BA/BE study and a 30mg OCI intact tablet oral dose plus placebo to the IN abuse study.

Study plans have been revised and documents are in preparation for FDA review as requested at the End-of-Phase 2 meeting.

In addition, study designs are being assessed in the event it is determined that a small PK/Safety study is needed to support GI tolerability of OCI prior to submission.

### **MS Contin Reformulation**

A project has been initiated to reformulate MS Contin using the PEO-based platform developed for ORF. Technical development has commenced, and a project team created.

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## **DISCOVERY RESEARCH**

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### **Purdue-Shionogi Collaboration ORL-1 Agonist Program**

- Confidentiality agreements are in place and the meeting was held with two Harvard

professors, both sleep experts (one testified in the Michael Jackson trial), to discuss the rat EEG results and possible mechanisms of ORL-1 induced sleep. Both professors are excited about our data, feel that there is a need in the field for something new, and are working with us to define additional experiments that could support a proposal for ORL-1 agonists in a sleep indication. They also suggested that there is a large unmet need for a dual sleep-inducer/pain reliever, so this is being pursued in the coming months.

- In the 2nd quarter the backup program continued to focus on pharmacological studies to elucidate the site and mechanism of action of the observed clinical effects from V117957 and establish a method of differentiating a backup molecule. Efforts have begun to generate an ORL1 receptor knockout rat, which will allow us to confirm whether these effects are on or off-target. Our chemistry remains focused on new chemical series and synthesis of “pharmacological tool” compounds in collaboration with Shionogi.

### **Sodium Channel (Nav) Blocker**

- In the 2nd quarter the Nav team determined that V121241 had insufficient exposure to assess in toxicology studies. An alternative compound (V121130) is currently being evaluated in a 2-week rat toxicology study. Headline data will be available later in the summer.
- The chemistry team remains focused on synthesizing compounds with improved pharmaceutical properties over V121130. The chemistry effort has increased the solubility and reduced the half-life of the compounds. This should translate into improved pharmacokinetic (PK) properties and a closer correlation between efficacy and exposure.

### **Exploration of Signal-Biased Opiates**

- We have fully evaluated both R and S isomers of DHE in the various in vitro assays of arrestin bias, and shared the data with Mundipharma. We do not see significant mu receptor bias in these molecules, although we are about to also look at kappa where there may be differences.
- We have fully evaluated the Trevena lead compound, TRV130 in vitro and in vivo and our data is similar to what Trevena has recently published, except that we do see evidence of constipation and respiratory depression in rats dosed with their molecule.
- We have selected two molecules that are novel, and show biased signaling in vitro for further scale-up, pharmacokinetic testing, and live animal testing. This data will help define the features of potential developmental candidates in the future.
- We have initiated academic collaborations with the University of Colorado and the University of Jena to study TLR4-opioid signal overlap, and mu receptor

phosphorylation “barcodes”, respectively. The appropriate agreements are currently being reviewed by both organizations and we hope to initiate the collaborative research later in the summer.

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## LICENSING AND BUSINESS DEVELOPMENT

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

<b>Q1 2013 Results</b>	<b>Total</b>	<b>Declined in Level 1</b>	<b>Referred to R&amp;D Innovation</b>	<b>Declined in Level 2</b>	<b>Declined in Level 3</b>	<b>Transferred to International Colleagues</b>	<b>Active with BDC</b>	<b>On Hold Pending Data</b>
<b>4Q12 Existing opportunities Active with BDC</b>	7	1	0	4	0	0	2	0
<b>New Opportunities 2Q13</b>	64	46	8	0	0	5	5	0
<b>Total</b>	<b>71</b>	<b>47</b>	<b>8</b>	<b>4</b>	<b>0</b>	<b>5</b>	<b>7</b>	<b>0</b>

<b>Q2 2013 Results</b>	<b>Total</b>	<b>Declined in Level 1</b>	<b>Referred to R&amp;D Innovation</b>	<b>Declined in Level 2</b>	<b>Declined in Level 3</b>	<b>Transferred to International Colleagues</b>	<b>Active with BDC</b>	<b>On Hold Pending Data</b>

<b>1Q13 Existing opportunities Active with BDC</b>	<b>7</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>4</b>	<b>0</b>
<b>New Opportunities 2Q13</b>	<b>80</b>	<b>63</b>	<b>3</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>14</b>	<b>0</b>
<b>Total</b>	<b>87</b>	<b>65</b>	<b>3</b>	<b>2</b>	<b>0</b>	<b>1</b>	<b>18</b>	<b>0</b>

<b>Annual Total</b>	<b>Total</b>	<b>Declined in Level 1</b>	<b>Referred to R&amp;D Innovation</b>	<b>Declined in Level 2</b>	<b>Declined in Level 3</b>	<b>Transferred to International Colleagues</b>	<b>Active with BDC</b>	<b>On Hold Pending Data</b>
<b>4Q12 Existing opportunities Active with BDC</b>	<b>7</b>	<b>1</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>0</b>
<b>New Opportunities Screened 1Q 13 &amp; 2Q13</b>	<b>144</b>	<b>116</b>	<b>9</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>17</b>	<b>0</b>
<b>Total</b>	<b>151</b>	<b>117</b>	<b>9</b>	<b>6</b>	<b>0</b>	<b>1</b>	<b>18</b>	<b>0</b>

**ACTIVE LBD PROJECTS END OF Q2 2013**

<b>Company</b>	<b>Product &amp; Level Status</b>	<b>Indication</b>	<b>Status</b>	<b>Responsible Party</b>	<b>Screen Date</b>
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<b>Flexion</b>	Fx-006: CR triamcinolone/ polylactic-co-glycolic acid (PLGA) formulation intra-articular (IA) injection for osteoarthritis in the knee  Level 2	OA Knee	Phase 2b 220 patient dose ranging study comparing 3 separate doses of FX-006 to Kenalog (IR steroid). End point pain reduction on VAS scale. Flexion presented data to Purdue on June 27th. Purdue reviewing opportunity at July 18 BDC.	Darland	1/6/13
<b>Rhythm</b>	RM-131 Ghrelin Agonist Peptide  Level 2	Diabetic Gastro paresis	Ph2 data to be available Sept. Market research completed, creating forecasts and financial valuation.	Downs	6/18/12
<b>Astra Zeneca / Pozen</b>	Vimovo (naproxen esomeprazole) Acquisition of product from Astra Zeneca. Gross sales in 2012 of \$40 million in U.S. and \$40 million ex U.S.  Level 2	Relieve the signs and symptoms of osteoarthritis, rheumatoid arthritis, and ankylosing spondylitis and to decrease the risk of stomach (gastric) ulcers in patients at risk of developing stomach ulcers from treatment with NSAIDs.	Presenting sales forecast and “re-launch” budget estimate to BDC on July 18 for a decision. Astra Zeneca conducting a private process to sell this product worldwide (product was developed by Pozen).	Downs	5/23/13
<b>Zalicus</b>	Z-160-selective N-type calcium channel blocker (oral 375mg, BID)	Neuropathic & nociceptive pain	CDA has been executed. Awaiting 2 Ph2 trials, one for PHN and one for lumbosacral radiculopathy. 2H13	Kraft	1/7/13

	Level 2				
<b>Concert</b>	CTP-354 deuterated version of Merck's L-838417 GABA(A)  Level 2	Spasticity and chronic pain	Significant number of pre-clinical experiments conducted on the molecule. Phase 1 ongoing.	Darland	6/21/13
<b>Aerial BioPharma</b>	ADX-NO5 (Sigma Opioid Receptor Modulator)  Level 1b	Excessive daytime sleepiness associated with narcolepsy	Phase 2b data due September 2013. Confidential meeting scheduled in Stamford on July 9, 2013.	Darland	5/3/13
<b>Afferent</b>	AF-219 - P2X3 antagonist  Level 1B	Pain	Assess POC data in August 2013.	Darland	1/6/13
<b>Ricanto</b>	TABEX® (cytisine tablets) partial agonist $\alpha 4$ , $\beta 2$ nicotinic receptor; from Cytisus Laburnum plant  Level 2	Smoking cessation	In Rappaport's division; Need phase I and II studies to complete U.S. package; Due diligence will confirm U.S. requirements for filing; developed and marketed in Bulgaria by Sopharma Pharmaceuticals.	Dolan	3/8/13
<b>AgeneBio</b>	Combination of low dose CR levetiracetam (Keppra®) and donepezil  Level 2	slowing the progression of amnesic mild cognitive impairment (aMCI) due to Alzheimer's disease	Inventor has patented this low dose combo for MCI Alzheimer's; new company is being formed; seeking investors	Dolan	6/21/13

<b>Pathologica</b>	PA300 - S-adenosyl-methionine decarboxylase (SAMDC) anti-inflammatory  Level 1	Anti-inflammatory for pain, multiple sclerosis, autoimmune diseases	Detailed presentation by Pathologica to occur during the early fall 2013. Company studying oral M.S. as well as pain development strategy.	Dolan	5/3/13
<b>JB Therapeutics</b>	BT-101 (synthetic cannabinoid)  Level 1b	Treatment resistant neuropathic pain	Confidential meeting to evaluate JBT-101 (ajulemic acid) scheduled for July 10.	Downs	4/11/13
<b>SK Life Sciences</b>	SKL-11197 oral tablet / Peripheral-acting 15-LOX and ion channel blocker  Level 2	Diabetic neuropathic pain	Placed On Hold following advice from SK that the Ph2 study in diabetic neuropathic pain did not reach significance. They are evaluating the study results to understand possible causes.	Downs	5/3/13
<b>Lexicon</b>	LX-1033 TPH inhibitor molecule undisclosed  Level 2	IBS-d	Phase 2 data is expected July 2013.	Kraft	5/31/13
<b>Epiphany Biosciences</b>	EPB-348 (valomaciclovir, antiviral)  Level 1b	Shingles Mononucleosis	Phase 2b met endpoints for Shingles. Phase 2a met endpoints for mono. Assess phase 3 costs. Review the mononucleosis market.	Kraft	5/9/13

<b>Zeria</b>	Acotiamide oral tablet: Reversible acetylcholinesterase inhibitor  Level 1b	Functional dyspepsia	Confidential meeting to evaluate acotiamide for U.S. Ph3 development scheduled for July 22. GI regulatory consultant Larry Goldkind pre-briefing scheduled for July 11.	Downs	5/3/13
<b>Array BioPharma</b>	TrkA Inhibitor Discovery level  Level 3	Neuropathic Pain	MTA in place. Product being tested in Cranbury. Initial term sheet received from Array.	Kyle / Kraft	N/A
<b>Grünenthal</b>	KV7 (KCNQ) Channel opener Discovery level  Level 1	CNS indications: pain, bipolar, anxiety, epilepsy, addiction	Confidential meeting to be scheduled.	Kyle / Kraft	5/3/13
<b>Marinus</b>	Ganaxolone oral suspension & tablet  Level 1	Fragile X Syndrome	Orphan indication with high medical need. Marinus seeks \$1.5M in clinical trial support to accelerate Ph2 development for which we could seek an option to license. Preparing proposal to invest in the Ph2a study of ganaxolone study in Fragile X Syndrome to obtain an	Downs	6/28/13

			option right to the product for the orphan indication.		
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## CORPORATE COMPLIANCE

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

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### Key Compliance Issues in 2Q13

Throughout the Second Quarter, the Company continues to maintain a state of effective compliance, with all components of the Annual Compliance Scorecard above the established standards, including Sales and Marketing, Manufacturing and Quality, and R&D.

While there are compliance matters detected, investigated, and remediated on an on-going basis, there have been no *significant* compliance matters to report.

### Physician Payments - Sunshine Act Reporting Commences

Effective August 1<sup>st</sup>, pharmaceutical, biologics, and device firms must begin collecting payments and other transfers of value to physicians and teaching hospitals, for public website posting by CMS on September 30, 2014.

- All Purdue employees, Board Members, and certain contractors will accordingly need to accurately record and report payments and transfers of value to physicians, including meals, gifts, consulting fees, grants, R&D activities, etc.
- Purdue has developed over a period of two years its proprietary “Whole\$um” system for aggregation and reporting of federal Sunshine data as well as state law requirements.
- Live training, web-based training, and other means employed to prepare employees and others for Sunshine Act reporting.
- Independent audit of Whole\$um system by Navigant Consulting, under aegis of IAF, is currently underway to verify preparedness and accuracy.

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## EXTERNAL AFFAIRS

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

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### **Build Support For Appropriate Pain Care Through Policy Development And Implementation**

- A group of U. S. Senators and U.S. Congressmen, FDA, ONDCP, the White House, and 22 Pain Care Forum organizations have weighed in with the Centers for Medicaid & Medicare Services (CMS) expressing their belief that CMS has misinterpreted the intent of the law by including abuse deterrent formulations in the definition of "line extension." Very positive feedback from FDA and ONDCP has been received that a satisfactory solution will be reached, however this will not be certain until the final regulation is published. Senators have raised this issue with statements of support at two Congressional hearings, where CMS officials have also testified.
- Members of Congress introduced legislation, ([H.R. 6160](#)), that would prevent the FDA from approving a non-deterrent controlled substance where an abuse deterrent formulation of the same drug is approved. The legislation has received considerable attention from Congress. Key Senators, Minority Leader McConnell, and Assistant Majority Leader Schumer have informed FDA that they support the concept of the STOPP Act and a bipartisan group of members in the Senate and the House are contemplating potential amendments similar in nature to the STOPP Act.
  - Letters were solicited from approximately 150 state elected officials and local law enforcement to the FDA discouraging non-abuse resistant generic formulations of opioids. 48 State Attorneys General signed a joint letter through the National Association of Attorneys General to the FDA discouraging approval of non-abuse deterrent generic formulations of opioids as well as letters from 2 Governors. Senators and House Members

introduce Sense of the Senate (S. Res. 97) and Sense of the House Resolutions (H. Res. 161) favoring ADF and encouraging FDA to exercise their authority and not approve generics without ADF.

- FDA on April 16<sup>th</sup> made an affirmative decision withdrawing the old formulation of OxyContin and not permitting non-deterrent formulations to be approved.

### **Take Appropriate Action On External Threats To Optimal Pain Care**

- An internal subcommittee of the Communications External Affairs Committee (CEAC) has been developed to address the issue of patient access to pain medications. The Pain Care Forum has also initiated a Patient Access sub-team to address the increasing barriers patients are experiencing at a pharmacy level when trying to obtain their medications. Access issues have been identified in multiple states, with the majority occurring in Florida. These issues stem from the Drug Enforcement Authority (DEA) actions against pharmaceutical wholesalers and chain drug stores, and their subsequent response in an effort to avoid further DEA action.

### **Promote Purdue's Reputation In Academic, Community And Scientific Venues**

- Fifteen states are now operational with the National Association of Boards of Pharmacy (NABP) Interconnect Hub program which allows state prescription monitoring programs to share data across state lines. Ten more states have signed Memorandums of Understanding (MOU) to participate. Purdue supported this initiative.
- A direct mail campaign to recruit investigators and enroll patients for pediatric clinical trials was targeted to over 1,500 pediatric hematologists and oncologists in June. The package included a cover letter, our new "Advancing Medical Science" brochure and a pediatric flyer. Within one week, inquiries were being received expressing interest in becoming investigators for pediatric clinical trials. This also served to increase Purdue's visibility as a leader in pain management among pediatric healthcare professionals.
- Media relations were conducted with national business and healthcare professional trade media to communicate the value of reformulated OxyContin. Specific efforts leveraging epidemiological data presentations and proactive outreach surrounding the '042 patent expiration, updated product labeling and FDA's decision regarding the company's Citizen Petition relating to generic formulations. These efforts

resulted in more than 838 favorable stories (including an Associated Press story that appeared in 625 newspapers) for the OxyContin brand. Scientific communications support was also conducted in support of data presentations for Butrans. General education about Intermezzo and middle-of-the-night awakenings secured 10 media placements.

- Many healthcare professional and patient advocacy groups covered information related to the new formulation of OxyContin in their e-newsletters, list serves, and other communications vehicles.
- The redesigned *Voices of Hope* section on *In the Face of Pain*<sup>®</sup> website was launched which gives greater visibility and more streamlined viewing for pain advocates and third-party organizations.

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

- State legislation to address prescription drug abuse was introduced in many states this session. Two specific concerns were Massachusetts HB 1786 which rescheduled OxyContin to a CI controlled substance and Mississippi HB 599 which set a 75 unit limit per RX on OxyContin. Both bills were defeated.
- Florida and California have introduced bills that would require pharmaceutical companies to pay for or be allowed to pay for the state prescription monitoring programs. In both cases, the language was removed in order to pass the bills.
- Ohio is finalizing guidelines that will require prescribers to perform additional activities specific to prescribing controlled substances for chronic non-cancer pain once a “trigger dose” of 80mg morphine equivalence is reached.
- Awareness of Purdue’s comprehensive efforts to combat prescription drug abuse continues to increase. Proactive media relations were conducted to promote RxPATROL, and the Law Enforcement Liaison & Education Program. In the second quarter of 2013, Public Affairs achieved positive delivery of Purdue’s anti-diversion/anti-abuse messages by garnering 59 stories reaching more than 1.5 million readers/viewers for both RxPATROL and LELE.
- The US Conference of Mayors announced a grant from Purdue, surrounding the 2014 Prescription Drug Abuse Recognition Program awards for outstanding initiatives to

address Rx Drug Abuse at their annual meeting. A press release accompanied the live announcement event.

- The National Education Association launched its RX for Understanding National High School Curriculum at its annual meeting. A press release occurred in conjunction with the meeting. Purdue provided funding for the development of the high school curricula and it will join of the current middle school curricula in helping teachers to address the issues surrounding prescription drug abuse.

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## **HEALTH POLICY**

The Health Policy Group helps shape the public face of Purdue, enhances corporate visibility, and cultivates a supportive environment through communication and collaboration (e.g., presentations, participation with external entities, and support of Purdue Governmental Affairs). Medical Education provides high-quality, relevant resources to meet clinical and learning needs that complement the drug product portfolio. Medical Services responds to external queries on our products and provides medical review of Materials for the Sales Forces and external customers (e.g., healthcare professionals, patients, regulators, and general public). Library & Information Services deliver resources to meet the scientific and business needs of Purdue.

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## **Policy-Related**

- Communication & External Affairs Committee
  - Currently working on patient access issues; unintended consequences of “pill-mill” laws; creating talking points on the benefits of abuse-deterrent formulations; and building an evidence base to demonstrate that a significant contribution to the supply of opioids used non-medically is from excess prescribing for acute pain (e.g., dentists, emergency rooms), not for patients with chronic pain.
- Medical Research
  - Consulting with an R&D task force to standardize elements of the informed consent process across clinical trials.
  - Serving on long-term opioid effectiveness publication team.
- Risk Management activities
  - Extended-release/Long-acting Opioid Analgesics REMS Program Companies (RPC) – chair of Prescribers’ Sub-team; active in drafting External

Communications guidance for RPC use; submitted Spanish translation of Patient Counseling Document to RPC.

- Sales and Marketing
  - Consulting with PAP to finalize a spine education poster.
  - Educating of Sales Representatives on low back pain and other topics.
  
- Medical Services
  - Edited the response letter to inquiries to the Long-Term Studies of OxyContin® in Chronic Non-Cancer Pain by healthcare professionals.
  - Directing compilation of patient vignettes about difficulty obtaining prescribed opioids. 105 contacts YTD, most from Florida, over half involving OxyContin.
  
- Other external collaborations
  - Abuse Liability Evaluation for Research, Treatment, and Training (ALERTT) Working Group of the ACTION public-private partnership with FDA on *Recommendations for Quantifying Abuse-Related Events in Clinical Trials* (one journal article published from this group to date).
  - American Pain Society – co-authored three posters. Several influential researchers, FDA, and ONDCP personnel, and trade media, showed high interest in them.
    1. *Youth Health Risk Behaviors Associated With The Nonmedical Use of Prescription Pain Relievers* - Poster
    2. *Analysis of Guidelines for Chronic, Non-Cancer Pain Management with Opioid Analgesics* - Poster
    3. *Review Conversion Recommendations from Select Clinical Practice Guidelines – All Are Not Equal of Opioid* - Poster
  - College on Problems of Drug Dependence – co-authored five presentations, all of which garnered interest from various constituents, including FDA epidemiology and Controlled Substances Staff.
    1. *Association Between Nonmedical Use of Prescription Drugs and Suicidality Among Adolescents* - Oral Presentation
    2. *Concept Mapping to Generate Items for the Patient Opioid Education Measure (POEM)* - Poster
    3. *Early Initiation of Alcohol or Marijuana Use and Nonmedical Use of Prescription Drugs* - Poster
    4. *External validation of the potential concern index model based on individual prescribing patterns* - Poster
    5. *Motive-Specific Differences in the Nonmedical Use of Prescription Pain Relievers among Adolescents* - Poster
    6. *Identification of data gaps that preclude evidence-based drug control policies aimed at reducing opioid analgesic abuse* - Poster

## Healthcare Grants and Giving

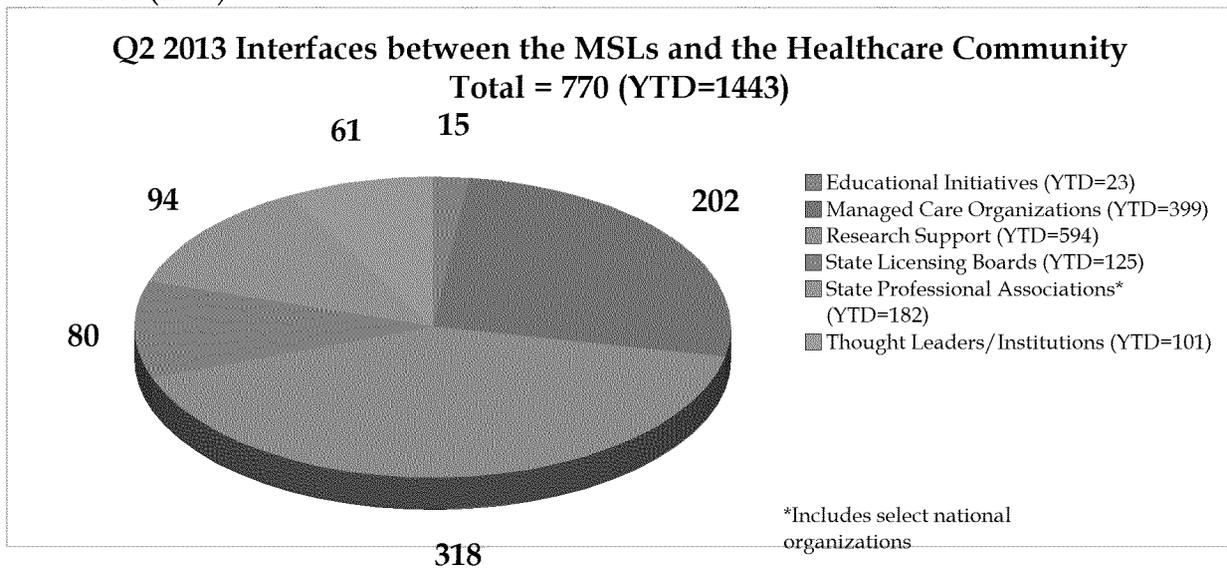
163 (YTD = 351) healthcare educational and non-educational grants were reviewed

- Seventy-three (45%) were approved for a total of \$1,421,496.

## Medical Education - Medical Science Liaisons (MSLs)

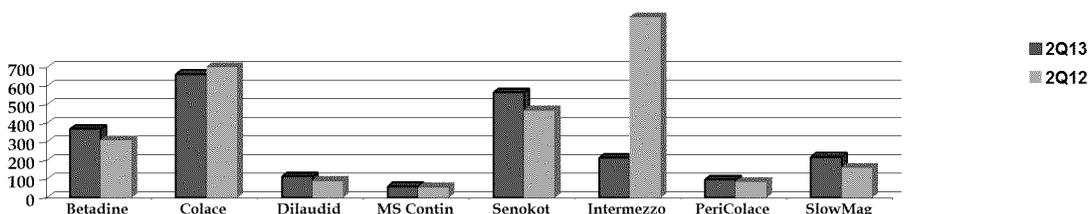
(Managed Health Systems, Alliance Outreach, Research Support)

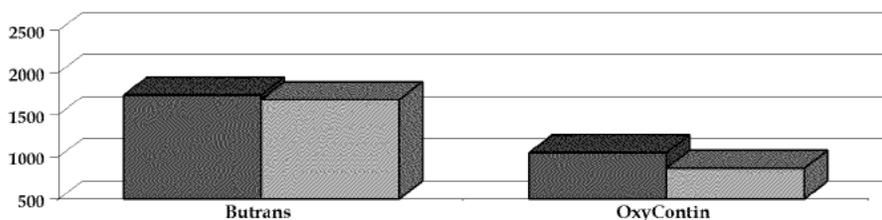
- Major MSL efforts include: Supporting PPLP Research (41%), interactions with Managed Care (26%), and interacting with State HCP Associations and Licensing Boards (23%)



## Medical Services Department

- 2Q13 Inquiries
  - 5,596 total inquiries
    1. 3% decrease from 2Q12
    2. 80% of inquiries answered within 1 business day
    3. 98% answered within 10 business days





- Specific Products (detail for above)
  - Butrans = 1,728 inquiries
    1. 17% physicians, 65% consumers
    2. Application instructions (198) Application site/skin reaction (90), Adhesion (111), Effect of Heat (78), Lack of Effect (72), AE Management (50), Dose conversion from or to other opioids (44), Withdrawal (35), Onset of Action (29); Cardiovascular (16); Urine Drug Screen (8)
  - Intermezzo = 212 inquiries
    1. 38% physicians, 36% consumers
    2. Comparison to other zolpidem products (13), Sex-specific dosing (13), Use with other zolpidem products (13), General dosing information (8)
  - OxyContin = 1,045 inquiries
    1. 14% physicians, 68% consumers
    2. Request for Epidemiological data (64); Medication Access Issues (60); What changed with Reformulation (37); Lack of Effect (28); Dosing frequency (28); Delivery System (27); Withdrawal (18); Dose conversion (9); Maximum dose (8)

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## HUMAN RESOURCES

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

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### Staffing, Employee Engagement, Relations and Retention

- 148 requisitioned positions were filled year-to-date. Employee turnover is 4.6% YTD vs. 4.2% at the same time last year.
- [REDACTED] has been named Executive Director Corporate Procurement, reporting to Ed Mahoney, EVP & CFO.

- [REDACTED] Director, SQA (Supplier Quality Assurance), reporting to [REDACTED] Head of Quality Operations in Wilson, began employment on May 13th. [REDACTED] will initially be based in Totowa, and then moved to Wilson within 18 months, consistent with the Totowa transition plans.
- Purdue's recruiting strategy for the Military Recruitment program in collaboration with the Department of Defense "Heroes 2 Hire" program has been refined to incorporate benchmark data from GE and will include the involvement of Human Resources, as well as Purdue's Sales Management at future Military Career Fairs.
- Human Resources have engaged the Higgins Group in a retained search for a Chief Medical Officer reporting to [REDACTED] to replace Dr. Craig Landau, who will join Purdue Pharma Canada in early September 2013 as President and CEO.
- The Information Technology Department was reorganized to more closely suit the evolving needs of their business clients, develop new capabilities to increase value and flatten the organization. The new organizational structure was developed in concert with department leadership and put into effect on May 1<sup>st</sup>. Many IT colleagues were provided new opportunities within the department.
- [REDACTED] Area Director, Sales Force, was selected as Purdue's 2013 HBA Rising Star. Along with the Rising Stars from other companies, [REDACTED] was honored on May 9<sup>th</sup> at the HBA Woman of the Year Luncheon held at the New York Hilton.

### Compensation & Benefits

- Fidelity financial workshops were presented in Stamford to aid colleagues preparing for retirement within the next several years, and for colleagues of all ages on designing a financial road map to achieve their savings goals. Private one-on-one sessions were offered with a Fidelity specialist as a follow up to the meetings for colleagues who are looking for additional understanding of ways to effectively utilize their workplace savings plan, and learn more about resources available to balance personal investing and retirement planning. Workshops are planned at the other sites in July and August and additional one-on-one sessions are being offered in Stamford because of the substantial response.
- As approved by the Board, implementation of the Purdue Better Medicines Award was completed, which recognized the FDA's April 16th decision on new language in the professional prescribing information for OxyContin®, noting that the product had been reformulated to make the tablets more difficult to manipulate for misuse and abuse and describing the results of the in vivo studies that tested the ability of the new formulation to resist crushing, breaking, and dissolution. Through the Award, special award payments were made to all employees with at least one year of service on the announcement date and equaled two-week's base salary. Awards totaling \$9,333,513 were made to 1,662 employees through this program, and many recipients have expressed their great appreciation for this award.

## **Training & Development**

- One-on-one Performance Coaching was conducted for 14 individuals during the 2Q13 in the areas of facilitation skills, presentation skills, leading meetings, communicating succinctly, coaching substandard performance, influencing senior management, resolving conflicts, managing priorities and career development.
- Level 620 District Manager training was conducted for DMs who have been in their current role for at least one year. The training provided case study examples to address employee relations and work performance related challenges.
- Leading for Success Programs were held in Stamford for Directors II, Managers II and Individual Contributors II.
- A Leading for Success Individual Contributors I program was conducted in Wilson, as well as a Supervisory Skills workshop and a 2013 Leadership Fundamentals Class.
- Workshops were conducted in Totowa and Cranbury covering Managing Multiple Priorities, Conflict Resolution and Productive Conversations.
- 49 pairs of people were identified for the Mentoring Program for 2013, including colleagues from all four sites and positions ranging from non-exempt through Vice President. The six-month program was launched with training on May 1<sup>st</sup> and will conclude in mid-November.
- 29 Summer Interns were deployed in May and June across all sites, with orientation sessions and Lunch & Learn activities available on topics such as vocational interest inventory, resume writing, presentation skills, interviewing skills, conflict resolution and patent law.

## **Community Relations**

Purdue received two major awards this season: one to John Stewart from the Ferguson Library for being a good corporate partner, and one from the Stamford Museum & Nature Center recognizing Purdue as a valued Premiere Partner.

## **New Facility & Totowa Transition Project**

The Totowa Transition Project remains on track with timelines for phasing the transition and communication of the plan in place for the 3<sup>rd</sup> and 4<sup>th</sup> quarters. Human Resources continue to facilitate organizational reviews, analysis and action plans associated with business-critical talent and relocations related to the Totowa Transition and New Facility Plan. Human Resources is partnering with Wilson and Cranbury leadership to address space and office planning for Totowa colleagues and positions that will be transferring to the Wilson and Cranbury sites.

## Full-Time Turnover Projection

June YTD 2013

	Begin Count	End Count	Terminations	% Term EE's	Retired	% Retired EE's	Resignations	% Resigned	Total # Turnover	YTD Turnover % Rate	Prior Year Same Period YTD Turnover % Rate
<b>S&amp;P</b>											
SALES	599	634	13	2.2%	0	0.0%	24	4.0%	37	6.2%	
MARKETING	48	47	1	2.1%	0	0.0%	2	4.2%	3	6.3%	
SALES SUPPORT	29	28	1	3.4%	0	0.0%	0	0.0%	1	3.4%	
FIELD OPS, SUPPORT & ADMIN	15	17	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
<b>Total S&amp;P</b>	<b>691</b>	<b>726</b>	<b>15</b>	<b>2.2%</b>	<b>0</b>	<b>0.0%</b>	<b>26</b>	<b>3.8%</b>	<b>41</b>	<b>5.9%</b>	<b>6.4%</b>
	% of X-FTE's		36.6%		0.0%		63.4%				
<b>G&amp;A</b>											
ADMINISTRATIVE SERVICES	34	34	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
BUSINESS DEVELOPMENT	7	7	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
CORPORATE COMPLIANCE	11	10	0	0.0%	0	0.0%	2	18.2%	2	18.2%	
ENVIRONMENT, HEALTH & SAFETY	6	6	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
EXECUTIVE	13	14	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
EXTERNAL AFFAIRS	18	18	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
FINANCE	61	60	0	0.0%	1	1.6%	2	3.3%	3	4.9%	
GENERAL COUNSEL	45	47	0	0.0%	2	4.4%	0	0.0%	2	4.4%	
HUMAN RESOURCES	23	23	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
IT	96	92	0	0.0%	1	1.0%	1	1.0%	2	2.1%	
PROCUREMENT	12	12	2	16.7%	0	0.0%	0	0.0%	2	16.7%	
QA	31	31	0	0.0%	0	0.0%	1	3.2%	1	3.2%	
SECURITY	14	15	0	0.0%	1	7.1%	0	0.0%	1	7.1%	
<b>Total G&amp;A</b>	<b>371</b>	<b>369</b>	<b>2</b>	<b>0.5%</b>	<b>5</b>	<b>1.3%</b>	<b>6</b>	<b>1.6%</b>	<b>13</b>	<b>3.5%</b>	<b>1.1%</b>
	% of X-FTE's		15.4%		38.5%		46.2%				
<b>IRD/US</b>											
DISCOVERY	50	52	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
CRANBURY SUPPORT	14	14	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
DRUG SAFETY & PHARMACOVIGILANCE	33	33	0	0.0%	0	0.0%	3	9.1%	3	9.1%	
HEALTH POLICY	40	41	1	2.5%	0	0.0%	0	0.0%	1	2.5%	
MEDICAL RESEARCH	95	95	0	0.0%	0	0.0%	4	4.2%	4	4.2%	
NONCLINICAL R&D	50	51	1	2.0%	0	0.0%	1	2.0%	2	4.0%	
PROGRAM MGMT	26	25	0	0.0%	0	0.0%	1	3.8%	1	3.8%	
REGULATORY AFFAIRS	26	25	0	0.0%	0	0.0%	1	3.8%	1	3.8%	
<b>Total IRD/US</b>	<b>334</b>	<b>336</b>	<b>2</b>	<b>0.6%</b>	<b>0</b>	<b>0.0%</b>	<b>10</b>	<b>3.0%</b>	<b>12</b>	<b>3.6%</b>	<b>1.7%</b>
	% of X-FTE's		16.7%		0.0%		83.3%				
<b>MFG/OPERATIONS</b>											
PF LABS. SALARIED	18	16	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
M&SC	57	57	1	1.8%	1	1.8%	1	1.8%	3	5.3%	
WILSON NC	186	193	2	1.1%	2	1.1%	3	1.6%	7	3.8%	
<b>Total MFG/OPERATIONS</b>	<b>261</b>	<b>266</b>	<b>3</b>	<b>1.1%</b>	<b>3</b>	<b>1.1%</b>	<b>4</b>	<b>1.5%</b>	<b>10</b>	<b>3.8%</b>	<b>5.0%</b>
	% of X-FTE's		30.0%		30.0%		40.0%				
<b>Total PURDUE</b>											
	<b>1,657</b>	<b>1,697</b>	<b>22</b>	<b>1.3%</b>	<b>8</b>	<b>0.5%</b>	<b>46</b>	<b>2.8%</b>	<b>76</b>	<b>4.6%</b>	<b>4.2%</b>
	% of X-FTE's		28.9%		10.5%		60.5%				
<b>RHODES TECHNOLOGIES</b>											
RHODES PHARMA	148	151	0	0.0%	0	0.0%	3	2.0%	3	2.0%	
	30	40	0	0.0%	0	0.0%	2	6.7%	2	6.7%	
<b>Total RHODES</b>	<b>178</b>	<b>191</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>5</b>	<b>2.8%</b>	<b>5</b>	<b>2.8%</b>	<b>1.8%</b>
	% of X-FTE's		0.0%		0.0%		100.0%				
<b>Grand Total</b>											
	<b>1,835</b>	<b>1,888</b>	<b>22</b>	<b>1.2%</b>	<b>8</b>	<b>0.4%</b>	<b>51</b>	<b>2.8%</b>	<b>81</b>	<b>4.4%</b>	<b>3.9%</b>
	% of X-FTE's		27.2%		9.9%		63.0%				
<b>INTERMEZZO CONTRACT SALES</b>											
<b>Total QUINILES</b>	<b>98</b>	<b>88</b>	<b>37</b>						<b>37</b>	<b>37.8%</b>	<b>N/A</b>

Note: All turnover percentages are based upon the employee "Begin Count"

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## INFORMATION TECHNOLOGY

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

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- Through submission and study support since 2007, IT assisted with the introduction of reformulated OxyContin and data analysis to support the April 16th recognition by the FDA that the new formulation of OxyContin has effective abuse-deterrent properties. IT staff has supported over 7TB (terabytes) worth of Risk Management data that was analyzed to help produce the Epidemiology reports, and IT support for continued studies is ongoing.
- The updated eStage Gates site, now also accessible to iPad users, was delivered to the Research & Development Executive Committee (RADEX) as part of its June 12<sup>th</sup> meeting. The site was redesigned and integrated with Project.pharma to help avoid duplicate effort/entry and inconsistencies of data between systems, take advantage of drug development project efficiencies, and introduce expanded reporting and alerting features. According to [REDACTED] this is a unique solution to an industry wide challenge.
- IT delivered the Joint Information Security Audit findings covering operations in the US, UK, Germany, France, Switzerland, Canada, and China. The auditors identified several strengths and made seven recommendations that are primarily minor/low risk and are being addressed. Of greatest concern are the findings from China, where use of a public email solutions and computer equipment not provided by Mundipharma represent a significant risk to Purdue in sending email or transferring data and information to colleagues in China. There is no global security team so it is up to each associated company's IT Department to implement the corrective actions needed to close out the audit recommendations.
- The ContractSphere module for processing Chargebacks and Rebates and the Medicaid module were implemented on April 8th. PPLP is one of the first three pharmaceutical manufacturers to go live with these modules with the migrated data from the original system.

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**Produced Natively**

2012	<i>Actual</i>		<i>Budget</i>		<i>Prior Y</i>
(\$MM)	<i>Gross Sales</i>	<i>Net Sales</i>	<i>Gross Sales</i>	<i>Net Sales</i>	<i>Gross Sales</i>
Q1	674	507.5	724	537.1	725.2
Q2	764	556.4	798.9	596.1	762.2
Q3	749.6	531.8	792.8	592	726.3
Q4	817.3	607.5	852.2	626.2	757.4
<i>Total</i>	<i>3,004.90</i>	<i>2,203.10</i>	<i>3,167.90</i>	<i>2,351.50</i>	<i>2,971.20</i>

<i>Year</i>
<i>Net Sales</i>
552.7
583.7
543.7
530
2,210.10

2013	Actual		Budget		Prior Year	
(\$MM)	Gross Sales	Net Sales	Gross Sales	Net Sales	Gross Sales	Net Sales
Q1	620.0	461.4	773.4	575.8	674.0	508.0
Q2	685.3	521.5	819.4	617.6	764.0	556.8
Q3			816.4	616.7	749.6	533.0
Q4			819.3	600.2	817.3	603.1
Total	1305.3	982.9	3228.5	2410.3	3004.9	2200.9

2013	Actual		Budget		Prior Year	
(\$MM)	Gross Sales	Net Sales	Gross Sales	Net Sales	Gross Sales	Net Sales
Q1	620.0	461.4	773.4	575.8	674.0	508.0
Q2	685.3	521.5	819.4	617.6	764.0	556.8
Q3						
Q4						
Total	1305.3	982.9	1592.8	1193.4	1438.0	1064.8

Variance - Actual Vs.											
Gross						Net					
Budget		MY Update		Nov LE		Budget		MY Update		Nov LE	
\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
-153.4	-19.8%	-7.3	-1.2%			-114.4	-19.9%	-3.1	-0.7%		
-134.1	-16.4%	-74.8	-9.8%			-96.1	-15.6%	-47.3	-8.3%		
-287.5	-18.0%	-82.2	-5.9%			-210.5	-17.6%	-50.3	-4.9%		

**CHANGE FOR POST QUARTER CHANGES - RU BW AGAIN AND**

2013	(\$MM)	Actual		Budget		Mid Year Update	
Qtr/FY	Brand	Gross Sales	Net Sales	Gross Sales	Net Sales	Gross Sales	Net Sales
Q1	ORF	566.3	414.2	710.5	521.1	566.3	410.9
	BUP	29.1	23.5	33.5	26.8	33.5	27.2
	INT	3.2	2.5	5.6	4.9	3.7	3.3
	Others	21.4	21.1	23.8	23.1	23.8	23.0
	<b>Total</b>	<b>620.0</b>	<b>461.4</b>	<b>773.4</b>	<b>575.8</b>	<b>627.3</b>	<b>464.5</b>
Q2	ORF	624.7	464.7	741.8	549.9	692.9	510.0
	BUP	34.8	28.0	39.5	32.2	39.5	32.3
	INT	1.7	3.9	14.4	12.5	4.0	3.3
	Others	24.1	23.3	23.8	23.0	23.7	23.2
	<b>Total</b>	<b>685.4</b>	<b>519.8</b>	<b>819.4</b>	<b>617.7</b>	<b>760.1</b>	<b>568.8</b>
Q3	ORF			732.5	543.7	654.0	480.5
	BUP			42.0	34.2	42.0	34.2
	INT			18.5	16.1	3.3	2.7
	Others			23.4	22.7	23.4	22.5
	<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>816.4</b>	<b>616.7</b>	<b>722.8</b>	<b>539.9</b>
Q4	ORF			731.6	532.9	639.9	475.0
	BUP			45.0	33.7	45.0	33.7
	INT			19.2	10.6	2.9	1.3
	Others			23.4	23.0	23.4	26.5
	<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>819.2</b>	<b>600.2</b>	<b>711.2</b>	<b>536.6</b>
FY	ORF	1191.0	878.9	2916.5	2147.6	2553.1	1876.5
	BUP	63.9	51.5	160.0	126.9	160.0	127.5
	INT	4.9	6.4	57.6	44.0	13.9	10.6
	Others	45.5	44.4	94.4	91.8	94.4	95.1
	<b>Total</b>	<b>1305.3</b>	<b>981.2</b>	<b>3228.5</b>	<b>2410.4</b>	<b>2821.4</b>	<b>2109.8</b>

2013	(\$MM)	Actual		Budget		Mid Year Update	
Qtr/FY	Brand	Gross Sales	Net Sales	Gross Sales	Net Sales	Gross Sales	Net Sales
Q1	ORF	566.3	414.2	710.5	521.1	566.3	410.9
	BUP	29.1	23.5	33.5	26.8	33.5	27.2
	INT	3.2	2.5	5.6	4.9	3.7	3.3
	Others	21.4	21.1	23.8	23.1	23.8	23.0
	<b>Total</b>	<b>620.0</b>	<b>461.4</b>	<b>773.4</b>	<b>575.8</b>	<b>627.3</b>	<b>464.5</b>
	ORF	624.7	464.7	741.8	549.9	692.9	510.0
	BUP	34.8	28.0	39.5	32.2	39.5	32.3

Q2	INT	1.7	3.9	14.4	12.5	4.0	3.3
	Others	24.1	23.3	23.8	23.0	23.7	23.2
	<b>Total</b>	<b>685.4</b>	<b>519.8</b>	<b>819.4</b>	<b>617.7</b>	<b>760.1</b>	<b>568.8</b>
Q3	ORF						
	BUP						
	INT						
	Others						
	<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Q4	ORF						
	BUP						
	INT						
	Others						
	<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
FY	ORF	1191.0	878.9	1452.3	1071.0	1259.2	921.0
	BUP	63.9	51.5	73.0	59.0	73.0	59.5
	INT	4.9	6.4	20.0	17.4	7.7	6.6
	Others	45.5	44.4	47.6	46.1	47.6	46.1
	<b>Total</b>	<b>1305.3</b>	<b>981.2</b>	<b>1592.8</b>	<b>1193.5</b>	<b>1387.4</b>	<b>1033.3</b>

**D CHECK NUMBERS**

<i>Nov. Estimate</i>		<i>Prior Year</i>	
<i>Gross Sales</i>	<i>Net Sales</i>	<i>Gross Sales</i>	<i>Net Sales</i>
		632.6	468.4
		21.7	17.8
			0.0
		18.0	21.9
<b>0.0</b>	<b>0.0</b>	<b>672.3</b>	<b>508.0</b>
		697.7	507.0
		27.2	23.2
		13.9	3.3
		23.2	23.3
<b>0.0</b>	<b>0.0</b>	<b>762.0</b>	<b>556.7</b>
		697.4	483.7
		28.7	24.3
		0.3	1.7
		23.2	23.3
<b>0.0</b>	<b>0.0</b>	<b>749.6</b>	<b>533.0</b>
		752.3	545.3
		35.2	18.8
		2.5	0.6
		27.3	38.4
<b>0.0</b>	<b>0.0</b>	<b>817.3</b>	<b>603.1</b>
0.0	0.0	2780.1	2004.3
0.0	0.0	112.9	84.1
0.0	0.0	16.6	5.6
0.0	0.0	91.7	106.9
<b>0.0</b>	<b>0.0</b>	<b>3001.2</b>	<b>2200.9</b>

<i>Nov. Estimate</i>		<i>Prior Year</i>	
<i>Gross Sales</i>	<i>Net Sales</i>	<i>Gross Sales</i>	<i>Net Sales</i>
0.0	0.0	632.6	468.4
0.0	0.0	21.7	17.8
0.0	0.0	0.0	0.0
0.0	0.0	18.0	21.9
<b>0.0</b>	<b>0.0</b>	<b>672.3</b>	<b>508.0</b>
0.0	0.0	697.7	507.0
0.0	0.0	27.2	23.2

<b>Gross</b>			
<b>Budget</b>		<b>MY Update</b>	
<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>
-144.2	-20.3%	0.0	0.0%
-4.3	-13.0%	-4.3	-13.0%
-2.4	-43.5%	-0.6	-15.1%
-2.4	-10.3%	-2.5	-10.3%
<b>-153.4</b>	<b>-19.8%</b>	<b>-7.4</b>	<b>-1.2%</b>
-117.1	-15.8%	-68.3	-9.9%
-4.7	-11.8%	-4.7	-11.8%

0.0	0.0	13.9	3.3
0.0	0.0	23.2	23.3
<b>0.0</b>	<b>0.0</b>	<b>762.0</b>	<b>556.7</b>
<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
0.0	0.0	1330.4	975.3
0.0	0.0	48.9	41.0
0.0	0.0	13.9	3.3
0.0	0.0	41.2	45.2
<b>0.0</b>	<b>0.0</b>	<b>1434.3</b>	<b>1064.8</b>

-12.6	-87.9%	-2.2	-56.0%
0.4	1.5%	0.4	1.8%
<b>-134.1</b>	<b>-16.4%</b>	<b>-74.7</b>	<b>-9.8%</b>
0.0	#DIV/0!	0.0	#DIV/0!
0.0	#DIV/0!	0.0	#DIV/0!
0.0	#DIV/0!	0.0	#DIV/0!
0.0	#DIV/0!	0.0	#DIV/0!
<b>0.0</b>	<b>#DIV/0!</b>	<b>0.0</b>	<b>#DIV/0!</b>
0.0	#DIV/0!	0.0	#DIV/0!
0.0	#DIV/0!	0.0	#DIV/0!
0.0	#DIV/0!	0.0	#DIV/0!
0.0	#DIV/0!	0.0	#DIV/0!
<b>0.0</b>	<b>#DIV/0!</b>	<b>0.0</b>	<b>#DIV/0!</b>
-261.3	-18.0%	-68.3	-5.4%
-9.0	-12.3%	-9.0	-12.3%
-15.1	-75.4%	-2.8	-36.2%
-2.1	-4.4%	-2.0	-4.3%
<b>-287.5</b>	<b>-18.0%</b>	<b>-82.1</b>	<b>-5.9%</b>

Variance - Actual Vs.

Variance - Actual Vs.								
Nov LE		Prior Year		Budget		MY Update		Net
\$	%	\$	%	\$	%	\$	%	\$
		-66.3	-10.49%	-106.9	-20.5%	3.3	0.8%	
		7.4	34.33%	-3.2	-12.0%	-3.7	-13.5%	
		3.2		-2.3	-48.1%	-0.8	-24.3%	
		3.4	18.86%	-2.0	-8.6%	-1.8	-8.0%	
		<b>-52.3</b>	<b>-7.78%</b>	<b>-114.4</b>	<b>-19.9%</b>	<b>-3.1</b>	<b>-0.7%</b>	
		-73.1	-10.47%	-85.2	-15.5%	-45.4	-8.9%	
		7.6	27.81%	-4.2	-13.1%	-4.3	-13.5%	

		-12.1	-87.42%	-8.6	-68.8%	0.6	19.0%	
		1.0	4.22%	0.2	1.1%	0.1	0.4%	
		<b>-76.6</b>	<b>-10.06%</b>	<b>-97.8</b>	<b>-15.8%</b>	<b>-49.0</b>	<b>-8.6%</b>	
		0.0	#DIV/0!	0.0	#DIV/0!	0.0	#DIV/0!	
		0.0	#DIV/0!	0.0	#DIV/0!	0.0	#DIV/0!	
		0.0	#DIV/0!	0.0	#DIV/0!	0.0	#DIV/0!	
		0.0	#DIV/0!	0.0	#DIV/0!	0.0	#DIV/0!	
		<b>0.0</b>	<b>#DIV/0!</b>	<b>0.0</b>	<b>#DIV/0!</b>	<b>0.0</b>	<b>#DIV/0!</b>	
		0.0	#DIV/0!	0.0	#DIV/0!	0.0	#DIV/0!	
		0.0	#DIV/0!	0.0	#DIV/0!	0.0	#DIV/0!	
		0.0	#DIV/0!	0.0	#DIV/0!	0.0	#DIV/0!	
		0.0	#DIV/0!	0.0	#DIV/0!	0.0	#DIV/0!	
		<b>0.0</b>	<b>#DIV/0!</b>	<b>0.0</b>	<b>#DIV/0!</b>	<b>0.0</b>	<b>#DIV/0!</b>	
		-139.4	-10.48%	-192.1	-17.9%	-42.1	-4.6%	
		15.0	30.70%	-7.5	-12.6%	-8.0	-13.5%	
		-8.9	-64.59%	-11.0	-63.0%	-0.2	-2.8%	
		4.4	10.62%	-1.7	-3.8%	-1.7	-3.8%	
		<b>-129.0</b>	<b>-8.99%</b>	<b>-212.3</b>	<b>-17.8%</b>	<b>-52.0</b>	<b>-5.0%</b>	

/ LE	Prior Year	
%	\$	%
	-54.2	-11.56%
	5.8	32.65%
	2.5	
	-0.8	-3.70%
	<b>-46.6</b>	<b>-9.18%</b>
	-42.3	-8.34%
	4.7	20.28%

	0.6	18.90%
	0.0	0.09%
	<b>-36.9</b>	<b>-6.63%</b>
	0.0	#DIV/0!
	<b>0.0</b>	<b>#DIV/0!</b>
	0.0	#DIV/0!
	<b>0.0</b>	<b>#DIV/0!</b>
	-96.4	-9.89%
	10.5	25.63%
	3.1	95.68%
	-0.8	-1.75%
	<b>-83.6</b>	<b>-7.85%</b>

**Produced Natively**

	Q2 2013	
Interfaces with Healthcare Community		
Total = 770		
Educational Initiatives (YTD=23)	15	
Managed Care Organizations (YTD=399)	202	
Research Support (YTD=594)	318	
State Licensing Boards (YTD=125)	80	
State Professional Associations* (YTD=182)	94	0
Thought Leaders/Institutions (YTD=101)	61	18
	770	

MHS Q2  
15

To resize chart data range, drag lower right corner of range.

Q1	673
Q2	770
YTD	1443

AO

Adult

Peds

Includes lead organizations here

91

227

80

94

Includes lead organizations here

43

129 ONU3704 sites

119 ONU 3705 sites

16 BUP sites

38 OTR sites

**302 Total sites**

**Produced Natively**

	<b>Betadine</b>	<b>Colace</b>	<b>Dilaudid</b>	<b>MS Contin</b>	<b>Senokot</b>	<b>Intermezz</b>	<b>PeriColac</b>	<b>SlowMag</b>
<b>2Q13</b>	<b>366</b>	<b>660</b>	<b>112</b>	<b>58</b>	<b>561</b>	<b>212</b>	<b>94</b>	<b>216</b>
<b>2Q12</b>	<b>308</b>	<b>701</b>	<b>89</b>	<b>55</b>	<b>467</b>	<b>968</b>	<b>85</b>	<b>186</b>

**Produced Natively**

	<b>Butrans</b>	<b>OxyContin</b>
2Q12	1728	1,045
2Q12	1678	868

Message

**From:** [Redacted]  
**Sent:** 7/23/2013 1:18:32 PM  
**To:** Baker, Stuart D.; [Redacted]; Boer, Peter; [Redacted]; Gasdia, Russell; [Redacted]; Lewent, Judy; [Redacted]; Lundie, David; [Redacted]; Mahony, Edward; [Redacted]; Paulo Ferraz Costa; [Redacted]; @me.com]; Pickett, Cecil; [Redacted]; Sackler Lefcourt, Ilene; [Redacted]; Sackler, Beverly; [Redacted]; Sackler, Dame Theresa; [Redacted]; Sackler, David; [Redacted]; Sackler, Dr Kathe; [Redacted]; Sackler, Dr Raymond R.; [Redacted]; Sackler, Dr Richard; [Redacted]; Sackler, Jonathan; [Redacted]; Sackler, Mortimer D.A.; [Redacted]; Snyderman, Ralph; [Redacted]; Stewart, John H. (US); [Redacted]; Weinstein, Bert; [Redacted]; [Redacted]

**Subject:** Board Report  
**Attachments:** 2nd Quarter 2013 Board Report.docx

Hello Everyone,

Please see the attached 2<sup>nd</sup> Quarter Board Report for updates on 2013 results versus objectives. This was another demanding business quarter with many accomplishments yet, at the same time, many difficult challenges.

You will see in the report the normal breakdown of results by each business function. We continue to present significant transparency into commercial operations to highlight actions taken to succeed in the changing business environment - you will hear substantially more about that at the upcoming July 25<sup>th</sup> Board Meeting.

Should you have questions, please let me know.

Regards,

[Redacted]  
[Redacted]  
Senior Vice President, Human Resources  
Purdue Pharma LP

**Redacted**

[Redacted]@pharma.com

**Purdue**  
**Quarterly Report to the Board**  
**2nd Quarter, 2013**

**July 23<sup>rd</sup>, 2013**

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## FINANCE / INFORMATION TECHNOLOGY

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Assure 2013 sales, profitability, efficiency, cash flow, compliance and pipeline objectives are supported by proactive, future-focused and meaningful financial analysis. Assure that Purdue's financial reporting and forecasting provide transparency into business results, and financial reporting internal controls are in place.

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Topics covered:

- |                                  |   |
|----------------------------------|---|
| 1. 2013-Q2 Financial Performance | 5. Treasury – Short-term Cash Investments |
| 2. Non-Tax Distributions         |   |
| 3. 2013 Forecast                 | 6. Pension Investment Committee           |
| 4. Executive Audit Committee     |   |

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### 1. 2013-Q2 Financial Performance

	June Year-to-Date				Full Year		
	2013 Actual	2013 Forecast	2013 Budget	2012 Actual	2013 Forecast	2013 Budget	2012 Actual
Expressed in 000's							
Net Branded Revenues	982,916	1,030,832	1,193,444	1,064,796	2,107,208	2,410,349	2,200,922
Operating Margin	385,313	434,783	525,076	483,771	918,660	1,124,604	992,750
EBITDA	486,816	511,878	496,214	482,062	948,265	1,066,878	1,038,561
Net Profit Before Tax	470,836	495,875	480,231	468,124	916,260	1,034,912	1,010,856
Owner's Equity	518,573	581,944	855,844	624,308	590,000	705,232	671,725
Non-tax Distributions	357,626	357,626	120,250	471,600	575,600	538,100	471,643
Days Sales Outstanding	33.2	35.0	35.0	35.4	35.0	35.0	33.2
Accounts Receivable Outstanding > 90 Days Past Due	< 1%	< 1%	< 1%	< 1%	< 1%	< 1%	< 1%
Capital Spending	12,887	17,500	17,500	13,203	35,000	35,000	30,467
Unrestricted Cash on Hand	830,712	823,778	985,738	787,797	576,056	600,000	755,593
Available Liquidity	830,712	823,778	985,738	787,797	576,056	600,000	755,593
Available Liquidity - Average Months Sales	5.1	4.8	5.0	4.4	3.3	3.0	4.1
Headcount	1,689	1,751	1,784	1,672	1,751	1,784	1,666

Notes:

- (1) Net revenues are lower than budget primarily due to lower OxyContin sales.
- (2) Partner non-tax distributions of \$42 million were made in early July.
- (3) See full financial report for detailed information.

## 2. Non-Tax Distributions

In 2013 Forecast, non-tax distributions were projected to total \$600.8 million. Of the \$600.8 million, \$30 million was budgeted to be reinvested into Rhodes Pharmaceuticals and \$4.2 million for Japan and Thailand investments.

- April -- \$127 million cash paid plus \$216.7 million in Infinity shares (5.4 million shares at \$40 per share),
- July -- \$42 million cash paid,
- October -- \$130.5 million cash,
- December -- \$50.5 million cash,
- Rhodes reinvestment Q3 / Q4 -- \$30 million cash, and
- Japan and Thailand investments in Q3 -- \$4.2 million cash.

## 3. 2013 Forecast

<u>Expressed in 000's</u>	2013 Forecast	2013 Budget	Variance	Variance %
Gross Branded Product Sales	2,821,387	3,228,472	(407,085)	-12.6%
Net Branded Sales	2,107,208	2,410,349	(303,141)	-12.6%
Operating Margin	918,660	1,124,604	(205,944)	-18.3%
Operating Margin %	43.6%	46.7%	-3.1%	-6.6%
Net Profit Before Tax	916,260	1,034,912	(118,652)	-11.5%
EBITDA	948,265	1,066,878	(118,613)	-11.1%
Tax Distributions	331,800	444,000	(112,200)	-25.3%
Non-tax Distributions	575,600	538,100	37,500	7.0%
Total Equity (all Companies in Pharmaceuticals Group reported to Management Revisions)	590,000	705,232	(115,232)	-16.3%
Total Equity (US Operating Companies - Bank Reporting Group)	550,000	670,000	(120,000)	-17.9%
Unrestricted Cash on Hand	576,056	600,000	(23,944)	-4.0%

Notes: Lower than budget gross sales due to lower OxyContin sales (\$363 million) and lower Intermezzo sales (\$44 million).

- Lower operating expenses
  - R&D of \$50 million primarily due to enrollment delays in the ONU pain/OIC studies (\$35 million) and close out of Butrans higher strength studies (\$14 million).
  - S&P of \$22 million due to lower Intermezzo promotional support and termination of contract field force (\$12 million) and target reductions (\$10 million).

#### 4. Executive Audit Committee

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

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

Frequency: Quarterly

- The committee's most recent meeting in June included discussions of controls relating to procurement card usage, controls and audits related to managed care rebates, an update on CSA Compliance activities and Internal Audit activities.
- The committee members routinely meet with Ernst & Young, without Purdue financial management present.
- No material matters to report.

#### 5. Treasury - Short-Term Cash Investments

- Purdue's cash holding is currently invested in Treasury bills and U.S. Government Securities mutual funds. These securities are primarily registered in Purdue's name to reduce counter-party risk.
- These investments earn approximately 0.05-0.07% per annum with an outstanding investment balance of \$952 million at the end of June 2013.
- The group invests 80-90% of investable funds in Treasury investments with the rest in FDIC-insured bank accounts for daily funding operations.

#### 6. Pension Investment Committee

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

Frequency: 4 to 5 meetings per year

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

#### **Defined Benefits Pension Plans**

- PPLP Plan - The plan's Accumulated Benefit Obligation<sup>1</sup> is projected at \$220-230 million at 12/31/2013 and the plan assets were \$241 million at 6/30/2013.
- The plan investments returned 16.9% for the 12-month ended 5/31/2013. The fund assets are invested in: (a) passive equity indexed funds and (b) actively

<sup>1</sup> Pension plan liability calculation above is calculated under ERISA/IRS guidance. Accounting guidance projects future benefits so liabilities are higher, but less relevant to our funding decisions.

managed fixed income funds – which have outperformed passive fixed income. The plan's 1-year return over-performed the portfolio benchmark passive index by 1.6%.

- The 2013 budget assumes a total funding of \$10.5 million (spread out evenly during the year) to the PPLP plan.
- PF Labs (Union) Plan - PF Labs has a smaller defined benefit plan - \$6.7 million in assets – covering ex-employees, the plan is well funded and small contributions are being made.

#### **Change to PPLP Defined Benefits Pension Plan**

- With an expectation of rising interest rates, SEI (our investment manager) recommended a reduction in fixed income investment allocation from the current 45% to 35% by the end of 2013 while increasing equity investment allocation from the current 55% to 65%. Most of the shifts go to international and emerging markets equities.
- The Pension Investment Committee reviewed the proposal and agreed to adopt SEI's recommendation.

#### **Defined Contribution Pension Plan**

- Purdue Pharma LP also offers employees a 401(k) defined contribution savings plan. The company's contribution to this plan is expected to be \$8.2 million in 2013.
- The 401(k) plan funds' assets total \$310 million and \$344 million at the end of 2012 and June 2013 respectively.
- The plan offers employees a broad range of active, passive, and target-date investment options. The funds offered are generally very good performers in their classes. Marginal and poor performers are frozen to new investment and/or removed. Nearly all funds in Purdue's lineup are rated by Morningstar at 3-star or higher.
- The employees choose how their account balances are invested from the investment choices offered.

#### **Changes to PPLP 401(k) Plan Line-Up**

- Vanguard Inflation-Protected Secs Inv (index fund) -- TIPS investment category (VAIPX) is added.
- Fidelity Freedom Funds have been changed from actively-managed funds to passive index funds. Freedom Funds are target-dated funds.

- Fidelity Asset Manager 50% Fund is removed amid its performance correlation with Fidelity Puritan Fund which is a better overall performer.

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## MARKETING & SALES

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Assure 2013 sales and market share targets are met or exceeded. 2013 ex-factory net sales budget is \$2,410.3 mm. Operate within approved S&P budget of \$309.9 mm, with a target savings goal of \$15.6 mm.

Meet or exceed total prescriber call targets of 744,777 with Primary Detail Equivalents split 50/50 between Butrans and OxyContin. OxyContin and Butrans will receive second position presentations following primary presentations for each product in at least 90% of all prescriber calls. Intermezzo will be in third position on at least 35% of all prescriber calls.

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

**Gross Sales Budget: \$3,228.5MM**

**Net Sales Budget: \$2,410.3MM**

2013 (\$MM)	Actual		Budget		Prior Year	
	Gross Sales	Net Sales	Gross Sales	Net Sales	Gross Sales	Net Sales
Q1	620.0	461.4	773.4	575.8	674.0	508.0
Q2	685.3	521.5	819.4	617.6	764.0	556.8
Q3			816.4	616.7	749.6	533.0
Q4			819.3	600.2	817.3	603.1
Total	1305.3	982.9	3228.5	2410.3	3004.9	2200.9

*Note: Net sales for all periods reported have been restated to include other income.*

2013 year-to-date actual net sales of \$982.9 mm is lower than budget by \$210.5 mm or 17.6%. This variance was driven by:

- OxyContin net sales of \$878.1 mm were \$192.9 mm or 18.0% less than budget. This variance versus budget was due to (a) a trend toward lower tablets and milligrams per prescription not anticipated in the budget, and (b) lower wholesaler inventory.
- Butrans net sales of \$52.2 mm were \$7.1 mm or 12.0% less than budget driven primarily by contraction in trade inventory.

- 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.

## 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 (%)
<i>OxyContin</i>	\$2,916.5	\$2,147.6	\$1,672.6	77.9%	\$1,191.0	\$878.1	\$651.4	74.2%
<i>Butrans</i>	\$160.0	\$126.9	(\$25.0)	N/A	\$64.0	\$52.2	(\$15.0)	N/A
<i>Intermezzo</i>	\$57.6	\$44.0	(\$19.5)	N/A	\$4.9	\$6.4	(\$30.1)	N/A
<i>Laxatives</i>	\$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:

<b>Calls by Product</b>					
<b>2013 Budget v. Actual</b>					
<b>June YTD</b>					
<b>Primary Calls</b>	<b>Budget</b>	<b>Act</b>	<b>Var</b>	<b>Budget</b>	<b>Act</b>
Butrans	181,986	213,267	31,280	50%	64%
OxyContin	181,986	117,820	(64,166)	50%	36%
<b>Total Primary Calls</b>	<b>363,973</b>	<b>331,087</b>	<b>(32,886)</b>	<b>100%</b>	<b>100%</b>
<b>Secondary Calls</b>	<b>Budget</b>	<b>Act</b>	<b>Var</b>	<b>Budget</b>	<b>Act</b>
OxyContin	163,788	182,574	18,786	45%	55%
Butrans	163,788	111,833	(51,955)	45%	34%
<b>Total Secondary Calls</b>	<b>327,575</b>	<b>294,406</b>	<b>(33,169)</b>	<b>90%</b>	<b>89%</b>
<b>Tertiary Calls</b>	<b>Budget</b>	<b>Act</b>	<b>Var</b>		
Intermezzo	127,390	226,959	99,568		
<b>Total Tertiary Calls</b>	<b>127,390</b>	<b>226,959</b>	<b>99,568</b>	<b>35%</b>	<b>69%</b>
<b>PDEs</b>	<b>Budget</b>	<b>Act</b>	<b>Var</b>		
Butrans	263,880	269,183	5,303		
OxyContin	263,880	209,107	(54,773)		
Intermezzo	12,739	22,696	9,957		
<b>Total PDEs</b>	<b>540,499</b>	<b>500,986</b>	<b>(39,513)</b>		
<b>Calls</b>	<b>Budget</b>	<b>Act</b>	<b>Var</b>		
Butrans	345,774	325,099	(20,675)		
OxyContin	345,774	300,394	(45,380)		
Intermezzo	127,390	226,959	99,568		
<b>Total calls</b>	<b>818,938</b>	<b>852,452</b>	<b>33,514</b>		

**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

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 2<sup>nd</sup> quarter was lower than the 1<sup>st</sup> 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 2<sup>nd</sup> quarter versus 1<sup>st</sup> 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%.

## 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

- 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.