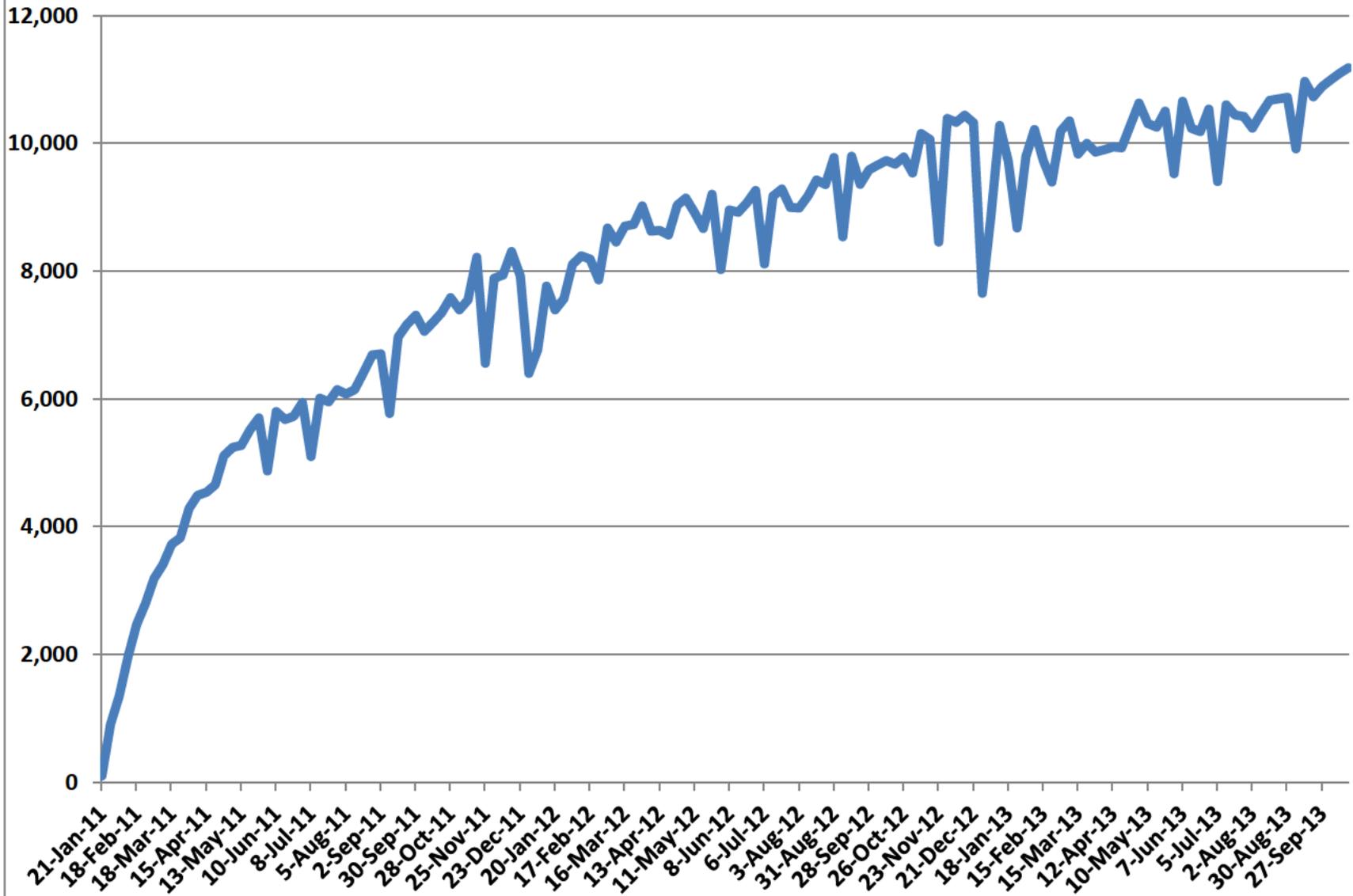
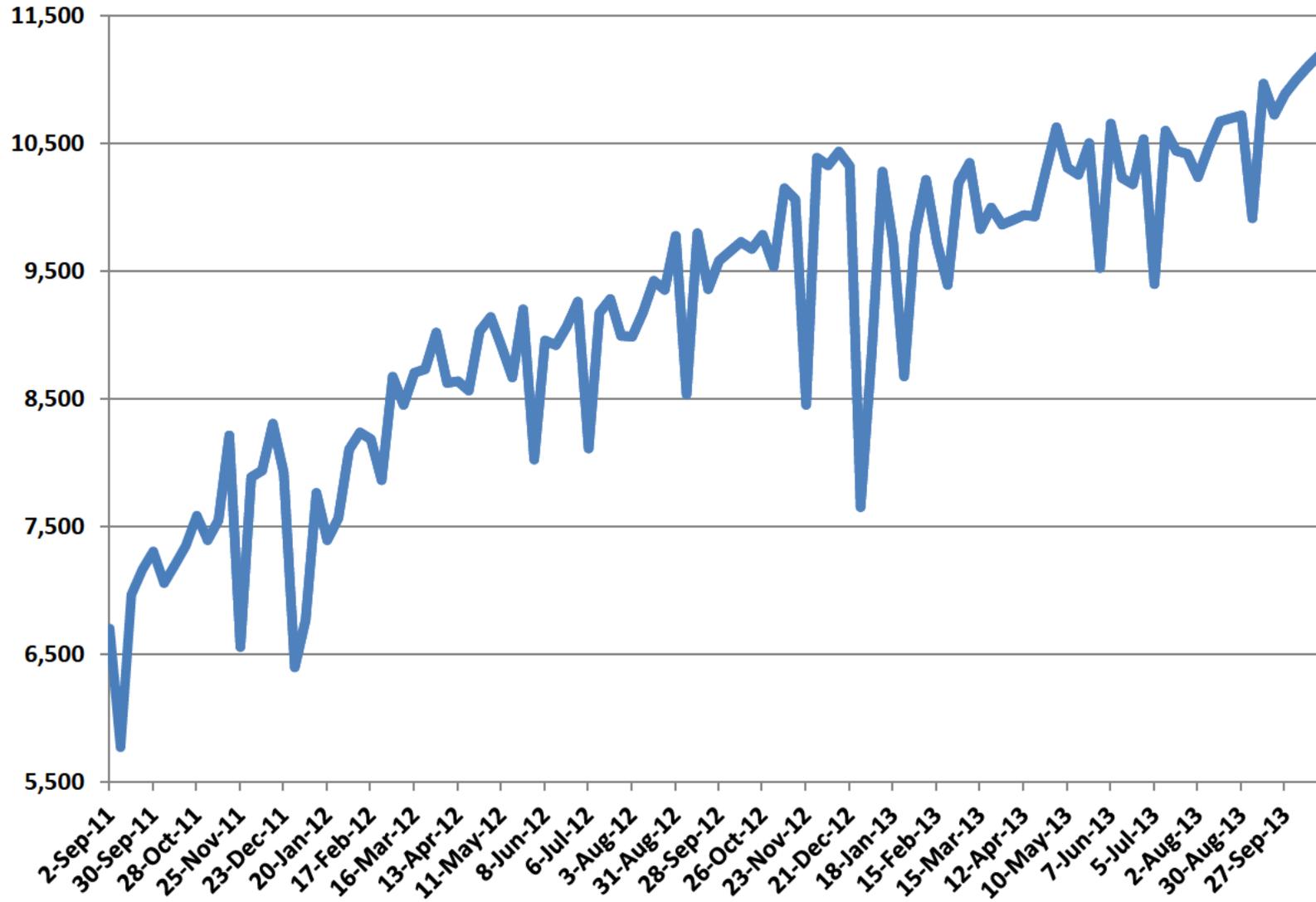


Butrans Weekly Rx Graph (Source: IMS National Prescription Audit)

Weekly TRxs



Detailed Butrans Weekly Rx's (Source: IMS National Prescription Audit)



Message

From: [Redacted]
Sent: 11/1/2013 2:37:18 PM
To: Baker, Stuart D. [Redacted] Boer, Peter [/O=PURDUE/OU=EXTERNAL] Damas, Raul [Redacted] Gasdia, Russell [Redacted] Lewent, Judy [Redacted] Lundie, David [Redacted] Mahony, Edward [Redacted] Mallin, William [Redacted] Paulo Ferraz Costa [Redacted] 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]

BCC: Stewart, John H. (US) [Redacted]
Subject: 3Q 2013 Report to the Board
Attachments: 3Q 2013 PURDUE Report to the Board.docx

Colleagues,

Attached is the detailed 3Q 2013 Report to the Board which contains a great deal of information on the actions and projects that form the basis of the 2013 and 2014 budgets.

Please call if you have questions.

Regards,

[Redacted]

[Redacted]

Senior Vice President, Human Resources
Purdue Pharma LP
Redacted
[Redacted]@pharma.com

Purdue
Quarterly Report to the Board
3rd Quarter, 2013

November 1st, 2013

TABLE OF CONTENTS

FINANCE	3
SALES & MARKETING	6
MANUFACTURING & SUPPLY CHAIN	31
QUALITY	33
RESEARCH & DEVELOPMENT	35
FORMULATION SCIENCE	41
DISCOVERY RESEARCH	42
LICENSING & BUSINESS DEVELOPMENT	43
CORPORATE COMPLIANCE	46
CORPORATE AFFAIRS & COMMUNICATIONS	47
HUMAN RESOURCES	51
INFORMATION TECHNOLOGY	56

[PAGE * MERGEFORMAT]

FINANCE / INFORMATION TECHNOLOGY

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.

2013-Q3 Financial Performance

Expressed in 000's	September Year-to-Date				Full Year		
	2013 YTD		2013 YTD Budget	2012 YTD Actual	2013		2012 Actual
	2013 YTD Actual	Mid Year Update			Mid Year Update	2013 Budget	
Net Branded Revenues	1,498,905	1,570,771	1,810,118	1,597,815	2,107,208	2,410,349	2,200,922
Operating Profit Margin	629,525	682,594	824,353	737,393	930,262	1,137,004	1,007,776
EBITDA	684,976	727,497	772,013	740,911	948,266	1,066,877	1,038,561
Net Profit Before Tax	660,946	703,493	748,038	719,333	916,261	1,034,911	1,010,856
Owners' Equity	568,463	608,939	895,486	649,271	590,000	705,232	671,725
Non-tax Distributions	399,920	231,650	239,600	242,543	575,600	538,100	471,643
Days Sales Outstanding	34.6	35.0	35.0	34.3	35.0	35.0	33.2
Accounts Receivable Outstanding > 90 Days Past Due	< 1%	< 1%	< 1%	< 1%	< 1%	< 1%	< 1%
Capital Spending	19,095	26,250	26,250	22,948	35,000	35,000	30,467
Unrestricted Cash on Hand	868,981	796,384	796,384	795,291	576,056	600,000	755,593
Average Months Cash on hand	5.2	4.6	4.9	4.5	3.3	3.0	4.1
Headcount	1,702	1,777	1,784	1,664	1,777	1,784	1,666

Notes:

- (1) Net revenues are lower than budget primarily due to lower OxyContin sales.
- (2) See full financial report for detailed information.

2013 Latest Estimate and 2014 Budget

2014 budgeting process is at the final stage of preparation. At the upcoming U.S. Budget Board meeting the 2013 latest estimate and 2014 budget proposal will be presented. The 2013 latest estimate net revenue and operating profit will be approximately \$120 million and \$63 million lower than the 2013 mid-year update.

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 of meetings - Quarterly

- At the committee's most recent meeting in September, E&Y presented their 2013 audit plan which was consistent with prior years. Additionally, Internal Audit provides an update of in-process and upcoming audits.

[PAGE * MERGEFORMAT]

- The committee members routinely meet with Ernst & Young, without Purdue financial management present.
- No material matters to report.

Treasury - Short-term Cash Investments

- Purdue's cash holding was mostly 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 \$977 million at the end of September 2013.
- Typically, the group invests 80-90% of investable funds in Treasury investments with the rest in FDIC-insured bank accounts for daily funding operations.
- Starting in the second week of October, under a global concern of U.S. debt default, Purdue implemented a risk management contingency plan to reduce exposure and risks in U.S. Treasuries. On October 15, 2013, Purdue changed its short-term investment holdings to 50% in U.S. Treasuries and U.S. Government Securities mutual funds, 22% in A1+/P1 (highest grade) commercial papers from Fortune 100 non-financial companies, and 28% in J.P. Morgan bank accounts.
- Most forecasters do not expect the U.S. to default. When the U.S. default risks subside, we will allocate the cash in bank accounts back to U.S. Treasuries.

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 Obligation¹ is projected at \$250 million at 12/31/2013 and the plan assets were \$252 million at 9/30/2013.

¹ 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. \$250 million is calculated by Deloitte (our actuary) using the MAP-21 rule. If under PPA rule (pre MAP-21), accumulated benefit obligation is

- The plan investments returned 11.3% for the 12-month ended 9/30/2013. 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 1.0%.
- The 2013 budget assumes a total funding of \$10.5 million (spread out evenly during the year) to the PPLP plan. That funding has been completed as of October 15, 2013.
- PF Labs (Union) Plan - PF Labs has a smaller defined benefit plan - \$6.3 million in assets – covering ex-employees. The plan is well funded and small contributions are being made.

- **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 \$366 million at the end of 2012 and September 2013 respectively.
- In a recent review done by SEI on the plan concluded that Purdue 401(k) Plan's investment line-up provides sufficient low-cost, good performing investment choices covering majority of investment landscape for plan participants. SEI is a co-fiduciary on Purdue’s defined benefits pension plan and they also provide oversight reviews on Purdue’s 401(k) Plan.

\$300 million. MAP-21 became law in 2012 to reduce the adverse impact of historically low interest rates on the three “segment rates” (corporate-bond interest rates) used by many pension plans to calculate funding liabilities.

[PAGE * MERGEFORMAT]

MARKETING & SALES

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 Butrans in 50% primary position and OxyContin in 50% primary position. OxyContin and Butrans will share second position 50%/50%. Intermezzo will be in third position on at least 35% of all primary calls.

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

Gross Sales Budget: \$3,228.5MM

Net Sales Budget: \$2,410.3MM

2013 (\$MM)	YTD Actual		Full Year 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	685.4	521.5	819.4	617.6	764.0	556.8
Q3	712.5	516.0	816.4	616.7	749.6	533.0
Q4	-	-	819.3	600.2	817.3	603.1
Total	2,017.9	1,498.9	3,228.5	2,410.3	3,004.9	2,200.9

2013 year to date actual net sales of \$1,498.9 mm, were lower than budget by \$311.2 mm or 17.2%. This variance was driven by:

- OxyContin net sales of \$1,337.0 mm were \$277.8 mm or 17.2% 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 \$81.9 mm were \$11.3 mm or 12.1% less than budget driven by prescriptions running slightly below budget and a contraction in trade inventory.
- Intermezzo net sales of \$9.3 mm were \$24.2 mm or 72.2% less than budget due to lower demand.

2013 actual net sales of \$1,498.9 mm were lower than 2012 by \$98.9 mm or 6.2%. This variance was primarily driven by lower OxyContin net sales of \$115.7 mm, offset by an increase in Butrans net sales of \$16.6 mm and Intermezzo net sales of \$4.4 mm.

[PAGE * MERGEFORMAT]

The Mid-Year Forecast reduced the budgeted net sales by \$303.1million, from \$2,410.3 million to \$2,107.2 million, to account for the OxyContin and Intermezzo sales trends described above. Year to date September sales are \$71.9 million lower than 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	YTD Actual		Full Year 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	62.4	12.1%	77.9	12.6%	76.8	14.4%
Q4	-	-	73.8	12.3%	80.0	13.3%
Total	210.0	14.0%	309.9	12.9%	303.1	13.8%

S&P expense of \$210.0 mm was \$26.0 mm lower than budget due to timing - lower OxyContin and Butrans promotional spend (\$8.5 million), lower people driven expenses (\$6.6 million) partially due to lower sales bonus and higher than budgeted vacancies in the Sales Force, lower expenses related to the contract sales force (\$6.0 million), and all other (\$4.9 million).

S&P expense of \$210.0 mm was \$13.1 mm lower than prior year primarily due to lower Intermezzo direct to consumer advertising and promotional spend (\$1.9 million), lower spending in Contract Sales Organization (\$23.7 million) due to a reduction from 275 representatives in first half of 2012 to 90 through May 2013, higher people driven expenses (\$7.2 million) primarily due to higher Q1 and Q2 sales bonus (\$3.7 million) and lower vacancies, and all other (\$5.3 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 Organization and promotions of \$11.6 million, and targeted reductions of \$10.0 million. Actions are in process to realize these reductions.

Business Unit Performance

Q3 2013 results versus Budget are detailed on the next page:

[PAGE * MERGEFORMAT]

OxyContin	YTD Actual (\$MM)	YTD Budget (\$MM)	YTD Variance (\$MM)	Full Year Budget (\$MM)	Mid Year Update (\$MM)
Gross Sales	\$1,840.2	\$2,184.8	(\$344.6)	\$2,916.5	\$2,553.1
Net Sales	\$1,337.0	\$1,614.7	(\$277.7)	\$2,147.6	\$1,877.2
<i>Net Sales %</i>	72.7%	73.9%	0.7%	73.6%	73.5%
Gross Profit	\$1,205.1	\$1,460.7	(\$255.6)	\$1,957.6	\$1,700.1
<i>Gross Profit %</i>	90.1%	90.5%	(0.4%)	91.2%	90.6%
Sales Force & Promotional Expense	(\$60.5)	(\$75.6)	\$15.1	(\$100.4)	(\$99.9)
Other Expenses	(\$142.6)	(\$148.8)	\$6.2	(\$189.3)	(\$193.6)
Product Contribution	\$1,002.1	\$1,236.3	(\$234.2)	\$1,667.9	\$1,406.6

OxyContin's product contribution of \$1,002.1 mm was lower than budget by \$234.2 mm. This variance was primarily driven by lower net sales of \$277.7 mm offset by lower S&P spend of \$15.1 mm driven by fewer sales calls on OxyContin than Budget, as described below.

Intermezzo	YTD Actual (\$MM)	YTD Budget (\$MM)	YTD Variance (\$MM)	Full Year Budget (\$MM)	Mid Year Update (\$MM)
Gross Sales	\$7.4	\$38.4	(\$31.0)	\$57.6	\$13.9
Net Sales	\$9.3	\$33.5	(\$24.2)	\$44.0	\$10.4
<i>Net Sales %</i>	125.0%	87.1%	37.9%	76.0%	74.7%
Gross Profit	\$5.2	\$26.6	(\$21.4)	\$33.8	\$5.4
<i>Gross Profit %</i>	55.4%	79.4%	-24.0%	76.8%	51.6%
Sales Force & Promotional Expense	(\$43.6)	(\$49.8)	\$6.2	(\$61.2)	(\$45.7)
Other Expenses	\$4.8	\$6.3	(\$1.5)	\$7.9	\$4.1
Product Contribution	(\$33.6)	(\$16.9)	(\$16.7)	(\$19.5)	(\$36.2)

Intermezzo's product contribution of (\$33.6 mm) was lower than budget by \$16.7 mm. This variance was primarily driven by lower net sales of \$24.2 mm offset by lower spend on S&P of \$6.2 mm. Year to date product contribution is in line with Mid Year Update.

[PAGE * MERGEFORMAT]

Butrans	YTD Actual (\$MM)	YTD Budget (\$MM)	YTD Variance (\$MM)	Full Year Budget (\$MM)	Mid Year Update (\$MM)
Gross Sales	\$100.8	\$115.0	(\$14.2)	\$160.0	\$160.0
Net Sales	\$81.9	\$93.2	(\$11.3)	\$126.9	\$127.3
<i>Net Sales %</i>	81.3%	81.0%	0.3%	79.3%	79.5%
Gross Profit	\$74.1	\$82.5	(\$8.4)	\$111.9	\$114.0
<i>Gross Profit %</i>	90.4%	88.6%	1.8%	88.2%	89.6%
Sales Force & Promotional Expense	(\$71.5)	(\$75.3)	\$3.8	(\$100.5)	(\$99.2)
Other Expenses	(20.6)	(27.2)	\$6.6	(\$36.4)	(\$36.1)
Product Contribution	(\$18.0)	(\$19.9)	\$1.9	(\$25.0)	(\$21.2)

Butrans product contribution of (\$18.0 mm) was favorable to budget by \$1.9 mm. The favorable variance was primarily driven by lower net sales of \$11.3 mm, offset by lower spend on S&P of \$3.8 mm and all other expenses of \$6.6 mm, the latter largely being due to slower enrollment than budget on the pediatric program.

Laxatives	YTD Actual (\$MM)	YTD Budget (\$MM)	YTD Variance (\$MM)	Full Year Budget (\$MM)	Mid Year Update (\$MM)
Gross Sales	\$37.6	\$37.0	\$0.6	\$49.3	\$49.3
Net Sales	\$36.7	\$36.5	\$0.2	\$48.6	\$48.6
<i>Net Sales %</i>	97.6%	98.7%	-1.1%	98.7%	98.6%
Gross Profit	\$26.7	\$27.1	(\$0.4)	\$36.1	\$37.2
<i>Gross Profit %</i>	72.8%	74.4%	-1.5%	74.3%	76.6%
Sales Force & Promotional Expense	(\$12.5)	(\$11.7)	(\$0.8)	(\$15.7)	(\$15.4)
Other Expenses	(\$0.6)	(\$1.0)	\$0.4	(\$1.3)	(\$1.3)
Product Contribution	\$13.6	\$14.4	(\$0.8)	\$19.1	\$20.5

OTC's product contribution of \$13.6 mm was lower than budget by \$0.8 mm. Variances are largely due to timing of spend.

Purdue Sales Force

Our latest expectation is that we will achieve full year prescriber calls of 700,396 versus 744,777 due to lower calls per day (22k calls), lower days on territory (14k calls), and higher vacancy than planned (9k calls).

September YTD 2013 Performance by product is detailed on the next page:

[PAGE * MERGEFORMAT]

**Calls by Product
2013 Budget v. Actual
September YTD**

Primary Calls	Budget	Act	Var	Budget	Act
Butrans	280,409	308,784	28,375	50%	60%
OxyContin	280,409	195,194	(85,215)	50%	38%
Intermezzo	-	6,749	6,749	0%	1%
Total Primary Calls	560,817	510,727	(50,090)	100%	100%
Secondary Calls	Budget	Act	Var	Budget	Act
OxyContin	252,368	267,824	15,456	45%	52%
Butrans	252,368	190,346	(62,022)	45%	37%
Total Secondary Calls	504,736	458,170	(46,566)	90%	90%
Tertiary Calls	Budget	Act	Var		
Intermezzo	196,286	361,028	164,742		
Total Tertiary Calls	196,286	361,028	164,742	35%	71%
PDEs	Budget	Act	Var		
Butrans	406,593	403,957	(2,636)		
OxyContin	406,593	329,106	(77,487)		
Intermezzo	19,629	42,852	16,474		
Total PDEs	832,814	775,915	(63,648)		
Calls	Budget	Act	Var		
Butrans	532,776	499,130	(33,647)		
OxyContin	532,776	463,018	(69,759)		
Intermezzo	196,286	367,777	164,742		
Total calls	1,261,839	1,329,925	61,336		

Result: During Q3 2013, OxyContin primary sales calls continued to increase versus the prior two quarters, up 3 points versus Q2 to 43% of primary presentations provided to prescribers.

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	179,640	-17,205	91%
Q4	183,960	0	0	0%
Total	744,777	510,727	-50,090	69%

Source: Weekly Metric Report through September 27, 2013.

Result: The average physician calls per day for Q3 2013 was 6.9. This was slightly below the objective of 7.1 calls per day. Call productivity is expected to increase towards the targeted goal in Q4 as retail pharmacy call goals have been reduced to 1 per day (down from 2 per day in Q3) to focus on prescriber calls. Vacancies in Q3 were flat to budget at 2.5% and have started to level off versus the Q1 average of 4.1%, which was influenced by the realignment that took place at the end of 2012.

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	6.9	7.0
Q4	7.1		7.0

Marketing & Sales Department Key Initiatives

Butrans® Brand

Below is a review of key initiatives that were implemented during the third quarter.

McKesson Pharmacy Intervention Program

During the third quarter the sales force was trained on a Butrans “adherence” program, which was designed to improve discontinuation rates seen with Butrans. This program was developed and implemented in September through a branch of McKesson.

[PAGE * MERGEFORMAT]

Objectives and Program Details

The Butrans McKesson Pharmacist Intervention Program is the first program of its type utilized by Purdue. The objective is to reduce patient discontinuation rates and increase patient adherence/compliance. Since Butrans is a transdermal system, there are several steps a patient must follow to correctly utilize the patch. Through this program, pharmacists educate patients on the Instructions for Use, as well as the Medication Guide found in the Full Prescribing Information.

One of the main goals of the program is to help patients, who are appropriate for Butrans, stay on therapy. Pharmacies are sent a packet of materials including the Full Prescribing Information, the Application and Rotation "Tear Pad" (Patient Instructional Sheet) and the Patient Brochure, which is distributed to patients by the pharmacist. McKesson will provide metrics on this program, including number of interventions and prescription "fills per patient". This data will be utilized to measure ROI.

McKesson's Pharmacist Intervention Program provides patients with a series of individualized coaching sessions focused on addressing personalized adherence barriers to their prescribed medication therapy. During the course of these targeted, face-to-face, five minute coaching sessions, pharmacists use open-ended questions to help patients identify their current barriers to success as well as their motivation for being adherent. These sessions help solidify a partnership between the patients and the pharmacists to develop a personalized plan for success, as well as a follow-up session at the patients' next prescription refill.

Program Mechanics and Logistics

Beginning September 5th, participating pharmacies had the opportunity to provide behavioral coaching to patients prescribed Butrans. Each eligible patient can receive up to three coaching sessions. The program will initially be launched to over 1,500 participating independent pharmacies. The goal is to eventually roll out the program to participating pharmacy chains, Publix, Kinney, and Safeway.

Butrans 15 mcg/hour Launch

During the third quarter, preparations for the launch of Butrans 15 mcg/hour took place across the organization. The 15 mcg/hour strength was approved by the FDA on July 25th. The first ship date was on October 3rd. A total of 9,820 units were shipped to wholesalers for a total of \$3.1mm. These sales were incremental to the 2013 Butrans sales budget. Initial orders are approximately double what was forecasted.

The sales force has begun promotion to retail pharmacists. This is in addition to the efforts of the National Accounts & Trade Relations Account Managers, who are gaining

[PAGE * MERGEFORMAT]

automatic distribution through wholesalers to their independent pharmacies, as well as national/regional chain pharmacy distribution.

The sales force has also begun promotion to physicians, utilizing new sales material which includes the 15mcg/hour strength.

The Butrans Experience Program

The Butrans Experience Program continues to be an important part of the marketing mix for Butrans. This program has demonstrated a “full cost” ROI of 1.4. In addition, the cumulative prescription lift over the control group of physicians is 1.57.

Originally, we were going to wait until November to initiate additional enrollment of five physicians per territory. However, due to the success of the program, a decision was made to initiate new enrollments during the third quarter. Each sales representative was provided the opportunity to enroll three additional doctors beginning in September. The remaining two physicians will be added in November.

Advisory Boards

Two Advisory Boards were conducted during September. One focused on Pain Specialists, the other on Long Term Care Specialists. There is a third Advisory Board scheduled for October, which will comprise Primary Care Physicians and Nurse Practitioners.

Objectives of the Advisory Boards:

- Obtain a better understanding of the Advisors’ clinical experience with Butrans.
- Seek their insights into products in development, including their opinion of our clinical program, publication strategies, and market access strategies for these medications.
- In addition we sought comments on how to position multiple pain products in the market place.

Butrans eMarketing Initiatives

During the third quarter, implementation of the Butrans HCP Relationship Marketing Program continued. The program includes interactive components such as an eMail series on Butrans-related topics, Search Engine Marketing (SEM), Butrans web site interactions, online display advertising, and the “Initiations” Case Study iPad program.

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.

[PAGE * MERGEFORMAT]

Year-to-date, over 880K Recruitment eMails have been delivered with an open rate exceeding our goal of 3.2%. Click-through rates for these eMails met our target goal of 3.2%.

SEM is designed to direct HCPs who are searching for information regarding Butrans utilizing Google, Yahoo and Bing search engines to either Butrans.com or the Butrans pages on PurdueHCP.com. By the end of August, the SEM campaign had exceeded its impression goal by 118% achieving 5.2 million search impressions. These impressions resulted in over 63,000 “clicks” to Butrans.com, which was 144% of goal.

Visits to Butrans.com, as well as Butrans content located on PurdueHCP.com, continued to exceed goals. The visits to Butrans.com exceeded visits to NucyntaER.com, for the first time in September of 2013. This makes Butrans.com the most visited website for an extended-release opioid. Visits to the mobile Butrans.com, which was created for visitors using smartphones and other mobile devices, now accounts for 26% of all visits to Butrans.com.

OxyContin® Tablets Brand

Updated/refreshed sales material was introduced to the Sales Force during 3Q.

Core Visual Aid (CVA) Refresh

- In order to provide greater focus on new patient/appropriate opioid naive starts, the refreshed CVA has an increased prominence of the opioid naive language from the FPI and now includes an image of OxyContin 10 mg tablets.
- In addition, there is now an example of a conversion from a Percocet 5 mg to OxyContin 10 mg.
- The S.T.A.R.T. Campaign has been incorporated into the CVA.
 - The S.T.A.R.T. campaign was introduced to assist the sales representative in communicating the key elements of appropriate OxyContin titration.
 - It provides a way for a physician 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.
 - T = Tailor the dose based on the reassessment, titrating up or down.

[PAGE * MERGEFORMAT]

New Patient Case Study Vignettes

During the third quarter there were three new patient case studies launched for utilization by the sales force. There is one that focuses on a “Discontinuation Patient” and two that focus on Medicare Part D patients. The objective is to increase focus on the appropriate patient. The three patients, each with a personal experience, provide “real life” examples for the physician to relate to. For all three the “Individualized the Dose” campaign is reinforced, demonstrating OxyContin’s seven tablet strengths and the ability to individualize the dose to the appropriate patient. Principles of S.T.A.R.T. are reinforced.

OxyContin Patient Savings Program

Approximately 13% (3% savings cards and 10% vouchers) of all prescriptions for OxyContin include redemption of either a savings card or an eVoucher.

Analysis conducted in July 2013 demonstrated that the Savings Card Program has resulted in a TRx lift of 3.4, with an overall ROI of 1.0, versus the control group. The eVoucher Program has resulted in a TRx lift of 0.9, with an overall ROI of 1.54, versus the control group. Both programs elicited higher persistency of patients at 60 days, compared to respective controls, for New to Brand and New to Therapy patients.

Based on the findings of this analysis, additional 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 at PurdueHCP.com and to provide to patients, who can redeem them at retail pharmacies when filling prescriptions for OxyContin.

OxyContin Patient Savings Cards are also available in the Patient Essentials Pack, which is a resource provided to patients by HCPs when patients begin OxyContin therapy. The Patient Essentials Pack contains helpful information for patients who are new to OxyContin therapy, as well as a pain tracker to aid in documentation and subsequent HCP communication during follow-up visits. An ROI analysis of the Patient Essentials Pack indicates that from January 2013 to June 2013, overall impact of the program shows a cumulative incremental TRx lift over control of 1.22 TRx per enrollee. This is statistically significant, and incremental full cost ROI stands at 5.7.

OxyContin eMarketing Initiatives

In the third quarter of 2013, the OxyContin HCP Relationship Marketing Program has been expanded to reach approximately 82,000 HCPs, an increase from 72,000 HCPs in the first quarter. The program includes a variety of activities for reaching, and engaging targeted HCPs. These include “interactivity invitations”, an email series on OxyContin-related topics, Search Engine Marketing and Online Display Advertising.

[PAGE * MERGEFORMAT]

Core Brand information is provided on the PurdueHCP.com web portal, which contains available materials (such as Managed Care formulary status and Patient Saving Cards) for HCPs 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 August has three of the four “Reach Tactics” achieving, or exceeding, its year-to-date goals. Of note, the almost four million Search Engine Marketing Impressions, which was 159% of goal, translated to web-portal visits of 91,000, which exceeded goal by 280%.

Intermezzo® Brand

Intermezzo Patient Savings Program

During the three quarters of 2013, web generated savings cards represented 21% of all savings cards redeemed. In the final few weeks of the third quarter, there were two weeks in excess of 25% of all redemptions occurring from web generated savings cards.

Intermezzo Sample Program

There were 7,219 Trial Offer redemptions processed through the end of the third quarter in 2013. Web generated Trial Offer cards represented 17% of Trial Card redemptions. It should be noted that the last week of the 3rd quarter saw a jump to 25% in web generated Trial Offer redemptions.

Professional Television Network (PTN) - Healthcasts

The Intermezzo Brand Team developed and implemented a Key Opinion Leaders video for PTN which started airing on April 19th. The program concluded on July 12th achieving a viewership total of 3,049 prescribers, versus a goal of 3,000 high decile physicians.

Intermezzo eMarketing (Healthcare Professionals)

As of the end of September over 5.3 million eMails have been sent to the 100,000 target HCPs. Slightly over 5.1% of these messages are opened exceeding our goal of 5% and these “opens” resulted in 9.3K clicks to the Intermezzo web properties for HCPs.

Slightly over 2MM online media impressions were delivered to HCPs year-to-date via insomnia-related sites. These impressions resulted in 2.5K visits to IntermezzoRx.com.

To support the Sales Force’s Intermezzo in-services initiative, interactive Patient Vignettes were launched for utilization on iPads. The vignette program consists of five

[PAGE * MERGEFORMAT]

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 shifted for the third quarter, with a return of Search Advertising and several new initiatives designed to drive traffic to the site and engage consumers. Site traffic increased from just over 1,000 visits a month to an average of 28,300 visits a month. Without the major DTC programs, the team focused on programs Purdue could manage by itself including:

- Driving patients identified as past users of a competitor product, via email, to learn about Intermezzo on the site
- The re-implementation of the search campaign
- The launch of the Facebook.com paid advertising program
- The launch of the Intermezzo patient customer relationship marketing program
- Launch of a variety of consumer focused media campaigns including ReadersDigest.com and Deltaskymag.com

Visits to myIntermezzo.com were over 451,000 YTD September with July, August and September contributing just fewer than 63K visits. The primary traffic drivers to the site were Google and Bing paid search results driving 67% of visits and direct referral (people typing the URL directly into the address bar) driving 12% of visits.

The Experienced Patient eMail campaign was deployed in July, and again in August. The over one million emails were targeted to customers who had previously indicated to a 3rd party that they were a user of insomnia medications, such as Ambien or Lunesta. Approximately 5,000 visits to the site were generated from these email campaigns.

In early August the Intermezzo Search campaign was re-implemented. The Search campaign quickly produced an increase in site traffic, from an average of 147 visits a day in July to 844 visits a day in August and 986 visits a day in September.

The myIntermezzo Facebook pages places Intermezzo content on the world's largest social media site. Mid-September advertising promoting the myIntermezzo Facebook page was launched. Prior to the launch the page saw approximately 70 likes. As of the end of September the page had the endorsement of 1,382 different Facebook users in the terms of "Likes" of the page. The paid media running on Facebook, promoting the page to targeted Facebook users had increased likes of the page 184% over the first 3 weeks of the campaign.

[PAGE * MERGEFORMAT]

The Intermezzo Patient Customer Relationship Marketing Program launched in September. The program segments patients who have registered on the myIntermezzo.com site into three groups; "Interested in Intermezzo", "Have an Intermezzo Rx but have not filled it" and "Taking Intermezzo". Depending upon which group the patient selects, they are enrolled in an email series that messages the patient to go see their HCP, fill their prescription and continue to take Intermezzo when needed. Each email surveys the patient to see if they change their status and, if that happens, they are then re-enrolled in the appropriate email stream.

Purdue Laxative Brands

Third quarter initiatives focused on generating sales that would help to ensure attainment of the laxatives forecast.

Tactics included account specific TV advertising, a national sweepstakes promotion to increase product pull-through at key retailers, and on-pack promotions such as instant redeemable coupons. The relationship marketing program continued throughout the quarter, helping to support brand messaging and thwart switching to competitive laxative products. In addition, each brand continues to be supported by account specific media postings on social media sites. Directly related to promotional activity, customers continue seek more brand information at the Senokot.com and Colace.com websites, placing each as the most frequently visited Purdue Pharma brand website during 2013.

Managed Care Update

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

[PAGE * MERGEFORMAT]

2013 - Formulary Status Quarterly Update Grid

Product	Payor Channel	Formulary Status	2013 Goal	% Lives Covered/Not Covered			
				Q1	Q2	Q3	Q4
OxyContin	Commercial	T2	86%	85%	85%	85%	TBD
		T3 Open	5%	4%	4%	4%	TBD
		T3 Restricted		4%	5%	5%	TBD
		NOF		8%	6%	6%	TBD
	Medicare Part D	Preferred	57%	49%	51%	51%	TBD
		Covered	13%	13%	12%	12%	TBD
		NOF		38%	38%	37%	TBD
	Medicaid	On PDL		2%	2%	2%	TBD
		Off PDL		98%	98%	98%	TBD
	Butrans	Commercial	T2	35%	31%	32%	33%
T3 Open			45%	49%	49%	44%	TBD
T3 Restricted				9%	9%	14%	TBD
NOF				10%	10%	9%	TBD
Medicare Part D		Preferred	10%	1%	7%	12%	TBD
		Covered	20%	11%	12%	13%	TBD
		NOF		88%	81%	75%	TBD
Medicaid		On PDL		16%	20%	23%	TBD
		Off PDL		84%	80%	77%	TBD
Intermezzo		Commercial	T2	10%	10%	10%	6%
	T3 Open		45%	26%	26%	28%	TBD
	T3 Restricted			26%	28%	29%	TBD
	NOF			37%	37%	37%	TBD
	Medicare Part D	Preferred		0%	0%	0%	TBD
		Covered		10%	9%	9%	TBD
		NOF		90%	91%	90%	TBD
	Medicaid	On PDL		5%	6%	5%	TBD
		Off PDL		95%	94%	95%	TBD
		Lives			Q1	Q2	Q3
	Commercial			210,393,154	210,602,346	208,114,508	
	Medicare Part D			30,685,085	32,263,032	33,120,880	
	Medicaid			52,631,132	52,546,204	54,523,808	
Total National Lives				293,709,371	295,411,582	295,759,197	

Commercial Managed Care

OxyContin

OxyContin continues to maintain “best in class” access and is the only extended-release opioid brand with more “unrestricted” access than restrictions. The 2013 objective is to maintain the current level of preferred-brand/2nd Tier status of 85% of lives covered. OxyContin commercial national market share is just under 28%.

[PAGE * MERGEFORMAT]

Butrans

Butrans continues to achieve improved formulary access (33% of commercial lives in a preferred position). The 2013 objective is to achieve a minimum of 35% of lives covered in a preferred-brand/2nd Tier position.

Butrans Commercial preferred percentage increased during the third quarter of 2013 based on MedImpact (a large California-based Pharmacy Benefit Manager with 850K lives, who specializes in smaller employer groups) moved Butrans to a preferred position from a non-preferred position.

Medicare Part D Managed Care

OxyContin

OxyContin continues to have favorable status for 2013 Medicare Part D formularies, with over 51% of eligible patients having access to OxyContin on Medicare Part D formularies across the nation.

Butrans

Butrans formulary approvals in Medicare Part D have accelerated in the last quarter, with the lives covered percentage exceeding 12% in the preferred status. The 5% increase in the last quarter was due to formulary wins at Cigna Med D (754K lives) and MedImpact Med D (450K lives). Each of the plans not only accepted Butrans for their 2014 Medicare Part D formularies, but they moved up the formulary status to include the last three months of 2013.

Medicaid Managed Care

The Medicaid market continues to be a channel dominated by the individual States' mandating use of generics. State budget shortfalls are common and many States believe these shortfalls are accelerated by expenditures from their Medicaid recipients. The Medicaid market will be changing over the next several months, with the expansion of Medicaid at the State level based on the Affordable Care Act, and the advent of the Health Exchanges.

Forecasting, Analytics and Market Research (FAMR)

During the third quarter the principal focus of the department was on a number of major projects. The first was the development of the budget forecasts for 2014. Simultaneously, FAMR played a significant part in McKinsey's diagnostic analysis of OxyContin. All of the data, and a good part of the analyses, were performed internally or in conjunction with the McKinsey team.

[PAGE * MERGEFORMAT]

While not mentioned in the tables below, FAMR is also progressing in two other major projects. We are working to enhance our access to “big data” and our IT analytics solutions. There has been significant progress in these areas since the second quarter. In partnership with IT, there will now be direct access to physician level data, allowing for analysis to be performed utilizing Exalytics. As a result, our turnaround time for analysis has been significantly reduced, while our analytical capabilities have increased. Additional visual analytic tools, and statistical software packages, are being evaluated along with colleagues in IT.

The second project is working with our benchmarking organization, TGaS, on a “Strategy Map” for the FAMR team. This is a process wherein strengths and weaknesses as a department are evaluated. Following this, near term plans will be developed to improve effectiveness of the department.

Finally, we continue to work toward the launch of HYD and ONU.

OXYCONTIN Objectives	Key results	Recommended Actions/Potential Actions
<p><u>Pharmacist Research</u></p> <p>- This research is being conducted to determine what changes are occurring at the pharmacy when dispensing opioids. The research will probe on various internal/external forces such as corporate, wholesalers, DEA, etc. that pharmacists are dealing with that may change the way they dispense opioids.</p>	<p>To be concluded in 4Q13.</p>	<p>This information can be used to help find ways, as part of our Evolve to Excellence program, to work with pharmacies/wholesalers to ensure legitimate patients’ pain continues to be treated and not inflicted by new rules and regulations.</p>
<p><u>Patients Pharmacy Experience Study</u></p> <p>-This research is to better understand what impact opioid dispensing policy changes at the pharmacy is have on patients that are taking opioids whether a new prescription or a refill.</p>	<p>What changes are patients experiencing at the pharmacy? How have they responded to these changes? How has this affected them?</p>	<p>The research will allow Purdue to have a much better understanding on which pharmacies are an issue as well as what patients are doing when they can’t fill their prescription (going back to their doctor, trying other</p>

[PAGE * MERGEFORMAT]

<p>The research will help understand what they are doing when they are unable to fill a prescription.</p>		<p>pharmacies, changing medications, etc.). Ultimately, this can help provide material for a discussion with pharmacies or agencies on the impact dispensing policies are having on patients.</p>
<p><u>OxyContin Message Testing</u></p> <p>- To measure which messages resonate best with physicians based on various themes such as untreated patients, abuse deterrence, assessing current patients' needs, etc.</p>	<p>TBD</p>	<p>Results will be used to update messaging as part of the rollout of the Evolve to Excellence initiative.</p>
<p><u>OxyContin Campaign Refresh</u></p> <p>- Test new concepts with physicians to determine which concept is most meaningful and best represents OxyContin. The new concepts will be benchmarked against other concepts for other products in the pharmaceutical marketplace.</p>	<p>TBD</p>	<p>Results will be used to create a new campaign for OxyContin as part of the Evolve to Excellence initiative.</p>
<p><u>OxyContin Savings Card & eVoucher</u></p> <p>- To determine ROI and incremental Rx from patients and physicians.</p>	<p>- Savings Card Program</p> <ul style="list-style-type: none"> • >90% of Incremental TRx lift is generated by HCP halo effect • Increasing co-pay assistance to \$90 from \$70 did not appear to increase \$70 program • \$70 program <ul style="list-style-type: none"> ○ Overall TRx lift +10.3% (3.36 TRx Lift) ○ Overall ROI 1.22 • \$90 program <ul style="list-style-type: none"> ○ Overall TRx lift +8.3% (3.4 TRx Lift) 	<p>- The results demonstrate that moving to \$90 copay assistance generated a positive short term ROI and the Savings Card program and eVoucher program should be extended.</p>

[PAGE * MERGEFORMAT]

	<ul style="list-style-type: none"> ○ Overall ROI 1.00 - eVoucher Program <ul style="list-style-type: none"> ● ~67-71% of Incremental TRx lift is generated through patient persistence ● Increasing co-pay assistance to \$90 from \$70 appears to have increased performance of program ● \$90 co-pay assistance appears to be buoyed by increasing number of redemptions compared to November and December 2012 <ul style="list-style-type: none"> ○ \$70 program <ul style="list-style-type: none"> ▪ Overall TRx lift +4.36% (0.6 TRx Lift) ▪ Overall ROI 0.89 ○ \$90 program <ul style="list-style-type: none"> ▪ Overall TRx lift +6.8% (0.9 TRx Lift) ▪ Overall ROI 1.54 - Both programs elicited higher persistence in patients at 60 days, compared to respective controls, for New to Brand and New to Therapy patients. <ul style="list-style-type: none"> ● Continuing patients did not appear to have any lift 	<p>- However, the eVoucher program business rules should be reconsidered to increase efficiency and ROI</p>
<p><u>OxyContin Marketing Mix</u></p> <ul style="list-style-type: none"> - To measure the promotion impact of each marketing channel and ROI - This utilizes multiple regression modeling to isolate each marketing channel's influence on OxyContin prescribing, as well as to help understand how each of these variables interacts. 	<p>In final stage, results expected in 3 weeks</p>	<p>Results will be utilized to optimize marketing spend by channel to support OxyContin.</p>
<p><u>OxyContin Physicians Television Network Program (PTN)</u></p> <ul style="list-style-type: none"> - To determine ROI and incremental Rx from PTN program. 	<p>-Incremental full cost ROI: 1.8. Cumulative Incremental TRx lift over control is 0.53 TRx per enrollee (statistically significant).</p> <p>- No access policy - no access HCPs seem to demonstrate high TRx lift making this a strong potential tactic of alternative promotion to HCPs</p>	<p>- Gearing investment toward HCPs who received no calls prior to the program will likely generate higher responsiveness.</p>

	<p>we cannot reach with our sales calls.</p> <ul style="list-style-type: none"> - Responsiveness appears to correspond with specialty with Primary Specialty (Pain Medicine, Physical Medicine, etc.) the most responsive - HCPs receiving no rep calls before the PTN program appear to elicit higher responsiveness. TRx lift increases when these HCPs receive calls post PTN event. - There seems to be responsiveness when post-program call frequency is not decreased. 	<ul style="list-style-type: none"> - Additionally, post program call activity seems to heighten the responsiveness of HCPs who have not received calls prior to program. - This appears to be an alternate way to reach no call and lower decile HCPs outside field force targeted HCPs. - We recommend continuing this program while maintaining at least the same level of engagement through field force post program.
<p><u>OxyContin Patient Essentials Kit (PEK)</u></p> <ul style="list-style-type: none"> - To determine ROI and incremental Rx from PEK distribution. 	<ul style="list-style-type: none"> - Incremental full cost ROI: 5.7. Cumulative Incremental TRx lift over control is 1.22 TRx per enrollee (statistically significant). ROI may be lower if Primary call costs are factored in. - OxyContin decile 6-10 appears to have high TRx responsiveness compared to lower decile HCPs. - Responsiveness increases significantly between ERO decile 1-3 and ERO decile 4-9. - PCPs, overall, seem to have TRx responsive. NP/PA's appear to be very responsive within OxyContin decile 6-7 and ERO decile 4-5. - There appears to be a shift of increasing PDEs post distribution of Patient Essentials Kits. - Increasing calls post distribution of kits appears to elicit a positive TRx lift from HCPs. 	<ul style="list-style-type: none"> - The Patient Essentials Kit appears to be a good tool for Field Representatives to engage HCPs. - Follow up with calls to HCPs who have received Patient Essential Kits. - We recommend increased distribution of Patient Essentials Kit as there appears to be overall positive responsiveness.

OTC Objectives	Key results	Recommended Actions/Potential Actions
<p><u>Ultra Senokot XTRA</u></p> <p>Laxative consumer survey underway to assess consumer acceptance and purchase interest in this potential new product. Results expected by year end.</p>	<p>This will help determine whether we launch the product.</p>	<p>Concept viability assessment prior to product development investment.</p>
<p><u>Colace Clear</u></p> <p>Concept test and conjoint analysis to be conducted to determine concept viability and ideal product configuration. Proposals under review.</p>	<p>This will help determine whether we launch the product.</p>	<p>Concept viability and recommended product specifications prior to product development investment.</p>
<p><u>Betadine Potential New Packaging Retailer Survey</u></p> <p>To determine retailer interest in potential new packaging – particularly potential for stocking additional SKUs. Potential new packaging determined based on consumer preferences gathered through on-line survey conducted June 2013.</p>	<p>This will help determine whether we launch new packaging and SKU's for Betadine.</p>	<p>Retailer acceptance of new packaging and potential for distribution expansion will determine go forward decision.</p>

[PAGE * MERGEFORMAT]

BUTRANS Objectives	Key results	Recommended Actions/Potential Actions
<p><u>Butrans Experience Program - Physician and Patient Qualitative Study</u></p> <p><u>Ongoing</u></p> <p>-To evaluate patient and physician experiences with the current Butrans Experience Program (BEP).</p> <p>-Determine how the BEP could evolve/improve.</p> <p>-Determine how BEP could be more hands-on to facilitate communication between the patient and healthcare providers through the use of a Care Manager.</p>	<ul style="list-style-type: none"> - Determine whether physicians feel that this program or ones like it could improve patient outcomes or quality of life. Identify what could be improved or done differently to achieve that goal. - Identify what physicians want from a patient support program for chronic pain management in general and for Butrans in particular. - Determine what unmet needs patients have regarding pain management? - Gain insight into the patient/prescriber relationship and interaction regarding pain meds in general and Butrans in particular. - Gain insight into the patients' interaction with the pharmacist when filling a Butrans script. 	<p>Share results with marketing, FAMR and medical research to help improve BEP and possibly expand services to include a Care Manager to help patients and physicians with the proper use of Butrans.</p>
<p><u>Butrans Hospital Spillover Study</u></p> <p><u>Ongoing</u></p> <p>To understand the impact hospital formulary acceptance has on Butrans retail prescriptions.</p>	<ul style="list-style-type: none"> - To determine the financial value of gaining formulary acceptance for Butrans at hospitals. - Determine whether or not formulary status is correlated with Butrans hospital sales and retail sales. 	<p>Share results with marketing and FAMR and determine if a hospital formulary strategy would be effective for Butrans to increase prescriptions.</p>
<p><u>Butrans Nurse Practitioner/ Physician Assistant Qualitative Study</u></p> <p><u>Planned for 4th QTR 2013</u></p> <p>To understand the role NP/PA's play in a physician's office. To</p>	<ul style="list-style-type: none"> - Understand NP & PA prescribing responsibilities specific to EROs (OxyContin & Butrans). - Are they writing new prescriptions or just refills and how they handle opioids? - Determine if growth in NP/PA prescriptions is being driven by increasing numbers of NP/PA's or increasing prescriptions for existing NP/PA's. 	<p>Share results with sales, marketing, FAMR and ad agency. Use the data and information to change targeting and messaging and increase prescriptions.</p>

[PAGE * MERGEFORMAT]

<p>know the dynamics taking place and just how much “authority” they have based on state and office regulations.</p>		
<p><u>Butrans Marketing Mix</u></p> <p>- To determine ROI and incremental Rx from patients and physicians using multiple regression modeling.</p>	<p>- Marketing and Sales Activity generated an incremental TRx of 266,842, which is 38% of Total Rx from 2011 through 2012.</p> <p>- Brand equity has steadily increased from 51% of TRx to 67% of TRx.</p> <p>- Over all incremental ROI is 0.27</p> <ul style="list-style-type: none"> o Primary Calls ROI :0.23 o Secondary Calls ROI: 0.36 o Savings Card ROI: 1.51 o Trial Card ROI: 1.02 o RM Rep ROI: 0.38 o RM Non Rep ROI: 0.32 <p>- Primary Calls ROI is relatively low at 0.23, hampered by high proportion of Primary Calls on Non Butrans prescribers.</p> <p>- Butrans HCP performance appears to correlate more with ERO decile than IRO decile.</p>	<p>- Strategize between minimizing loss compared to growth of brand</p> <p>- While Butrans is in market expansion phase, it is important to understand key decision drivers for current Butrans writers and non-writers (suggest a ATU market research study).</p> <p>- Re-evaluate /refresh HCP groupings and targeting.</p> <p>-There is a possibility of trimming investment by \$25MM while increasing profit and incremental ROI.</p> <p>-Savings card, Trial card, and eVoucher have demonstrated high returns and should be leveraged to increase brand prescribing behavior.</p>
<p><u>Butrans PTN Program</u></p> <p>- To determine ROI and incremental Rx from PTN program modeling to isolate each marketing</p>	<p>-Incremental full costs ROI: 0.09 (not statistically significant). Overall responsiveness is limited at cumulative 0.05 Rx over control per enrollee</p> <p>-Majority of HCPs are comprised of low ERO and Butrans prescribers.</p>	<p>-For Butrans non-prescribers, focus on HCPs at ERO and IRO deciles 6 and above.</p> <p>-Continue at least the</p>

<p>channel's influence on Butrans prescribing as well as to help understand how each of these variable interacts</p>	<p>-Out of the Butrans non-prescribers, only 7% (vs. 46% of prescribers) responded to program -- their TRx lift increases with ERO and IRO deciles.</p> <p>-There appears to be sensitivity to call changes and level of PDEs post viewership. HCPs who received increased number of calls and at least one call per month seem to have higher responsiveness.</p> <p>-PCPs, while representing 90% of the sample, did not show responsiveness.</p>	<p>same level of engagement through field force post program, ideally increase engagement to be >=1 call per month</p> <p>-Should we reconsider the goal of the program: to achieve overall TRx increase or to expand the number of prescribers?</p> <p>- Given the low responsiveness, we should consider not expanding the PTN program</p>
<p><u>Butrans Key Drivers Analysis</u></p> <p>- To determine key drivers of Butrans prescribing performance</p>	<p>- Performance of Butrans Rx performance is more indicative of ERO Rx behavior than IRO Rx behavior.</p> <p>- HCPs who prescribe Butrans have the following characteristics:</p> <ul style="list-style-type: none"> o higher % of ERO business from commercial o higher proportion of ERO NBRx (new to brand prescriptions are a measure of initiating patients on a product or group of products as opposed to continuing an existing patient) of all pain markets (ERO & IRO) o higher proportion of Oxymorphone - ER, Hydromorphone-ER and Tapentadol - ER Rx in HCPs Rx mix 	<p>Utilized to reprioritize HCPs for Butrans Targeting efforts in conjunction with Evolve to Excellence.</p>

<u>ONU/HYD Objectives</u>	Key results	Recommended Actions/Potential Actions
<p><u>HYD Drivers Study</u></p> <p>- Determine physician perception of HYD and better understand how they would use it to treat patients with ATC chronic pain. The research will identify any unique attributes that HYD has versus the competitive set.</p>	<p>What are the key product attributes that will get HCP's to prescribe?</p>	<p>This research will be used to create product positioning that will be tested beginning of 2014.</p>
<p><u>ONU Unbranded Message Testing</u></p> <p>-Determine the most important and motivating combination of message elements to convey the optimal story flow regarding pain and constipation.</p>	<p>What are the optimal messages we can use to seed the market?</p>	<p>The results from this study will identify the messages that resonate best with physicians; these messages will be used in disease state messaging.</p>
<p><u>ONU Branded Message Testing</u></p> <p>-Determine the most compelling messages in terms of motivation, ease of comprehension, and credibility given existing data and product labeling.</p>	<p>What messages motivate prescribing? Which are credible?</p>	<p>Results will support development of the optimal story flow and message sequence</p>
<p><u>ONU Logo Testing</u></p> <p>-Determine the overall appeal of different logos with respect to communication, recall, and relevance. Assess overall fit with brand strategy.</p>	<p>As part of the path to market, this is another step, the results of which will be seen on all of our marketing materials.</p>	<p>The information from this research will drive logo development.</p>

Total Portfolio Management Objectives	Key results	Recommended Actions/Potential Actions
<p><u>Portfolio Market Assessment</u></p> <p>-Determine key attributes for all ERO products plus HYD and Targiniq to help differentiate the Purdue portfolio vs. the competitive set</p>	<p>These results will help us best position our products among themselves and will help us target specific pain types, physicians, messages and other strategies by product.</p>	<p>The information gained from this research will help to find attributes that can be used in marketing efforts to help physicians differentiate our products.</p>

MANUFACTURING / SUPPLY CHAIN / PHARMACEUTICAL TECHNOLOGY

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

Key Metrics: Manufacturing, Supply Chain and Pharmaceutical Technology

Manufacturing and Supply Chain	Q3 YTD			Full Year	
	Actual	Budget	Var	2013 Budget	2012 Actual
Tablets Manufactured (MM)	509	554	(45)	726	691
OxyContin	289	310	(21)	394	486
MS / MSER	213	183	30	246	196
Oxy APAP	-	61	(61)	86	-
Oxy Export	7	-	7	-	9
Export Packaging Bottles (000)					
Bottles Packed	274	-	274	-	310
Orders Shipped On-Time					
Wilson	100.0%	99.0%	1.0%	99.0%	99.6%
Rhodes	99.0%	99.0%	0.0%	99.0%	97.0%
3rd Party	100.0%	99.0%	1.0%	99.0%	99.0%
Orders Shipped In-Full					
Wilson	100.0%	99.0%	1.0%	99.0%	99.0%
Rhodes	99.0%	99.0%	0.0%	99.0%	100.0%
3rd Party	98.0%	99.0%	-1.0%	99.0%	100.0%
Inventory On-Hand (Months)					
OxyContin	2.0	2.5	(0.5)	2.5	2.1
BuTrans	4.3	3.0	1.3	3.0	5.5

Pharmaceutical Technology	Q3 YTD			Full Year	
	Actual	Budget	Var	2013 Budget	2012 Actual
Research and Development Hours	24,641	17,818	6,823	22,273	29,878
Production Hours	3,576	2,902	674	3,628	3,233
Support Hours	21,065	14,916	6,149	18,645	26,645

- Variance in YTD tablets manufactured driven mainly by OxyAPAP: validation will take place in 4Q13 in anticipation of 2014 launch.

Notable Comments for the Period

- MSContin / MSER – Routine manufacture of 6X previous scale commenced in 3Q13, significantly improving operational efficiencies.
- OxyContin
 - First delivery of ONF to Chile shipped from the Wilson facility in July 2013.
 - Regulatory approval received for Australia, and first shipment from Wilson anticipated in 1Q2014.
 - Multiple other international territories in process of registration and approval.
- Butrans – PDUFA date for 15mcg was July 27, 2013. Manufacturing was expedited, and LTS Andernach supplied pouches for a successful launch on October 2, 2013.

Risk Mitigation: Back-up of Key Products and Materials

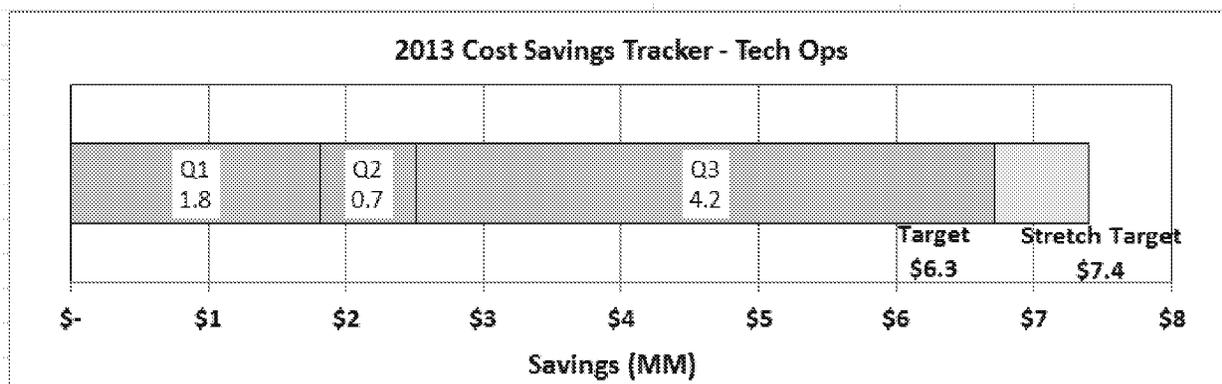
- To ensure full compatibility with Wilson processes, the project to upgrade Totowa's packaging lines for 2D serialization capability commenced in July 2013.
- Alternative ONF API supplier validation fully completed in 3Q13.
- Dilaudid
 - Registration of Wilson as an alternative site of manufacture for Dilaudid tablets requires further dissolution comparison work which is currently underway.
 - Discussions are ongoing with Hospira regarding ampules manufacturing beyond current contract term. Additionally, discussions are continuing with a potential supplier for prefilled syringes.

New Facility

- Site selection process was completed, and incentive negotiations finalized. Announcement of Treyburn Corporate Park, Durham, NC, as the location of new facility was made on September 25, 2013.
- Filing application has been submitted, and final construction documentation review is underway.

[PAGE * MERGEFORMAT]

2013 Savings



- Year-to-date savings of \$6.6 mm is driven primarily by efficiencies gained through the scale-up and optimization of MSER (\$3.7 mm), coupled with lower API pricing obtained on Noramco morphine (\$1.7 mm) and Dow Chemical Polyox (\$0.6 mm). Additional savings (\$0.6 mm) are driven by various cost savings initiatives related to maximizing internal resources versus the use of external contractors.

QUALITY

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

GMP Investigations Update / Audits, Regulatory Audits and Support Activities:

ONF

- A final FDA Field Alert Report (FAR) was issued August 8, 2013, to the FDA Atlanta District communicating that final genotoxicity testing reports were approved. 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.
- An initial FAR was filed with the Atlanta District on July 29, 2013, concerning mishandling of data by a Wilson laboratory analyst. A review of all data generated during the analyst's employment with Purdue was evaluated. A final FAR was issued on August 28, 2013, concluding no risk to marketed product.

[PAGE * MERGEFORMAT]

- Sufficient stability data have been collected to support a potential extension in ONF shelf life. Statistical analysis has been performed and supports 36-month dating. The statistical report is in progress, and upon its availability a change control will be initiated to extend expiry.
- The stability studies supporting the registration of ONF in Latin America / Asia Pacific markets have been tested at the 12-month stability interval. All data are acceptable.
- Wilson has been notified by Mundipharma Korea that the Korean FDA has completed their review of Wilson's responses to the inspection observations and that all of our corrective actions are acceptable. The Korean approval is still pending.

Butrans

- The investigation report into the Out of Specification (OOS) test result 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, was completed. Based upon the identified root cause of the incorrect orientation of the release liner on the patch, a decision was made to produce a supplemental validation batch to be punched into a lot of each strength. Production of this batch began on September 9, 2013, but a number of issues were encountered and are under evaluation.
- The final FAR for the foreign matter complaint, the black stain under the release liner, was filed on July 24, 2013. The stain was determined to be discolored adhesive which had accumulated on the equipment and was then released onto the patch. Additional cleaning of the equipment has been implemented when buildup is seen during in-process checks.

Dilaudid

A final FAR was filed on August 30, 2013, due to a complaint from a hospital pharmacy about blister packaged crushed tablets equaling the equivalent of two tablets. This is the second complaint of this type for the Dilaudid product in 2013. Halo Pharmaceutical, Inc. (manufacturer and packager) has implemented corrective actions.

Trackwise Software Project

The Auditing module went live on September 30, 2013, as scheduled. This completes the last of the originally defined projects using TrackWise. Additional potential utilizations of the system are under review for 2014 projects.

[PAGE * MERGEFORMAT]

Product Complaints

The number of Product Complaints has decreased slightly driven by a reduction in Butrans complaints. Over the past 12 months the average number of complaints is 643 per month. The intake, investigation and complainant response processes are monitored monthly and remain in control.

RESEARCH & DEVELOPMENT

R&D's goal is to advance each pipeline project to and through the defined stage gates as described within each program's strategic development plan. R&D's objectives for 2013 are reflected in Purdue's Business Scorecard and focus on progress and completion of major milestones for each pipeline project. 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 3Q2013 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 (OXN)
- Hydrocodone QD (HYD)
- TRPV1 Lead (VND) 116517
- TRPV1 Back-Up (VAN) 120083
- ORL1 (OAG)
- Intermezzo (INT)
- Abuse Deterrent Immediate Release Oxycodone / ADIR (OCI)
- Tamper Resistant Extended-Release Morphine Sulfate Tablets C-II (MSR)

Reformulated OxyContin (OTR/ORF)

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

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

[PAGE * MERGEFORMAT]

On September 10, 2013, FDA announced that it will be requiring manufacturers of extended-release (ER) and long-acting (LA) opioid analgesics to make labeling changes for these products and to submit draft revised language to FDA by October 10, 2013. The FDA stated that the indication for ER/LA opioids will be revised to “the management of pain severe enough to require daily, around-the-clock, long-term opioid treatment and for which alternative treatment options are inadequate.” Purdue will send proposed amended language back to the FDA. FDA also mandated that ER/LA opioid manufacturers conduct further studies to assess the known serious risks of misuse, abuse, increased sensitivity to pain, addiction, overdose, and death.

Reformulated OxyContin epidemiological studies are ongoing. On September 23, 2013, FDA and Purdue agreed on the objectives of the 3 formal epidemiology studies as well as study durations (3 year period in addition to the transition period of 3Q2010 and 4Q2010). All 3 formal protocols are to be submitted to FDA by end of October 2013.

Purdue-sponsored studies continue to be published in peer reviewed journals. Posters and presentations of these data occurred from June through September 2013 at the following conferences: International Conference on Opioids, The College on Problems of Drug Dependence, International Society of Pharmacoepidemiology, PAINWeek, and American Academy of Pain Management.

Support for Independent Associated Companies

Purdue R&D and Wilson continue to support our Independent Associated Companies for ORF approval. Support for Mundipharma Asia due diligence activities is ongoing. Customization of documents per local requirements is on-going

10mg ORF

All activities are complete. The final genotoxicity that were submitted to FDA end of June are still under FDA review.

Cross-Pediatric Program (OxyContin/Butrans/Hydrocodone)

OTR3001 Enrollment		
Milestone/Target by December 2013	Rating	Current Status
≥ 127 patients	5	108 patients enrolled of N=154 as of Sept 25, 2013
119 patients	3	
< 112 patients	1	

[PAGE * MERGEFORMAT]

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

BUP3031 Enrollment		
Milestone/Target by December 2013	Rating	Current Status
≥ 15 patients	5	8 patients enrolled of N=40 as of Oct 8, 2013
10 patients	3	
≤ 7 patients	1	

Creation of clinical supplies plan for tablet manufacture and packaging activities for Hydrocodone pediatric study protocol HYD4001 is underway.

September was Pain Awareness Month: flyers were created with customized pediatric study contact information and distributed to both OxyContin and Butrans pediatric sites.

Purdue engaged [REDACTED] MD, as consultant and future Pediatric Advisory Board Member to advise on pediatric protocol development and strategic planning for future discussions with 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 Prior Approval Supplement (PAS) supporting registration of the Butrans 15 mcg/h patch was approved July 25, 2013. Market launch is scheduled October 2.

Commercial batches of 7.5 mcg/h patches were manufactured in Andernach to support a Prior Approval Supplement targeted for submission in January 2014.

The out-of-specification (OOS) stability investigation for 7.5 mcg/h patches at the LTS facility in West Caldwell is complete. Manufacturing of additional verification batches were initiated in September.

A labeling supplement supporting an increase the dose limit from 20 mcg/h to 40 mcg/h is targeted for filing 1Q2014.

Patient screening for the 2nd Generation pilot PK trial is targeted September 30. Dosing is projected October 19.

Labeling revisions reflecting the recently announced class-wide safety changes by FDA are targeted for submission October 10.

Efforts to obtain patent extension continue.

Targiniq (OXN)

The following R&D scorecard activities are presented below

- Deliver NDA Submission [“pain only”/abuse deterrence] (Accepted).
- Two well controlled pivotal studies required to support planned sNDA submission for opioid induced constipation (OIC).

The team submitted the OXN “pain only” NDA on September 23, 2013. The next significant milestone for this NDA is Day 60 (November 22, 2013), when FDA will notify us if the NDA is Accepted for Review. This NDA seeks approval of Targiniq (OXN) for the indication of moderate to severe pain requiring around-the-clock continuous treatment with an opioid analgesic for an extended period of time. The reference products are oxycodone (OxyContin tablets) and naloxone. The OXY component provides effective analgesia, and the NAL component provides abuse deterrence. Note that the indication language will be revised to be consistent with new FDA language when final.

Two pivotal studies (ONU3704/3705) define the critical path for sNDA submission for OIC indication. These studies have been enrolling at a rate below projections. Multiple initiatives to enhance enrollment in these studies have been implemented, with recent evidence of improvement in enrollment. The next milestone in our evaluation strategy is an unblinded interim analysis for study ONU3704 (November 2013). These clinical data, combined with the latest enrollment projections, will further inform the likelihood of success of these studies.

[PAGE * MERGEFORMAT]

Other OXN activities:

Five posters regarding OXN abuse deterrence properties were presented at the Pain Week meeting in September. Three OXN abstracts are in preparation for submission for the American Pain Society annual meeting (May 2014); full manuscripts will be prepared as well.

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 now complete and supportive of an NDA submission in Q2 2014.
- Pre-NDA meeting held with FDA on July 10th, 2013 and formal minutes have been issued.

TRPV1 Lead (VND) 116517

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

- V116517 did not meet primary endpoints for both 30 mg and 50 mg doses in OA and a subgroup analysis for age, sex, race, prior opioid use, and baseline pain intensity all showed similar results. Therefore, a no-go decision has been reached in regards to nociceptive pain.
- An interim analysis is planned for PHN and if interim analysis indicates efficacy vs. placebo, or non-inferiority to Lyrica, then the study team proposes a Phase 2a PoC study in DPN.

TRPV1 Back-up (VAN) 120083

- US IND filing postponed until 2014, pending CMC formulation results and additional toxicology information expected 4Q13.

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; awaiting FDA feedback

[PAGE * MERGEFORMAT]

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 accepted for publication; 1 under review; 1 in draft; 2 insomnia-related posters to be presented at 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 (Abuse Potential Panel study (OCI1006) initiated July 3)
- Complete clinical and registration batches in Wilson plant. (Manufacture of clinical supplies were completed April 26 in Wilson)

All submissions agreed at End of Phase 2 meeting with FDA are completed

Request	Status	Completed
• IN Abuse Potential protocol including 30mg oral dose/placebo	Submitted	July 3
• Rationale for a maximum (oxycodone/SLS) daily dose • Safety summary from Pilot PK study (GI tolerability) • SLS toxicology risk assessment	Submitted	July 22
• <i>In-vitro</i> Abuse Deterrence Testing plan including protocols	Submitted	September 19

Based upon discussion at the End of Phase 2 meeting, a normal volunteer study (OCI1008) to assess GI tolerability was added to the Clinical Development Plan. Patient screening for this study is projected to initiate in November.

Both definitive bioequivalence studies and the Panel Abuse Potential study have been initiated and are proceeding to plan.

Patient screening was initiated September 11 for the Intranasal Abuse Potential study with dosing projected to begin on October 17.

[PAGE * MERGEFORMAT]

Tamper Resistant Extended-release Morphine Sulfate Tablets C-II (MSR)

The MSR Core Team was formed in July 2013. The overall goal of the MSR program is to develop & commercialize an abuse deterrent formulation of MS Contin (15, 30, 60, 100, 200 mg tablets) that will include decreased syringe ability, decreased extractability and resistance to crushing, similar to ORF.

Formulation development continues in Cranbury. Manufacture of prototype batches are anticipated in September. Formula selection is targeted October/November 2013.

In-vitro abuse deterrence studies are being designed to characterize the availability of morphine sulfate when common, as well as more sophisticated, methods of abuse are attempted.

Initiation of the first pilot PK study is anticipated March 2014 following reactivation and amendment of the original MS Contin IND.

A meeting request will be sent to FDA in 2013 December to obtain feedback on registration requirements and our submission plan.

FORMULATION SCIENCE

Abuse Deterrent Platform Development

Process development studies for the Eudragit NE/methylcellulose tablet platform were conducted at Bosch, Germany in September. Batches up to 4Kg scale were manufactured and the tangential spray coater enabled a four-fold reduction in processing time compared to standard fluid bed coating equipment. Samples are being shipped to Cranbury for evaluation.

The development partnership with White Innovation was initiated. As part of this partnership White has developed a unique film in capsule platform which has the potential to be abuse deterrent and offer opportunities to customize release rates. Samples prepared using this technology are being shipped to Cranbury for evaluation.

There has been success with loading up to 30% naloxone into Eudragit RS microparticles using their impinging jet technology. These microparticles could be incorporated into abuse deterrent dosage forms with the Eudragit RS offering a secondary barrier against abuse. Dissolution testing is in progress to determine the extent to which the Eudragit RS retards release.

[PAGE * MERGEFORMAT]

DISCOVERY RESEARCH

Purdue-Shionogi Collaboration ORL-1 Agonist Program

- In the 3rd quarter the backup program continued to focus on pharmacological studies to investigate the site and mechanism of action of the observed clinical effects from V117957 and establish a method of differentiating a backup molecule. Breeding of an ORL1 receptor knockout rat, which will allow us to confirm whether these effects are on- or off-target, is on-going with shipment expected in January 2014. EEG studies have indicated that ORL1 low-partial agonists may retain analgesic efficacy with reduced risk of somnolence.

Sodium Channel (Nav) Blocker

- In the 3rd quarter the Nav team evaluated lead compound V121130 in a 2-week rat toxicology study. Reductions in stomach emptying were seen resulting in stomach distension and downstream effects on respiration. There is some indication that this could be species specific and studies are planned to address this. Additional studies are on-going to elucidate the mechanism of the delayed stomach emptying.
- The chemistry team remains focused on synthesizing compounds with improved pharmaceutical properties over V121130, particularly solubility and half-life. This is expected to translate into improved pharmacokinetic (PK) properties and a closer correlation between efficacy and exposure.

Exploration of Signal-Biased Opiates

- In addition to the evaluation of R and S isomers of DHE in the various in vitro assays of arrestin bias, we have now also fully profiled the corresponding glucuronide metabolites to further support the research interests of the Mundipharma group.
- A novel mu receptor positive allosteric modulator has been discovered and we have extensively studied it in vitro looking for possible clinical applications. Noteworthy is the observation that, when applied in combination with buprenorphine, the GTP efficacy is increased, with minimal effect on the beta-arrestin signal, thus making buprenorphine a more robust agonist while maintaining its strong signal bias. This is being followed up in vivo.
- Design and optimization of new opioids continues with current focus on improved pharmacokinetics.
- We now have the world's first beta-arrestin 2 knockout RAT and we are phenotyping it. This will significantly add to our competitive advantage in the field and will assist in the development of our new opioids.

[PAGE * MERGEFORMAT]

LICENSING AND BUSINESS DEVELOPMENT

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

Q3 2013 Results	Total	Declined in Level 1	Referred to R&D Innovation	Declined in Level 2	Declined in Level 3	Transferred to International Colleagues	Active with BDC	On Hold Pending Data
Existing Active opportunities BDC 2Q13	18	0	0	12	0	0	6	0
New 3Q13 Opportunities	41	34	1	0	0	0	6	0
Total	59	34	1	12	0	0	12	0

Annual Total 2013	Total	Declined in Level 1	Referred to R&D Innovation	Declined in Level 2	Declined in Level 3	Transferred to International Colleagues	Active with BDC	On Hold Pending Data
Existing Active opportunities BDC 4Q12	7	1	0	4	0	1	1	0
New Opportunities Screened YTD	185	154	10	10	0	0	11	0
Total	192	155	10	14	0	1	12	0

[PAGE * MERGEFORMAT]

ACTIVE LBD PROJECTS END OF Q3 2013

Company	Product	Indication	Status
1. Clarus Therapeutics	CLR-610 (testosterone undecanoate in an oral self-emulsifying drug delivery formulation) NDA filing December '13; Pre-NDA meeting October 8.	Male primary hypogonadism	9-25-2013 BDC Decision: (1) Continue with due diligence by reviewing data room documents and (2) Prepare for JPMorgan process to acquire company once it begins in October
2. Repros Therapeutics	Androxal™ (enclomiphene citrate: anti-estrogenic isomer of clomiphene citrate) oral; NDA filing Q1'14	Male secondary hypogonadism	9-25-2013 BDC decision: Continue with due diligence. Meet with Repros CEO Sept. 26.
3. Aerial BioPharma	ADX-NO5 (Noradrenergic / dopaminergic agonist) Phase II POC completed	Excessive daytime sleepiness associated with narcolepsy	9-25-2013 BDC Decision: Continue evaluation to understand the differentiation of ADX-NO5 vs. Provigil/Nuvigil; Review phase II data; prepare for Piper Jaffray auction of asset.
4. Becton Dickinson	Dilaudid Pre-filled syringes to replace ampules	Pain	9-15-2013 BDC Decision: Send non-binding term sheet to Becton Dickinson.
5. Rhythm	RM-131 Ghrelin Agonist Peptide; sub-cu injection	Diabetic Gastroparesis	Presentation made to the Science and Technology Committee on 8-20-2013. Responses to questions provided on Sept 3. BDC update Sept 25: diabetic gastroparesis 60% of payors are commercial plans. Refining "Differentiation Index" for due diligence by clinical review team. Ph2a study data to be reviewed week of Nov 11. Decision to acquire asset to be made after data review.

[PAGE * MERGEFORMAT]

Company	Product	Indication	Status
6. Flexion	Fx-006: CR triamcinolone/ polylactic-co-glycolic acid (PLGA) controlled-release formulation intra-articular (IA) injection for osteoarthritis in the knee	OA Knee	Phase II data for OA had confounded results; New phase II work needed (Purdue view); Flexion still may pursue IPO process in October.
7. Zalicus	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.
8. Concert Pharm.	CTP-354 deuterated version of Merck's L-838417 – GABA α	Spasticity and chronic pain	7-18-2013 BDC Decision: Provide history or rationale for use of GABA α in neuropathic pain.
9. Afferent	AF-219 - P2X3 antagonist	OA Pain	Assess POC data in October. CDA to be put in place in September.
10. Array BioPharma	TrkA Inhibitor Pre-clinical	Neuropathic Pain	Presented to Science and Technology Committee on 10-1-2013.
11. VM Pharma	TrkA Inhibitor IND open; Phase I began in July	Neuropathic Pain	Discussions to be discontinued following disclosure by VM Pharma that they will agree to sharing further information only after assurances from Purdue that a deal would include an upfront payment in the range of \$30M - \$50M and a valuation of several hundred million dollars prior to launch.
12. Seikagaku Corp.	SI-6603 (condoliase, an enzyme) a single intradiscal injection	For lumbar disc hernia & pain	Product provides a unique approach to pain management and is in late stage development in U.S. Continue internal analysis.

[PAGE * MERGEFORMAT]

CORPORATE COMPLIANCE

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

Key Compliance Issues in 3Q13

Throughout 3Q13, 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 compliance matters are detected, investigated, and remediated on an on-going basis, there have been no *significant* compliance matters to report. The company continues to have good systems and processes in place to prevent violations of law, regulations, and other standards.

Compliance Risk Reduction

Through the senior-level Corporate Compliance Council, the Company addresses some 31 compliance risks identified as most important. Of these 31 compliance risks, and as the result of remediation efforts, 19 risks are now deemed "low," 11 "medium," and 1 as "high." The latter will be remediated by year-end.

Field Sales

Nearly 12% of the 250,000 call notes entered this quarter were reviewed on a random basis or because of the presence of key words. The overwhelming majority of the 698 issues discovered and addressed through the Sales Discipline Committee were of a low order, resolved through coaching or warnings. Monitoring of speaker programs is successful in addressing minor issues discovered, and the level of DM Field Contact Reporting is ahead of SOP goal

Physician Payments Sunshine Act Reporting Commences

Effective August 1st, the Company began collecting payments and other transfers of value to physicians and teaching hospitals, for reporting to CMS on March 30, 2014, and for public website posting by CMS on September 30, 2014.

- An independent audit of the company's Whole\$um reporting system by Navigant Consulting, under aegis of IAF has found the company systems to "meet

[PAGE * MERGEFORMAT]

requirements," with "minor issues noted," and addressed. The Navigant transactions audit is underway.

CORPORATE AFFAIRS & COMMUNICATIONS

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.

Advance Appropriate Pain Care through Public Policy Development and Advocacy

- The National Association of Boards of Pharmacy (NABP) received Board approval to convene a summit of healthcare professional and regulators to discuss collaboration and agreement on addressing the issues that are currently creating barriers for patient access to pain medication. This move was encouraged by Purdue State Government Affairs.
- Public Affairs worked with targeted media outlets to increase awareness of access barriers patients encounter as a result of the "Good Faith Dispensing" Policy implemented by Walgreen's and other chain drug stores. This effort helped spur the appearance of articles in Bloomberg/BusinessWeek and several local market media outlets.
- Public Affairs amplified the impact of the letters Attorneys General sent the FDA in opposition to the approval of non-ADF generics of ADF products. These letters, secured by State Government Affairs, were highlighted in several trade publications as well as regional media outlets reporting on their local Attorneys General's position on this public health issue.

Address External Threats to Optimal Pain Care through Media Engagement

- More than two dozen media briefings were conducted with national, local, and trade publication reporters to communicate Purdue's position on the importance of managing pain and the benefits of abuse-deterrent opioids. Specific attention was focused on the FDA's September 10 announcement of the proposed new labeling for extended-release and long-acting opioid analgesics.

[PAGE * MERGEFORMAT]

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

- In advance of PAINWeek 2013, the nation's largest conference for clinician's with an interest in pain management, intensive media outreach was focused on healthcare trade publications. This effort resulted in coverage of presented data in Medscape, Pain Medicine News, Reuters, and other outlets. Some of Purdue's most cutting-edge research was highlighted in these publications.
- PAINWeek Presentations (MSL as co-author):
 - *Long-term Maintenance of Improvements in Quality-of-Life, Functionality, and Pain Interference for Moderate-to-Severe Chronic Pain Patients Receiving Continuous Treatment of Butrans (buprenorphine) Transdermal Delivery System (BTDS)*
 - *The Impact on Pain Interference of Butrans (buprenorphine) Transdermal Delivery System in Patients with Moderate-to-Severe Chronic Low Back Pain*
 - *The Impact of Butrans (buprenorphine) Transdermal Delivery System (BTDS) Treatment on Depressed and Non-Depressed Moderate-to-Severe Chronic Pain Patient*
- American Academy of Pain Management Presentations (primary care practitioners, pain management specialists; influential State Medical Board member from MN):
 - *Treatment of Conditions Associated with Pain in Pediatrics (MSL & Risk Mgt.)*
 - *Opioid conversion recommendations from practice guidelines (HP encore poster)*
 - *Data Gaps: Impact on drug policies for reducing opioid abuse (HP encore poster)*
 - *Analysis of chronic pain management guidelines with opioids (HP encore poster)*
- Medical Services Inquiries:
 - Butrans 1,721: Application Instructions; Site Reaction; Adhesion; Effect of Heat; Lack of Effect; AE Management; Conversion to/from Other Opioids; Withdrawal; Onset of Action; CV Effects; Urine Drug Testing.
 - OxyContin 923: Abuse/Request for Epid. Data; Availability/Access Issues; Reformulation Changes; Lack of Effect; Dose Frequency; Withdrawal; Conversion.
 - Intermezzo: 128: Comparison to Other Zolpidem Products; Sex-specific Dosing; Use with Other Zolpidem Products; Dosing Information

Monitor and Address Legislation and Regulation That Impacts the Company

- At the federal level, the effort continues to expand the use of ADFs through the STOPP Act, which would prohibit the FDA from approving new opioids or generic

[PAGE * MERGEFORMAT]

opioids unless they demonstrate abuse-deterrent properties. Preparations for a Congressional hearing on the STOPP Act are underway. In addition, Purdue is working with Endo and Grünenthal to develop policy proposals that incentivize continued investment in ADF medicines. Finally, Purdue is working with BIO to develop a panel on ADF incentives at their Annual Meeting, attended by 8,000 participants and several hundred media observers.

- U. S. Government Affairs has worked closely with Dr. Craig Landau in developing a strategy to gain harmonization between Health Canada and FDA on Abuse Deterrent requirements for branded and generic medicines. We are also working with the Canadian team to implement the strategy.
- We have engaged in extensive efforts to gain an exclusion of ADF from the Center for Medicare and Medicaid's (CMS) definition of "line extension." While no definitive answer is yet available, we have received word from FDA and the White House Office of National Drug Control Policy (ONDCP) that a "satisfactory" outcome is likely.

As a reminder, the inclusion of ADF is not written into the law, but rather is an interpretation of the definition of "line extension" by CMS in their Draft Regulation to implement the "line extension" provision of the Affordable Care Act. To date, there have been over 20,000 pages of rules and regulations issued under the Affordable Care Act, and more continue to be issued. While many members of Congress continue to attempt to cut off funding for the Act and/or delay its implementation, most believe the Act will continue to be implemented. We have met with Members of the Senate and the House, as well as Congressional staff, HHS staff, White House staff, and CMS staff. We also were able to get PhRMA and BIO to include our suggestions on ADF in their formal comments to CMS on the "line extension" Draft Regulation.

FDA and ONDCP have communicated to CMS that their Draft interpretation is contrary to the stated policies of FDA and ONDCP to encourage the development of ADF medicines. Again, both agencies have communicated that they believe CMS has found a solution that we will find satisfactory.

- The Pain Care Forum hosted Dr. David Thomas, the Director of the National Institute on Drug Abuse (NIDA)/NIH Pain Consortium. Scheduled for November 26 is NIDA

[PAGE * MERGEFORMAT]

Director Dr. Nora Volkow and for December 12 is FDA Director of Policy, Dr. Douglas Throckmorton.

- California bill SB809 was signed by Governor Jerry Brown. The legislation establishes funding of the state prescription monitoring program. An earlier version of the legislation included required manufacturers to provide funding for the program, but this provision was removed, in part as a result of Purdue's advocacy.
- The Indiana Board of Medicine held public hearings to develop opioid prescribing rules. The Board is currently considering additional requirements for prescriptions of 60 opioid tablets /month or 15mg Morphine Equivalent Dose (MED) over a ninety day period. Final rules will be effective December 15, 2013. We continue monitoring this development, as well as other prescribing guidelines being discussed throughout the country.
- The Georgia prescription drug monitoring program is now available for practitioner use.

[PAGE * MERGEFORMAT]

HUMAN RESOURCES

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

Staffing, Employee Engagement, Relations and Retention

- 199 requisitioned positions were filled year-to-date. Employee turnover is 6.8% YTD vs. 6.7% at the same time last year.
- [REDACTED] was named V.P. Corporate Affairs & Communications, reporting to John Stewart. He began his employment on September 16 and will direct Purdue's corporate communications, public relations, federal and state government affairs, health policy, medical education and healthcare alliances programs.
- [REDACTED] has been promoted to Executive Director, Corporate Procurement, reporting to Ed Mahony, Chief Financial Officer.
- [REDACTED] joined the company on August 12th as Director, Clinical Supply Management, reporting to [REDACTED] Executive Director, Medical Research Operations in Stamford.
- [REDACTED] began employment as Executive Director, Supply Chain, reporting to David Lundie in Wilson, NC, effective September 3rd, 2013. Human Resources partnered with David Lundie to complete a leadership transition plan in the Supply Chain organization.
- The Wilson Operations organization was redesigned for better efficiency, and the ability to meet technical challenges in manufacturing and packaging operations, given the new equipment and changing technical standards. The plan included the elimination of a leadership role in Pharmacy and the addition of new technical roles across the Operations organization, as well as an updated Operations Career Ladder, to reflect the emphasis on the growing technical needs of the business.
- Human Resources is proactively engaging North Carolina regional industry and academic contacts in an effort to develop a stronger network for attracting local talent in the areas of Supply Chain, Quality and IT.

[PAGE * MERGEFORMAT]

- Results of the 2013 Employee Culture Survey were introduced in August, broken out into major demographic factors such as departments, locations and positions, to be cascaded down throughout the organization for the creation of action plans.
- In addition to weekly meetings held with Sales Management to review sales performance, employee relations and compliance related issues, Quarterly Reviews are being initiated to review Field Sales Representatives by ranking, with a focus on the bottom ten percent to identify performance shortfalls and develop action plans.

Benefits Plan Changes for 2014

The Benefits Department completed a review of employee benefits program administrative vendors and suppliers for the period 2014 to 2016, with competitive bidding to select the highest quality and lowest cost program management partners.

- CIGNA has been selected to be the medical plan administrator replacing Anthem BC/BS and United Healthcare, the current administrators. Negotiated lower administrative service fees will save \$1.5 million over the three-year period in comparison to historic rates. CIGNA will also provide dental insurance administration and life insurance.
- Program structure and employee paid program components have been updated to continue company practice of sharing cost increases with participating employees.

Training & Development

- [REDACTED] Executive Director at the Jack Welch Management Institute presented the "GE Work-Out" model of goal setting, metrics and process improvement techniques to the Executive Committee and the Leadership Council. Twenty-eight colleagues were selected by management to participate in the Work-Out sessions. Many of the group's process improvement proposals presented to the Executive Committee were accepted and put into practice. Other sessions are being planned to leverage the positive experience and effectiveness of the first session.
- Leading for Success programs were conducted in Stamford for Professionals I, Professionals IV and Managers IV and Managers V. Workshops were also held in Stamford for Presentation Skills, Leading Meetings, and New Managers Assimilation for Clinical Supplies, Meeting Excellence for Finance and IT. Leading for Success Managers I and Professionals I programs were conducted in Cranbury.
- Performance coaching sessions were conducted in the areas of: Performance Management, Supervising Others, Interviewing, Influencing More Senior Managers, Presentation Excellence, Managing Conflict and Generating Teamwork.

[PAGE * MERGEFORMAT]

- Human Resources worked with Sales Training to ensure a thorough training curriculum was developed for veterans hired through the military recruiting effort. A pre-training requirement provides these veterans with a base line level of knowledge of the industry, the role of sales and the commercialization process and medical terms and definitions. The military veterans then enter into Level 100 training, where they matriculate with other newly hired (experienced) Sales Representatives for a more rigorous Sales Training.
- Results of the September 2013 New Hire Survey for employees hired between January and June was favorable across all demographic segments and has been consistently favorable over the last four semi-annual surveys.

New Facility & Totowa Transition Project

- Human Resources and Technical Operations are working on actions plans associated with the Totowa Transition and new facility, which address concerns relating to severance, retention of business-critical talent and relocation. Project timeline, activities and cost modeling developed by Human Resources have been approved by Operations Management. The transition is on track. Town Hall meetings were held in Totowa and Wilson in September.
- On September 25th, it was announced that Treyburn Corporate Park in Durham County, NC had been selected as the location for our new facility. We attended a Durham County Commissioner's meeting where the company was awarded a \$1MM incentive package from the county. We also completed an incentive application from the state of NC for another \$300k award.
- Public Affairs, Human Resources, the Law Department and Tech Ops leadership coordinated a communication plan leading to press releases by the state and Durham County announcing the location of the new facility in the Treyburn Corporate Park in Durham, NC, as well as an all colleague announcement, responses to media inquiries and communications with local and state government officials.

Environment, Facility and Regulatory Compliance

- Results of Industrial Hygiene monitoring in Wilson revealed a significant decrease of exposure to morphine sulfate during MSER production with the implementation of process improvements, and additional containment enhancements are planned.
- A major 2013 goal has been completed for the Cranbury facility with the development and implementation of the Contractor Safety Program in August,

[PAGE * MERGEFORMAT]

which emphasizes contractor training, jobsite inspections, close communications between Facilities and Engineering and contractor evaluations to ensure compliance.

Human Resources Working with Associated Companies

- An Orientation Program is underway here in Stamford for [REDACTED] Vice President, Sales & Marketing, Mund/ipharma, China. This program is intended to provide internal and external training and hands on experience working within the Brand Team, as part of her two-year development secondment.

Human Resources Compliance

- Two significant new Affirmative Action regulations were recently announced by the Office of Federal Contract Compliance (OFCCP). Specifically, significant changes were made to Section 503 of the Rehabilitation Act of 1973 and Section 4212 of the Vietnam Era Veterans Readjustment Assistance Act (VEVRAA).
 - Section 503 prohibits employment discrimination on the basis of disability and requires that contractors take affirmative action to employ, and advance in employment, qualified individuals with disabilities. As contractors we will have new posting requirements, new application processes and, most significantly, we will be subject to a 7% utilization goal applied to each job group in our workforce.
 - Section 4212 of VEVRAA will also require mandatory job listings and will similarly require employers to establish a hiring benchmark.
- Significant data collection and analysis will be required for compliance with both regulations. Data related to applicant pool, number of hires who are disabled or veterans, and analysis of goals and gaps, as well comprehensive reviews of external outreach and recruitment efforts will be required. The new rules will be in effect 180 days following publication in the Federal Register or March 24, 2014.

[PAGE * MERGEFORMAT]

Full-Time Turnover Projection

September YTD 2013

	Begin Count	End Count	Terminations	% Term EE's	Retired	Resignations	% Resigned	Total # Turnover	YTD Turnover %Rate	Prior Year Same Period YTD T/O %Rate
S&P										
SALES	599	637	18	3.0%	3	33	5.5%	54	9.0%	
MARKETING	48	48	1	2.1%	0	2	4.2%	3	6.3%	
SALES SUPPORT	29	29	1	3.4%	0	0	0.0%	1	3.4%	
FIELD OPS, SUPPORT & ADMIN	15	19	0	0.0%	0	1	6.7%	1	6.7%	
Total S&P	691	733	20	2.9%	3	36	5.2%	59	8.5%	10.4%
	<i>% of X-FTE's</i>		33.9%		5.1%	61.0%				
G&A										
ADMINISTRATIVE SERVICES	34	34	0	0.0%	0	0	0.0%	0	0.0%	
BUSINESS DEVELOPMENT	7	7	0	0.0%	0	0	0.0%	0	0.0%	
CORPORATE COMPLIANCE	11	11	0	0.0%	0	2	18.2%	2	18.2%	
ENVIRONMENT, HEALTH & SAFETY	6	5	0	0.0%	0	0	0.0%	0	0.0%	
EXECUTIVE	13	18	0	0.0%	0	0	0.0%	0	0.0%	
EXTERNAL AFFAIRS	18	17	0	0.0%	0	1	5.6%	1	5.6%	
FINANCE	61	58	0	0.0%	1	3	4.9%	4	6.6%	
GENERAL COUNSEL	45	45	0	0.0%	2	0	0.0%	2	4.4%	
HUMAN RESOURCES	23	24	0	0.0%	0	0	0.0%	0	0.0%	
IT	96	94	4	4.2%	1	2	2.1%	7	7.3%	
PROCUREMENT	12	13	2	16.7%	0	0	0.0%	2	16.7%	
QA	31	34	0	0.0%	0	1	3.2%	1	3.2%	
SECURITY	14	15	0	0.0%	1	0	0.0%	1	7.1%	
Total G&A	371	375	6	1.6%	5	9	2.4%	20	5.4%	1.7%
	<i>% of X-FTE's</i>		30.0%		25.0%	45.0%				
IRD/US										
DISCOVERY	50	51	1	2.0%	0	0	0.0%	1	2.0%	
CRANBURY SUPPORT	14	15	0	0.0%	0	0	0.0%	0	0.0%	
DRUG SAFETY & PHARMACOVIGILANCE	33	31	0	0.0%	0	5	15.2%	5	15.2%	
HEALTH POLICY	40	41	1	2.5%	0	0	0.0%	1	2.5%	
MEDICAL RESEARCH	95	97	0	0.0%	0	4	4.2%	4	4.2%	
NONCLINICAL R&D	50	54	1	2.0%	0	1	2.0%	2	4.0%	
PROGRAM MGMT	26	23	1	3.8%	0	2	7.7%	3	11.5%	
REGULATORY AFFAIRS	26	26	0	0.0%	0	1	3.8%	1	3.8%	
Total IRD/US	334	338	4	1.2%	0	13	3.9%	17	5.1%	3.4%
	<i>% of X-FTE's</i>		23.5%		0.0%	76.5%				
MFG/OPERATIONS										
PF LABS. SALARIED	18	16	0	0.0%	0	1	5.6%	1	5.6%	
TECH OPS	57	52	1	1.8%	1	3	5.3%	5	8.8%	
WILSON NC	186	193	4	2.2%	2	4	2.2%	10	5.4%	
Total MFG/OPERATIONS	261	261	5	1.9%	3	8	3.1%	16	6.1%	7.3%
	<i>% of X-FTE's</i>		31.3%		18.8%	50.0%				
Total PURDUE										
	1,657	1,707	35	2.1%	11	66	4.0%	112	6.8%	6.7%
	<i>% of X-FTE's</i>		31.3%		9.8%	58.9%				
RHODES TECHNOLOGIES										
RHODES PHARMA	148	150	0	0.0%	0	4	2.7%	4	2.7%	
	30	37	0	0.0%	0	5	16.7%	5	16.7%	
Total RHODES	178	187	0	0.0%	0	9	5.1%	9	5.1%	2.4%
	<i>% of X-FTE's</i>		0.0%		0.0%	100.0%				
Grand Total										
	1,835	1,894	35	1.9%	11	75	4.1%	121	6.6%	6.3%
	<i>% of X-FTE's</i>		28.9%		9.1%	62.0%				
INTERMEZZO CONTRACT SALES										
Total QUINTILES	98	0	117					117	119.4%	N/A
	<i>% of X-FTE's</i>		100.0%							

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

[PAGE * MERGEFORMAT]

INFORMATION TECHNOLOGY

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

- Butrans.com was redesigned and launched in August, enhancing our analytical capability as well as providing a Conversion Tool for HCPs to determine the initial dose of Butrans when converting from other opioids.
- The ONU NDA Submission with nearly twenty-eight gigabytes of data was filed with the FDA on Saturday, September 21, and final acknowledgement of submission was received on Sunday, September 22. Various IT staff provided critical support activities to ensure the NDA was filed without issue, as new eSubmission servers and additional File Transfer (FTP) options were delivered to Regulatory Affairs to support the filing.
- Entering 4Q, the infrastructure team is on pace to finish 2013 with a second year of significant outage reductions, achieving a 25% reduction over 2012 outages, due to changes in the technology infrastructure, proactive monitoring and redundancy enhancements.
- Purdue continues to be a leader in the industry in optimal usage of its server infrastructure, achieving 86% virtualization in 3Q with a target of 90%+ this year. This reduction has contributed to a greater than 50% reduction in Infrastructure Capital requests since 2009.
- TrackWise Audit Management implementation completed September 30, enhancing the ability of the Supplier Quality group to design audits, record observations, and track the status of tasks associated with audit observations.

###

[PAGE * MERGEFORMAT]

To: Baker, Stuart D. [redacted]@chadbourne.com]; Boer, Peter [redacted]@pharma.com]; Damas, Raul [redacted]@pharma.com]; [redacted]@pharma.com]; Gasdia, Russell [redacted]@pharma.com]; Lewent, Judy [redacted]@pharma.com]; [redacted]@pharma.com]; Lundie, David [redacted]@pharma.com]; Mahony, Edward [redacted]@pharma.com]; [redacted]@pharma.com]; Paulo Ferraz Costa [redacted]@me.com]; Pickett, Ceci [redacted]@pharma.com]; Sackler Lefcourt, Ilene [redacted]@pharma.com]; Sackler, Beverly [redacted]@pharma.com]; Sackler, Dame Theresa [redacted]@mdsackler.co.uk]; Sackler, David [redacted]@pharma.com]; Sackler, Dr Kathe [redacted]@pharma.com]; Sackler, Dr Raymond [redacted]@pharma.com]; Sackler, Dr Richard [redacted]@pharma.com]; Sackler, Jonathan [redacted]@pharma.com]; Sackler, Mortimer D.A. [redacted]@pharma.com]; Sackler, Snyderman, Ralph [redacted]@pharma.com]; [redacted]@pharma.com]; Weinstein, Bert [redacted]@pharma.com]

From: [redacted]
Sent: Fri 11/1/2013 1:37:18 PM
Subject: 3Q 2013 Report to the Board
[3Q 2013 PURDUE Report to the Board.docx](#)

Colleagues,

Attached is the detailed 3Q 2013 Report to the Board which contains a great deal of information on the actions and projects that form the basis of the 2013 and 2014 budgets.

Please call if you have questions.

Regards,

[redacted]

[redacted]

Senior Vice President, Human Resources
Purdue Pharma LP

Redacted

[redacted]@pharma.com

Purdue
Quarterly Report to the Board
3rd Quarter, 2013

November 1st, 2013

TABLE OF CONTENTS

FINANCE	3
SALES & MARKETING	6
MANUFACTURING & SUPPLY CHAIN	
31	
QUALITY	
33	
RESEARCH & DEVELOPMENT	
35	
FORMULATION SCIENCE	
41	
DISCOVERY RESEARCH	
42	
LICENSING & BUSINESS DEVELOPMENT.....	
43	
CORPORATE COMPLIANCE	
46	
CORPORATE AFFAIRS & COMMUNICATIONS	
47	
HUMAN RESOURCES	
51	
INFORMATION TECHNOLOGY	
56	

FINANCE / INFORMATION TECHNOLOGY

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.

2013-Q3 Financial Performance

<i>Expressed in 000's</i>	September Year-to-Date				Full Year		
	2013 YTD		2013 YTD Budget	2012 YTD Actual	2013		2012 Actual
	2013 YTD Actual	Mid Year Update			Mid Year Update	2013 Budget	
Net Branded Revenues	1,498,905	1,570,771	1,810,118	1,597,815	2,107,208	2,410,349	2,200,922
Operating Profit Margin	629,525	682,594	824,353	737,393	930,262	1,137,004	1,007,776
EBITDA	684,976	727,497	772,013	740,911	948,266	1,066,877	1,038,561
Net Profit Before Tax	660,946	703,493	748,038	719,333	916,261	1,034,911	1,010,856
Owners' Equity	568,463	608,939	895,486	649,271	590,000	705,232	671,725
Non-tax Distributions	399,920	231,650	239,600	242,543	575,600	538,100	471,643
Days Sales Outstanding	34.6	35.0	35.0	34.3	35.0	35.0	33.2
Accounts Receivable Outstanding > 90 Days Past Due	< 1%	< 1%	< 1%	< 1%	< 1%	< 1%	< 1%
Capital Spending	19,095	26,250	26,250	22,948	35,000	35,000	30,467
Unrestricted Cash on Hand	868,981	796,384	796,384	795,291	576,056	600,000	755,593
Average Months Cash on hand	5.2	4.6	4.9	4.5	3.3	3.0	4.1
Headcount	1,702	1,777	1,784	1,664	1,777	1,784	1,666

Notes:

- (1) Net revenues are lower than budget primarily due to lower OxyContin sales.
- (2) See full financial report for detailed information.

2013 Latest Estimate and 2014 Budget

2014 budgeting process is at the final stage of preparation. At the upcoming U.S. Budget Board meeting the 2013 latest estimate and 2014 budget proposal will be presented. The 2013 latest estimate net revenue and operating profit will be approximately \$120 million and \$63 million lower than the 2013 mid-year update.

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 of meetings – Quarterly

- At the committee's most recent meeting in September, E&Y presented their 2013 audit plan which was consistent with prior years. Additionally, Internal Audit provides an update of in-process and upcoming audits.

- The committee members routinely meet with Ernst & Young, without Purdue financial management present.
- No material matters to report.

Treasury - Short-term Cash Investments

- Purdue's cash holding was mostly 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 \$977 million at the end of September 2013.
- Typically, the group invests 80-90% of investable funds in Treasury investments with the rest in FDIC-insured bank accounts for daily funding operations.
- Starting in the second week of October, under a global concern of U.S. debt default, Purdue implemented a risk management contingency plan to reduce exposure and risks in U.S. Treasuries. On October 15, 2013, Purdue changed its short-term investment holdings to 50% in U.S. Treasuries and U.S. Government Securities mutual funds, 22% in A1+/P1 (highest grade) commercial papers from Fortune 100 non-financial companies, and 28% in J.P. Morgan bank accounts.
- Most forecasters do not expect the U.S. to default. When the U.S. default risks subside, we will allocate the cash in bank accounts back to U.S. Treasuries.

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 Obligation¹ is projected at \$250 million at 12/31/2013 and the plan assets were \$252 million at 9/30/2013.

¹ 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. \$250 million is calculated by Deloitte (our actuary) using the MAP-21 rule. If under PPA rule (pre MAP-21), accumulated benefit obligation is \$300 million. MAP-21 became law in 2012 to reduce the adverse impact of historically low interest rates on the three "segment rates" (corporate-bond interest rates) used by many pension plans to calculate funding liabilities.

- The plan investments returned 11.3% for the 12-month ended 9/30/2013. 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 1.0%.
 - The 2013 budget assumes a total funding of \$10.5 million (spread out evenly during the year) to the PPLP plan. That funding has been completed as of October 15, 2013.
 - PF Labs (Union) Plan - PF Labs has a smaller defined benefit plan - \$6.3 million in assets – covering ex-employees. The plan is well funded and small contributions are being made.
- **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 \$366 million at the end of 2012 and September 2013 respectively.
 - In a recent review done by SEI on the plan concluded that Purdue 401(k) Plan's investment line-up provides sufficient low-cost, good performing investment choices covering majority of investment landscape for plan participants. SEI is a co-fiduciary on Purdue’s defined benefits pension plan and they also provide oversight reviews on Purdue’s 401(k) Plan.

MARKETING & SALES

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 Butrans in 50% primary position and OxyContin in 50% primary position. OxyContin and Butrans will share second position 50%/50%. Intermezzo will be in third position on at least 35% of all primary calls.

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

Gross Sales Budget: \$3,228.5MM

Net Sales Budget: \$2,410.3MM

2013 (\$MM)	YTD Actual		Full Year 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	685.4	521.5	819.4	617.6	764.0	556.8
Q3	712.5	516.0	816.4	616.7	749.6	533.0
Q4	-	-	819.3	600.2	817.3	603.1
Total	2,017.9	1,498.9	3,228.5	2,410.3	3,004.9	2,200.9

2013 year to date actual net sales of \$1,498.9 mm, were lower than budget by \$311.2 mm or 17.2%. This variance was driven by:

- OxyContin net sales of \$1,337.0 mm were \$277.8 mm or 17.2% 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 \$81.9 mm were \$11.3 mm or 12.1% less than budget driven by prescriptions running slightly below budget and a contraction in trade inventory.
- Intermezzo net sales of \$9.3 mm were \$24.2 mm or 72.2% less than budget due to lower demand.

2013 actual net sales of \$1,498.9 mm were lower than 2012 by \$98.9 mm or 6.2%. This variance was primarily driven by lower OxyContin net sales of \$115.7 mm, offset by an increase in Butrans net sales of \$16.6 mm and Intermezzo net sales of \$4.4 mm.

The Mid-Year Forecast reduced the budgeted net sales by \$303.1million, from \$2,410.3 million to \$2,107.2 million, to account for the OxyContin and Intermezzo sales trends described above. Year to date September sales are \$71.9 million lower than 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	YTD Actual		Full Year 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	62.4	12.1%	77.9	12.6%	76.8	14.4%
Q4	-	-	73.8	12.3%	80.0	13.3%
Total	210.0	14.0%	309.9	12.9%	303.1	13.8%

S&P expense of \$210.0 mm was \$26.0 mm lower than budget due to timing - lower OxyContin and Butrans promotional spend (\$8.5 million), lower people driven expenses (\$6.6 million) partially due to lower sales bonus and higher than budgeted vacancies in the Sales Force, lower expenses related to the contract sales force (\$6.0 million), and all other (\$4.9 million).

S&P expense of \$210.0 mm was \$13.1 mm lower than prior year primarily due to lower Intermezzo direct to consumer advertising and promotional spend (\$1.9 million), lower spending in Contract Sales Organization (\$23.7 million) due to a reduction from 275 representatives in first half of 2012 to 90 through May 2013, higher people driven expenses (\$7.2 million) primarily due to higher Q1 and Q2 sales bonus (\$3.7 million) and lower vacancies, and all other (\$5.3 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 Organization and promotions of \$11.6 million, and targeted reductions of \$10.0 million. Actions are in process to realize these reductions.

Business Unit Performance

Q3 2013 results versus Budget are detailed on the next page:

OxyContin	YTD Actual (\$MM)	YTD Budget (\$MM)	YTD Variance (\$MM)	Full Year Budget (\$MM)	Mid Year Update (\$MM)
Gross Sales	\$1,840.2	\$2,184.8	(\$344.6)	\$2,916.5	\$2,553.1
Net Sales	\$1,337.0	\$1,614.7	(\$277.7)	\$2,147.6	\$1,877.2
<i>Net Sales %</i>	72.7%	73.9%	0.7%	73.6%	73.5%
Gross Profit	\$1,205.1	\$1,460.7	(\$255.6)	\$1,957.6	\$1,700.1
<i>Gross Profit %</i>	90.1%	90.5%	(0.4%)	91.2%	90.6%
Sales Force & Promotional Expense	(\$60.5)	(\$75.6)	\$15.1	(\$100.4)	(\$99.9)
Other Expenses	(\$142.6)	(\$148.8)	\$6.2	(\$189.3)	(\$193.6)
Product Contribution	\$1,002.1	\$1,236.3	(\$234.2)	\$1,667.9	\$1,406.6

OxyContin's product contribution of \$1,002.1 mm was lower than budget by \$234.2 mm. This variance was primarily driven by lower net sales of \$277.7 mm offset by lower S&P spend of \$15.1 mm driven by fewer sales calls on OxyContin than Budget, as described below.

Intermezzo	YTD Actual (\$MM)	YTD Budget (\$MM)	YTD Variance (\$MM)	Full Year Budget (\$MM)	Mid Year Update (\$MM)
Gross Sales	\$7.4	\$38.4	(\$31.0)	\$57.6	\$13.9
Net Sales	\$9.3	\$33.5	(\$24.2)	\$44.0	\$10.4
<i>Net Sales %</i>	125.0%	87.1%	37.9%	76.0%	74.7%
Gross Profit	\$5.2	\$26.6	(\$21.4)	\$33.8	\$5.4
<i>Gross Profit %</i>	55.4%	79.4%	-24.0%	76.8%	51.6%
Sales Force & Promotional Expense	(\$43.6)	(\$49.8)	\$6.2	(\$61.2)	(\$45.7)
Other Expenses	\$4.8	\$6.3	(\$1.5)	\$7.9	\$4.1
Product Contribution	(\$33.6)	(\$16.9)	(\$16.7)	(\$19.5)	(\$36.2)

Intermezzo's product contribution of (\$33.6 mm) was lower than budget by \$16.7 mm. This variance was primarily driven by lower net sales of \$24.2 mm offset by lower spend on S&P of \$6.2 mm. Year to date product contribution is in line with Mid Year Update.

Butrans	YTD Actual (\$MM)	YTD Budget (\$MM)	YTD Variance (\$MM)	Full Year Budget (\$MM)	Mid Year Update (\$MM)
Gross Sales	\$100.8	\$115.0	(\$14.2)	\$160.0	\$160.0
Net Sales	\$81.9	\$93.2	(\$11.3)	\$126.9	\$127.3
<i>Net Sales %</i>	<i>81.3%</i>	<i>81.0%</i>	<i>0.3%</i>	<i>79.3%</i>	<i>79.5%</i>
Gross Profit	\$74.1	\$82.5	(\$8.4)	\$111.9	\$114.0
<i>Gross Profit %</i>	<i>90.4%</i>	<i>88.6%</i>	<i>1.8%</i>	<i>88.2%</i>	<i>89.6%</i>
Sales Force & Promotional Expense	(\$71.5)	(\$75.3)	\$3.8	(\$100.5)	(\$99.2)
Other Expenses	(20.6)	(27.2)	\$6.6	(\$36.4)	(\$36.1)
Product Contribution	(\$18.0)	(\$19.9)	\$1.9	(\$25.0)	(\$21.2)

Butrans product contribution of (\$18.0 mm) was favorable to budget by \$1.9 mm. The favorable variance was primarily driven by lower net sales of \$11.3 mm, offset by lower spend on S&P of \$3.8 mm and all other expenses of \$6.6 mm, the latter largely being due to slower enrollment than budget on the pediatric program.

Laxatives	YTD Actual (\$MM)	YTD Budget (\$MM)	YTD Variance (\$MM)	Full Year Budget (\$MM)	Mid Year Update (\$MM)
Gross Sales	\$37.6	\$37.0	\$0.6	\$49.3	\$49.3
Net Sales	\$36.7	\$36.5	\$0.2	\$48.6	\$48.6
<i>Net Sales %</i>	<i>97.6%</i>	<i>98.7%</i>	<i>-1.1%</i>	<i>98.7%</i>	<i>98.6%</i>
Gross Profit	\$26.7	\$27.1	(\$0.4)	\$36.1	\$37.2
<i>Gross Profit %</i>	<i>72.8%</i>	<i>74.4%</i>	<i>-1.5%</i>	<i>74.3%</i>	<i>76.6%</i>
Sales Force & Promotional Expense	(\$12.5)	(\$11.7)	(\$0.8)	(\$15.7)	(\$15.4)
Other Expenses	(\$0.6)	(\$1.0)	\$0.4	(\$1.3)	(\$1.3)
Product Contribution	\$13.6	\$14.4	(\$0.8)	\$19.1	\$20.5

OTC's product contribution of \$13.6 mm was lower than budget by \$0.8 mm. Variances are largely due to timing of spend.

Purdue Sales Force

Our latest expectation is that we will achieve full year prescriber calls of 700,396 versus 744,777 due to lower calls per day (22k calls), lower days on territory (14k calls), and higher vacancy than planned (9k calls).

September YTD 2013 Performance by product is detailed on the next page:

**Calls by Product
2013 Budget v. Actual
September YTD**

Primary Calls	Budget	Act	Var	Budget	Act
Butrans	280,409	308,784	28,375	50%	60%
OxyContin	280,409	195,194	(85,215)	50%	38%
Intermezzo	-	6,749	6,749	0%	1%
Total Primary Calls	560,817	510,727	(50,090)	100%	100%
Secondary Calls	Budget	Act	Var	Budget	Act
OxyContin	252,368	267,824	15,456	45%	52%
Butrans	252,368	190,346	(62,022)	45%	37%
Total Secondary Calls	504,736	458,170	(46,566)	90%	90%
Tertiary Calls	Budget	Act	Var		
Intermezzo	196,286	361,028	164,742		
Total Tertiary Calls	196,286	361,028	164,742	35%	71%
PDEs	Budget	Act	Var		
Butrans	406,593	403,957	(2,636)		
OxyContin	406,593	329,106	(77,487)		
Intermezzo	19,629	42,852	16,474		
Total PDEs	832,814	775,915	(63,648)		
Calls	Budget	Act	Var		
Butrans	532,776	499,130	(33,647)		
OxyContin	532,776	463,018	(69,759)		
Intermezzo	196,286	367,777	164,742		
Total calls	1,261,839	1,329,925	61,336		

Result: During Q3 2013, OxyContin primary sales calls continued to increase versus the prior two quarters, up 3 points versus Q2 to 43% of primary presentations provided to prescribers.

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	179,640	-17,205	91%
Q4	183,960	0	0	0%
Total	744,777	510,727	-50,090	69%

Source: Weekly Metric Report through September 27, 2013.

Result: The average physician calls per day for Q3 2013 was 6.9. This was slightly below the objective of 7.1 calls per day. Call productivity is expected to increase towards the targeted goal in Q4 as retail pharmacy call goals have been reduced to 1 per day (down from 2 per day in Q3) to focus on prescriber calls. Vacancies in Q3 were flat to budget at 2.5% and have started to level off versus the Q1 average of 4.1%, which was influenced by the realignment that took place at the end of 2012.

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	6.9	7.0
Q4	7.1		7.0

Marketing & Sales Department Key Initiatives

Butrans® Brand

Below is a review of key initiatives that were implemented during the third quarter.

McKesson Pharmacy Intervention Program

During the third quarter the sales force was trained on a Butrans “adherence” program, which was designed to improve discontinuation rates seen with Butrans. This program was developed and implemented in September through a branch of McKesson.

Objectives and Program Details

The Butrans McKesson Pharmacist Intervention Program is the first program of its type utilized by Purdue. The objective is to reduce patient discontinuation rates and increase patient adherence/compliance. Since Butrans is a transdermal system, there are several steps a patient must follow to correctly utilize the patch. Through this program, pharmacists educate patients on the Instructions for Use, as well as the Medication Guide found in the Full Prescribing Information.

One of the main goals of the program is to help patients, who are appropriate for Butrans, stay on therapy. Pharmacies are sent a packet of materials including the Full Prescribing Information, the Application and Rotation “Tear Pad” (Patient Instructional Sheet) and the Patient Brochure, which is distributed to patients by the pharmacist. McKesson will provide metrics on this program, including number of interventions and prescription “fills per patient”. This data will be utilized to measure ROI.

McKesson’s Pharmacist Intervention Program provides patients with a series of individualized coaching sessions focused on addressing personalized adherence barriers to their prescribed medication therapy. During the course of these targeted, face-to-face, five minute coaching sessions, pharmacists use open-ended questions to help patients identify their current barriers to success as well as their motivation for being adherent. These sessions help solidify a partnership between the patients and the pharmacists to develop a personalized plan for success, as well as a follow-up session at the patients’ next prescription refill.

Program Mechanics and Logistics

Beginning September 5th, participating pharmacies had the opportunity to provide behavioral coaching to patients prescribed Butrans. Each eligible patient can receive up to three coaching sessions. The program will initially be launched to over 1,500 participating independent pharmacies. The goal is to eventually roll out the program to participating pharmacy chains, Publix, Kinney, and Safeway.

Butrans 15 mcg/hour Launch

During the third quarter, preparations for the launch of Butrans 15 mcg/hour took place across the organization. The 15 mcg/hour strength was approved by the FDA on July 25th. The first ship date was on October 3rd. A total of 9,820 units were shipped to wholesalers for a total of \$3.1mm. These sales were incremental to the 2013 Butrans sales budget. Initial orders are approximately double what was forecasted.

The sales force has begun promotion to retail pharmacists. This is in addition to the efforts of the National Accounts & Trade Relations Account Managers, who are gaining

automatic distribution through wholesalers to their independent pharmacies, as well as national/regional chain pharmacy distribution.

The sales force has also begun promotion to physicians, utilizing new sales material which includes the 15mcg/hour strength.

The Butrans Experience Program

The Butrans Experience Program continues to be an important part of the marketing mix for Butrans. This program has demonstrated a “full cost” ROI of 1.4. In addition, the cumulative prescription lift over the control group of physicians is 1.57.

Originally, we were going to wait until November to initiate additional enrollment of five physicians per territory. However, due to the success of the program, a decision was made to initiate new enrollments during the third quarter. Each sales representative was provided the opportunity to enroll three additional doctors beginning in September. The remaining two physicians will be added in November.

Advisory Boards

Two Advisory Boards were conducted during September. One focused on Pain Specialists, the other on Long Term Care Specialists. There is a third Advisory Board scheduled for October, which will comprise Primary Care Physicians and Nurse Practitioners.

Objectives of the Advisory Boards:

- Obtain a better understanding of the Advisors’ clinical experience with Butrans.
- Seek their insights into products in development, including their opinion of our clinical program, publication strategies, and market access strategies for these medications.
- In addition we sought comments on how to position multiple pain products in the market place.

Butrans eMarketing Initiatives

During the third quarter, implementation of the Butrans HCP Relationship Marketing Program continued. The program includes interactive components such as an eMail series on Butrans-related topics, Search Engine Marketing (SEM), Butrans web site interactions, online display advertising, and the “Initiations” Case Study iPad program.

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. Year-to-date, over 880K Recruitment eMails have been delivered with an open rate exceeding our goal of 3.2%. Click-through rates for these eMails met our target goal of 3.2%.

SEM is designed to direct HCPs who are searching for information regarding Butrans utilizing Google, Yahoo and Bing search engines to either Butrans.com or the Butrans pages on PurdueHCP.com. By the end of August, the SEM campaign had exceeded its impression goal by 118% achieving 5.2 million search impressions. These impressions resulted in over 63,000 “clicks” to Butrans.com, which was 144% of goal.

Visits to Butrans.com, as well as Butrans content located on PurdueHCP.com, continued to exceed goals. The visits to Butrans.com exceeded visits to NucyntaER.com, for the first time in September of 2013. This makes Butrans.com the most visited website for an extended-release opioid. Visits to the mobile Butrans.com, which was created for visitors using smartphones and other mobile devices, now accounts for 26% of all visits to Butrans.com.

OxyContin® Tablets Brand

Updated/refreshed sales material was introduced to the Sales Force during 3Q.

Core Visual Aid (CVA) Refresh

- In order to provide greater focus on new patient/appropriate opioid naive starts, the refreshed CVA has an increased prominence of the opioid naive language from the FPI and now includes an image of OxyContin 10 mg tablets.
- In addition, there is now an example of a conversion from a Percocet 5 mg to OxyContin 10 mg.
- The S.T.A.R.T. Campaign has been incorporated into the CVA.
 - The S.T.A.R.T. campaign was introduced to assist the sales representative in communicating the key elements of appropriate OxyContin titration.
 - It provides a way for a physician 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.
 - T = Tailor the dose based on the reassessment, titrating up or down.

New Patient Case Study Vignettes

During the third quarter there were three new patient case studies launched for utilization by the sales force. There is one that focuses on a “Discontinuation Patient” and two that focus on Medicare Part D patients. The objective is to increase focus on the appropriate patient. The three patients, each with a personal experience, provide “real life” examples for the physician to relate to. For all three the “Individualized the Dose” campaign is reinforced, demonstrating OxyContin’s seven tablet strengths and the ability to individualize the dose to the appropriate patient. Principles of S.T.A.R.T. are reinforced.

OxyContin Patient Savings Program

Approximately 13% (3% savings cards and 10% vouchers) of all prescriptions for OxyContin include redemption of either a savings card or an eVoucher.

Analysis conducted in July 2013 demonstrated that the Savings Card Program has resulted in a TRx lift of 3.4, with an overall ROI of 1.0, versus the control group. The eVoucher Program has resulted in a TRx lift of 0.9, with an overall ROI of 1.54, versus the control group. Both programs elicited higher persistency of patients at 60 days, compared to respective controls, for New to Brand and New to Therapy patients.

Based on the findings of this analysis, additional 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 at PurdueHCP.com and to provide to patients, who can redeem them at retail pharmacies when filling prescriptions for OxyContin.

OxyContin Patient Savings Cards are also available in the Patient Essentials Pack, which is a resource provided to patients by HCPs when patients begin OxyContin therapy. The Patient Essentials Pack contains helpful information for patients who are new to OxyContin therapy, as well as a pain tracker to aid in documentation and subsequent HCP communication during follow-up visits. An ROI analysis of the Patient Essentials Pack indicates that from January 2013 to June 2013, overall impact of the program shows a cumulative incremental TRx lift over control of 1.22 TRx per enrollee. This is statistically significant, and incremental full cost ROI stands at 5.7.

OxyContin eMarketing Initiatives

In the third quarter of 2013, the OxyContin HCP Relationship Marketing Program has been expanded to reach approximately 82,000 HCPs, an increase from 72,000 HCPs in the first quarter. The program includes a variety of activities for reaching, and engaging targeted HCPs. These include “interactivity invitations”, an email series on OxyContin-related topics, Search Engine Marketing and Online Display Advertising.

Core Brand information is provided on the PurdueHCP.com web portal, which contains available materials (such as Managed Care formulary status and Patient Saving Cards) for HCPs 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 August has three of the four “Reach Tactics” achieving, or exceeding, its year-to-date goals. Of note, the almost four million Search Engine Marketing Impressions, which was 159% of goal, translated to web-portal visits of 91,000, which exceeded goal by 280%.

Intermezzo® Brand

Intermezzo Patient Savings Program

During the three quarters of 2013, web generated savings cards represented 21% of all savings cards redeemed. In the final few weeks of the third quarter, there were two weeks in excess of 25% of all redemptions occurring from web generated savings cards.

Intermezzo Sample Program

There were 7,219 Trial Offer redemptions processed through the end of the third quarter in 2013. Web generated Trial Offer cards represented 17% of Trial Card redemptions. It should be noted that the last week of the 3rd quarter saw a jump to 25% in web generated Trial Offer redemptions.

Professional Television Network (PTN) - Healthcasts

The Intermezzo Brand Team developed and implemented a Key Opinion Leaders video for PTN which started airing on April 19th. The program concluded on July 12th achieving a viewership total of 3,049 prescribers, versus a goal of 3,000 high decile physicians.

Intermezzo eMarketing (Healthcare Professionals)

As of the end of September over 5.3 million eMails have been sent to the 100,000 target HCPs. Slightly over 5.1% of these messages are opened exceeding our goal of 5% and these “opens” resulted in 9.3K clicks to the Intermezzo web properties for HCPs.

Slightly over 2MM online media impressions were delivered to HCPs year-to-date via insomnia-related sites. These impressions resulted in 2.5K visits to IntermezzoRx.com.

To support the Sales Force’s Intermezzo in-services initiative, interactive Patient Vignettes were launched for utilization on iPads. The vignette program consists of five

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 shifted for the third quarter, with a return of Search Advertising and several new initiatives designed to drive traffic to the site and engage consumers. Site traffic increased from just over 1,000 visits a month to an average of 28,300 visits a month. Without the major DTC programs, the team focused on programs Purdue could manage by itself including:

- Driving patients identified as past users of a competitor product, via email, to learn about Intermezzo on the site
- The re-implementation of the search campaign
- The launch of the Facebook.com paid advertising program
- The launch of the Intermezzo patient customer relationship marketing program
- Launch of a variety of consumer focused media campaigns including ReadersDigest.com and Deltaskymag.com

Visits to myIntermezzo.com were over 451,000 YTD September with July, August and September contributing just fewer than 63K visits. The primary traffic drivers to the site were Google and Bing paid search results driving 67% of visits and direct referral (people typing the URL directly into the address bar) driving 12% of visits.

The Experienced Patient eMail campaign was deployed in July, and again in August. The over one million emails were targeted to customers who had previously indicated to a 3rd party that they were a user of insomnia medications, such as Ambien or Lunesta. Approximately 5,000 visits to the site were generated from these email campaigns.

In early August the Intermezzo Search campaign was re-implemented. The Search campaign quickly produced an increase in site traffic, from an average of 147 visits a day in July to 844 visits a day in August and 986 visits a day in September.

The myIntermezzo Facebook pages places Intermezzo content on the world's largest social media site. Mid-September advertising promoting the myIntermezzo Facebook page was launched. Prior to the launch the page saw approximately 70 likes. As of the end of September the page had the endorsement of 1,382 different Facebook users in the terms of "Likes" of the page. The paid media running on Facebook, promoting the page to targeted Facebook users had increased likes of the page 184% over the first 3 weeks of the campaign.

The Intermezzo Patient Customer Relationship Marketing Program launched in September. The program segments patients who have registered on the myIntermezzo.com site into three groups; “Interested in Intermezzo”, “Have an Intermezzo Rx but have not filled it” and “Taking Intermezzo”. Depending upon which group the patient selects, they are enrolled in an email series that messages the patient to go see their HCP, fill their prescription and continue to take Intermezzo when needed. Each email surveys the patient to see if they change their status and, if that happens, they are then re-enrolled in the appropriate email stream.

Purdue Laxative Brands

Third quarter initiatives focused on generating sales that would help to ensure attainment of the laxatives forecast.

Tactics included account specific TV advertising, a national sweepstakes promotion to increase product pull-through at key retailers, and on-pack promotions such as instant redeemable coupons. The relationship marketing program continued throughout the quarter, helping to support brand messaging and thwart switching to competitive laxative products. In addition, each brand continues to be supported by account specific media postings on social media sites. Directly related to promotional activity, customers continue seek more brand information at the Senokot.com and Colace.com websites, placing each as the most frequently visited Purdue Pharma brand website during 2013.

Managed Care Update

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

2013 - Formulary Status Quarterly Update Grid

Product	Payor Channel	Formulary Status	2013 Goal	% Lives Covered/Not Covered			
				Q1	Q2	Q3	Q4
OxyContin	Commercial	T2	86%	85%	85%	85%	TBD
		T3 Open	5%	4%	4%	4%	TBD
		T3 Restricted		4%	5%	5%	TBD
		NOF		8%	6%	6%	TBD
	Medicare Part D	Preferred	57%	49%	51%	51%	TBD
		Covered	13%	13%	12%	12%	TBD
		NOF		38%	38%	37%	TBD
	Medicaid	On PDL		2%	2%	2%	TBD
		Off PDL		98%	98%	98%	TBD
	Butrans	Commercial	T2	35%	31%	32%	33%
T3 Open			45%	49%	49%	44%	TBD
T3 Restricted				9%	9%	14%	TBD
NOF				10%	10%	9%	TBD
Medicare Part D		Preferred	10%	1%	7%	12%	TBD
		Covered	20%	11%	12%	13%	TBD
		NOF		88%	81%	75%	TBD
Medicaid		On PDL		16%	20%	23%	TBD
		Off PDL		84%	80%	77%	TBD
Intermezzo		Commercial	T2	10%	10%	10%	6%
	T3 Open		45%	26%	26%	28%	TBD
	T3 Restricted			26%	28%	29%	TBD
	NOF			37%	37%	37%	TBD
	Medicare Part D	Preferred		0%	0%	0%	TBD
		Covered		10%	9%	9%	TBD
		NOF		90%	91%	90%	TBD
	Medicaid	On PDL		5%	6%	5%	TBD
		Off PDL		95%	94%	95%	TBD
		Lives		Q1	Q2	Q3	Q4
	Commercial		210,393,154	210,602,346	208,114,508		
	Medicare Part D		30,685,085	32,263,032	33,120,880		
	Medicaid		52,631,132	52,546,204	54,523,808		
Total National Lives			293,709,371	295,411,582	295,759,197		

Commercial Managed Care

OxyContin

OxyContin continues to maintain “best in class” access and is the only extended-release opioid brand with more “unrestricted” access than restrictions. The 2013 objective is to maintain the current level of preferred-brand/2nd Tier status of 85% of lives covered. OxyContin commercial national market share is just under 28%.

Butrans

Butrans continues to achieve improved formulary access (33% of commercial lives in a preferred position). The 2013 objective is to achieve a minimum of 35% of lives covered in a preferred-brand/2nd Tier position.

Butrans Commercial preferred percentage increased during the third quarter of 2013 based on MedImpact (a large California-based Pharmacy Benefit Manager with 850K lives, who specializes in smaller employer groups) moved Butrans to a preferred position from a non-preferred position.

Medicare Part D Managed Care

OxyContin

OxyContin continues to have favorable status for 2013 Medicare Part D formularies, with over 51% of eligible patients having access to OxyContin on Medicare Part D formularies across the nation.

Butrans

Butrans formulary approvals in Medicare Part D have accelerated in the last quarter, with the lives covered percentage exceeding 12% in the preferred status. The 5% increase in the last quarter was due to formulary wins at Cigna Med D (754K lives) and MedImpact Med D (450K lives). Each of the plans not only accepted Butrans for their 2014 Medicare Part D formularies, but they moved up the formulary status to include the last three months of 2013.

Medicaid Managed Care

The Medicaid market continues to be a channel dominated by the individual States' mandating use of generics. State budget shortfalls are common and many States believe these shortfalls are accelerated by expenditures from their Medicaid recipients. The Medicaid market will be changing over the next several months, with the expansion of Medicaid at the State level based on the Affordable Care Act, and the advent of the Health Exchanges.

Forecasting, Analytics and Market Research (FAMR)

During the third quarter the principal focus of the department was on a number of major projects. The first was the development of the budget forecasts for 2014. Simultaneously, FAMR played a significant part in McKinsey's diagnostic analysis of OxyContin. All of the data, and a good part of the analyses, were performed internally or in conjunction with the McKinsey team.

While not mentioned in the tables below, FAMR is also progressing in two other major projects. We are working to enhance our access to “big data” and our IT analytics solutions. There has been significant progress in these areas since the second quarter. In partnership with IT, there will now be direct access to physician level data, allowing for analysis to be performed utilizing Exalytics. As a result, our turnaround time for analysis has been significantly reduced, while our analytical capabilities have increased.

Additional visual analytic tools, and statistical software packages, are being evaluated along with colleagues in IT.

The second project is working with our benchmarking organization, TGaS, on a “Strategy Map” for the FAMR team. This is a process wherein strengths and weaknesses as a department are evaluated. Following this, near term plans will be developed to improve effectiveness of the department.

Finally, we continue to work toward the launch of HYD and ONU.

OXYCONTIN Objectives	Key results	Recommended Actions/Potential Actions
<p><u>Pharmacist Research</u></p> <p>- This research is being conducted to determine what changes are occurring at the pharmacy when dispensing opioids. The research will probe on various internal/external forces such as corporate, wholesalers, DEA, etc. that pharmacists are dealing with that may change the way they dispense opioids.</p>	<p>To be concluded in 4Q13.</p>	<p>This information can be used to help find ways, as part of our Evolve to Excellence program, to work with pharmacies/wholesalers to ensure legitimate patients’ pain continues to be treated and not inflicted by new rules and regulations.</p>
<p><u>Patients Pharmacy Experience Study</u></p> <p>-This research is to better understand what impact opioid dispensing policy changes at the pharmacy is have on patients that are taking opioids whether a</p>	<p>What changes are patients experiencing at the pharmacy? How have they responded to these changes? How has this affected them?</p>	<p>The research will allow Purdue to have a much better understanding on which pharmacies are an issue as well as what patients are doing when they can’t fill their prescription</p>

<p>new prescription or a refill. The research will help understand what they are doing when they are unable to fill a prescription.</p>		<p>(going back to their doctor, trying other pharmacies, changing medications, etc.). Ultimately, this can help provide material for a discussion with pharmacies or agencies on the impact dispensing policies are having on patients.</p>
<p><u>OxyContin Message Testing</u></p> <p>- To measure which messages resonate best with physicians based on various themes such as untreated patients, abuse deterrence, assessing current patients' needs, etc.</p>	<p>TBD</p>	<p>Results will be used to update messaging as part of the rollout of the Evolve to Excellence initiative.</p>
<p><u>OxyContin Campaign Refresh</u></p> <p>- Test new concepts with physicians to determine which concept is most meaningful and best represents OxyContin. The new concepts will be benchmarked against other concepts for other products in the pharmaceutical marketplace.</p>	<p>TBD</p>	<p>Results will be used to create a new campaign for OxyContin as part of the Evolve to Excellence initiative.</p>
<p><u>OxyContin Savings Card & eVoucher</u></p> <p>- To determine ROI and incremental Rx from patients and physicians.</p>	<p>- Savings Card Program</p> <ul style="list-style-type: none"> • >90% of Incremental TRx lift is generated by HCP halo effect • Increasing co-pay assistance to \$90 from \$70 did not appear to increase \$70 program • \$70 program <ul style="list-style-type: none"> ○ Overall TRx lift +10.3% (3.36 TRx Lift) ○ Overall ROI 1.22 	<p>- The results demonstrate that moving to \$90 copay assistance generated a positive short term ROI and the Savings Card program and eVoucher program</p>

	<ul style="list-style-type: none"> • \$90 program <ul style="list-style-type: none"> ○ Overall TRx lift +8.3% (3.4 TRx Lift) ○ Overall ROI 1.00 - eVoucher Program <ul style="list-style-type: none"> • ~67-71% of Incremental TRx lift is generated through patient persistence • Increasing co-pay assistance to \$90 from \$70 appears to have increased performance of program • \$90 co-pay assistance appears to be buoyed by increasing number of redemptions compared to November and December 2012 <ul style="list-style-type: none"> ○ \$70 program <ul style="list-style-type: none"> ▪ Overall TRx lift +4.36% (0.6 TRx Lift) ▪ Overall ROI 0.89 ○ \$90 program <ul style="list-style-type: none"> ▪ Overall TRx lift +6.8% (0.9 TRx Lift) ▪ Overall ROI 1.54 - Both programs elicited higher persistence in patients at 60 days, compared to respective controls, for New to Brand and New to Therapy patients. <ul style="list-style-type: none"> • Continuing patients did not appear to have any lift 	<p>should be extended.</p> <p>- However, the eVoucher program business rules should be reconsidered to increase efficiency and ROI</p>
<p><u>OxyContin Marketing Mix</u></p> <p>- To measure the promotion impact of each marketing channel and ROI</p> <p>- 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 variables interacts.</p>	<p>In final stage, results expected in 3 weeks</p>	<p>Results will be utilized to optimize marketing spend by channel to support OxyContin.</p>
<p><u>OxyContin Physicians Television Network Program (PTN)</u></p>	<p>-Incremental full cost ROI: 1.8. Cumulative Incremental TRx lift over control is 0.53 TRx per enrollee (statistically significant).</p>	<p>- Gearing investment toward HCPs who received no calls prior to the program will</p>

<p>- To determine ROI and incremental Rx from PTN program.</p>	<ul style="list-style-type: none"> - No access policy - no access HCPs seem to demonstrate high TRx lift making this a strong potential tactic of alternative promotion to HCPs we cannot reach with our sales calls. - Responsiveness appears to correspond with specialty with Primary Specialty (Pain Medicine, Physical Medicine, etc.) the most responsive - HCPs receiving no rep calls before the PTN program appear to elicit higher responsiveness. TRx lift increases when these HCPs receive calls post PTN event. - There seems to be responsiveness when post-program call frequency is not decreased. 	<p>likely generate higher responsiveness.</p> <ul style="list-style-type: none"> - Additionally, post program call activity seems to heighten the responsiveness of HCPs who have not received calls prior to program. - This appears to be an alternate way to reach no call and lower decile HCPs outside field force targeted HCPs. - We recommend continuing this program while maintaining at least the same level of engagement through field force post program.
<p><u>OxyContin Patient Essentials Kit (PEK)</u></p> <p>- To determine ROI and incremental Rx from PEK distribution.</p>	<ul style="list-style-type: none"> - Incremental full cost ROI: 5.7. Cumulative Incremental TRx lift over control is 1.22 TRx per enrollee (statistically significant). ROI may be lower if Primary call costs are factored in. - OxyContin decile 6-10 appears to have high TRx responsiveness compared to lower decile HCPs. - Responsiveness increases significantly between ERO decile 1-3 and ERO decile 4-9. - PCPs, overall, seem to have TRx responsive. NP/PA's appear to be very responsive within OxyContin decile 6-7 and ERO decile 4-5. - There appears to be a shift of increasing PDEs 	<ul style="list-style-type: none"> - The Patient Essentials Kit appears to be a good tool for Field Representatives to engage HCPs. - Follow up with calls to HCPs who have received Patient Essential Kits. - We recommend increased distribution of Patient Essentials Kit as there appears to be overall positive responsiveness.