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## MANUFACTURING / SUPPLY CHAIN / PHARMACEUTICAL TECHNOLOGY

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

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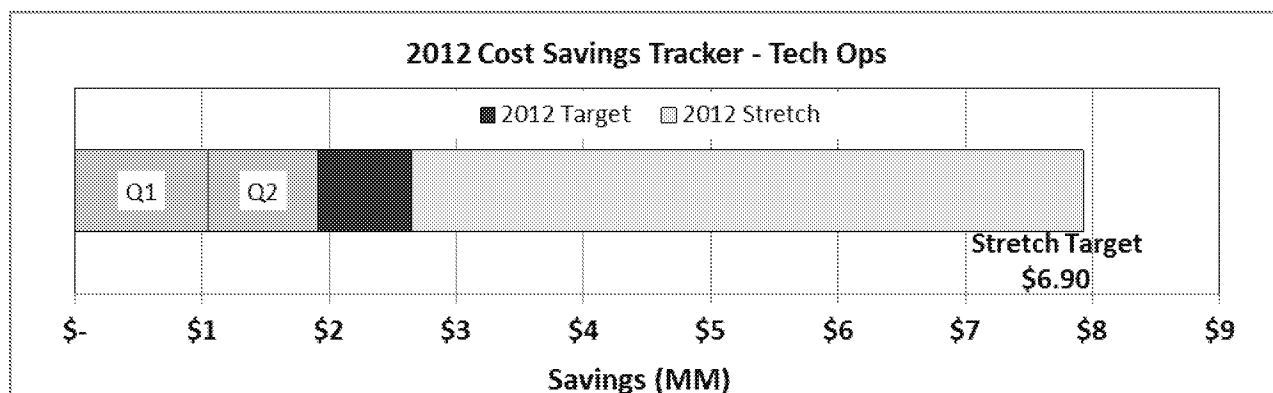
### Key Metrics: Manufacturing, Supply Chain and Pharmaceutical Technology

Manufacturing and Supply Chain	Q2 YTD			Full Year	
	Actual	Budget	Var	2012 Budget	2011 Actual
Tablets Manufactured (MM)	311	277	34	593	629
OxyContin	221	194	27	409	456
MS / MSER	83	83	0	163	165
Oxy APAP	-	-	-	21	-
Oxy Export	6	-	6	-	8
Export Packaging Bottles (000)					
Bottles Packed	206	-	206	-	308
Orders Shipped On-Time					
Wilson	99.0%	99.0%	0.0%	99.0%	99.8%
Rhodes	99.0%	99.0%	0.0%	99.0%	99.1%
3rd Party	98.0%	99.0%	-1.0%	99.0%	99.7%
Orders Shipped In-Full					
Wilson	99.0%	99.0%	0.0%	99.0%	99.6%
Rhodes	99.0%	99.0%	0.0%	99.0%	99.9%
3rd Party	99.5%	99.0%	0.5%	99.0%	99.6%
Inventory On-Hand (Months)					
OxyContin	2.1	2.5	(0.4)	2.5	2.6
BuTrans	3.5	3.0	0.5	3.0	3.3
Intermezzo		TBD		TBD	

Pharmaceutical Technology	Q2 YTD			Full Year	
	Actual	Budget	Var	2012 Budget	2011 Actual
Research and Development Hours	15,035	19,603	(4,568)	40,633	29,784
Production Hours	2,110	3,123	(1,013)	6,474	4,289
Support Hours	12,925	16,480	(3,555)	34,159	25,495
Development Batches Manufactured	53	53	-	114	89

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## 2012 Cost Savings



- Additional savings are being identified in our third party supplier business relationships, and in our distribution / transportation operations to support our total savings goal.

## Infrastructure / Capital Projects

- IMA (Packaging Line Manufacturer) will ship the first new packaging line the week of July 16, 2012. The project now includes the transition from RFID to 2D labeling. This transition will occur during the first quarter of 2013, and will result in an annual savings of approximately \$800,000.

## Third Party Manufacture

- Dilaudid Injectables from Hospira remain a supply challenge due to the unpredictable forecasted demand. Purdue is working with Hospira to improve the relationship and delivery performance; however, we expect the supply issues to remain through the later part of the year.
- MSER for Rhodes Pharma (RP) has also become a significant supply challenge due to un-forecasted increases in demand as RP has grown the market share from 29% to 42% in the last few months. Wilson is responding to this new demand with increased production output; however, API availability and DEA quota will be the challenge in maintaining these new sales levels. Purdue is working with RP to improve the forecast accuracy going forward.
- Intermezzo - A team has been assembled to improve Intermezzo's security of supply by qualifying a new API source and alternate source of key excipients.
- Butrans - The supply team is expecting to transition the US market to patches produced at LTS West Caldwell by November 2012.

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### OTC / Laxative Highlights

- Peri-Colace – The project to have Purdue Canada produce Peri-Colace for the US market (as well as Senokot) will be completed in July 2012.

### DEA Requirements / Compliance

- DEA Inspection Readiness Plan is in place in Wilson with an anticipated inspection beginning the week of July 23rd.
- EHS – The Wilson facility received a Storm Water No Exposure Certification from the North Carolina Department of Environment and Natural Resources (NCDENR). This resulted after a thorough review of our past record and an onsite inspection of the facility by state officials. This exempts the site from permit and sampling requirements and is indicative of the strong reputation the site has with the state environmental authorities.
- Security camera hardware upgrades for enhancing system stability are in-process.

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## QUALITY

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

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### Sustained Compliance

- An FDA inspection took place in Stamford on May 21-25, 2012. The inspection focused on the Butrans REMS and PPLP Pharmacovigilance activities. Review of the odor product complaints trend for Slow-Mag led the Investigator to examine the presence of diethoxymethane (DEM) in the product. The investigator agreed with the investigation steps and the PPLP actions in place, but did not feel that sufficient risk mitigation steps (market action) had been taken given the unknown toxicity of DEM. The inspection resulted in a two item 483 being issued related to the lack of sufficient risk mitigation, and the lack of a validated test method, a formal specification, and controls to reduce the level of DEM at the time of inspection closure. All Butrans REMS, Adverse Event, and Product Complaint processing was found to be acceptable with no deficiencies identified. A full response to the FDA 483 was submitted on June 11, 2012.

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- Investigations into the Slow-Mag and DEM issue continue. An analytical method has been validated for the quantification of DEM levels in the product. Analyses of both the current and previous formulations demonstrate the presence of DEM. Manufacturing campaign two of three for the current formulation demonstrates levels of DEM above the threshold of concern of 0.3 micrograms/tablet calculated from the maximum daily exposure limit for genotoxic materials (per the draft FDA guidance document). *In vitro* test results for genotoxicity were inconclusive, requiring completion of *in vivo* tests which are being scheduled. A meeting with the FDA District Office has been requested to discuss the status of the investigation and to obtain their input into actions.
- ONF Support Activities:
  - As previously reported, a single stability lot of ONF 10 mg tablets (WBL51) showed Out of Trend (OOT) results for unknown degradants at the three month stability pull. Monthly monitoring of the lot was initiated at the six-month time interval, and has continued with the 20-month testing recently completed. The level of the degradant has plateaued and remains within specification. At the 21-month stability test point, the lot will be at its 24-month expiration.
    1. A meeting with the FDA Atlanta District Office occurred on April 25, 2012. The FDA District Office was satisfied with the progress of Purdue activities in relation to the degradants.
    2. A second meeting will be requested to discuss the genotoxicity test results upon report availability scheduled for mid-July 2012.
  - A Field Alert Report was filed on June 13, 2012, concerning OxyContin 60 mg Tablets (WKM61) manufactured in Wilson. The API supplied by Rhodes Technologies was the subject of an investigation initiated by Rhodes Technologies into a limited number of pink colored API particles detected during reprocessing operations. No product actions are required.
- Rhodes Pharma used Lachman Associates to perform a three-day audit (May 29-31, 2012) of Wilson's Quality Systems and processes as they relate to production of MSER and development projects. Corrective action plans are in development for observations shared verbally during the wrap-up meeting.

### External Manufacturing

- Butrans Update:
  - The supplement for manufacture of Butrans at the LTS West Caldwell site was approved on April 20, 2012. The site was not inspected as a part of the approval process.
  - Sporadic issues with the dissolution procedure have continued to occur in both West Caldwell and Totowa laboratories. The investigation into the root

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- cause continues, but the problem is analytical and not product performance related. An alternative validated dissolution method has been approved which will correct the analytical issue, and will be submitted to the FDA in the next annual report.
- LTS was forced to make a sudden supplier change for an excipient, oleyl oleate, used in the manufacturing of Butrans. This is the second instance of a similar issue indicating the need for increased LTS oversight of their suppliers. The Quality Advisory Group (QAG) discussed the issue, and Bard will work with LTS to affect improvements.
  - Intermezzo Support:
    - Shortly after release of Intermezzo, Patheon, the manufacturer, notified Purdue of an investigation of black specks and magnetized particles discovered after screening two of the excipients during the manufacture of a batch. The black particles were identified and posed no risk to patients. Examination of associated retain samples resulted in the discovery of a third type of black particle. The black particle was identified as phenolic resin for which the source has not been identified. A health hazard assessment is in progress for potential patient ingestion of the phenolic resin.
    - SPI, the manufacturer of Buffered Soda used in the production of Intermezzo, reported a three-month stability failure for one of three lots produced in the last campaign of this excipient. Investigation into the problem is ongoing, as failure at this time point is atypical. The recent batches were the first ones produced in two years, and the release values were at the low end of the specification range. Transcept had previously identified the need to expand the specification range, and a CBE-30 supplement is scheduled to be filed to accomplish this.

### **Support for New Products**

- Validation and stability testing of OxyAPAP lots produced to support the Rhodes regulatory filing is underway in Totowa. Methods for impurity testing have been revalidated in support of the reformulation of the product.

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## RESEARCH & DEVELOPMENT

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R&D's goal is to efficiently and effectively 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 2012 are reflected in Purdue's Business Scorecard and focus on progress or completion of major milestones for each pipeline project. While there are many components within each program, emphasis is placed on those items whose progress, quality and outcome drive stage gate decisions and as a consequence, project progress to NDA submission, approval, or termination. Through 2Q2012, substantial progress has been made toward the budgeted plan.

Each of the following pipeline projects are addressed herein:

- Reformulated OxyContin® (OTR/ORF)
- Butrans® (BTDS)
- Targin® (ONU)
- Hydrocodone QD (HYD)
- TRPV-1 (VND)
- ORL1 (OAG)
- Intermezzo (INT)
- AHI (FAAH)
- Abuse Deterrent Immediate Release Oxycodone (ADIR)
- Ryzolt

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### Reformulated OxyContin (OTR/ORF)

Corporate Scorecard Milestones for OTR/ORF are on or ahead of schedule

ORF Messaging and Exclusivity: The ORF Messaging and Exclusivity Group has progressed its plan to ensure that the in vitro, in vivo (pharmacokinetic and abuse liability), and epidemiology data collected to date are communicated to appropriate audiences in a time frame supportive of Purdue's business and public health objectives.

- The group's charter focuses on the following goal: "Ensure that there are sufficient data, approaches, and messaging externally to enable OxyContin to remain the branded ER oxycodone product well beyond 2013".
- To date, 15 of 28 accepted abstracts have been presented at various association meeting venues.
- Nine additional abstracts submitted to various associations are pending acceptance.

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- Forward looking plans include further abstract submissions and presentations through 4Q2012.
- A medical communications vendor is assisting with Purdue's publication strategy in support of the group's charter. Plans are to have 15 manuscripts submitted by February 2013. One has already been submitted and is pending acceptance.

### **Pediatric Exclusivity**

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

- Lessons learned through this program have been applied to other pediatric and adult study programs.
- To date, 63 children have been enrolled compared to 13 children enrolled as of October 2011.

### **Japanese sNDA for OxyContin in non-malignant pain**

- The Japanese sNDA (non-malignant pain) is on track for 2Q2016 submission to Japan's Pharmaceuticals and Medical Devices Agency (PMDA).
  - Substantial Clinical and Non-clinical support has been supplied by Purdue to MPKK / Shionogi collaboration

### **10mg ORF**

A meeting was held with FDA's Atlanta District Office on April 25, 2012 to discuss an out of trend investigation, status and forward plan for the 10mg ORF lot. The FDA agreed with our plans, and we continue to track the observed levels of the degradant.

### **Butrans® (BTDS)**

Corporate Scorecard Milestones for Butrans are on or ahead of schedule.

### **High dose program**

The planned high dose program is on track with an interim analysis of data from the Thorough QTc Trial (BUP1025) planned for 4Q12. The results from this analysis will be used to inform our study design and initiation of higher dose pivotal studies BUP3027 and BUP3028 in 2013.

### **2nd Generation program**

- The 2nd Generation Butrans® Program is advancing as per plan.
- The refined prototypes to be tested in the clinic yield a 33% reduction in patch size and 27% (or greater) reduction in drug load versus the current commercial product.

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### **Intermediate strength development (7.5 mcg/hr & 15 mcg/hr)**

Development of intermediate strengths is proceeding between Purdue and LTS. Approval of these strengths will be based primarily on a CMC submission if Purdue's request for a bio waiver is granted (high probability). A draft timeline has been developed projecting a 4Q2013 market launch.

### **Manufacturing site transfer to West Caldwell, NJ**

The Prior Approval Supplement for the LTS Manufacturing Site Transfer from Andernach, Germany to West Caldwell, New Jersey was approved by FDA on the PDUFA date, April 20, 2012; commercial production at this site will begin 4Q2012.

### **ONU (Targin)**

All corporate scorecard milestones for ONU are on schedule.

- The NDA submission (for the indication of Pain with abuse deterrent properties) planned for 2Q2013 is on track with all submission elements on or ahead of established timelines.
  - A pre-NDA meeting with FDA is scheduled to occur on September 13, 2012.
  - 615 patients have been enrolled in the ONU3701 study, and we completed the Last Patient First Visit on July 5, 2012.
- The sNDA submission for label expansion (Opioid Induced Constipation) planned for 2Q2014 remains on track, with efforts being made to stimulate enrollment in each of the two required pivotal (OIC) studies.
  - Data to support ONU's benefit in alleviating signs and symptoms of Opioid Bowel Dysfunction (vs. OIC) are being collected in pivotal trials and will also be addressed through additional means.
  - We remain on target with 134 patients enrolled in ONU3704 and 24 patients enrolled in ONU3705.

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

All corporate scorecard milestones for HYD are on schedule.

- 2Q2014 NDA filing and 3Q2015 launch dates are on track.
- The competitive landscape has changed in a favorable direction with high likelihood of Purdue's HYD (once-daily, tamper abuse deterrent hydrocodone) to be the first long-acting hydrocodone market entrant.
  - Teva/Cephalon has reported that its single pivotal study for CEP-33237 (twice daily hydrocodone) is negative and that their NDA submission

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- planned for 4Q2012 will not be possible; the viability of this potential competitor is considered low.
- Zogenix's Zohydro (twice daily hydrocodone) NDA is under review at FDA, however, several potential deficiencies are likely to delay and/or prevent approval of this product (e.g. lack of a tamper-resistant formulation, lack of safety information related to potential ototoxicity and/or cardiac repolarization).
  - Enrollment in the HYD Phase 3 program (pivotal study, and open-label safety study) is on schedule and supportive of an on-time NDA submission.
  - 693 patients have been enrolled in the HYD3003 study and we completed the Last Patient First Visit on July 6, 2012. We have enrolled 140 patients in HYD3002 (double blind study).

### **TRPV1 (VND)**

All corporate scorecard milestones for TRPV-1 are on schedule.

- Positive results were received from the human experimental pain / biomarker development study (VND1004). This study demonstrates that TRPV1 has a positive effect on thermal pain.
- Plans to initiate two human Proof-of-Concept studies (Osteoarthritis and Post - Herpetic Neuralgia) remain on track for September, 2012; this will be the first time a Purdue new chemical entity will have reached this stage of development.

### **ORL1 (OAG)**

The First-in-Human, single ascending dose study (OAG1001) has completed three cohorts.

The study was paused to allow for thorough analysis of adverse event (somnolence) and pharmacokinetic (low bioavailability) data. A forward plan of nonclinical experiments designed to better understand the cause of these adverse events has been agreed with Shionogi and will be executed in 2H 2012. The next decision point will be in 1Q2013 when the nonclinical results are available.

### **Intermezzo (INT)**

All corporate scorecard milestones for Intermezzo are on schedule.

- To meet the post-approval commitment from the US Consumer Product Safety Commission (CPSC), CMC work toward the new package configuration (change

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from blister in a pouch to tablet in a pouch) for both Intermezzo tablet strengths (1.75 mg and 3.5 mg) is on track.

- A recently devised R&D-driven strategy for the brand includes publication of modeled PK data that supports differentiation from immediate release formulations of zolpidem on the basis of safety.

#### **AHI (IPI-940)**

- The planned human Proof-of-Concept study in Post-Herpetic Neuralgia is delayed by one year due to contamination and rejection of clinical supplies manufactured by Infinity's contract manufacturer (Pii).
- The process to manufacture new API and clinical supplies has initiated, with a new planned study start date of 1Q2013.

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

- In March 2012, R&D created a project team charged with developing an Abuse Deterrent ImmEDIATE Release drug delivery platform for oxycodone.
  - In collaboration with Rhodes Pharma, an IND was submitted on May 9th, 2012, with oral administration commencing under a pilot PK/PD investigation (OCI1001) on May 21st
  - Selection of a final formulation for definitive testing is planned to occur by 4Q12

#### **Ryzolt Pediatric Program**

NOTE: The Board approved a plan to discontinue the sale of Ryzolt on June 22, 2012; the NDA will be withdrawn by the end of 2012, and no pediatric program will commence.

#### **New Disciplines**

Through 2Q12, Purdue's organizational capabilities have been enhanced through on-boarding of key leaders, and the creation of several new disciplines within R&D: R&D Innovation, Health Outcomes & Pharmacoeconomics, and Medical Affairs. These disciplines are already contributing to the near and long term success of our current and future products. The initiatives described below are considered mission-critical, and will help drive Purdue's 10-year plan and overarching vision to become known as "The" Pain Management Company:

#### **R&D Innovation**

- Identify and recommend for pursuit novel external analgesic drug development opportunities at the Pre-Proof of Concept stage.

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- Create strategy and an execution plan that will deliver novel non-drug product technologies designed to address key stakeholder needs in the market (e.g. objective measures of pain and medication compliance, devices, services, novel surveillance mechanisms for abuse and diversion); such technologies may become a Purdue offering or take the form of a separate business opportunity.

### **Health Outcomes & Pharmacoeconomics (HOPE)**

The Health Outcomes and Pharmacoeconomics (HOPE) department is developing strategies to support commercial objectives to demonstrate value to payers. The HOPE strategies are an integral part of the overarching product strategies and support market access, formulary placement, and the demonstration of Patient Reported Outcomes (PROs) that will drive reimbursement. Cross functional teams that include commercial, medical, scientific communications, project management, and legal representation guide the development of HOPE strategies and execution of tactics.

### **Medical Affairs**

The Medical Affairs group has been recreated following a seven year absence. Its objectives target both externally (Key Opinion Leader planning and engagement, planning and conduct of Investigator Initiated Trials, recruitment of investigators for registration trials), and internally facing deliverables (design and conduct of Phase IIIb/ IV Clinical Studies, publication planning and communication strategy, and provision of competitive clinical intelligence to internal stakeholders) in support of lifecycle management for Purdue's current and future marketed products.

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## **DISCOVERY RESEARCH**

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### **TRPV1 Back-up Antagonist Program (VAN)**

- The main objective of the TRPV1 back-up program is to identify and develop a compound that has similar or better efficacy than V116517, but reduced risk for effects on body temperature and thermal sensation. We are also investigating mechanisms associated with pharyngeal pain and dysesthesia.
- V120083 was selected as a back-up candidate to V116517 in April of 2012 and all of the IND enabling studies have been completed and the results meet or exceed the stage-gate criteria with one exception. A genotoxic impurity has been detected during the synthesis of the material and currently the team is working on a resolution that will drive a go or no-go decision for IND filing in August of 2012.

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### **Purdue-Only TRPV1 Antagonist Program (517)**

In collaboration with the Medical School at the University of Wisconsin, we are evaluating the mechanistic role and possible clinical utility of TRPV1 channel blockers in pain associated with sickle cell disease. Our collaborators have established a translatable animal model of this condition, Redacted and the work will initiate in July/ August with results available in early Q4.

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

- The main goal of the ORL-1 back-up program is to identify compounds with similar or better efficacy, ADME profiles and low risk for kidney toxicity issues, as well as reduced side effects (fatigue/somnolence) compared to V117957.
- The team has identified one potent and selective peripheral ORL-1 compound (V120063), however the preliminary result of monkey cardiovascular system study showed a less than 10 fold safety margin which may prevent further development of this lead. The final report of this study will be available by the end of July.
- Due to an unexpected adverse event (somnolence) in the Phase 1 clinical trial of V117957, a work plan to evaluate the issue has been established. The primary purpose of these studies is to determine the mechanism underlying the clinical observations and to provide data to inform a go/no-go decision for further clinical studies on V117957. A secondary purpose is to inform the back-up strategy to ensure a lower risk molecule with differentiation from V117957.

### **Peripheral Kappa Agonist (PKA)**

V120557, a compound that is effective in visceral pain and reverses opioid induced constipation, was shown to be effective in inflammatory pain. It displays no motor deficits at 10X the minimally effective dose in inflammatory pain. Preliminary data with an antagonist suggests the efficacy in the visceral pain model is through kappa.

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

- With the goal of assessing the cardiovascular (CV) safety margin of a peripheral Nav antagonist, the Nav team selected two compounds to enter Maximum Tolerable Dose (MTD) studies in dogs – V121216 and V121241. Both of these compounds had shown efficacy in rat neuropathic pain testing and were without Rotarod deficits at the efficacious doses.
- In the MTD studies, V121216 was not able to achieve the target plasma concentration and was dropped from further consideration. On the other hand, the target plasma concentration of V121241 was achieved and this compound was progressed to CV

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studies. Testing was completed the first week of June and results are expected in July 2012.

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

The research team is deeply pursuing biased opiate ligands and has recently established a panel of new in vitro assay systems to support the effort. Currently, the focus is on the discovery of new mu agonists with minimal/non-existent side effect or euphoria. A second priority is the design of central kappa agonists with minimal/no dysphoria.

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## **HEALTH POLICY**

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The objective of the Health Policy Group is to help shape the public face of Purdue, enhance corporate visibility and provide a supportive environment - by communication and other external activities. The group also supports Medical Education initiatives providing high-quality, relevant education resources that meet clinical needs and increases awareness of non-drug value of Purdue Pharma as a compliment to the portfolio of drug products. Provide accurate and timely medical review of Materials that educate external customers (healthcare professionals, patients, general public, etc.) and the Sales Force on the safe and appropriate use of Purdue products.

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### **Risk Management Activities**

REMS Participating Companies (RPC, formerly the IWG)

- Prescribers Subteam Lead – Created communication document drafts and negotiated approval of same with FDA.
- Negotiated improved educational Blueprint with FDA, allowing emphasis on important content for prescribers, as opposed to administrative content.

### **Healthcare Grants and Giving**

- 212 healthcare educational and non-educational grants were reviewed.
- Seventy-six (36%) were approved for a total \$1,602,133.29.

### **Medical Liaison**

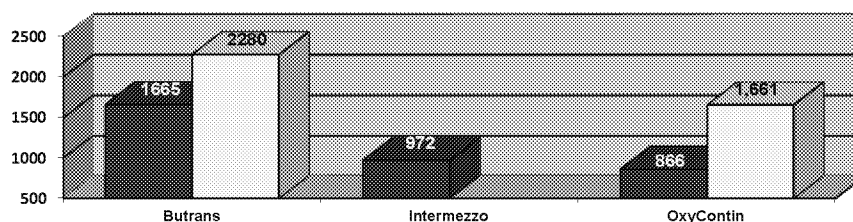
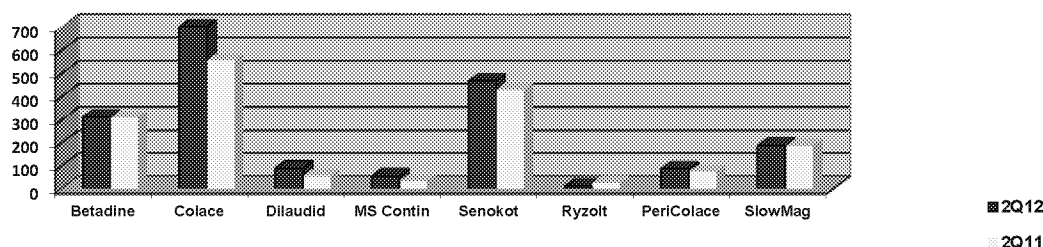
Medical Liaisons in Alliance Outreach, Managed Health Systems and Strategic Educational Initiatives continue to focus on providing education and support of PPLP products and research to internal and external customers. Notable progress toward 2012 objectives:

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- Pain care and risk minimization resource packets were presented to forty-nine (49) state healthcare professional organizations in 2Q12.
- Product support focused on providing education, clinical information, and research support to healthcare professionals, such as formulary decision-makers and investigators:
  - **Butrans®**
    1. Three (3) clinical discussions - Managed Care customers (YTD=6)
    2. Four (4) posters presented in collaboration with Medical Research (YTD=6)
    3. BUP3031 Pediatric Study - Recruitment of sites continues with 17 approved, plus two open to enrollment (YTD=2)
  - **Intermezzo®**-Five clinical discussions - Managed Care customers (YTD=12)
  - **ORF/OTR** - OTR3001 Pediatric Study - site-specific enrollment support plans are in place; 48 US sites open to enrollment

### Medical Inquiries Received Regarding Purdue Products

- 5,761 Inquiries
  - 9% increase from 1Q12 (3.8% decrease from 2Q11)
  - 76% answered within one (1) business day, 97.4% within ten (10) days
  - 972 inquiries regarding Intermezzo®



### Library & Information Services

\$44,000 saved through favorable contract renewals, negotiated savings, use of articles from our repository and, cancellation of information products which have shown appreciable drops in usage. YTD savings is \$209,500.

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## CORPORATE COMPLIANCE

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

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### Corporate Integrity Agreement

- Purdue's CIA term comes to an end July 30<sup>th</sup>. There have been no Reportable Events in year five, and no unfavorable communications with the Office of Inspector General. We expect to complete the full term of the CIA with a favorable review, although the formal close of the CIA review by OIG may well take up to six months past July 30<sup>th</sup>.
- Communications to Employees regarding the end of the CIA term have begun, stressing the importance of continued compliance and the fact that there will be only limited changes to Purdue's compliance-related activities..

### Call Note Review Process

Greater effectiveness and cost-savings has been accomplished with new call note reviews. Call notes had previously been performed by contract attorneys, employing up to six on a full-time basis. With the transfer of this function to Compliance in late 2011, a new approach to risk assessment was undertaken, reducing use of key word searches in favor of word searches based on productivity of results, with analysis of call notes on a random basis increased. This has resulted in the work being completed by two people in half their working time, with a back-log of 4-5 months eliminated, and call notes reviewed within three weeks following the close of each current month. This real time review resulted in earlier identification and investigation of any issues.

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## LICENSING AND BUSINESS DEVELOPMENT

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

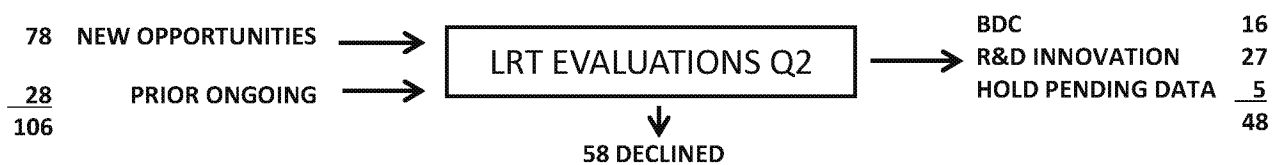
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The table below shows a tabular summary of the review activity within LBD in the second quarter of 2012.

The broad metrics show that the group processed 106 opportunity requests through the new system. More relevantly, we took 16 opportunities into the BDC process, and referred 27 opportunities to R&D Innovation, which is charged with reviewing and evaluating pre-POC drugs/devices/platform technologies/discovery technologies, etc.

The active projects within LBD in Q2 are shown in the table below. Our goal in 2012 is to deeply evaluate 25-30 projects in level two, and ultimately bring forward 5 - 10 level three projects - which would qualify for full negotiations, detailed due diligence, and ultimately term sheets. We have two projects at that level today; Theravance and Tarsa.

### Q2 2012 Results



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**LBD Active Projects listed below**

COMPANY	PRODUCT	INDICATION	BDC LEVEL + STATUS	RESPONSIBLE PARTY	SCREENING DATE
Tarsa	Oral rsCT Calcitonin	Osteoporosis	<b>Level 3</b> Term sheet being worked on by Purdue	Yao	5/26/11
Theravance	TD-1211 oral	OIC	<b>Level 3</b> Positive phase 2b data reported July 2012. Purdue to analyze data and further consider deal terms.	[REDACTED]	11/19/2010
Convergence	Nav 1.7 blocker oral	Neuropathic pain	<b>Level 2</b> Phase 2 data due late Aug. 2012. Convergence will run a WW deal process once data becomes available.	[REDACTED]	1/10/2012
Spinifex	EMA-401 Angiotensin II Type 2 receptor antagonist oral capsule	Neuropathic pain	<b>Level 2</b> Spinifex is conducting a 154 patient Phase 2 PHN trial dosing the drug BID for 28 days in Australia. Results due July/Aug. 2012	[REDACTED]	1/10/2012
Array	ARRY-797, p38 MAP Kinase Inhibitor	OA	<b>Level 1B</b> Phase 2 a data due Aug. 2012	[REDACTED]	10/24/2011
Cara Therapeutics	CR-845	Post-operative pain	<b>Level 2</b> Phase 2b data under review	[REDACTED]	7/31/2008
Flexion	FX-0005, SR p38 inhibitor	OA	<b>Level 1B</b> Phase 2 study ongoing	[REDACTED]	6/10/2012
Regeneron	REGN475, NGF antibody	Chronic pain	<b>Level 2</b> Confidential meeting on June	[REDACTED]	5/18/2012

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			22. POC appears to be met. Development costs \$300 - \$400M.		
ImmuPharma	Lupuzor	Systemic Lupus Erythematosus	<b>Level 1B</b> Mundipharma is not proceeding. POC not yet confirmed. US to look at market.		5/24/2012
ReNew	Ultimate Flora probiotics; CleanseSmart intestinal cleaner, Ultimate Fish oils, omega oils, TripleFiber, Digest More Enzymes	Digestive Health	<b>Level 1B</b>		6/28/2012

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## EXTERNAL AFFAIRS

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

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

- The Pain Care Forum hosted Dr. Douglas Throckmorton, Deputy Director, FDA as a speaker at the meeting this quarter.
- The Food and Drug Administration (FDA), Office of National Drug Control Policy (ONDCP) and several members of Congress have contacted the Centers for Medicaid & Medicare Services (CMS) seeking a carve-out for abuse deterrent formulations from the line extension proposed regulation. Twenty-two organizations from the Pain Care Forum have commented on the CMS regulations. The White House has expressed concerns to CMS.
- Members of Congress are reviewing a third draft of legislation that would prevent FDA from approving a non-deterrent controlled substance where a deterrent formulation of the same drug is already approved. The legislation has received considerable comment from FDA and it seems that FDA's positions are consistent with that of Purdue.
- The National Hospice and Palliative Care Organization has launched "Live Without Pain," a national education campaign to empower patients and family caregivers to advocate for expert pain relief in all care settings through education and how to resources.
- American Osteopathic Association's "Break Through Your Pain" campaign in the states of Washington, Kentucky, Massachusetts and Florida reached an estimated audience of more than 175 million individuals through a combination of TV, radio, print and online media coverage. This campaign is supported through an unrestricted grant by Purdue Pharma.

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

- Public Affairs developed a company response regarding a letter from the Senate Finance Committee and conducted media relations to communicate the company response to the media. We conducted targeted outreach to key opinion leaders and professionals/patient organizations named in the letter to alert them to the company's letter and communicate our plans to respond.

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

- Nine states are now operational with the National Association of Boards of Pharmacy (NABP) Interconnect Hub program which allows state prescription monitoring programs (pmps) to share data across state lines. Twenty states have signed agreements to participate and other states are currently in discussion.
- A press announcement and communications guidance document was developed for employees surrounding the presentation of data from the epidemiology studies with the reformulation of OxyContin at the annual meeting of the American Pain Society. Placement of articles was secured in Medscape, Physicians Prescribing Reference and Reuters Health. Public Affairs attended the APS meeting and alerted key opinion leaders to the poster presentations on the epidemiological data. Purdue provided communications guidance surrounding the presentation of in vivo liking studies and epidemiological data at the annual meeting of the College on Problems of Drug Dependence.
- Public Affairs issued a press release announcing Purdue's PERFORM module to help clinicians recognize and deter prescription drug abuse in their practice.
- Materials were developed under the Research and Development Advocacy Network (RADAN) to help recruit clinical investigators and facilitate patient enrollment in Purdue's clinical trials and distributed RADAN flyer at American Pain Society annual meeting.
- The Purdue corporate web site home page has been redesigned and updated.

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

- 16 states have introduced legislation (in some states such as New York as many as 12 bills) that addresses restrictions or regulations on controlled substance prescribing. Also, in at least six states (Kentucky, Ohio, Maine, Tennessee, Vermont and West Virginia) Governors/ Attorneys General have formed task forces to address

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controlled substances prescribing as a result of prescription drug abuse and diversion.

- Florida passed a bill that allowed for an exemption for Rheumatologist from the pain clinic restrictions.
- Kentucky passed a bill that requires physicians to access the state prescription monitoring program before prescribing controlled substances.
- A New Mexico bill requiring mandatory CME for Pain Management and restrictions on CII prescriptions to a maximum of seven days was defeated.
- New Hampshire passed a bill to implement a prescription monitoring program.
- New York passed the ISTOP bill that updates the state prescription monitoring program, allows access for pharmacists and makes hydrocodone containing products CII controlled substances.
- Massachusetts approved through a budget bill, the use of copay coupons and allows physician dinner/speaker programs. Previously, it was the only state that prohibited their use.
- Mississippi introduced a bill to specifically restrict OxyContin. The bill was defeated.
- Tennessee passed a bill that requires prescribers to access the state prescription monitoring program when initiating a course of treatment with an opioid and then every year thereafter.
- Purdue convened a multi-functional planning team to develop company messages and a position supporting the appropriate use of opioids in the treatment of chronic non-malignant pain for the May 30-31 FDA meeting “Assessment of Analgesic Treatment of Chronic Pain: A Scientific Workshop.” Key opinion leaders and professional associations were informed of the upcoming workshop and were encouraged to voice their position on the appropriate use of opioids for chronic non-malignant pain.

**Develop And Support Innovative Programs That Safeguard Public Health And Address Abuse And Diversion Of Prescription Medication.**

- Public Affairs drove awareness of the national program SafeGuardMeds.org to educate the public about proper storage and disposal of prescription medications.

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This included a continued partnership with the US Conference of Mayors. The Public Service Announcement campaign initiated in September 2011 has secured 11,525 airings, 252 million impressions and \$6,008,057 in media values to date.

- Proactive media relations were conducted to promote RxPATROL and the Law Enforcement Liaison & Education program. Public Affairs achieved positive delivery of Purdue's anti-diversion/anti-abuse messages by garnering more than 85 stories to an estimated 2 million readers/views for both RxPATROL and LELE.
- *Rx for Understanding*, a new curriculum developed in partnership with the National Education Association Health Information Network has been launched. In accordance with National Health Education Standards this program helps middle school teachers educate 5<sup>th</sup> through 8<sup>th</sup> grade students on the dangers of prescription drug abuse. Press announcements to enhance company reputation as part of the solution to prescription drug abuse were launched in coordination with the National Education Association.
- Purdue collaborated with the American Medical Association Foundation to announce new grant awards for community programs addressing prescription drug abuse. Press announcement with AMAF were coordinated to announce the grant program, thereby further enhancing the company's reputation.
- In Maine, Melissia Petro, Regional Director, State Government Affairs was appointed to a Prescription Drug Abuse Task Force by the Attorney General and assigned to the sub group responsible for making recommendations regarding the state prescription monitoring program.

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## HUMAN RESOURCES

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

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### Staffing, Employee Engagement, Relations and Retention

- 129 employees have been recruited to Purdue YTD 2012. Turnover in 2012 is 3.9% YTD compared to 2.4% at the same time in 2011.
- Three Director level positions have been filled within the Stamford R&D organization:
  - [REDACTED] Senior Medical Director reporting to [REDACTED]
  - [REDACTED] Director, Clinical Pharmacology, reporting to Dr. Stephen Harris
  - [REDACTED] Director, Outsourcing and Vendor Alliance Management, reporting to [REDACTED]
- [REDACTED] has joined Corporate Field Sales Training & Development as Associate Director, reporting to [REDACTED]
- [REDACTED] joined Medical Affairs as Associate Director, reporting to Bridget Martell.
- Yahghong (Stella) Li joined Regulatory Affairs reporting to Mary Carpenter as Associate Director.
- [REDACTED] has been named Executive Director and Plant Manager at our Wilson site and will begin his employment in August.
- Recruiting is in the final stages for three critical positions in Wilson:
  - Associate Director, GxP Training
  - Associate Director, Pharm Tech Services
  - Sr. Manager, Finance
- A search is under way for the position of Director of Toxicology for Cranbury.

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- The Supplier Quality Assurance organization in Totowa is being reorganized with the intent of broadening skills and roles, improving process efficiencies and providing improved stakeholder alignment.
- Early response from District Managers on the use of pre-employment testing in Field Sales indicates positive results.
- An “e-Chain of Custody” electronic pilot program has been implemented for the administration of drug screening of new employees in Stamford. The process will replace the paper forms we currently provide new hires at all sites, Field Sales and Zero Chaos, our consultant hiring company. Turnaround time for drug screening results has decreased from 10 days to under a week.

### **Training & Development**

- Level 600 training for new District Managers was conducted to prepare for the management of employee relations issues in the Field.
- Human Resources conducted development workshops in Totowa and Wilson in June targeting Problem Solving, Decision Making, and Project Management.
- A Functional Organization Review session was held with key Tech Ops leadership in Wilson in June to analyze the business scorecard, talent review, succession plans, employee development, performance gaps and retention in Wilson.
- Human Resources facilitated an offsite meeting for BBU leaders as an update to the BBUs Operating Principles Guide, to draft individual BBU charters and to develop action plans addressing individual and collective improvement opportunities.
- A Leading for Success Managers II Program incorporating new material from the Harvard High Potentials Leadership Program was conducted, with a focus on the dual roles of managers in providing management oversight and leadership, and an eight-step process for leading change. Sales and Marketing Directors participated in Presentation Skills coaching which included ideas on building a compelling business case. A Leading for Success Professionals I Program was held for directors, managers and individual contributors on practicing a core set of skills, also featuring new material.
- Corporate Succession Planning is well underway. An upcoming meeting with senior management is scheduled to finalize actions and development planning.

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- The Medical Education Department participated in a Team Effectiveness training session to strengthen trust, communication and collaboration.
- Human Resources held the annual College Fair with eight colleges represented. Forty-five employees met with various schools and inquired about Purdue's tuition reimbursement program.

### **Rhodes Technologies and Rhodes Pharmaceuticals**

- Purdue Human Resources supported the Rhodes organization by facilitating an April 17 meeting which included:
  - Compensation budget utilization
  - Recommendations for 2012 compensation design
  - Transparency of compensation information to the Rhodes Board and Board of MNP Consulting
  - Organizational planning

### **Environment, Facility and Regulatory Compliance**

- The Wilson facility was inspected by North Carolina's Department of Environment and Natural Resources, Water Quality and Surface Water group. The site has been granted the "No-Exposure Certification," thereby releasing the Wilson site from the required regulatory burden. Wilson must maintain non-exposure conditions and be recertified annually.

### **Efficiency and Effectiveness**

- Human Resources recruiting staff members have been trained to use LinkedIn and Bullhornreach.com as candidate search tools, reducing the use of outside search firms.
- Restructuring of the Litigation Support group took place in June resulting in the reduction of five positions.

[ EMBED Excel.Sheet.12 ]

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## **FINANCE/INFORMATION TECHNOLOGY**

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Assure 2012 sales, profitability, efficiency, cash flow, compliance and pipeline objectives are supported by proactive, future-focused and meaningful financial analysis. Assure

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that Purdue's financial reporting and forecasting provide transparency into business results, and financial reporting internal controls are in place.

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### **Financial Performance First Half 2012**

[ EMBED Excel.Sheet.12 ]

#### **Notes**

- See full financial report for detail.
- Profit is lower than prior year due to increases in R&D (pipeline progressing), increasing S&P (launching new products) and lower sales (OxyContin).
- A \$113 million non-tax distribution was made in July bringing year-to-date to \$242 million.

### **Financial Performance Full Year 2012**

The mid-year update presented in June projected:

[ EMBED Excel.Sheet.12 ]

#### **Notes**

- Lower than budget gross sales of \$148 million primarily due to lower OxyContin sales. Management reported that additional S&P resources are being allocated to OxyContin.
- An increase in R&D spend of \$28 million due to (1) a decision to develop an Oxycodone IR TR formulation, 2012 cost \$11 million, (2) timing and resupply of clinical materials for the ONU and Butrans higher strength studies, 2012 cost \$9 mm, and (3) adding 165 sites to ensure patient enrollment targets are met in the ONU pain plus OIC efficacy studies - \$5 million.

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- Management is identifying spending reductions of \$15 million to partially fund the higher R&D spending.

### Executive Audit Committee

Members: Stuart Baker, Jack Crowley, Mark Geraci, Ed Mahony, and Bert Weinstein  
 Purpose: To ensure the effectiveness of internal controls, integrity of financial statements, and performance of internal and external auditors.  
 Frequency: Quarterly

Below is a summary of the most recent Audit reports.

### Review of Butrans Speaker Program (performed by Corporate Compliance)

- Corporate Compliance performed an audit of the Butrans speaker programs to determine whether the cost per person was compliant with requirements of the Sunshine Act. The audit concluded that the program recordkeeping often included paperwork errors in numbers of attendees, room rental charges, etc. The Audit did not detect compliance violations.
- Subsequent to the audit, there has been additional training of Logistics Innovations (the third party that administers the programs) and closer oversight by the sales and finance departments has been implemented. These changes are expected to improve the accuracy of record keeping.

### Review of Contracts Supporting Payments to Major Vendors (performed by Internal Audit)

- Internal audit performed an audit of all vendors that Purdue paid more than \$100,000 during the twelve months ended September 30, 2011 to ensure that, where appropriate, a contract is in place and all work was competitively bid in accordance with company policy.
- Recommendations from the audit were:
  - Office of the General Counsel should update and circulate the guidelines that explain when a contract is required. Current status: In process.
  - The current \$50,000 limitation for competitive bidding should be clarified – does the limit relate to an individual purchase or to the total annual purchase for a vendor. Current status: The policy is being reviewed.
  - Manufacturing should consider more extensive, competitive bidding. Current status: The recommendation relates to materials used in production which are

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highly regulated and typically single or dual sourced. Implementing competitive bidding from non-approved sources would not add value.

### Treasury

Purdue's cash holding is currently invested in Treasury bills and US Government Securities mutual funds primarily in accounts registered to Purdue. These investments earn approximately 0.05-0.07% per annum.

See attached for Purdue's investment portfolio. [ EMBED Excel.Sheet.8 ]

### Capital Committee

Members: David Long, Ed Mahony, David Lundie, Larry Pickett  
Frequency: 2-3 times per year  
Purpose: The Capital Committee recommends (1) an annual capital plan, (2) a long term capital, and (3) limits of authority for capital approvals to the President. The Capital Committee also reports postmortems on major capital projects to the President.

### 2012 Outlook

- Management agreed to reduce the budget by \$5.9 million of approved 2011 capital due to under spending, savings, and cancelled projects.
- 2011 carryover, net of the above reductions, is \$27.5 million. In addition, the Board approved \$35.0 million of 2012 new projects - these result in a total capital pool of \$62.5 million.
- Cash capital spend for 2012 is expected to be on budget at \$35.0 million with \$13.2 million spent year to date June 2012. We expect spend in the 2<sup>nd</sup> half to include the sales force computer equipment replacement (\$2.0 million), the Cranbury high potency lab fit out (\$1.6 million), the Cranbury hydrogenation lab (\$0.9 million) and computer hardware (\$4.5 million).
- A President Capital Reserve of \$2.5 million was set up in the 2012 Budget to fund projects that had not been fully vetted by budget time last year. The following reports on the status of this reserve:

Opening Balance in 2012 Budget	\$2.5
Projects approved:	
SAP access control system enhancements	(0.1)
Continuous power supply engineering study	(0.4)
Trackwise system for product complaints	(0.45)
Data disposition <sup>(1)</sup>	(0.3)
Dashboard for licensing and product opportunities	<u>(0.4)</u>

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Balance in President Reserve as of June 30<sup>th</sup>

(1.65)  
\$0.85

- (1) This project allows Purdue to categorize stored IT data with the objective of removing unnecessary data, better identifying the data required to respond to legal requests and more. The payback on this project is less than one year through the elimination of storage costs.

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## 2013 Budget Preparation

Purdue has initiated the 2013 budget process and has issued the following guidelines to all executive and departments heads:

- Sales – 2013 sales are expected to be at or about 2012 levels.
- Expense - Expenses and headcount are not expected to grow from 2012 by more than inflation, and in some areas we will be looking for reductions.
- R&D – Early indication is that to progress all the projects in the pipeline, the R&D budget will have to increase substantially. We will prepare the proposed spend accordingly, but will prioritize as the budget develops.
- S&P – BBU budgets will be critically evaluated. Continued support for OxyContin, Butrans and Intermezzo is currently anticipated.
- Headcount Budgets - Headcount needs, if any, should first be funded by efficiencies.
- Product In-Licensing / Acquisitions – A place holder for new product licenses or acquisitions will not be included in the 2013 Budget.

## Trade Inventory

During 2011 and first half of 2012, OxyContin trade inventory operated at about 70 to 80 days demand. The expectation is that this will continue or decline as the trade improves its inventory management practices.

Summary of OxyContin inventory at the trade:

\$ millions	12/31/2009	12/31/2010	6/30/2011	9/30/11	12/31/11	3/31/12	6/30/12
Wholesaler	254.4	195.7	199.2	186.9	224.6	188.2	208.4
Pharmacy	427.2	438.1	421.5	406.9	347.0	369.7	337.9
Hospital/Other	4.1	3.3	4.1	4.0	5.0	4.1	4.0
<b>Total \$</b>	<b>685.7</b>	<b>637.1</b>	<b>624.8</b>	<b>597.8</b>	<b>576.6</b>	<b>562.0</b>	<b>550.3</b>
<b>Total Days</b>	<b>75.8</b>	<b>75.6</b>	<b>75.1</b>	<b>69.8</b>	<b>72.6</b>	<b>75.4</b>	<b>78.5</b>

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Butrans inventory at the trade is down to about 70 days – a normal level:

\$ millions	9/30/11	12/31/11	3/31/11	6/30/12
Wholesaler	5.3	7.0	6.0	7.7
Pharmacy	12.6	10.8	12.4	10.7
Hospital/Other	0.1	0.1	0.1	0.5
<b>Total \$</b>	<b>18.0</b>	<b>17.9</b>	<b>18.5</b>	<b>18.9</b>
<b>Total Days</b>	<b>139.0</b>	<b>117.2</b>	<b>79.9</b>	<b>72.1</b>

Intermezzo inventory at the trade is \$12.8 million – a return reserve of \$9.0 million has been established based on current Rx demand and inventory shelf life expiration. As demand increases, this reserve will be decreased.

\$ millions	6/30/12
Wholesaler	7.9
Pharmacy	4.9
Hospital/Other	0
<b>Total \$</b>	<b>12.8</b>

### **Pension Investment Committee**

Members: Stuart Baker, David Long, and Ed Mahony.

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**

Purdue Pharma employee benefit package includes a defined benefit pension plan. This plan provides employees with a pension benefit calculated based on pay and years of service. Purdue contributes to a Trust Fund and that fund pays the employees' pension benefit. Purdue Pharma is ultimately liable to pay the benefits and until those benefits are completely paid out, the liability is uncertain and will change due to changes in many factors including, beneficiary life expectancy, turnover, pay raises, return on assets, and interest rate used to calculate lump sum payouts.

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- PPLP Plan - At 12/31/12, the plan's Accumulated Benefit Obligation<sup>1</sup> was \$220 million and the plan assets were \$191 million. Purdue made \$7.1 million of contributions to the plan in Q2-2012 and budgeted to make \$28 million of contributions spread equally over 2012. The relatively high 2012 contribution is due to lower than expected investment return in 2011 and a decrease in discount rate used to determine future liability.

The plan investments returned approximately 1.0% for the 12-month ended 6/30/12. The fund assets are invested in: (a) passive equity indexed funds, and (b) actively managed fixed income funds – which have outperformed passive fixed income.

- PF Labs (Union) Plan - PF Labs has a smaller defined benefit plan - \$6.6 million in assets – covering ex-employees, the plan is well funded and small contributions are being made.

#### **Defined Contribution Pension Plans - 401(k)**

- Purdue Pharma LP also offers employees an optional 401(k) defined contribution savings plan. The company's contribution to this plan was \$5.9 million in 2011 and is defined as a certain limited percentage of the employee's contribution to the plan. The 401(k) plan assets total \$265 million and \$290 million at the end of 2011 and Q2-2012, respectively. Purdue employees choose how these funds are invested from a diversified list of mutual funds that are vetted and monitored by the Committee, Fidelity and an outside consultant.
- The plan offers employees a broad range of active and passive investment options. The funds offered are generally very good performers in their classes. Marginal and poor performers are frozen to new investment and/or removed. Nearly all funds in Purdue's lineup are rated by Morningstar at 3-star or higher.

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

## Information Technology

### Top Projects & Initiatives

- The Health Care Practitioner (HCP) Portal is a Purdue website set up for HCP's who, once registered, have access to product information, formulary coverage, a sales representative visit request form, etc. The website is managed internally by IT at a significant savings from the previous vendor. Hosting savings alone are \$275K annually. The entire site was recently redeveloped, highlighting the addition of Intermezzo, as well as now being integrated with Managed Care Formulary information, which we believe HCP's will find very helpful.
- The IT team implemented an application called UPS Worldship which provides UPS labeling, parcel, and rate tracking functions to Rhodes Pharma at the Wilson distribution center. This will reduce group shipping costs by \$2,184,400. Rhodes Pharma successfully shipped the first orders under this UPS method on July 2.
- As presented at the board meeting on June 20, IT off-shoring currently used extensively in Purdue, is being evaluated by [REDACTED] for Europe. The group is considering establishing off-shore goals in line with industry standards (50% in-house, 50% off-shore). Approximately \$40 million in savings have been realized in the off-shore program at Purdue over the past six years.

### Efficiency Initiative

Purdue's management team is undertaking targeted deep-dive expense analysis with a goal of delivering \$50 million in savings to Purdue's bottom line by 2Q 2013. The areas of focus are:

- IT-Worldwide – This study was completed in Q1 and presented to senior management and the Board. The study identified approximately \$8 million in savings. Larry Pickett and [REDACTED] are beginning to implement some of the proposed changes and will report back in 4Q 2012.
- Sales Force – This project will be initiated at the end of 4Q 2012 or 1Q 2013. Estimated savings could be in the range of 5% or \$5 million.
- Clinical Trial (CRO) Costs called "Project Breakthrough" – [REDACTED] and [REDACTED] have undertaken organizational and contracting changes which are delivering substantial savings.
- There will also be negotiated cost savings, vendor rebates, etc. delivered by [REDACTED] and department heads throughout Purdue.

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**Produced Natively**

	Betadine	Colace	Dilaudid	MS Contin	Senokot	Ryzolt	PeriColac	SlowMag
2Q12	309	698	89	54	465	10	85	186
2Q11	310	554	54	33	428	23	73	185

**Produced Natively**



	Butrans	Intermezzo	OxyContin
2Q12	1665	972	866
1Q11	2280		1,661

**Produced Natively**

## Full-Time Turnover Report YTD 6/30/2012

	Begin Count	End Count	Ave # EE's	Termina- tions	% Term EE's	Retired	Resigna- tions	% Resigned	Total T/O	YTD T/O Rate
S&P										
Sales	631	633	632	8	1.3%	1	29	4.6%	38	6.0%
Marketing	45	46	46	1	2.2%	0	2	4.4%	3	6.7%
Sales Support	23	28	26	0	0.0%	1	1	4.3%	2	8.7%
Field Ops, Support & Admin	15	14	15	0	0.0%	0	3	20.0%	3	20.0%
Total S&P	714	721	718	9	1.3%	2	35	4.9%	46	6.4%
% of X-FTE's				19.6%		4.3%	76.1%			
G&A										
Administrative Services	34	34	34	0	0.0%	0	0	0.0%	0	0.0%
Business Development	7	7	7	0	0.0%	0	0	0.0%	0	0.0%
Corporate Compliance	9	11	10	0	0.0%	0	0	0.0%	0	0.0%
EHS	5	6	6	0	0.0%	0	0	0.0%	0	0.0%
Executive	11	13	12	0	0.0%	0	1	9.1%	1	9.1%
External Affairs	18	18	18	0	0.0%	0	0	0.0%	0	0.0%
Finance	60	60	60	0	0.0%	0	0	0.0%	0	0.0%
General Counsel	47	45	46	0	0.0%	0	0	0.0%	0	0.0%
Human Resources	23	23	23	0	0.0%	0	0	0.0%	0	0.0%
IT	92	97	95	0	0.0%	0	2	2.2%	2	2.2%
Procurement	13	13	13	0	0.0%	0	0	0.0%	0	0.0%
QA	24	30	27	0	0.0%	0	0	0.0%	0	0.0%
Security	16	14	15	0	0.0%	1	0	0.0%	1	6.3%
Total G&A	359	371	365	0	0.0%	1	3	0.8%	4	1.1%
% of X-FTE's				0.0%		25.0%	75.0%			
IRD/US										
Discovery	46	47	47	1	2.2%	0	0	0.0%	1	2.2%
Cranbury Support	10	13	12	0	0.0%	0	0	0.0%	0	0.0%
Drug Safety & Pharma	36	35	36	0	0.0%	0	0	0.0%	0	0.0%
Health Policy	38	40	39	0	0.0%	0	0	0.0%	0	0.0%
Medical Research	75	85	80	0	0.0%	0	2	2.7%	2	2.7%
Nonclinical & R&D	47	49	48	0	0.0%	0	0	0.0%	0	0.0%
Program Management	22	24	23	0	0.0%	0	1	4.5%	1	4.5%
Regulatory Affairs	23	24	24	0	0.0%	0	1	4.3%	1	4.3%
Total IRD/US	297	317	307	1	0.3%	0	4	1.3%	5	1.7%
% of X-FTE's				20.0%		0.0%	80.0%			
MFG/OPERATIONS										
PF Labs Salaried	17	18	18	0	0.0%	0	0	0.0%	0	0.0%
PPMD	55	57	56	0	0.0%	0	0	0.0%	0	0.0%
Wilson NC	189	188	189	2	1.1%	1	10	5.3%	13	6.9%
Total MFG/OPERATIONS	261	263	262	2	0.8%	1	10	3.8%	13	5.0%
% of X-FTE's				15.4%		7.7%	76.9%			
Total PURDUE	1,631	1,672	1,652	12	0.7%	4	52	3.2%	68	4.2%
RHODES Technologies										
RHODES Pharma	22	25	24	0	0.0%	0	1	4.5%	1	4.5%
Total MFG/OPERATIONS	167	172	170	1	0.6%	0	2	1.2%	3	1.8%
Total MIAMI	4	5	5	0	0.0%	0	0	0.0%	0	0.0%
Grand Total	1,802	1,849	1,826	13	0.7%	4	54	3.0%	71	3.9%
% of X-FTE's				18.3%		5.6%	76.1%			

# S&P TURNOVER TREND

January YTD 2010

	Begin Count	Termina- tions	Retired	Resigna- tions	TOTAL x-FTE's	End Count	March YTD Turnover % Rate	Est. Annual % Rate > 10%
Sales Force	463	5	0	4	9	459		
Sales Force	2	0	0	0	0	2		
Managed Care Sales	18	0	0	0	0	18		
Managed Health Strat	0	0	0	0	0	3		
National Accounts	7	0	0	0	0	7		
<b>ibtotal</b>	<b>490</b>	<b>5</b>	<b>0</b>	<b>4</b>	<b>9</b>	<b>489</b>	<b>6.0%</b>	
Marketing	18	0	0	0	0	17		
Marketing - PP	3	0	0	0	0	3		
Creative Services	7	0	0	0	0	7		
FA & Market Research	14	0	0	0	0	15		
<b>NG - Subtotal</b>	<b>42</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>42</b>	<b>6.7%</b>	
Sales Operations	10	0	0	0	0	12		
Sales Training	13	0	0	0	0	13		
<b>PPORT - Subtotal</b>	<b>23</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>25</b>	<b>8.7%</b>	
Mgd Mkt Cont. & Ops	12	0	0	0	0	14		
<b>S, SUPPORT &amp; ADMIN</b>	<b>12</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>14</b>	<b>20.0%</b>	
<b>CENTERS</b>	<b>567</b>	<b>5</b>	<b>0</b>	<b>4</b>	<b>9</b>	<b>570</b>	<b>6.4%</b>	
<i>% of X-FTE's</i>		<i>55.6%</i>	<i>0.0%</i>	<i>44.4%</i>				

# G&A TURNOVER TREND

January YTD 2010

	Begin Count	Termina- tions	Retired	Resigna- tions	TOTAL x-FTE's	End Count	March YTD Turnover % Rate	Est. Annual % Rate > 10%
Admin. Services	32	0	0	0	0	32		
<b>Administrative Services</b>	<b>32</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>32</b>	<b>0.0%</b>	
Lic. & Bus. Dev.	7	0	0	0	0	7		
<b>Development Subtotal</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7</b>	<b>0.0%</b>	
Corp. Compliance	7	0	0	0	0	8		
<b>Compliance Subtotal</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8</b>	<b>0.0%</b>	
EHS - Corporate	5	0	0	0	0	5		
<b>Environmental Health &amp; Safety Subtotal</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>0.0%</b>	
Ex. Admin	7	1	0	0	1	7		
Ex. Admin - RRS	1	0	0	0	0	1		
Ex. Admin - MDS	1	0	0	0	0	1		
Executive Administration-MDAS	1	1	0	0	1	0		
Ex. Admin - TE	5	0	0	0	0	5		
<b>Administration Subtotal</b>	<b>15</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>14</b>	<b>9.1%</b>	
Public Affairs	4	0	0	0	0	4		
Fed. Gov't Affairs	2	0	0	0	0	2		
State Gov't Affairs	9	0	0	0	0	9		
<b>Affairs - Subtotal</b>	<b>15</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>15</b>	<b>0.0%</b>	
Finance	53	1	0	0	1	54		
Finance	6	0	0	0	0	7		
<b>Finance Subtotal</b>	<b>53</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>54</b>	<b>0.0%</b>	
DEA Compliance	2	0	0	0	0	2		
General Counsel	32	0	0	0	0	32		
Litigation Support	12	0	0	0	0	12		
Records Management	4	0	0	0	0	4		
Internal Audit	2	0	0	0	0	2		
<b>Legal Counsel Subtotal</b>	<b>52</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>52</b>	<b>0.0%</b>	
Human Resources	21	0	0	0	0	21		
<b>Human Resources - Subtotal</b>	<b>21</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>21</b>	<b>0.0%</b>	

# G&A TURNOVER TREND

January YTD 2010

	Begin Count	Termina- tions	Retired	Resigna- tions	TOTAL x-FTE's	End Count	March YTD Turnover % Rate	Est. Annual % Rate > 10%
SAP Systems	21	1	0	0	1	20		
IT Administration	7	0	0	0	0	7		
IT Plan Cmpl & Res M	5	0	0	0	0	5		
Sales & Mkt Sys	11	0	0	0	0	11		
R&D Systems	6	0	0	0	0	6		
TSO Production	21	0	0	0	0	21		
Client Services	6	0	0	0	0	6		
IT Sec & Collab Svcs	9	0	0	0	0	9		
<b>Technology Subtotal</b>	<b>86</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>85</b>	<b>2.2%</b>	
Corp. Procurement	15	0	0	0	0	15		
<b>at Subtotal</b>	<b>15</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>15</b>	<b>0.0%</b>	
Corporate QA	14	0	0	0	0	14		
RQA - Cranbury	4	0	0	0	0	4		
RQA - Stamford	3	0	0	0	0	3		
<b>QA Subtotal</b>	<b>21</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>21</b>	<b>0.0%</b>	
Security - Corporate	8	0	0	0	0	8		
Security -Stamford	1	0	0	0	0	1		
LELE	6	0	0	0	0	6		
	<b>15</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>15</b>	<b>6.3%</b>	
<b>IT CENTERS</b>	<b>344</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>344</b>	<b>1.1%</b>	
<i>% of X-FTE's</i>		<i>100.0%</i>	<i>0.0%</i>	<i>0.0%</i>				

# R&D TURNOVER TREND

January YTD 2010

	Begin Count	Termina- tions	Retired	Resigna- tions	TOTAL x-FTE's	End Count	March YTD Turnover % Rate	Est. Annual % Rate > 10%
Discovery Admin.	37	0	0	0	0	38		
Cranbury Support	4	0	0	0	0	4		
Security - Discovery	1	0	0	0	0	1		
Cranbury Facilities	5	0	0	0	0	5		
<b>RY - Subtotal</b>	<b>47</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>48</b>	<b>2.2%</b>	
Drug Sfty. & Pharma	33	0	0	0	0	34		
<b>ETY - Subtotal</b>	<b>33</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>34</b>	<b>0.0%</b>	
Health Policy	2	0	0	0	0	2		
Risk Management	8	0	0	0	0	7		
HC Ed. & Liaison Pro	11	0	0	0	0	11		
Library & Info Serv.	7	0	0	0	0	7		
Medical Services	8	0	0	0	0	8		
Med. Education	4	0	0	0	0	5		
<b>POLICY - Subtotal</b>	<b>40</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>40</b>	<b>0.0%</b>	
Medical Research	48	0	0	2	2	48		
Medical Research	5	0	0	0	0	5		
<b>RESRCH - Subtotal</b>	<b>53</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>2</b>	<b>53</b>	<b>2.7%</b>	
PKDM/Toxicology	8	0	0	0	0	8		
Transderm Dev & Clin	6	0	0	0	0	6		
Transdermal Dev Pkg.	2	0	0	0	0	2		
Pharmaceutics	9	0	0	0	0	10		
Analytics	16	2	0	0	2	14		
<b>CAL R&amp;D - Subtotal</b>	<b>41</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>40</b>	<b>0.0%</b>	
Program Mgmt	19	0	0	0	0	19		
Program Mgmt	2	0	0	0	0	2		
<b>MGMT - Subtotal</b>	<b>21</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>21</b>	<b>4.5%</b>	
US Reg. Affairs	18	0	0	0	0	18		
<b>ORY AFFAIRS - Subto</b>	<b>18</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>18</b>	<b>4.3%</b>	

# ***R&D TURNOVER TREND***

January YTD 2010

	<b>Begin Count</b>	<b>Termina- tions</b>	<b>Retired</b>	<b>Resigna- tions</b>	<b>TOTAL x-FTE's</b>	<b>End Count</b>	<b>March YTD Turnover % Rate</b>	<b>Est. Annual % Rate &gt; 10%</b>
<b>Γ CENTERS</b>	<b>200</b>	<b>2</b>	<b>0</b>	<b>2</b>	<b>4</b>	<b>254</b>	<b>1.7%</b>	
<i>% of X-FTE's</i>		<i>50.0%</i>	<i>0.0%</i>	<i>50.0%</i>				



# MANUFACTURING TURNOVER TREND

January YTD 2010

	Begin Count	Termina- tions	Retired	Resigna- tions	TOTAL x-FTE's	End Count	March YTD Turnover % Rate	Est. Annual % Rate > 10%
DEA Comp - Totowa	1	0	0	0	0	1		
Plant IT Sys - Tot	1	0	0	0	0	1		
Security - Totowa	1	0	0	0	0	1		
Logistics - Wilson	4	0	0	0	0	4		
Production - Totowa	2	0	0	0	0	2		
QC - Totowa	3	0	0	0	0	3		
QA - Totowa	2	0	0	0	0	2		
Prod Eng. - Totowa	3	0	0	0	0	3		
Mat. Mgmt - Totowa	1	0	0	0	0	1		
Plant Maint - Totowa	3	0	0	0	0	3		
Distrib. - Totowa	1	0	0	0	0	1		
<b>ALARIED - Subtotal</b>	<b>22</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>22</b>	<b>0.0%</b>	
M&SC - Pkg Des & Dev	6	0	0	0	0	6		
M&SC - Admin	1	0	0	0	0	1		
M&SC - HR	1	0	0	0	0	1		
M&SC - Supplier Qual	17	0	0	1	1	17		
M&SC - IT SAP	7	0	0	0	0	7		
M&SC Plan & Compl	6	0	0	0	0	6		
M&SC - Tech Services	2	0	0	0	0	2		
M&SC - Supply Chain	13	0	0	0	0	13		
M&SC - cGMP Training	3	0	0	0	0	3		
M&SC - Cent Eng.	2	0	0	0	0	2		
<b>ST - Subtotal</b>	<b>58</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>58</b>	<b>0.0%</b>	
Mfg - Wilson	29	0	0	0	0	30		
Pkg - Wilson	21	2	0	0	2	18		
Ex. Admin. - Wilson	7	0	0	0	0	7		
CSA Comp. - Wilson	12	0	0	0	0	13		
Plant IT Sys -Wilson	8	0	0	0	0	8		
HR - Wilson	2	0	0	0	0	2		
Security - Wilson	2	0	0	0	0	1		
Production - Wilson	11	0	0	0	0	11		
QC - Wilson	25	0	0	0	0	25		
QA - Wilson	28	0	0	0	0	28		
Plant Eng. - Wilson	7	0	0	0	0	7		
Plant Maint - Wilson	10	0	0	0	0	10		
EHS - Wilson	1	0	0	0	0	1		
Distribution -Wilson	11	0	0	0	0	11		
Pharm Tech-Wilson	8	0	0	0	0	8		
<b>WC - Subtotal</b>	<b>182</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>180</b>	<b>6.9%</b>	
<b>ALL CENTERS</b>	<b>262</b>	<b>2</b>	<b>0</b>	<b>1</b>	<b>3</b>	<b>260</b>	<b>5.0%</b>	
<i>% of X-FTE's</i>		<i>66.7%</i>	<i>0.0%</i>	<i>33.3%</i>				

# ***RHODES TURNOVER TREND***

January YTD 2010

	Begin Count	Termina- tions	Retired	Resigna- tions	TOTAL x-FTE's	End Count	March YTD Turnover % Rate	Est. Annual % Rate > 10%
Mfg - Rhodes	30	0	0	0	0	30		
Ex. Admin. - Rhodes	7	0	0	0	0	7		
HR - Rhodes	3	0	0	0	0	3		
Prod Dev - Rhodes Ph	9	0	0	1	1	7		
Production - Rhodes	10	0	0	0	0	11		
QC - Rhodes	11	0	0	0	0	11		
Plant Eng. - Rhodes	15	0	0	0	0	15		
Mat Mangment -Rhodes	4	0	0	0	0	4		
Security - Rhodes	2	0	0	0	0	2		
EHS - Rhodes	4	0	0	0	0	3		
<b>TECHNOLOGIES - Subto</b>	<b>95</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>93</b>	<b>1.4%</b>	
Executive Admin RP	2	0	0	0	0	2		
Prod. Dev. - Rhodes	23	0	0	0	0	25		
QA - Rhodes	6	0	0	0	0	6		
Prod. Eng. - Rhodes	7	0	0	0	0	10		
Sales & Promo RP	1	0	0	0	0	3		
<b>HARMA - Subtotal</b>	<b>39</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>46</b>	<b>#REF!</b>	
<b>IT CENTERS</b>	<b>134</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>139</b>	<b>1.8%</b>	
<i>% of X-FTE's</i>		<i>0.0%</i>	<i>0.0%</i>	<i>100.0%</i>				

Projected Turnover Report  
For the period 01/01/2004Through 03/31/2004  
Regular / Full-Time

Department	Begin	Terms	RET	Resigned	End	
1901219	29				30	Mfg - Wilson
1901227	30				30	Mfg - Rhodes
1902219	21	2			18	Pkg - Wilson
2100208	7	1			7	Ex. Admin
2100219	7				7	Ex. Admin. - Wilson
2100250	2				2	Executive Admin RP
2100227	7				7	Ex. Admin. - Rhodes
2100504	5				5	Ex. Admin - TE
2102208	1				1	Ex. Admin - RRS
2103208	1				1	Ex. Admin - MDS
2105208	1	1			0	Executive Administration-MDAS
2130208	7				8	Corp. Compliance
2131208	2				2	DEA Compliance
2131219	12				13	CSA Comp. - Wilson
2131109	1				1	DEA Comp - Totowa
2153208	21	1			20	SAP Systems
2164208	6				6	M&SC - Pkg Des & Dev
2180208	7				7	Lic. & Bus. Dev.
2183208	4				4	Public Affairs
2185409	8				8	Security - Corporate
2187208	4				4	RQA - Cranbury
2188208	3				3	RQA - Stamford
2190208	14				14	Corporate QA
2200208	32				32	General Counsel
2201208	12				12	Litigation Support
2202208	4				4	Records Management
2203409	2				2	Internal Audit
2250208	2				2	Fed. Gov't Affairs
2251208	9				9	State Gov't Affairs
2301208	53	1			54	Finance
2301415	6				7	Finance
2350208	15				15	Corp. Procurement
2400208	7				7	IT Administration
2400109	1				1	Plant IT Sys - Tot
2400219	8				8	Plant IT Sys -Wilson
2402208	5				5	IT Plan Cmpl & Res M
2404208	11				11	Sales & Mkt Sys
2408208	6				6	R&D Systems
2410208	21				21	TSO Production
2450208	6				6	Client Services
2460208	9				9	IT Sec & Collab Svcs
2500208	21				21	Human Resources
2500219	2				2	HR - Wilson
2500227	3				3	HR - Rhodes
2510208	32				32	Admin. Services
2530409	1				1	Security -Stamford
2531409	1				1	Security - Totowa
2532409	2				1	Security - Wilson
2533409	2				2	Security - Rhodes
2539208	6				6	LELE

Projected Turnover Report  
For the period 01/01/2004Through 03/31/2004  
Regular / Full-Time

2550409	5				5	EHS - Corporate
2901219	4				4	Logistics - Wilson
4010208	18				18	US Reg. Affairs
4105208	37				38	Discovery Admin.
4107208	2				2	Health Policy
4108208	8				7	Risk Management
4109208	11				11	HC Ed. & Liaison Pro
4110208	19				19	Program Mgmt
4110241	2				2	Program Mgmt
4160227	23				25	Prod. Dev. - Rhodes
4160250	9		1		7	Prod Dev - Rhodes Ph
4232208	4				4	Cranbury Support
4300208	8				8	PKDM/Toxicology
4403409	1				1	Security - Discovery
4422208	5				5	Cranbury Facilities
4500208	6				6	Transderm Dev & Clin
4500241	2				2	Transdermal Dev Pkg.
4505208	9				10	Pharmaceutics
4601208	7				7	Library & Info Serv.
4713208	48		2		48	Medical Research
4713241	5				5	Medical Research
4716208	33				34	Drug Sfty. & Pharma
4718208	8				8	Medical Services
4800208	4				5	Med. Education
4900208	16	2			14	Analytics
6000109	2				2	Production - Totowa
6000219	11				11	Production - Wilson
6000227	10				11	Production - Rhodes
6100109	3				3	QC - Totowa
6100219	25				25	QC - Wilson
6100227	11				11	QC - Rhodes
6200109	2				2	QA - Totowa
6200219	28				28	QA - Wilson
6200227	6				6	QA - Rhodes
6300109	3				3	Prod Eng. - Totowa
6300227	7				10	Prod. Eng. - Rhodes
6400219	7				7	Plant Eng. - Wilson
6400227	15				15	Plant Eng. - Rhodes
6500109	1				1	Mat. Mgmt - Totowa
6500227	4				4	Mat Mangment -Rhodes
6600109	3				3	Plant Maint - Totowa
6600219	10				10	Plant Maint - Wilson
6651409	1				1	EHS - Wilson
6652409	4				3	EHS - Rhodes
6700109	1				1	Distrib. - Totowa
6700219	11				11	Distribution -Wilson
6900219	8				8	Pharm Tech-Wilson
6950208	1				1	M&SC - Admin
6951208	1				1	M&SC - HR
6952208	17		1		17	M&SC - Supplier Qual
6953208	7				7	M&SC - IT SAP

## Regular / Full-Time

[illegible]

Month #	3
Month	March
#	4

1	January	12
2	February	6
3	March	4
4	April	3
5	May	2.4
6	June	2
7	July	1.7142857
8	August	1.5
9	September	1.3333333
10	October	1.2
11	November	1.0909091
12	December	1

## Report

2100	2100208	<b>2100208</b>	7
2102	2102208	<b>2102208</b>	1
2103	2103208	<b>2103208</b>	1
2105	2105208	<b>2105208</b>	1
2130	2130208	<b>2130208</b>	6
2131	2131208	<b>2131208</b>	2
2153	2153208	<b>2153208</b>	21
2164	2164208	<b>2164208</b>	6
2180	2180208	<b>2180208</b>	6
2183	2183208	<b>2183208</b>	4
2185	2185409	<b>2185409</b>	8
2187	2187208	<b>2187208</b>	4
2188	2188208	<b>2188208</b>	3
2190	2190208	<b>2190208</b>	14
2200	2200208	<b>2200208</b>	33
2201	2201208	<b>2201208</b>	12
2202	2202208	<b>2202208</b>	4
2203	2203409	<b>2203409</b>	2
2250	2250208	<b>2250208</b>	2
2251	2251208	<b>2251208</b>	9
2301	2301208	<b>2301208</b>	59
2350	2350208	<b>2350208</b>	15
2400	2400208	<b>2400208</b>	7
2402	2402208	<b>2402208</b>	5
2408	2408208	<b>2408208</b>	15
2410	2410208	<b>2410208</b>	21
2450	2450208	<b>2450208</b>	17
2500	2500208	<b>2500208</b>	21
2510	2510208	<b>2510208</b>	32
2530	2530409	<b>2530409</b>	1
2539	2539208	<b>2539208</b>	6
2550	2550409	<b>2550409</b>	5
2901	2901109		
4055	4055208		
4105	4105208	<b>4105208</b>	37
4107	4107208	<b>4107208</b>	2
4108	4108208	<b>4108208</b>	8
4109	4109208	<b>4109208</b>	11
4110	4110208	<b>4110208</b>	21
4204			
4232	4232208	<b>4232208</b>	4
4300	4300208	<b>4300208</b>	8
4403	4403409	<b>4403409</b>	1
4422	4422208	<b>4422208</b>	5
4500	4500208	<b>4500208</b>	8
4505	4505208	<b>4505208</b>	9

4601	4601208 <b>4601208</b>	7
4713	4713208 <b>4713208</b>	54
<b>4716</b>	4716208 <b>4716208</b>	33
4718	4718208 <b>4718208</b>	8
4800	4800208 <b>4800208</b>	4
4900	4900208 <b>4900208</b>	16
6000	6000109 <b>6000109</b>	2
6100	6100109 <b>6100109</b>	3
6200	6200109 <b>6200109</b>	2
6300	6300109 <b>6300109</b>	3
6500	6500109 <b>6500109</b>	1
6600	6600109 <b>6600109</b>	3
6650	6650409	
6700	6700109 <b>6700109</b>	1
6900	6900109 <b>6900219</b>	8
6950	6950208 <b>6950208</b>	1
6951	6951208 <b>6951208</b>	1
6952	6952208 <b>6952208</b>	17
6953	6953208 <b>6953208</b>	7
6954	<b>6954208</b>	6
6955	<b>6955208</b>	2
6959	6959208 <b>6959208</b>	13
6962	6962208 <b>6962208</b>	3
6967	6967208 <b>6967208</b>	2
8000	8000208 <b>8000208</b>	18
<b>8100</b>	8100208 <b>8100208</b>	467
8110	8110208 <b>8110208</b>	12
8111	8111208 <b>8111208</b>	16
8130	8130213 <b>8130213</b>	3
8200	8200208 <b>8200208</b>	7
8500	8500208 <b>8500208</b>	10
8510	8510208 <b>8510208</b>	13
8800	8800208 <b>8800208</b>	14
8900	8900208 <b>8900208</b>	7
9000	9000208	
1901NC	1901219 <b>1901219</b>	29
1901RT	1901227 <b>1901227</b>	30
1901UN	1901109	
1902NC	1902219 <b>1902219</b>	21
1902UN	1902109	
2100NC	2100219 <b>2100219</b>	7
2100RP	2100250 <b>2100250</b>	3
2100RT	2100227 <b>2100227</b>	11
2100TE	2100504 <b>2100504</b>	5
2131NC	2131219 <b>2131219</b>	12
2131PL	2131109 <b>2131109</b>	1
2400MS	2400109 <b>2400109</b>	1



2400NC	2400219 <b>2400219</b>	8
2500NC	2500219 <b>2500219</b>	2
2500PL	2500109	
2500RT	2500227 <b>2500227</b>	3
2531PL	2531409 <b>2531409</b>	1
2532NC	2532409 <b>2532409</b>	2
2533RT	2533409 <b>2533409</b>	2
4010MC	2901219 <b>2901219</b>	4
4010US	4010208 <b>4010208</b>	19
4160RP	4160250 <b>4160250</b>	9
4160RT	4160227 <b>4160227</b>	23
6000NC	6000219 <b>6000219</b>	11
6000RT	6000227 <b>6000227</b>	10
6000UN		
6100NC	6100219 <b>6100219</b>	25
6100RP		
6100RT	6100227 <b>6100227</b>	11
6200NC	6200219 <b>6200219</b>	28
6200RP		
6200RT	6200227 <b>6200227</b>	6
6200UN		
6300RP		
6300RT	6300227 <b>6300227</b>	8
6400NC	6400219 <b>6400219</b>	7
6400RT	6400227 <b>6400227</b>	15
6500UN		
6600NC	6600219 <b>6600219</b>	10
6600UN		
6651NC	6651409 <b>6651409</b>	1
6652RT	6652409 <b>6652409</b>	4
6700NC	6700219 <b>6700219</b>	11
6700UN		
6900NC	6900219	
8000PP	8000307 <b>8000307</b>	3
8100NF		
8111NF		
8900NF		1571

**Produced Natively**

	June Year-to-Date			Full Year	
	2012 YTD Actual	2012 YTD Budget	2011 YTD Actual	2012 Budget	2011 Actual
<u>Expressed in 000's</u>					
Net Branded Revenues	1,063,833	1,133,253	1,136,433	2,351,488	2,210,115
Operating Margin	483,770	512,861	631,843	1,094,217	1,186,089
EBITDA	482,061	497,737	619,498	1,070,182	1,173,772
Net Profit Before Tax	468,123	484,823	605,427	1,038,083	1,145,824
Owner's Equity	624,308	696,423	681,176	661,224	491,636
Non-tax Distributions	129,543	242,000	210,546	448,000	575,246
Days Sales Outstanding	35.4	35.0	35.1	35.0	33.9
Accounts Receivable Outstanding > 90 Days Past Due	< 1%	< 1%	< 1%	< 1%	< 1%
Capital Spending YTD	13,203	17,750	8,999	35,500	26,823
Unrestricted Cash on Hand	788,096	734,400	602,889	771,202	606,494
Available Liquidity	788,096	734,400	602,889	771,202	606,494
Available Liquidity - Average Months Sales	3.7	3.2	2.7	3.9	3.3
Headcount	1,672	1,730	1,630	1,788	1,633

**Produced Natively**

(\$mm)	2012 Mid-year Update	2012 Budget	Variance FAV/ADV	Variance FAV/ADV %
Gross Branded Product Sales	\$3,019.0	\$3,167.9	(\$148.9)	-4.7%
Net Branded Sales	\$2,237.9	\$2,351.5	(\$113.6)	-4.8%
Operating Margin (before Incentive, Settlements & Other Items)	\$1,018.2	\$1,133.6	(\$115.4)	-10.2%
Operating Margin % Net Branded Sales	45.5%	48.2%	-2.7%	-5.6%
Pre-Tax Profit (Loss)	\$922.7	\$1,038.1	(\$115.4)	-11.1%
EBITDA	\$953.4	\$1,072.0	(\$118.6)	-11.1%
Tax Distributions	\$418.4	\$429.2	(\$10.8)	-2.5%
Non-Tax Distributions	\$381.5	\$448.0	(\$66.5)	-14.8%
Total Equity (all Companies in Pharmaceutical Group reported to Management Revisions)	\$621.5	\$661.2	(\$39.7)	-6.0%
Total Equity (US Operating Companies – Bank Reporting Group)	\$600.0	\$600.0	\$0.0	0.0%
Unrestricted Cash	\$701.9	\$771.2	(\$69.3)	-9.0%

**Produced Natively**

**To:** Sackler, Dr Richard [REDACTED]@pharma.com]  
**Cc:** Gasdia, Russell [REDACTED]@pharma.com]; Rosen, David (Sales and Marketing) [REDACTED]@pharma.com]  
**From:** Barmore, Robert  
**Sent:** Wed 8/15/2012 10:35:13 AM  
**Subject:** Butrans and Intermezzo Weekly TRx's and Share

Dr. Richard,

David Rosen is on vacation this week and asked me to send you weekly Rx's and share of Butrans and Intermezzo. Hopefully this is adequate until David returns next week. The data below is for the week ending August 3, 2012.

**Butrans**

Butrans Total Rx's were 8,990, about the same figure as last week (8,995). Share of EROs were 1.78% compared to 1.81% last week, also effectively no change.

**Intermezzo**

Intermezzo® "True" Rx's totaled 785 for the week, down 4.0% versus the prior week's total of 818. ("True" Rx's are TRx's corrected for trial card redemptions.) Intermezzo® share of the market was 0.057% compared to 0.062% the previous week, again essentially no change.

Regards,

Rob Barmore

Message

**From:** Sackler, Dr Richard [REDACTED]  
**Sent:** 8/16/2012 7:48:22 AM  
**To:** [REDACTED]  
**Subject:** FW: 2008-2012 Historical Sales Bonus Values.xlsx  
**Attachments:** 2008-2012 Historical Sales Bonus Values.xlsx

Print one copy for me of this.

---

**From:** <Mahony>, Ed Mahony [REDACTED]@pharma.com>  
**Date:** Wednesday, August 15, 2012 4:13 PM  
**To:** "Richard S. Sackler" [REDACTED]@pharma.com>  
**Cc:** [REDACTED]@pharma.com>, "Lowne, Jon" [REDACTED]@pharma.com>, John Stewart [REDACTED]@pharma.com>, "Gasdia, Russell" [REDACTED]@pharma.com>, David Long [REDACTED]@pharma.com>, Stuart Baker [REDACTED]@pharma.com>  
**Subject:** 2008-2012 Historical Sales Bonus Values.xlsx

Dr Richard,

This email is one of a series that respond to your question on how bonus programs and business performance are related.

The attachment shows sales rep average bonus payment vs. target bonus and Purdue sales vs. budget from 2008 to 2012 forecast. The sales bonus payment do tend to follow sales Purdue performance. The tracking is not exact because the rep bonuses may be more heavily tied to smaller products like Butrans or Ryzolt whereas the overall sales performance may be more influenced by OxyContin sales. David Long and I review the sales bonus program plan and then the actual payout each quarter\* and we are both comfortable that the plan is reasonable.

All the best,

Ed

\*the program can change from quarter to quarter as different products receive different weight etc. etc.



**Produced Natively**

### Historical Sales Bonus: Sales Representatives

	<u>2008</u>	<u>2009</u> <sup>1</sup>	<u>2010</u> <sup>2</sup>	<u>2011</u>	<u>2012 Projected</u> <sup>3</sup>
Bonus Target / Rep	\$ 39,000	\$ 41,000	\$ 41,000	\$ 42,560	\$ 44,000
Bonus Actual / Rep	\$ 39,148	\$ 36,730	\$ 43,970	\$ 24,367	\$ 36,308
% Achievement	100.4%	89.6%	107.2%	57.3%	82.5%
Base Actual / Rep	\$ 87,516	\$ 82,011	\$ 82,162	\$ 82,997	\$ 85,902
Total # of Eligible Reps	194	317	305	344	TBD

Total Budgeted Gross	\$ 2,671,440	\$ 3,449,813	\$ 3,244,299	\$ 4,177,228	\$ 3,167,870
Promoted Products Budgeted Gross	2,589,638	3,339,452	3,135,728	4,069,393	3,062,353

Total Actual Gross	\$ 2,559,475	\$ 3,012,176	\$ 3,128,050	\$ 2,971,161	\$ 3,018,985
% Achievement	95.8%	87.3%	96.4%	71.1%	95.3%
Promoted Products Actual Gross	2,490,159	2,909,870	3,014,462	2,865,718	2,922,311
% Achievement	96.2%	87.1%	96.1%	70.4%	95.4%

Promoted Products:	OXY	OXY	OXY	OXY	OXY
	OTC (CLC, SEN, SNS)	TRL - Q2 - Q3	TRL	TRL	INT
		OTC (CLC, SEN, SNS) - Q1		BUP	BUP

#### Notes:

- 1) 2009 includes "Year End Factory Incentive Bonus" (5th Quarter Payout)
  - 2) In 2010, bonus was based on OER Retail Scripts (not OxyContin sales) and performance was above 1.5% growth targets
  - 3) 2012 Projected assumes Q2 levels are the same as Q1 actual and Q3 and Q4 achieve target bonus
- 2012 Projected Gross assumes achievement of Mid Year Update

#### Assumptions:

Includes Reps who were eligible for full year, excludes adjustments, Bonus Buy Down (BBD), Field Trainer Bonus  
Excludes District Managers, Regional Managers, NAMs, Managed Care AEs, etc.  
Excludes Realignment protection guarantees.

**To:** Sackler, Dr Richard [REDACTED]  
**Cc:** Stewart, John H. (US) [REDACTED] Gasdia,  
Russell [REDACTED] Innaurato,  
Mike [REDACTED] Fisher,  
Windell [REDACTED]  
**From:** Rosen, David (Sales and Marketing)  
**Sent:** Mon 8/20/2012 5:29:19 PM  
**Subject:** Butrans Weekly Report 8-10-12.xlsm  
[Butrans Weekly Report 8-10-12.xlsm](#)

Hi, Dr. Richard. As per your request, attached are the latest data and graphs for Butrans.

Thanks,

David

David Rosen | Executive Director, Forecasting, Analytics and Market Research | Purdue Pharma | One  
Stamford Forum Stamford CT 06901 | [REDACTED]@pharma.com | [REDACTED]

[REDACTED]

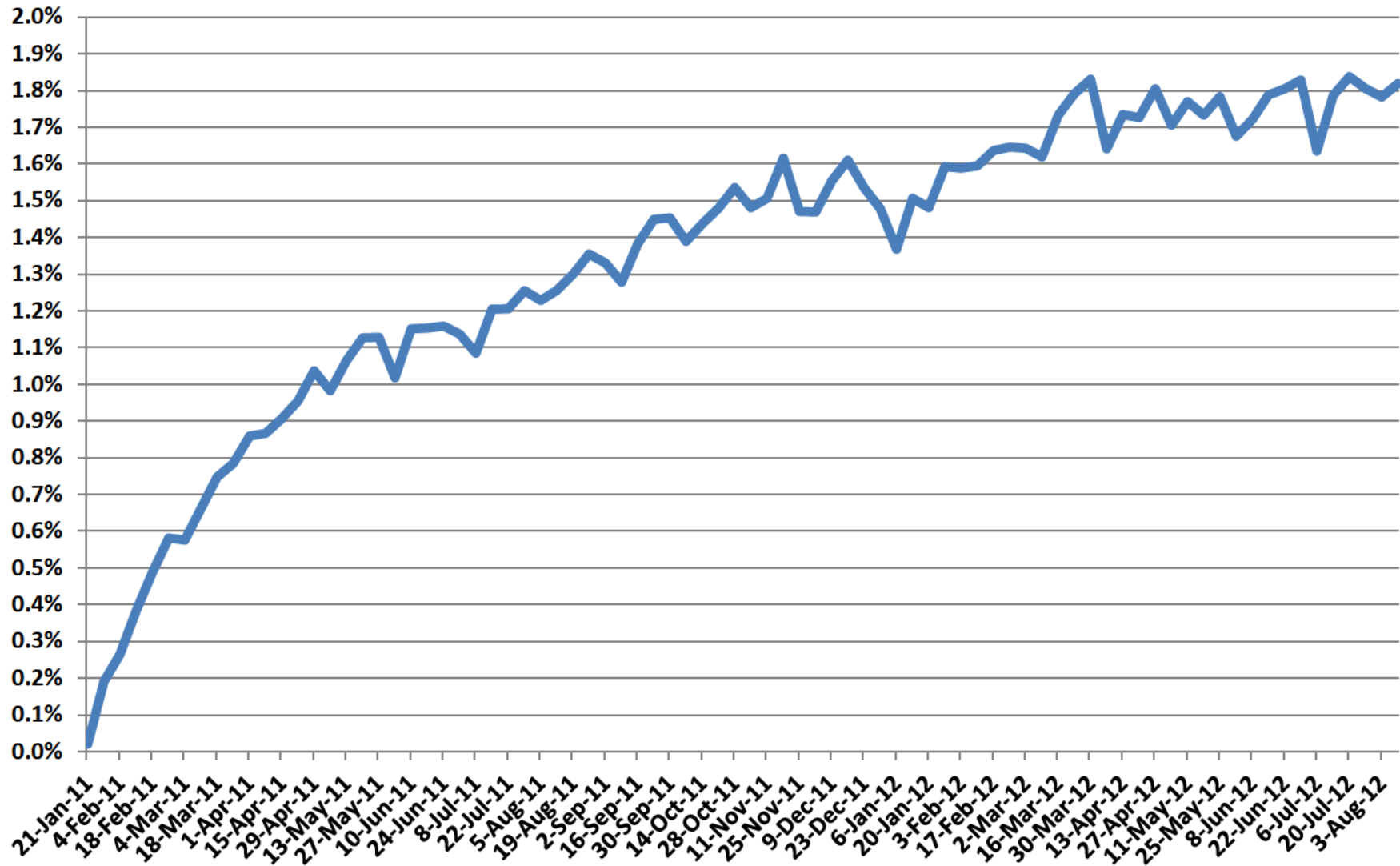
[REDACTED]

**Produced Natively**

## Butrans Weekly Extended Release Opioid Rx Share

(Source: IMS National Prescription Audit; includes both brand and generic opioids)

Weekly TRx Share





[NRx, RRx and TRx by Strength](#)  
[Distribution of Rx by Strength](#)  
[Distribution of NRx, RRx and TRx by Strength](#)  
[Weekly Growth in Butrans TRxs](#)

		Butrans New, Refill and Total Prescriptions by Strength													
		Total			5 mcg/hour			10 mcg/hour			20 mcg/hour			Total	
<u>Week #</u>	<u>Week Ending</u>	<u>NRx</u>	<u>RRx</u>	<u>TRx</u>	<u>NRx</u>	<u>RRx</u>	<u>TRx</u>	<u>NRx</u>	<u>RRx</u>	<u>TRx</u>	<u>NRx</u>	<u>RRx</u>	<u>TRx</u>	<u>NRx</u>	<u>RRx</u>
Week 45	25-Nov-11	5,305	1,255	6,560	1,626	305	1,931	2,363	573	2,936	1,316	377	1,693	80.9%	19.1%
Week 46	2-Dec-11	6,390	1,498	7,888	1,909	336	2,245	2,860	718	3,578	1,621	444	2,065	81.0%	19.0%
Week 47	9-Dec-11	6,461	1,479	7,940	1,933	360	2,293	3,031	677	3,708	1,497	442	1,939	81.4%	18.6%
Week 48	16-Dec-11	6,712	1,594	8,306	2,009	477	2,486	3,070	659	3,729	1,633	458	2,091	80.8%	19.2%
Week 49	23-Dec-11	6,419	1,505	7,924	1,967	382	2,349	2,875	671	3,546	1,577	452	2,029	81.0%	19.0%



		Distribution of Butrans Prescriptions by Strength									Distribution of Butrans Ne					
		5 mcg/hour				10 mcg/hour			20 mcg/hour			Total			5 mcg/hour	
<u>Week #</u>	<u>Week Ending</u>	<u>TRx</u>	<u>NRx</u>	<u>RRx</u>	<u>TRx</u>	<u>NRx</u>	<u>RRx</u>	<u>TRx</u>	<u>NRx</u>	<u>RRx</u>	<u>TRx</u>	<u>NRx</u>	<u>RRx</u>	<u>TRx</u>	<u>NRx</u>	<u>RRx</u>
Week 45	25-Nov-11	100.0%	24.8%	4.6%	29.4%	36.0%	8.7%	44.8%	20.1%	5.7%	25.8%	80.9%	19.1%	100.0%	84.2%	15.8%
Week 46	2-Dec-11	100.0%	24.2%	4.3%	28.5%	36.3%	9.1%	45.4%	20.6%	5.6%	26.2%	81.0%	19.0%	100.0%	85.0%	15.0%
Week 47	9-Dec-11	100.0%	24.3%	4.5%	28.9%	38.2%	8.5%	46.7%	18.9%	5.6%	24.4%	81.4%	18.6%	100.0%	84.3%	15.7%
Week 48	16-Dec-11	100.0%	24.2%	5.7%	29.9%	37.0%	7.9%	44.9%	19.7%	5.5%	25.2%	80.8%	19.2%	100.0%	80.8%	19.2%
Week 49	23-Dec-11	100.0%	24.8%	4.8%	29.6%	36.3%	8.5%	44.8%	19.9%	5.7%	25.6%	81.0%	19.0%	100.0%	83.7%	16.3%



		w, Refill and Total Prescriptions by Strength							Weekly Growth in Butrans New, Refill and Total Presc							
		10 mcg/hour			20 mcg/hour			Total			5 mcg/hour			10 mcg/hou		
<u>Week #</u>	<u>Week Ending</u>	<u>TRx</u>	<u>NRx</u>	<u>RRx</u>	<u>TRx</u>	<u>NRx</u>	<u>RRx</u>	<u>TRx</u>	<u>NRx</u>	<u>RRx</u>	<u>TRx</u>	<u>NRx</u>	<u>RRx</u>	<u>TRx</u>	<u>NRx</u>	<u>RRx</u>
Week 45	25-Nov-11	100.0%	80.5%	19.5%	100.0%	77.7%	22.3%	100.0%	-21.8%	-12.2%	-20.2%	-21.4%	-18.9%	-21.1%	-24.0%	-9.0%
Week 46	2-Dec-11	100.0%	79.9%	20.1%	100.0%	78.5%	21.5%	100.0%	20.5%	19.4%	20.2%	17.4%	10.2%	16.3%	21.0%	25.3%
Week 47	9-Dec-11	100.0%	81.7%	18.3%	100.0%	77.2%	22.8%	100.0%	1.1%	-1.3%	0.7%	1.3%	7.1%	2.1%	6.0%	-5.7%
Week 48	16-Dec-11	100.0%	82.3%	17.7%	100.0%	78.1%	21.9%	100.0%	3.9%	7.8%	4.6%	3.9%	32.5%	8.4%	1.3%	-2.7%
Week 49	23-Dec-11	100.0%	81.1%	18.9%	100.0%	77.7%	22.3%	100.0%	-4.4%	-5.6%	-4.6%	-2.1%	-19.9%	-5.5%	-6.4%	1.8%





Prescriptions by Strength					
Week #	Week Ending	20 mcg/hour			
		TRx	NRx	RRx	TRx
Week 45	25-Nov-11	-21.5%	-18.1%	-11.1%	-16.6%
Week 46	2-Dec-11	21.9%	23.2%	17.8%	22.0%
Week 47	9-Dec-11	3.6%	-7.6%	-0.5%	-6.1%
Week 48	16-Dec-11	0.6%	9.1%	3.6%	7.8%
Week 49	23-Dec-11	-4.9%	-3.4%	-1.3%	-3.0%



[Butrans 10mcg Equivalents](#)  
[Distribution of 10mcg Equivalents](#)  
[Weekly Growth in 10mcg Equivalents](#)

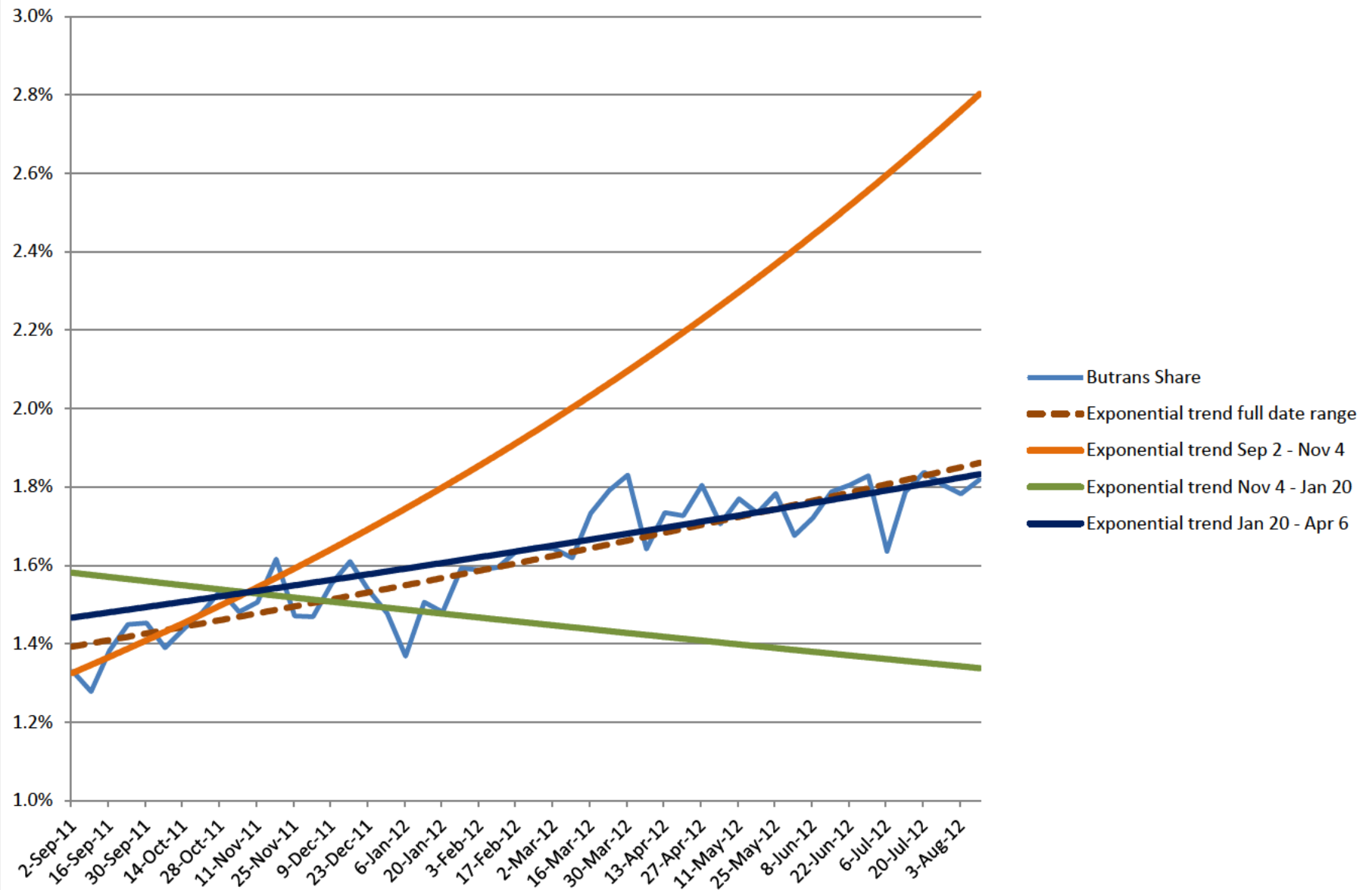
		Butrans 10mcg Equivalents				Trend Line Sept 1	Trend Line Jan 20	Distrib
		Total TRx	5 mcg/hour TRx	10 mcg/hour TRx	20 mcg/hour TRx	Total TRx	Total TRx	
<u>Week #</u>	<u>Week Ending</u>							
Week 44	18-Nov-11	9,023	1,223	3,740	4,060	9,023		100.0%
Week 45	25-Nov-11	7,288	966	2,936	3,386	7,288		100.0%



Conversion of Butrans 10mcg Equivalents		
5 mcg/hour	10 mcg/hour	20 mcg/hour
<u>TRx</u>	<u>TRx</u>	<u>TRx</u>
13.6%	41.4%	45.0%
13.2%	40.3%	46.5%

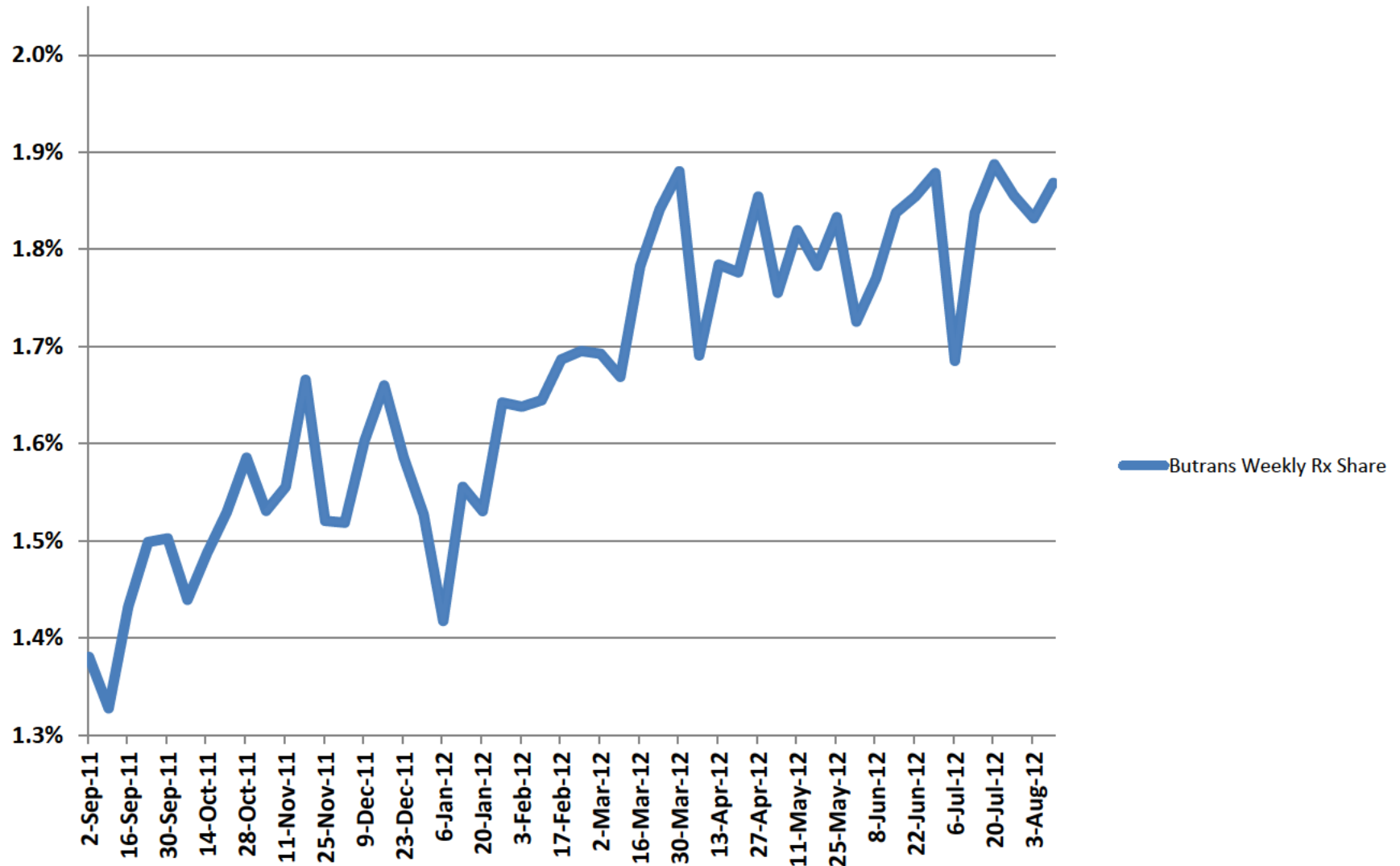
<u>Week #</u>	<u>Week Ending</u>
Week 44	18-Nov-11
Week 45	25-Nov-11

**Detailed Butrans Weekly Extended Release Opioid Market Share**  
(Source: IMS National Prescription Audit; includes both branded and generic opioids)

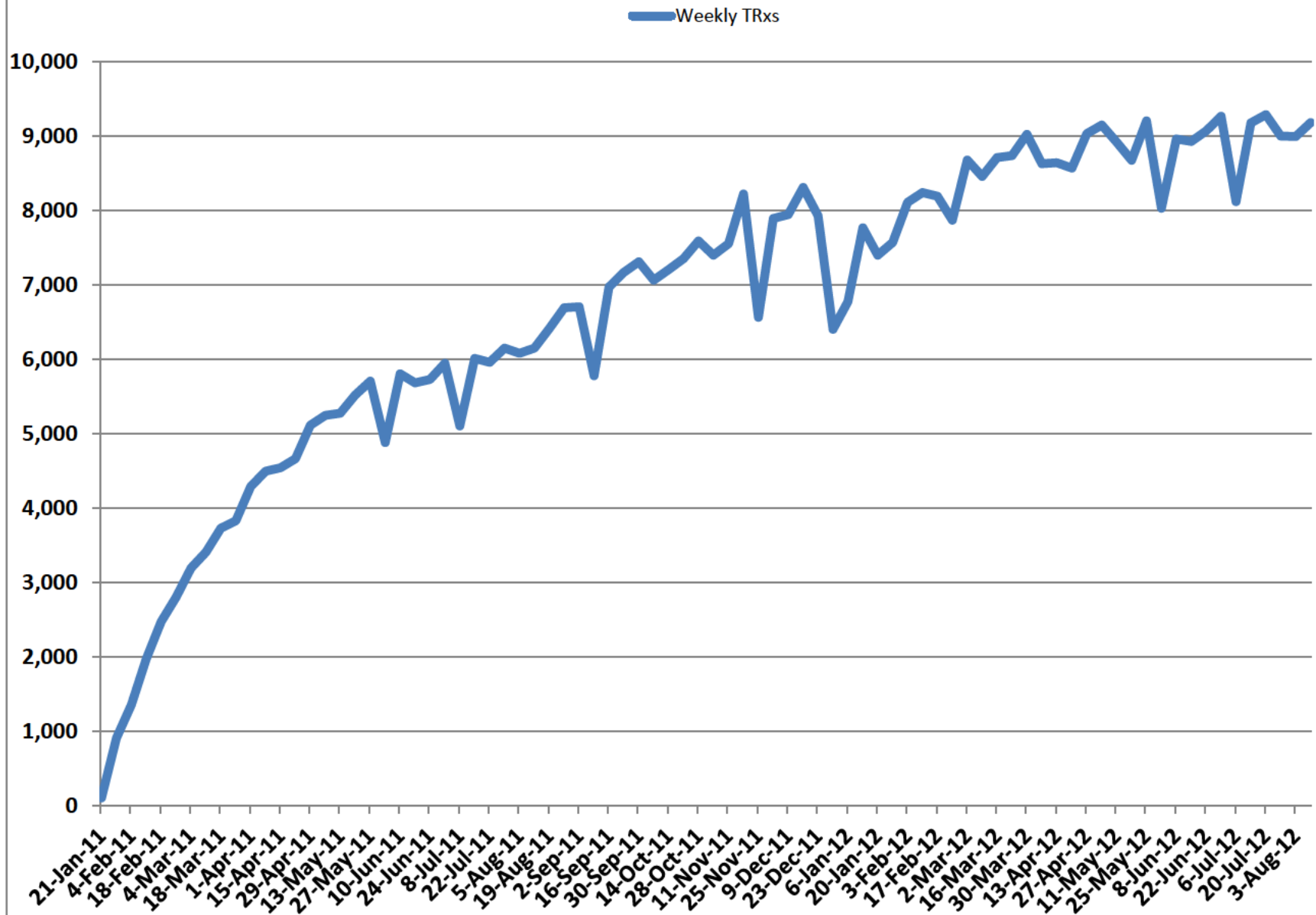


## Detailed Butrans Weekly Extended Release Opioid Market Share

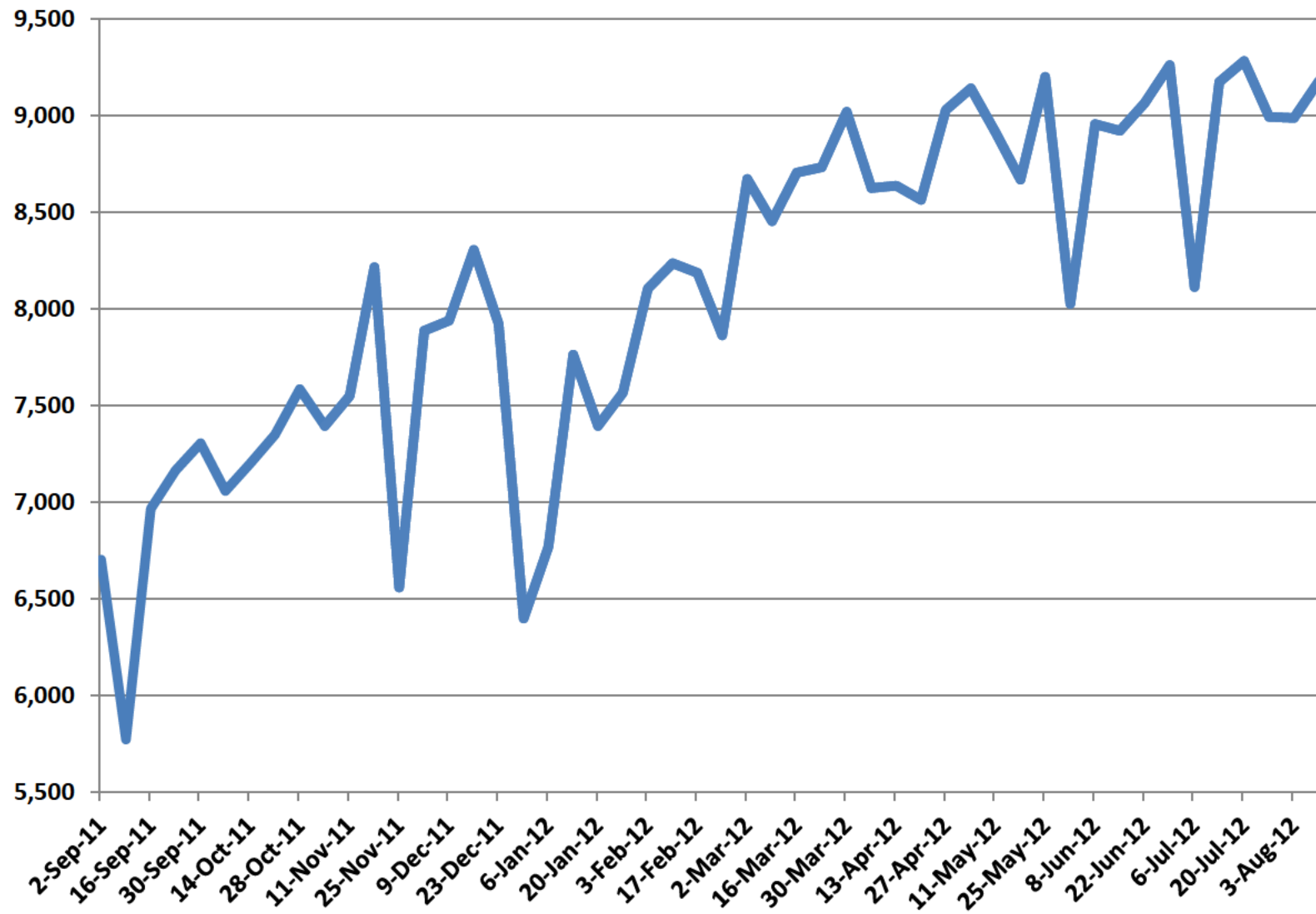
(Source: IMS National Prescription Audit; includes both branded and generic opioids)



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

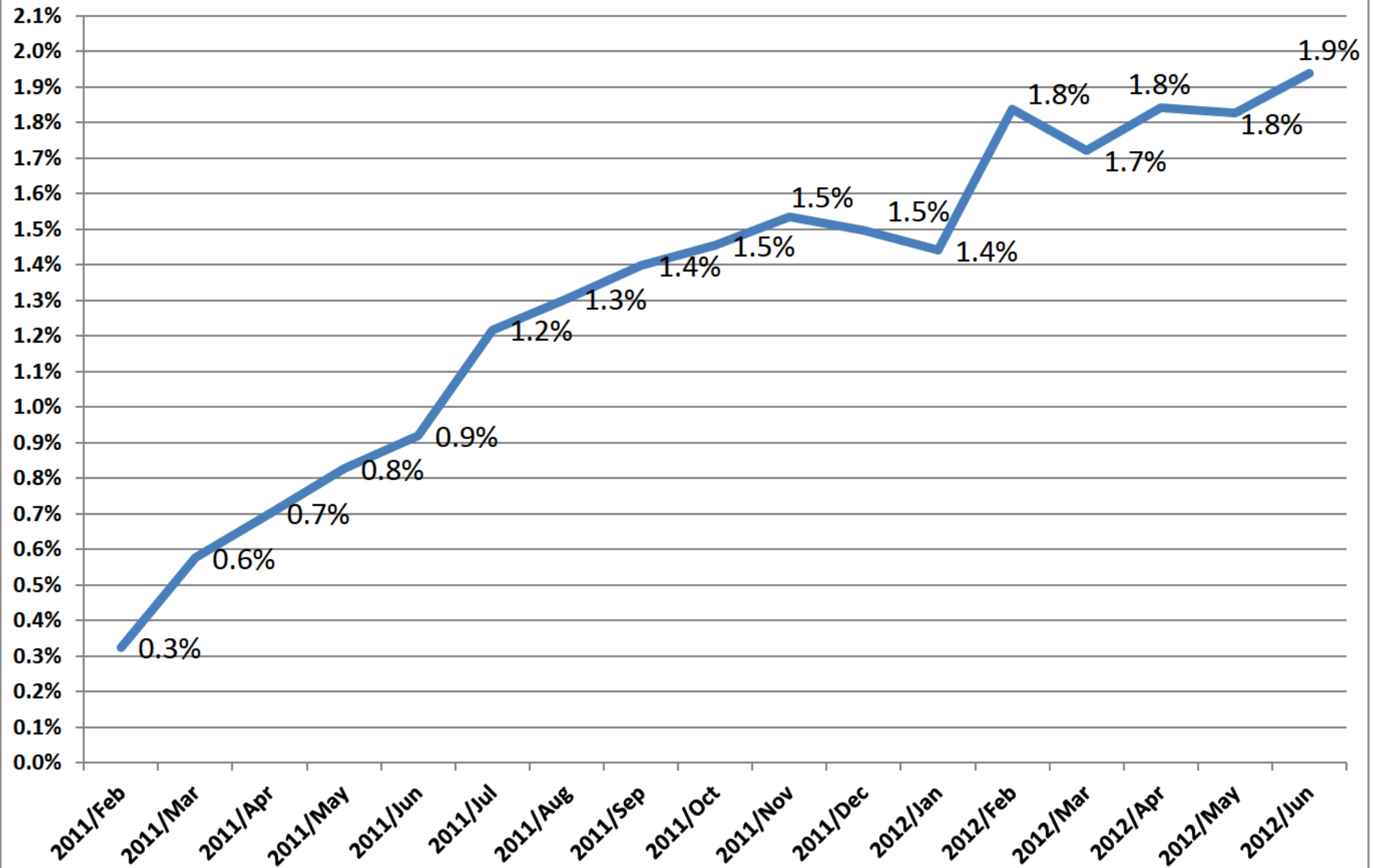


## Detailed Butrans Weekly Rx's (Source: IMS National Prescription Audit)



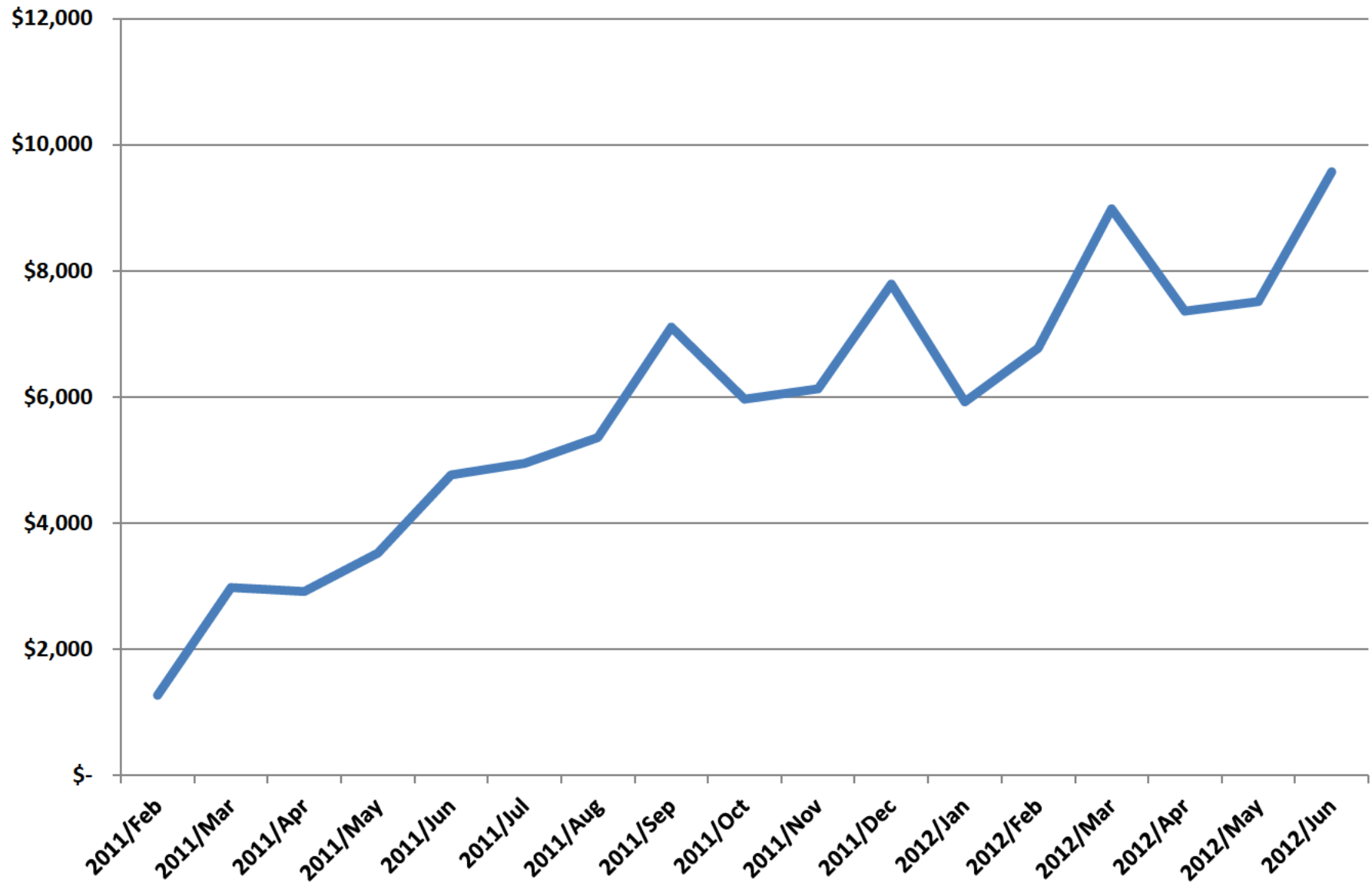
## Butrans US Dollar Share of the Extended Release Opioid Market

(Source: IMS National Sales Perspective; includes branded and generic opioids)





**Butrans monthly US Dollars Sold -- Wholesaler to Retailer --Excluding  
Jan Stocking** (source: IMS National Sales Perspective)



**To:** Sackler, Dr Richard [REDACTED]@pharma.com]  
**From:** Rosen, David (Sales and Marketing)  
**Sent:** Tue 8/21/2012 7:57:15 AM  
**Subject:** RE: Intermezzo=954; Butrans=9,179

Your inference is correct. However, this does not include benzodiazepines but does include trazodone.

David Rosen | Executive Director, Forecasting, Analytics and Market Research | Purdue Pharma | One  
Stamford Forum, Stamford CT 06901 | [REDACTED]@pharma.com

**Redacted**

**Redacted**

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**From:** Sackler, Dr Richard  
**Sent:** Tuesday, August 21, 2012 7:51 AM  
**To:** Rosen, David (Sales and Marketing)  
**Subject:** Re: Intermezzo=954; Butrans=9,179

So I infer that this is the share of all Rx's for sleeping drugs of all types, is that right?

---

**From:** <Rosen>, "David (Sales and Marketing)" <[REDACTED]@pharma.com>  
**Date:** Monday, August 20, 2012 3:41 PM  
**To:** "Richard S. Sackler" <[REDACTED]@pharma.com>  
**Subject:** RE: Intermezzo=954; Butrans=9,179

Hi, Dr. Richard. I just checked the share numbers again, and they are correct according to the data.

-David

David Rosen | Executive Director, Forecasting, Analytics and Market Research | Purdue Pharma | One  
Stamford Forum, Stamford CT 06901 | [REDACTED]@pharma.com

**Redacted**

**Redacted**

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**From:** Sackler, Dr Richard  
**Sent:** Monday, August 20, 2012 11:24 AM  
**To:** Rosen, David (Sales and Marketing)  
**Subject:** Re: Intermezzo=954; Butrans=9,179

Sorry, but are you sure of what you wrote below about Intermezzo. Our market share (of what) is below 0.1% market share? This is an amazingly poor result.

---

**From:** <Rosen>, "David (Sales and Marketing)" <[REDACTED]@pharma.com>  
**Date:** Monday, August 20, 2012 11:10 AM  
**To:** "Richard S. Sackler" <[REDACTED]@pharma.com>  
**Cc:** John Stewart <[REDACTED]@pharma.com>, "Gasdia, Russell" <[REDACTED]@pharma.com>, "Fisher, Windell" <[REDACTED]@pharma.com>, "Innaurato, Mike" <[REDACTED]@pharma.com>  
**Subject:** Intermezzo=954; Butrans=9,179

Hi, Dr. Richard. A new high for Intermezzo. Butrans is continuing the largely flat trend. I will follow later today with updated spreadsheets for you.

Butrans

Rx Increase from last week	2.1%
Share	1.82%
Share last week	1.78%

Intermezzo

Rx Increase from last week	21.5%
Share	0.072%
Share last week	0.057%

-David

David Rosen | Executive Director, Forecasting, Analytics and Market Research | Purdue Pharma | One  
Stamford Forum Stamford CT 06901 [REDACTED]@pharma.com

**Redacted**

**Redacted**

Message

**From:** Sackler, Dr Richard [REDACTED]  
**Sent:** 8/27/2012 9:40:08 AM  
**To:** PAULO COSTA [REDACTED]@me.com]  
**Subject:** Re: Phil

I love Lisbon.

So much like Europe circa 1950's rather than Europe today. I really love the Fado clubs, for the music and atmosphere if not the food.

---

**From:** Paulo Ferraz Costa <[REDACTED]@me.com>  
**Date:** Monday, August 27, 2012 9:09 AM  
**To:** "Richard S. Sackler" <[REDACTED]@pharma.com>  
**Subject:** Re: Phil

Hi Richard,  
We spent 4 days in Lisbon and now we are in Cascais for 3 days.  
So far we are enjoying it!

Best  
Paulo

On Aug 26, 2012, at 6:28 PM, "Sackler, Dr Richard" <[REDACTED]@pharma.com> wrote:

That's great.

Have a great trip. Where are you going or to be?

**From:** Paulo Ferraz Costa <[REDACTED]@me.com<mailto:[REDACTED]@me.com>>  
**Date:** Sunday, August 26, 2012 5:25 PM  
**To:** "Richard S. Sackler" <[REDACTED]@pharma.com<mailto:[REDACTED]@pharma.com>>  
**Subject:** Re: Phil

Hi Richard,

If I hear back from John, I'll let you know.

I did talk to John about switching the effort behind OxyContin. He was non-committal but I think he will examine that possibility.

I will be back in the US on Thursday. I'll give you a call when I'm back to see if anything transpired in the meantime.

Best regards

Paulo

On Aug 25, 2012, at 12:55 PM, "Sackler, Dr Richard" <[REDACTED]@pharma.com<mailto:[REDACTED]@pharma.com>> wrote:

Paulo,

Thank you so much.

I am interested to follow whether:

1. He re-engages with you for a follow conversation after his meetings.
2. What his ultimate decision is in the spectrum of choices from (pull the plug, cut sales force spend down by 75% or more, defer DTC spending and action now, all the way to full steam ahead)

3. When he decides this, will he give you the courtesy of calling and explaining his proposed action in this matter. He owes me a call as well, as I told him flatly that if I were the CEO of Purdue, I would not do the DTC and would eliminate about 85-95% of the sales force spending).

Do you agree that if either of us gets a follow up from John, we will advise the other?

Finally this brings me to the key question we discussed. Did you present switching the assignment of the sales force to OxyContin Tablets and what was his response to this? Again, same agreement about JHS engagement with either of us on this issue, too, although he doesn't owe me a response as I didn't make the suggestion.

Best wishes,

Richard

From: Paulo Ferraz Costa

<[REDACTED]@me.com<mailto:[REDACTED]@me.com><mailto:[REDACTED]@me.com>>

Date: Saturday, August 25, 2012 12:41 PM

To: "Richard S. Sackler"

<[REDACTED]@pharma.com<mailto:[REDACTED]@pharma.com><mailto:[REDACTED]@pharma.com>>

Subject: Re: Phil

Hi Richard,

I specifically told Stuart, that I was happy to leave as it was. If another B director wanted to reopen the discussion I would be happy to support it.

I did talk to John, he listened to what I had to say and said it was helpful, because he would be having two meetings with his team on Intermezzo. I told him I wouldn't do the DTC, for a couple of reasons:

- too low of a base of prescribers
- low likelihood of success
- additional cost of a 90 second commercial

Best

Paulo

On Aug 24, 2012, at 8:39 PM, "Sackler, Dr Richard"

<[REDACTED]@pharma.com<mailto:[REDACTED]@pharma.com><mailto:[REDACTED]@pharma.com>> wrote:

Two things...

1. Did you decide to call for a reconsideration of the Phil decision?
2. Did you call or see JHS this week about the Intermezzo field force and other matters?

Thanks.

The Flutiform launch conference was very good, professional and serious.

Surprisingly, I think there may be some marketing weaknesses in the offering as I found one major weakness, assuming that when I told them about it they weren't just agreeing with me because of, you know....

From: <Baker>, Chadbourne SDB

[REDACTED]@chadbourne.com<mailto:[REDACTED]@chadbourne.com><mailto:[REDACTED]@chadbourne.com><mailto:[REDACTED]@chadbourne.com>>

Date: Friday, August 24, 2012 7:22 PM

To: "Richard S. Sackler"

[REDACTED]@pharma.com<mailto:[REDACTED]@pharma.com><mailto:[REDACTED]@pharma.com><mailto:[REDACTED]@pharma.com>>

Cc: "Sackler, Dr Kathe"

[REDACTED]@pharma.com<mailto:[REDACTED]@pharma.com><mailto:[REDACTED]@pharma.com><mailto:[REDACTED]@pharma.com>>, mdas

[REDACTED]@pharma.com<mailto:[REDACTED]@pharma.com><mailto:[REDACTED]@pharma.com><mailto:[REDACTED]@pharma.com>>>, Judy Matk Lewent

<[REDACTED]@pharma.com<mailto:[REDACTED]@pharma.com><mailto:[REDACTED]@pharma.com><mailto:[REDACTED]@pharma.com>>>, Peter Boer  
<[REDACTED]@pharma.com<mailto:[REDACTED]@pharma.com><mailto:[REDACTED]@pharma.com><mailto:[REDACTED]@pharma.com>>>, Peter Boer  
<[REDACTED]@boer.org<mailto:[REDACTED]@boer.org><mailto:[REDACTED]@boer.org><mailto:[REDACTED]@boer.org>>>  
Subject: Re: Phil

# Redacted

Stuart

\*\*\*\*\*

Please consider the environment before printing this email.

----- Original Message -----

From: Sackler, Dr Richard [mailto:[REDACTED]@pharma.com]

Sent: Friday, August 24, 2012 06:37 PM

To: Baker, Stuart D.

Cc: Sackler, Dr Kathe

<[REDACTED]@pharma.com<mailto:[REDACTED]@pharma.com><mailto:[REDACTED]@pharma.com><mailto:[REDACTED]@pharma.com>>> mdas

<[REDACTED]@pharma.com<mailto:[REDACTED]@pharma.com><mailto:[REDACTED]@pharma.com><mailto:[REDACTED]@pharma.com>>> Lewent, Judy

<[REDACTED]@pharma.com<mailto:[REDACTED]@pharma.com><mailto:[REDACTED]@pharma.com><mailto:[REDACTED]@pharma.com>>> Boer, Peter

<[REDACTED]@pharma.com<mailto:[REDACTED]@pharma.com><mailto:[REDACTED]@pharma.com><mailto:[REDACTED]@pharma.com>>> Boer, Peter

<[REDACTED]@boer.org<mailto:[REDACTED]@boer.org><mailto:[REDACTED]@boer.org><mailto:[REDACTED]@boer.org>>>

Subject: Phil

# Redacted

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**To:** Sackler, Dr Richard [REDACTED]  
**Cc:** Stewart, John H. (US [REDACTED] Gasdia,  
Russell [REDACTED] Fisher [REDACTED]  
Windell [REDACTED] Innaurato,  
Mike [REDACTED]  
**From:** Rosen, David (Sales and Marketing)  
**Sent:** Mon 8/27/2012 11:24:31 AM  
**Subject:** RE: Intermezzo=977; Butrans=9,426

Hi, Dr. Richard. A new high for both Intermezzo and Butrans.

Butrans

Rx Increase from last week	2.7%
Share	1.86%
Share last week	1.82%

Intermezzo

Rx Increase from last week	2.4%
Share	0.071%
Share last week	0.072%

-David

David Rosen | Executive Director, Forecasting, Analytics and Market Research | Purdue Pharma | One  
Stamford Forum Stamford CT 06901 [REDACTED]@pharma.com [REDACTED]

**Redacted**

**To:** Sackler, Dr Richard [REDACTED]  
**Cc:** Stewart, John H. (US) [REDACTED] Gasdia,  
Russell [REDACTED] Fisher [REDACTED]  
Windel [REDACTED] Innaurato,  
Mike [REDACTED]  
**From:** Rosen, David (Sales and Marketing)  
**Sent:** Tue 9/4/2012 5:27:30 PM  
**Subject:** Intermezzo=967; Butrans=9,356

Hi, Dr. Richard. Basically unchanged from last week for both Intermezzo and Butrans. Will send Excel spreadsheets within the next couple of days.

Butrans

Rx Increase from last week	-0.7%
Share	1.86%
Share last week	1.86%

Intermezzo

Rx Increase from last week	-1.0%
Share	0.070%
Share last week	0.071%

-David

David Rosen | Executive Director, Forecasting, Analytics and Market Research | Purdue Pharma | One  
Stamford Forum Stamford CT 06901 [REDACTED]@pharma.com [REDACTED]

**Redacted**



Message

**From:** Baker, Stuart D. [REDACTED]  
**Sent:** 9/5/2012 2:08:31 PM  
**To:** Sackler, Dr Richard [REDACTED]  
**Subject:** REMINDER - 2013 U.S. Price Increase Recommendations  
**Attachments:** decisions.pdf; memo.pdf

Richard,

Please consider the attached Proposed Decisions originally circulated on Tuesday, August 21st.

Stuart

---

**From:** Baker, Stuart D.  
**Sent:** Tuesday, August 21, 2012 3:08 PM  
**To:** 'Sackler, Dr Raymond R'; 'Sackler, Beverly'; [REDACTED]@mdsackler.co.uk'; 'Sackler, Dr Richard'; 'Ilene Sackler-Lefcourt'; [REDACTED]@pharma.com'; 'Kathe Sackler'; [REDACTED]@pharma.com'; 'Sackler, Jonathan'; 'Sackler, Mortimer D.A.'; [REDACTED]@pharma.com'; 'F. Peter Boer'; 'Boer, Peter'; 'Lewent, Judy'; 'Pickett, Cecil'; 'Costa, Paulo'; [REDACTED]@pharma.com'  
**Cc:** 'Stewart, John H. (US)'; 'Mahony, Edward'; [REDACTED] Roncalli, Anthony  
**Subject:** 2013 U.S. Price Increase Recommendations

Tuesday, August 21, 2012

Dear All,

Herewith Proposed Decisions recommended by John Stewart regarding the following U.S. price increase recommendations:

1. Dilaudid® Oral Tablets and Liquid;
2. Dilaudid-HP® for Injection;
3. MS Contin®;
4. OxyContin® Tablets;
5. Intermezzo® Sublingual Tablets;
6. Butrans®;
7. Betadine®/BETASEPT® Hospital Products and Betadine® Veterinary Products.

Also attached for your information is the 2013 price increase recommendation summary memorandum together with the more detailed recommendation memorandums (with the exception of Intermezzo®).

Please let me have your decision regarding these 2013 price increase recommendations as soon as possible.

Stuart

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## PROPOSED DECISION

August \_\_, 2012

### U.S. Pricing Recommendation Dilaudid® -- Purdue Pharmaceutical Products L.P.

It is proposed that the following price increases be implemented for the following products:

<u>Product</u>	<u>Price Increase Percentage</u>	<u>Price Increase Date</u>
Dilaudid® Oral Tablets & Liquid	9.0%	November 1, 2012*
Dilaudid® Oral Tablets & Liquid	9.0%	May 1, 2013
Dilaudid® Oral Tablets & Liquid	9.0%	November 1, 2013

(Decision of the Board of Directors of Purdue Pharmaceutical Products Inc., as the general partner of Purdue Pharmaceutical Products L.P.)

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\* The previous price increase was 9.0% and occurred on May 1, 2012.

## PROPOSED DECISION

August \_\_, 2012

### U.S. Pricing Recommendation Dilaudid-HP® -- Purdue Pharmaceutical Products L.P.

It is proposed that the following price increase be implemented for the following products:

<u>Product</u>	<u>Price Increase Percentage</u>	<u>Price Increase Date</u>
Dilaudid-HP® for Injection	5.0%	July 1, 2013*

(Decision of the Board of Directors of Purdue Pharmaceutical Products Inc., as the general partner of Purdue Pharmaceutical Products L.P.)

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\* The previous price increase was 5.0% and occurred on July 3, 2012.

## PROPOSED DECISION

August \_\_, 2012

### U.S. Pricing Recommendation MS Contin® -- Purdue Pharma L.P.

It is proposed that the following price increases be implemented for the following products:

<b>Product</b>	<b>Price Increase Percentage</b>	<b>Price Increase Date</b>
MS Contin® Tablets (all strengths)	8.0%	November 1, 2012*
MS Contin® Tablets (all strengths)	8.0%	May 1, 2013
MS Contin® Tablets (all strengths)	8.0%	November 1, 2013

(Decision of the Board of Directors of Purdue Pharma Inc., as the general partner of Purdue Pharma L.P.)

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\* The previous price increase was 8.0% and occurred on May 1, 2012.

## PROPOSED DECISION

August \_\_, 2012

### U.S. Pricing Recommendation OxyContin® -- Purdue Pharma L.P.

It is proposed that the following price increase be implemented for the following products:

<u>Product</u>	<u>Price Increase Percentage</u>	<u>Price Increase Date</u>
OxyContin® Tablets (all strengths)	5.5%	January 1, 2013*

(Decision of the Board of Directors of Purdue Pharma Inc., as the general partner of Purdue Pharma L.P.)

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\* The previous price increase was 5.0% and occurred on March 1, 2012.

## PROPOSED DECISION

August \_\_, 2012

### U.S. Pricing Recommendation Intermezzo® -- Purdue Pharmaceutical Products L.P.

It is proposed that the following price increase be implemented for the following product:

<u>Product</u>	<u>Price Increase Percentage</u>	<u>Price Increase Date</u>
Intermezzo® Sublingual Tablets	7.0%	February 1, 2013*

(Decision of the Board of Directors of Purdue Pharmaceutical Products Inc., as the general partner of Purdue Pharmaceutical Products L.P.)

---

\* This will be the first price increase since Intermezzo® was launched.

## PROPOSED DECISION

August \_\_, 2012

### U.S. Pricing Recommendation Butrans<sup>®</sup> -- Purdue Pharma L.P.

It is proposed that the following price increase be implemented for the following products:

<u>Product</u>	<u>Price Increase Percentage</u>	<u>Price Increase Date</u>
Butrans <sup>®</sup> (all strengths)	10.0%	February 1, 2013*

(Decision of the Board of Directors of Purdue Pharma Inc., as the general partner of Purdue Pharma L.P.)

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\* The previous price increase was 6.0% and occurred on February 1, 2012.



## PROPOSED DECISION

August \_\_, 2012

### U.S. Pricing Recommendations Betadine®/BETASEPT® -- Purdue Products L.P.

It is proposed that the following price increase be implemented for the following products:

Product	Price Increase Percentage	Price Increase Date
Betadine®/BETASEPT® Hospital Products	5.0%	March 1, 2013*
Betadine® Solution - Gallon	25.0%	March 1, 2013
Betadine® Solution - 16 oz.	20.0%	March 1, 2013
Betadine® Solution - 32 oz.	15.0%	March 1, 2013
Betadine® Surgical Scrub - 32 oz.	20.0%	March 1, 2013
Betadine® Surgical Scrub - Gallon	10.0%	March 1, 2013
Betadine® Veterinary Products	10.0%	March 1, 2013

(Decision of the Board of Directors of Purdue Products Inc., as the general partner of Purdue Products L.P.)

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\* The previous price increase was 5.0% and occurred on April 23, 2012.

# MEMORANDUM

Purdue Pharma L.P.  
One Stamford Forum  
Stamford, Connecticut 06901  
Tel: [REDACTED]  
Fax: [REDACTED]

TO: R. Gasdia

FROM: M. Innaurato

SUBJECT: 2013 Price Increase Recommendations

DATE: August 8, 2012

## STRICTLY CONFIDENTIAL

Product Management is recommending the following price increases for the remainder of 2012 and all of 2013 (products not listed in the chart below are currently not recommending a price increase during this time period):

	PROPOSED INCREASE		PREVIOUS INCREASE		\$ IMPACT ON 2013 NET SALES BASED ON 2012 MID- YEAR UPDATE
PRODUCT	INCREASE	EFFECTIVE DATE	INCREASE	EFFECTIVE DATE	
* Assumes no impact of price change on unit sales					
Dilaudid® Oral Tablets & Liquid	9.0% 9.0% 9.0%	November 1, 2012 May 1, 2013 November 1, 2013	9.0%	May 1, 2012	\$1.1MM
Dilaudid-HP® for Injection	5.0%	July 1, 2013	5.0%	July 3, 2012	
MS Contin® Tablets	8.0% 8.0% 8.0%	November 1, 2012 May 1, 2013 November 1, 2013	8.0%	May 1, 2012	\$694,000
OxyContin® Tablets	5.5%	January 1, 2013	5.0%	March 1, 2012	\$112.3MM
Intermezzo® Sublingual Tablets	7.0%	February 1, 2013	-	-	DETAILS TO FOLLOW
Butrans® Transdermal System	10.0%	February 1, 2013	6.0%	February 1, 2012	\$9.7MM
Betadine®/BETASEPT® Hospital Products Betadine Solution – Gallon Betadine Solution – 16 oz. Betadine Solution – 32 oz. Betadine Surgical Scrub – 32 oz. Betadine Surgical Scrub – Gallon	5.0% 25.0% 20.0% 15.0% 20.0% 10.0%	March 1, 2013	5.0%	April 23, 2012	\$392,200
Betadine Veterinary Products	10.0%	March 1, 2013	5.0%	April 23, 2012	\$64,700

Details supporting these recommendations are attached (with the exception of Intermezzo, which will be forthcoming). If you have any questions in this regard, please let me know.

cc: [REDACTED], C. Mason

Attachments

# MEMORANDUM

Purdue

One Stamford Forum  
Stamford, Connecticut 06901

Tel: [REDACTED]

Fax: [REDACTED]

TO: [REDACTED]

FROM: [REDACTED]

SUBJECT: Dilaudid® Price Increase Recommendation

DATE: August 8, 2012

STRICTLY CONFIDENTIAL

## A. DILAUDID ORAL TABLETS & ORAL LIQUID

### Recommendation:

We confirm the recommendation for a second, 9% increase in November 2012 (the first increase occurring in May 2012). This is based on the fact that no substantial market events have occurred and the assumptions made at the time of the initial recommendation continue to hold true.

Additionally, we recommend two, 9% price increases for all Dilaudid® Oral Tablets & Oral Liquid strengths effective May 1, 2013, and November 1, 2013.

### Dollar Impact on Net Sales:

- The 9% price increases on Dilaudid® Oral Tablets & Oral Liquid will have a positive impact on net sales of \$1.1MM dollars when compared to the 2012 Mid-Year Update sales as presented to the Board of Directors in June of 2012.

### Rationale:

- This increase is in line with the historical average price increases for branded products in the relevant market (8.8% and 8.2 months), as shown in the chart below.

**Branded Competition: Frequency & Amount of Price Increase**  
(Average of the WAC pricing history for a product over last 10 price changes)

	Average Frequency (months)	Average Price Increase	Average Annualized Increase*	Most Recent Price Increase
Dilaudid (oral)	6.7	6.8%	12.2%	7.0% (Nov. '11)
Nucynta	8.3	6.8%	9.8%	7.5% (Jul. '11)
Opana ER	11.1	5.5%	6.0%	4.9% (Jan. '12)
Roxicodone	8.3	7.6%	11.0%	5.0% (Jan. '11)
Percocet	6.6	9.2%	16.8%	9.9% (Apr. '11)
Fentora	7.5	10.8%	17.3%	15.0% (Oct. '11)
Vicodin	10.3	10.3%	12.0%	9.9% (Jan '12)
Actiq	6.5	13.1%	24.0%	10.0% (Jan. '12)

Source: Wolters Kluwer PriceRx Price per mg file dated 3-2-12

**B. DILAUDID-HP®****Recommendation:**

We recommend a 5% price increases for all Dilaudid-HP SKUs effective July 1, 2013.

**Dollar Impact on Net Sales:**

- The 5% price increase for Dilaudid-HP SKUs will have a positive impact on net sales of \$52K when compared to the 2012 Mid-Year Update sales as presented to the Board of Directors in June of 2012.

**ASP Reimbursement Background:**

- The injectable product market differs from the oral product market due to the use of Average Selling Price (ASP) as the basis for reimbursement in physician offices, clinics, home health, and home infusion areas.
- Reimbursement in these markets is at ASP+6%.
- The reimbursement metric, ASP, is published by the Center for Medicaid and Medicare Services based on data submitted by brand and generic manufacturers.
- It is the weighted average price of all products in a particular class:
  - For Dilaudid – all hydromorphone injectables (brand and generic, HP and non-HP) are converted to a 4 mg standard.
- We have developed a model to show impact of price changes on ASP and reimbursement for Dilaudid injectables (see **Dilaudid-HP Pricing Model, below**).

**Rationale:**

- A 5% increase will not adversely impact the reimbursement for the HP products, see pricing model below (reimbursement will still be greater than purchase price).
- Higher price increases cut the available margin on some NDCs too low and may ultimately result in reimbursement being less than the cost paid to the wholesaler.

**Dilaudid-HP Pricing Model with 5% Price Increase - no change in Contract Concession**

DESCRIPTION	NDC	WAC effective July 1 <sup>st</sup> 2012	Proposed WAC	Estimated CMS Published ASP	Reimbursement = ASP+6%	Hospital/ Staff Model Contract Price	Home Health/Home Infusion Contract Price, O/P Pharmacy	Diff b/t Reimb. & WAC	Diff b/t Reimb. & Contract
DILAUD10MG/ML HP1	59011-0445-01	\$41.99	\$44.09	<b>\$42.65</b>	\$45.21	\$41.88	\$41.88	\$3.22	\$3.32
DILAUD10MG/ML HP5	59011-0445-05	\$199.41	\$209.38	<b>\$213.25</b>	\$226.05	\$198.91	\$198.91	\$26.64	\$27.13
DILAUD10MG/MLHP51	59011-0445-50	\$204.90	\$215.14	<b>\$213.25</b>	\$226.05	\$204.38	\$204.38	\$21.15	\$21.66
DILAU250MGLPHP30L	59011-0446-25	\$105.47	110.75	<b>\$106.63</b>	\$113.02	\$105.47	\$105.47	\$7.55	\$7.55

**C. DILAUDID® AMPULES****Recommendation:**

We do not recommend a price increase for Dilaudid Ampules in 2013.

**Dollar Impact on Net Sales:**

There is no impact on dollar sales as the 10-Year Plan did not include a price increase for the Amp SKUs.

**Rationale:**

- This product is also governed by ASP reimbursement in physician offices, clinics, home health, and home infusion areas
- Currently, the reimbursement for these SKUs is based on an ASP that is less than our WAC price and our contract price for the ampule products. Our contracted price for the 4 mg/ml ampule is the only exception.
- Increasing the price will only widen the gap between reimbursement and cost. Institutions lose approximately \$1-13 dollars on each branded Dilaudid ampule purchased (**see Dilaudid Ampules Pricing Model below**).

**Dilaudid Ampules Pricing Model with no Price Increase**

DESCRIPTION	NDC	WAC effective July 1 <sup>st</sup> 2012	Estimated CMS Published ASP	Reimbursement = ASP+6%	Hospital/ Staff Model Contract Price	Home Health/Home Infusion Contract Price, O/P Pharmacy	Diff b/t Reimb. & WAC	Diff b/t Reimb. & Contract
Dilaudid® AMP 1mg/ml	59011-0441-10	\$13.67	<b>\$4.27</b>	\$4.52	\$10.26	\$10.67	-\$9.15	-\$6.15
Dilaudid® AMP 2mg/ml	59011-0442-10	\$15.07	<b>\$8.53</b>	\$9.04	\$11.31	\$11.77	-\$6.03	-\$7.73
Dilaudid® AMP 2mg/ml	59011-0442-25	\$35.87	<b>\$21.33</b>	\$22.60	\$26.93	\$28.01	-\$13.27	-\$5.41
Dilaudid® AMP 4mg/ml	59011-0444-10	\$18.25	<b>\$17.06</b>	\$18.08	\$13.71	\$14.25	-\$0.17	\$3.83

**D. IMPACT ON PROFIT CONTRIBUTION**

With two 9% price increases on Dilaudid® Oral Tablets & Oral Liquid and a 5% price increase for Dilaudid HP, net sales will increase by approximately \$1.1 MM. The detail is listed below.

<b><u>Dollar Impact on 2013 Net Sales Based on 2012 Mid-Year Update</u></b>				
(\$000)	2012 Mid Year Update <sup>(1)</sup>	Price Increase Proposal <sup>(2)</sup>	Variance	Comments
Gross Sales	\$ 24,654.1	\$ 25,899.7	\$ 1,245.7	Impact based on 2012 Mid Year Update.
Fee For Service	(232.2)	(263.9)	(31.7)	Calculated based on existing contracts. Includes credit to FFS Expense for inventory held at time of price increase.
Sales Discounts	(517.7)	(543.9)	(26.2)	2.1% Prompt Pay Discount, excludes amounts for Returns reserves, GPO Admin Fees, and VCB Accrual.
Rebates	(1,030.3)	(1,082.4)	(52.1)	
Net Sales	<u>\$ 22,873.8</u>	<u>\$ 24,009.6</u>	<u>\$ 1,135.8</u>	

Note:

(1) As presented to Board of Directors June 2012.

(2) Reflects 9.0% price increase of Tablets and Oral Liquid as of May 1, 2013 and November 1, 2013.

Reflects 5.0% price increase of HP as of July 1, 2013.

**E. CPI-U DATA:**

- January 2012 CPI for prescription drugs percent change from January 2011 was 3.2%<sup>1</sup>
- January 2012 CPI for all items percent change from January 2011 was 2.9%<sup>2</sup>

<sup>1</sup> US Bureau of Labor Statistics; <http://www.bls.gov/cpi/cpid1106.pdf>

<sup>2</sup> US Bureau of Labor Statistics; <http://www.bls.gov/cpi/cpid1106.pdf>

# MEMORANDUM

Purdue

One Stamford Forum  
Stamford, Connecticut 06901  
Tel: [REDACTED]  
Fax: [REDACTED]

TO: [REDACTED]

FROM: [REDACTED]

SUBJECT: MS Contin® Price Increase Recommendation

DATE: August 8, 2012

STRICTLY CONFIDENTIAL

## Recommendation:

We confirm the recommendation of a second, 8% increase in November 2012 (the first increase occurring in May 2012). This is based on the fact that no substantial market events have occurred and the assumptions made at the time of the initial recommendation continue to hold true.

We recommend two (2), 8% price increases for all MS Contin strengths effective May 1, 2013, and November 1, 2013.

## Dollar Impact on Net Sales:

- The 8% price increases will have a positive impact on net sales of \$694 thousand dollars when compared to the 2012 Mid-Year Update sales as presented to the Board of Directors in June of 2012.

## Rationale:

- This recommendation is based on the more aggressive price increases for comparable products with similar frequency (Kadian most specifically)
  - Kadian's Average increase is 7.7% but the most recent was only 5% (also 6 months apart)
  - Slightly more aggressive than the market in total average increase (16% compared to ~10%)

## **Branded Competition: Frequency & Amount of Price Increase** *(Average of the WAC pricing history for a product over last 10 price changes)*

	Average Frequency (months)	Average Price Increase	Average Annualized Increase*	Most Recent Price Increase
MS Contin	9.9	7.8%	9.4%	8.0% (Dec. '11)
Avinza	10.4	7.7%	8.8%	5.0% (Jan. '12)
Kadian	6.5	7.3%	13.5%	5.0% (Aug. '11)
Oramorph SR	6.6	15.3%	28.1%	10.0% (Jan. '09)
OxyContin	10.1	5.9%	7.0%	5.0% (Mar. '12)
Opana ER	11.1	5.5%	6.0%	4.9% (Jan. '12)
Exalgo	11.5	7.0%	7.3%	7.0% (Feb. '12)
Cymbalta	8.4	7.5%	10.7%	9.1% (Dec. '11)
Flector	8.0	5.4%	8.1%	5.0% (Jan. '12)
Lyrica	9.6	6.9%	8.6%	9.0% (Jan. '12)
Celebrex	11.1	6.2%	6.7%	9.0% (Jan. '12)
Lidoderm	9.3	5.1%	6.6%	4.9% (Jan. '12)
Duragesic	9.4	6.4%	8.2%	9.9% (Jan. '12)

Source: Wolters Kluwer PriceRxPrice per mg\_file dated 8-31-11

- The price per morphine milligram for MS Contin<sup>®</sup> is lower than the morphine branded products, as shown below.

Product	WAC Price/mg (Average)	Recommend May Increase	Recommended November Increase
Avinza	\$0.134		
Kadian	\$0.208		
MS Contin	\$0.090	\$ 0.097	\$ 0.105
Oramorph SR	\$0.070		

Source: Wolters Kluwer PriceRx Price per mg\_file dated 3-2-12

### **Impact on Profit Contribution:**

With two 8% price increases, net sales will increase by approximately \$694 thousand dollars. The detail is listed below.

### **Dollar Impact on 2013 Net Sales Based on 2012 Mid-Year Update**

(\$000)	2012 Mid Year Update <sup>(1)</sup>	Price Increase Proposal <sup>(2)</sup>	Variance	Comments
Gross Sales	\$ 11,547.1	\$ 12,329.2	\$ 782.1	Impact based on 2012 Mid Year Update.
Fee For Service	52.2	32.3	(19.9)	Calculated based on existing contracts. Includes credit to FFS Expense for inventory held at time of price increase.
Sales Discounts	(242.5)	(258.9)	(16.4)	2.1% Prompt Pay Discount, excludes amounts for Returns reserves, GPO Admin Fees, and VCB Accrual.
Rebates	(772.1)	(824.4)	(52.3)	
Net Sales	\$ 10,584.7	\$ 11,278.2	\$ 693.5	

Note:

(1) As presented to Board of Directors June 2012.

(2) Reflects 8.0% price increase as of May 1, 2013 and November 1, 2013.

### **CPI-U Data:**

- January 2012 CPI for prescription drugs percent change from January 2011 was 3.2%<sup>1</sup>
- January 2012 CPI for all items percent change from January 2011 was 2.9%<sup>2</sup>

<sup>1</sup> US Bureau of Labor Statistics; <http://www.bls.gov/cpi/cpid1106.pdf>

<sup>2</sup> US Bureau of Labor Statistics; <http://www.bls.gov/cpi/cpid1106.pdf>



# MEMORANDUM

Purdue Pharma L.P.  
One Stamford Forum  
Stamford, Connecticut 06901  
Tel: [REDACTED]  
Fax: [REDACTED]

TO: M. Innaurato

FROM: [REDACTED]

SUBJECT: OxyContin® (oxycodone HCL controlled-release) Tablets  
Price Increase Recommendation for 2013

DATE: August 8, 2012

## STRICTLY CONFIDENTIAL

### Recommendation:

- We recommend a 5.5% price increase for all OxyContin® Tablet strengths effective January 1, 2013. The previous price increase was 5% and occurred on March 1, 2012

### Dollar Impact on Net Sales:

- The 5.5% price increase will have a positive impact on net sales of \$112.3MM dollars when compared to the 2012 Mid-Year Update sales as presented to the Board of Directors in June of 2012.

### Rationale for Recommendation Include:

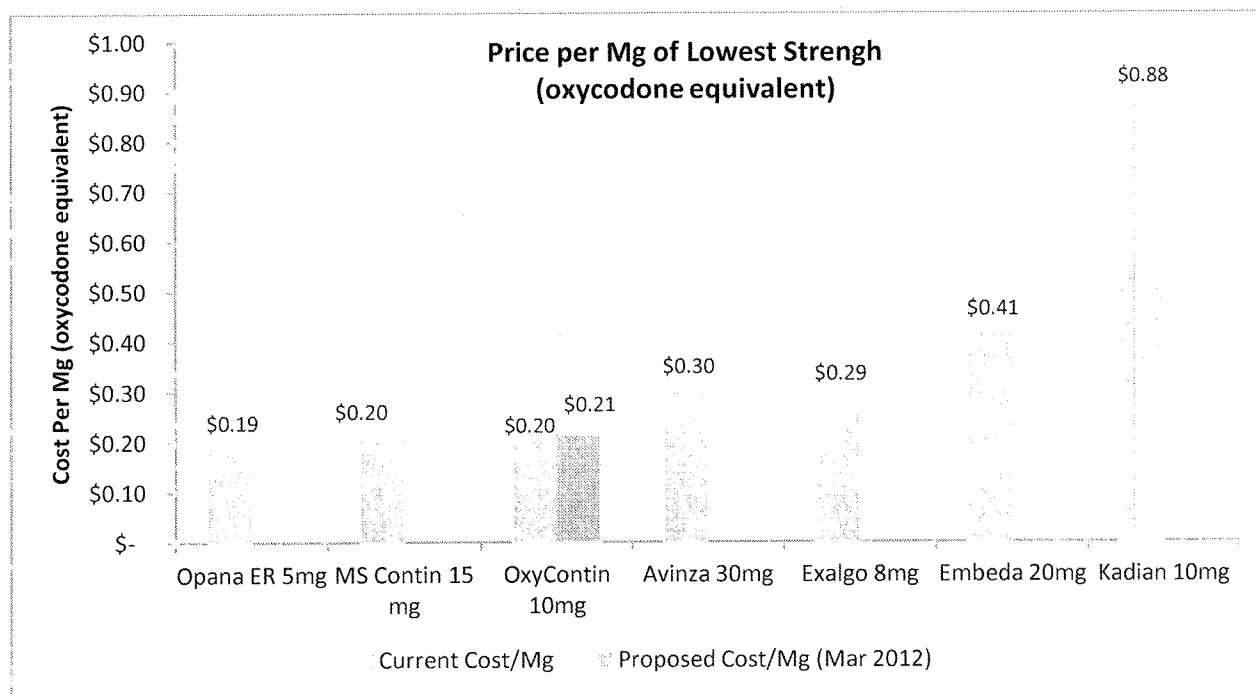
- This increase is less than the historical average price increases for branded products in the relevant market (6.5% and 10.8 months), as shown in bold in the chart below<sup>1</sup>.
- The advent of price protection with managed care partners and the potential for negative payor reaction on increases beyond 6% per year are the primary drivers of the recommendation of a 5.5% increase.

**Branded Competition: Frequency & Amount of Price Increase**  
(Average of the WAC pricing history for a product over last 10 price changes)

	Average Frequency (months)	Average Increase	Average Annualized Increase	Most Recent Increase
OxyContin	10.1	5.9%	7.0%	5.0% (Mar. '12)
Opana ER	11.1	5.5%	6.0%	4.9% (Jan. '12)
Avinza	9.6	7.9%	9.9%	9.0% (Jul. '12)
Kadian	6.3	7.2%	13.7%	5.0% (Apr. '12)
Embeda	16.0	5.5%	4.1%	5.5% (Jan. '11)
Exalgo	11.5	7.0%	7.3%	7.0% (Feb. '12)
Cymbalta	8.1	7.6%	11.3%	9.0% (Jun. '12)
Flector	8.0	6.0%	9.0%	9.0% (Jul. '12)
Lyrica	9.2	7.1%	9.3%	9.0% (Jul. '12)
Celebrex	10.6	6.4%	7.3%	9.0% (Jul. '12)
Lidoderm	9.1	5.1%	6.6%	5.0% (Aug. '12)

<sup>1</sup> Wolters Kluwer PriceRx LA Opioid WAC Pricing History\_file dated 3-2-12

- The branded long-acting opioid products were converted to oxycodone milligram equivalents based on OxyContin® FPI conversion factors\*\*. When comparing the price per oxycodone milligram across all branded products, OxyContin is slightly lower than the morphine branded products. The proposed price increase of 5.5% in January would keep OxyContin® lower than the branded long-acting morphine products, which captures a much smaller market share, as shown below.<sup>2</sup>



\*\* While no conversion factor is listed in the OxyContin FPI, Opana lists as being two times as potent as OxyContin®.

### Impact on Profit Contribution:

With a 5.5% price increase, OxyContin net sales will increase by approximately \$112.3 MM. The detail is listed below.

<b>Dollar Impact on 2013 Net Sales Based on 2012 Mid-Year Update</b>				
(\$MM)	2012	Price Increase		Comments
	Mid Year Update <sup>(1)</sup>	Proposal <sup>(2)</sup>	Variance	
Gross Sales	\$ 2,737.3	\$ 2,887.9	\$ 150.6	Impact based on 2012 Mid Year Update.
Fee For Service	{62.3}	{65.0}	(2.7)	Calculated based on existing contracts. Includes credit to FFS Expense for inventory held at time of price increase.
Sales Discounts	{57.5}	{60.6}	(3.2)	2.1% Prompt Pay Discount, excludes amounts for Returns reserves, GPO Admin
Savings Card Expense	{19.9}	{19.9}	-	Fees, and VCB Accrual.
Rebates	{589.3}	{621.7}	(32.4)	Assumes same level as 2012
Net Sales	\$ 2,008.4	\$ 2,120.7	\$ 112.3	

Note:

(1) As presented to Board of Directors June 2012.

(2) Reflects 5.5% price increase as of January 1, 2013.

<sup>2</sup> Wolters Kluwer PriceRx Price per mg\_file dated 8-31-11

**CPI-U Data:**

- In June 2012, the unadjusted CPI-U for **All Items** increased 1.7%<sup>3</sup> since June 2011.
- In June 2012, the unadjusted CPI-U for **Medical Care Services** increased 4.3%<sup>3</sup> since June 2011.
- In June 2012, the unadjusted CPI-U for **Medical Care Commodities, including Prescription Drugs, Nonprescription Drugs, and Medical Supplies** increased 2.9%<sup>3</sup> since June 2011.

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<sup>3</sup> US Bureau of Labor Statistics; <http://www.bls.gov/news.release/pdf/cpi.pdf>

# MEMORANDUM

Purdue Pharma L.P.  
One Stamford Forum  
Stamford, Connecticut 06901  
Tel: [REDACTED]  
Fax: [REDACTED]

TO: M. Innaurato

FROM: [REDACTED]

SUBJECT: Butrans<sup>®</sup> (buprenorphine) Transdermal System  
Price Increase Recommendation for 2013

DATE: August 8, 2012

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## STRICTLY CONFIDENTIAL

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### Recommendation:

- We recommend a 10% price increase for all Butrans dosage strengths effective February 1, 2013.

### Dollar Impact on Sales:

- The 10% price increase will have a positive impact of \$9.7MM dollars on 2013 net sales when compared to the 2012 Mid-Year Update sales as presented to the Board of Directors in June of 2012.

### Rationale for Recommendation Include:

- This 10% increase in line with most recent price increase on two competitive products Duragesic and Ultram ER, as shown in bold in the chart below.
- Butrans average daily cost is currently one of the lowest among all branded Extended Release Opioids.

### Competition:

- This increase is in line with recent price increases for branded products in market as shown in the chart below.
- The advent of price protection with managed care partners and the potential for negative payor reaction on increases beyond 6% per year are felt to be minimal given Butrans current commercial coverage status.
- Butrans will be priced competitively compared to other branded extended release opioid competitors on WAC per Day basis using an approximate morphine equivalents estimation.

**Branded Competition: Frequency & Amount of Price Increase**  
*(Average of the WAC pricing history for a product over last 10 price changes)*

	Average Frequency (months)	Average Increase	Average Annualized Increase	Most Recent Increase
<b>Butrans</b>	<b>13</b>	<b>6.0</b>	<b>6.0</b>	<b>6.0, Feb 2012</b>
OxyContin	10.1	5.9%	7.0%	5.0% (Mar. '12)
Opana ER	11.1	5.5%	6.0%	4.9% (Jan. '12)
Avinza	9.6	7.9%	9.9%	9.0% (Jul. '12)
Kadian	6.3	7.2%	13.7%	5.0% (Apr. '12)
Embeda	16.0	5.5%	4.1%	5.5% (Jan. '11)
Exalgo	11.5	7.0%	7.3%	7.0% (Feb. '12)
Duragesic	9.4	6.4%	8.2%	9.9% (Jan. '12)
Percocet	6.8	8.7%	15.4%	9.9% (Apr. '12)
Vicodin	10.3	10.3%	12.0%	9.9% (Jan '12)
Actiq	6.5	13.1%	24.0%	10.0% (Jan. '12)
Cymbalta	8.1	7.6%	11.3%	9.0% (Jun. '12)
Flector	8.0	6.0%	9.0%	9.0% (Jul. '12)
Lyrica	9.2	7.1%	9.3%	9.0% (Jul. '12)
Celebrex	10.6	6.4%	7.3%	9.0% (Jul. '12)
Lidoderm	9.1	5.1%	6.6%	5.0% (Aug. '12)

Source: Wolters Kluwer PriceRx LA Opioid WAC Pricing History\_file dated 3-2-12

- The price per unit for Butrans is significantly higher than the other branded products because only one Butrans is dosed once every seven days. On a WAC per Day basis it appears Butrans is underpriced relative to the competition.

Product	WAC/Unit	WAC Price/mg	WAC per Day
Nucynta ER 50mg	2.55	0.05	5.10
Nucynta ER 100mg	4.71	0.05	9.42
Avinza 30mg	4.54	0.15	4.54
Avinza 45mg	6.73	0.15	6.73
Avinza 60mg	8.82	0.15	8.82
OxyContin 10mg	2.02	0.20	4.04
OxyContin 15mg	3.03	0.20	6.06
Embeda 20mg	4.15	0.21	4.15/8.30
Embeda 30mg	4.51	0.15	4.51/9.02
Embeda 50mg	7.54	0.15	7.54/15.08
Embeda 60mg	9.02	0.15	9.02/18.04
Opana ER 5mg	1.89	0.38	3.78
Kadian 10mg	4.21	0.42	4.21
Exalgo 8mg	9.16	1.14	9.16
Duragesic 12.5mcg/hour	19.70	15.76	6.57
Duragesic 25 mcg/hour	23.78	18.91	7.93
Ultram ER 100 mg	4.47	0.045	4.47
Ultram ER 200 mg	7.40	0.037	7.40
Ultram ER 300 mg	10.32	0.034	10.32
Butrans 5 mcg/hour*	33.59	6.68	4.77
Butrans 10 mcg/hour*	50.09	5.01	7.16
Butrans 20 mcg/hour*	88.67	4.43	12.67

Source: Wolters Kluwer PriceRx LA Opioid WAC Pricing History\_file dated 3-2-12

\*Calculated by dividing WAC/Unit by mg strength (5, 10 and 20 respectively)

**Impact on 2013 Sales:**

With a 10.0% price increase, 2013 Butrans net sales will increase by approximately \$9.7 MM. The detail is listed below.

<b><u>Dollar Impact on 2013 Net Sales Based on 2012 Mid-Year Update</u></b>				
(S000)	2012 Mid Year Update <sup>(1)</sup>	Price Increase Proposal <sup>(2)</sup>	Variance	Comments
Gross Sales	\$ 135,808.2	\$ 148,257.3	\$ 12,449.1	Impact based on 2012 Mid Year Update.
Fee For Service	(3,131.9)	(3,182.3)	(50.4)	Calculated based on existing contracts. Includes credit to FFS Expense for inventory held at time of price increase.
Sales Discounts	(2,852.0)	(3,113.4)	(261.4)	2.1% Prompt Pay Discount, excludes amounts for Returns reserves, GPO Admin Fees, and VCB Accrual.
Savings Card Expense	(9,671.4)	(9,671.4)	-	Assumes same level as 2012
Rebates	(9,860.9)	(12,305.4)	(2,444.4)	Proposal includes increase in rebate rates due to price protection contracts
Net Sales	<u>\$ 110,291.9</u>	<u>\$ 119,984.8</u>	<u>\$ 9,692.8</u>	

Note:

(1) As presented to Board of Directors June 2012.

(2) Reflects 10% price increase as of February 1, 2013.

**CPI-U Data:**

- In January 2012, the unadjusted CPI-U, U.S. City Average. All Items increased 2.9% since January 2011.
- The unadjusted CPI-U for medical care in January 2012 was up 3.6% from last year, while the percentage change for medical care commodities, including prescription drugs, nonprescription drugs, and medical supplies was up 3.2% during the same period (Source: United States Department of Labor Statistics).

# MEMORANDUM

**Purdue**

One Stamford Forum  
Stamford, Connecticut 06901  
Tel: [REDACTED]  
Fax: [REDACTED]

**TO:** M. Innaurato

**FROM:** Gary Bock

**SUBJECT:** Betadine®/BETASEPT® Hospital Products  
Price Increase Recommendation

**DATE:** August 8, 2012

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**STRICTLY CONFIDENTIAL**

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**Recommendation:**

We recommend a 5% price increase for Betadine/BETASEPT Products with the exception of Betadine Solution Gallon (+25%), Betadine Solution 16 oz./Betadine Surgical Scrub 32 oz. (+20%), Betadine Solution 32 oz. (+15%) and Betadine Surgical Scrub Gallon (+10%) beginning March 1, 2013.

The main reason for this increase is based on the increase in cost of goods due to an increase in contract manufacturing and shipping. The bid price will also be increased to strengthen the profitability of this brand along with covering cost of goods increase.

**Dollar Impact on Net Sales:**

The proposed price increases will have a positive impact on net sales of \$392 thousand dollars when compared to the 2012 Mid-Year Update sales as presented to the Board of Directors in June of 2012. This price increase will be reflected in direct and contract pricing.

Maintaining current distribution and customer loyalty is the main objective throughout 2012-2013.

**Rationale:**

- PVP-I and CHG Hospital products are considered commodity products and face heavy generic and private label competition.
- Betadine and BETASEPT products are currently priced at a premium supported by the brand heritage.
- The use of branded Betadine products within the hospital and physician setting help support the sales of the OTC product line which is significantly more profitable.

**Previous Increase:**

- A 5% price increase was implemented April 23, 2012, on Betadine and BETASEPT Hospital Products.

**Competition:**

- PhisoHex WAC went up +10%. Hibiclens remained the same.

**Branded Competition  
Price Increase 2012 vs. 2011**

	UPC Code	2011 WAC	% Chg	2012 WAC (as of 8/7/12)	% Chg
<b>Betadine Solution (Hospital Use)</b>					
0.5oz (14.8ml)	67618-0150-05	\$ 1.02	5%	\$ 1.07	5%
4oz	67618-0150-04	\$ 1.28	5%	\$ 1.34	5%
8oz	67618-0150-09	\$ 2.22	5%	\$ 2.33	5%
16oz	67618-0150-17	\$ 3.13	5%	\$ 3.29	5%
32oz (948ml)	67618-0150-32	\$ 6.50	5%	\$ 6.83	5%
128oz - Gallon	67618-0150-01	\$ 21.78	5%	\$ 22.87	5%
<b>Betadine Solution SwabAid Pads (Hospital Use)</b>					
10 boxes of SwabAid Pads	67618-0152-01	\$ 53.40	5%	\$ 56.07	5%
<b>Betadine Solution Swabstick (Hospital Use)</b>					
200ct of 1 Swabstick	67618-0153-01	\$ 30.99	5%	\$ 32.54	5%
50ct of 3 Swabsticks	67618-0153-03	\$ 14.76	5%	\$ 15.50	5%
<b>Betadine Spray (Hospital Use)</b>					
3oz (88.7ml)	67618-0148-03	\$ 8.46	5%	\$ 8.88	5%
<b>Betadine Surgical Scrub (Hospital Use)</b>					
4oz	67618-151-04	\$ 3.12	5%	\$ 3.28	5%
16oz	67618-151-16	\$ 3.50	5%	\$ 3.68	5%
16oz w/pump dispenser	67618-151-17	\$ 5.82	5%	\$ 6.11	5%
32oz	67618-151-32	\$ 6.31	5%	\$ 6.63	5%
128oz - Gallon	67618-151-01	\$ 26.20	5%	\$ 27.51	5%
<b>Betasept Surgical Scrub</b>					
4oz (118ml)	67618-0200-04	\$ 4.79	5%	\$ 5.03	5%
8oz (237ml)	67618-0200-08	\$ 6.04	5%	\$ 6.34	5%
16oz (473ml)	67618-0200-16	\$ 8.05	5%	\$ 8.45	5%
32oz w/pump (946ml)	67618-0200-32	\$ 12.90	5%	\$ 13.55	5%
32oz (946ml)	67618-0200-30	\$ 12.10	5%	\$ 12.71	5%
128oz (3785ml)	67618-0200-01	\$ 41.38	5%	\$ 43.45	5%



	Est or Actual 2011 WAC	Est or Actual WAC Aug 2012
Hibiclens		
15ml 50s	\$39.85	\$39.85
120ml (4oz)	\$3.73	\$3.73
240ml (8oz)	\$5.28	\$5.28
480ml (16oz) prefilled globe	\$8.41	\$8.41
480ml (16oz) w/hand wall dispenser	\$19.95	\$19.95
960ml (32oz) w/hand wall dispenser	\$10.38	\$10.38
960ml (32oz) w/foot wall dispenser	\$59.95	\$59.95
3840ml (128oz) w/foot wall dispenser	\$41.84	\$41.84
Phisohex		
148ml	\$24.05	\$26.43
473ml	\$46.45	\$51.05

Source: Redbook Online

**Impact:**

With the proposed price increases as listed above, Betadine/BETASEPT net sales will increase by approximately \$392 thousand. The detail is listed below.

**CPI-U Data:**

In January 2012, the unadjusted CPI-U, U.S. City Average, All Items, increased 2.9% since January 2011. The unadjusted CPI-U for medical care in January 2012 was up 3.6% from last year, while the percentage change for medical care commodities, including prescription drugs, nonprescription drugs, and medical supplies was up 3.2% during the same period (Source: United States Department of Labor Statistics, Table 1).

**Dollar Impact on 2013 Net Sales Based on 2012 Mid-Year Update**

Product: Betadine Hospital Products

(\$000)	2012 Mid Year Update <sup>(1)</sup>	Price Increase Proposal <sup>(2)</sup>	Variance	Comments
Gross Sales	\$ 4,589.2	\$ 4,920.5	\$ 331.2	Impact based on 2012 Mid Year Update.
Sales Discounts	(96.4)	(103.3)	(7.0)	2.1% Prompt Pay Discount, excludes amounts for Returns reserves, GPO Admin Fees, and VCB Accrual.
Rebates	-	-	-	
Net Sales	\$ 4,492.9	\$ 4,817.1	\$ 324.3	

Note:

(1) As presented to Board of Directors June 2012.

(2) Reflects 5% price increase as of March 1, 2013, with the exception of Betadine Solution Gallon (+25%), Betadine Solution 16oz/Betadine Surgical Scrub 32 oz. (+20%), Betadine Solution 32 oz. (+15%) and Betadine Surgical Scrub Gallon (+10%) beginning March 1, 2013.

### Dollar Impact on 2013 Net Sales Based on 2012 Mid-Year Update

Product: Betasept Products

(\$000)	2012 Mid Year Update <sup>(1)</sup>	Price Increase Proposal <sup>(2)</sup>	Variance	Comments
Gross Sales	\$ 1,663.6	\$ 1,732.9	\$ 69.3	Impact based on 2012 Mid Year Update.
Sales Discounts Rebates	(34.9)	(36.4)	(1.5)	2.1% Prompt Pay Discount, excludes amounts for Returns reserves, GPO Admin Fees, and VCB Accrual.
Net Sales	<u>\$ 1,628.7</u>	<u>\$ 1,696.5</u>	<u>\$ 67.9</u>	

Note:

(1) As presented to Board of Directors June 2012.

(2) Reflects 5% price increase as of March 1, 2013.

# **MEMORANDUM**

**Purdue**

One Stamford Forum  
Stamford, Connecticut 06901

Tel: [REDACTED]

Fax: [REDACTED]

**TO:** M. Innaurato

**FROM:** Gary Bock

**SUBJECT:** Betadine® Veterinary Products  
Price Increase Recommendation

**DATE:** August 8, 2012

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**STRICTLY CONFIDENTIAL**

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**Recommendation:**

We recommend a 10% price increase for Betadine Veterinary Products beginning March 1, 2013.

**Dollar Impact on Net Sales:**

The 10% price increase will have a positive impact on net sales of \$65 thousand dollars when compared to the 2012 Mid-Year Update sales as presented to the Board of Directors in June of 2012.

**Rationale:**

- Betadine Veterinary products are currently priced at a premium supported by the brand heritage.
- Need to increase WAC significantly to offset substantial increase in shipping and warehousing costs.

**Previous Increase:**

- A 5% price increase was implemented April 23, 2012, on Betadine Veterinary Products.

**Competition:**

- We do not have any pricing information on our competition.

**Impact:**

With a 10% price increase, Betadine Veterinary net sales will increase by approximately \$65 thousand dollars. The detail is listed below.

**CPI-U Data:**

In January 2012, the unadjusted CPI-U, U.S. City Average, All Items, increased 2.9% since January 2011. The unadjusted CPI-U for medical care in January 2012 was up 3.6% from last year, while the percentage change for medical care commodities, including prescription drugs, nonprescription drugs, and medical supplies was up 3.2% during the same period (Source: United States Department of Labor Statistics, Table 1).

**Dollar Impact on 2013 Net Sales Based on 2012 Mid-Year Update**

Product: Betadine Vet Products

(\$000)	2012 Mid Year Update <sup>(1)</sup>	Price Increase Proposal <sup>(2)</sup>	Variance	Comments
Gross Sales	\$ 792.9	\$ 859.0	\$ 66.1	Impact based on 2012 Mid Year Update.
Sales Discounts	(16.7)	(18.0)	(1.4)	2.1% Prompt Pay Discount, excludes amounts for Returns reserves, GPO Admin
Rebates	-	-	-	Fees, and VCB Accrual.
Net Sales	\$ 776.2	\$ 840.9	\$ 64.7	

Note:

(1) As presented to Board of Directors June 2012.

(2) Reflects 10% price increase as of March 1, 2013.

**To:** Sackler, Dr Richard [REDACTED]  
**Cc:** Stewart, John H. (US [REDACTED] Gasdia,  
Russell [REDACTED] Innaurato,  
Mike [REDACTED] Fisher,  
Windell [REDACTED]  
**From:** Rosen, David (Sales and Marketing)  
**Sent:** Fri 9/7/2012 8:58:08 AM  
**Subject:** Butrans Weekly Report 8-24-12.xlsm  
[Butrans Weekly Report 8-24-12.xlsm](#)

Hi, Dr. Richard. Attached are the graphs of the weekly data for Butrans.

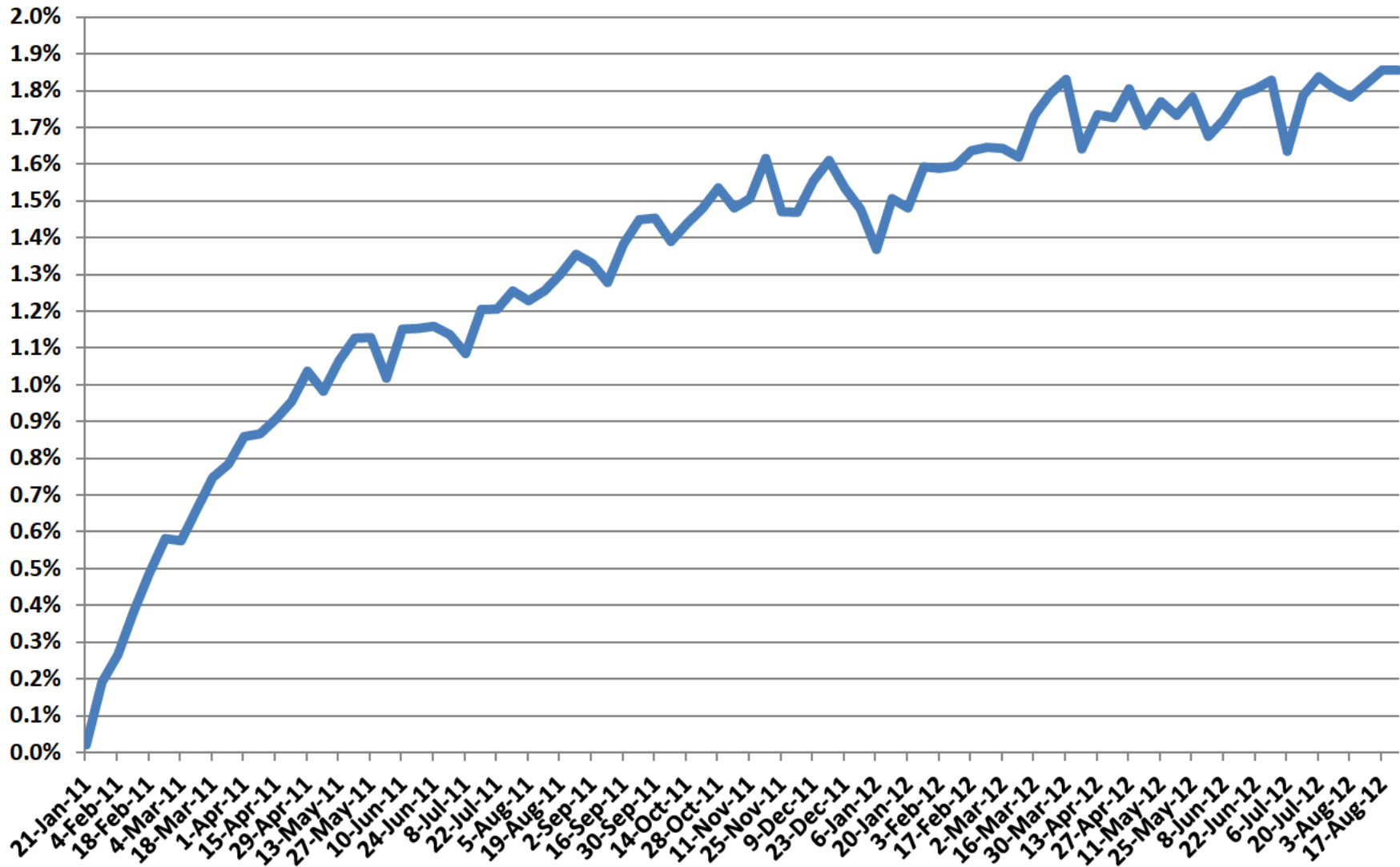
-David

**Produced Natively**

## Butrans Weekly Extended Release Opioid Rx Share

(Source: IMS National Prescription Audit; includes both brand and generic opioids)

Weekly TRx Share





[NRx, RRx and TRx by Strength](#)  
[Distribution of Rx by Strength](#)  
[Distribution of NRx, RRx and TRx by Strength](#)  
[Weekly Growth in Butrans TRxs](#)

		Butrans New, Refill and Total Prescriptions by Strength													
		Total			5 mcg/hour			10 mcg/hour			20 mcg/hour			Total	
<u>Week #</u>	<u>Week Ending</u>	<u>NRx</u>	<u>RRx</u>	<u>TRx</u>	<u>NRx</u>	<u>RRx</u>	<u>TRx</u>	<u>NRx</u>	<u>RRx</u>	<u>TRx</u>	<u>NRx</u>	<u>RRx</u>	<u>TRx</u>	<u>NRx</u>	<u>RRx</u>
Week 45	25-Nov-11	5,305	1,255	6,560	1,626	305	1,931	2,363	573	2,936	1,316	377	1,693	80.9%	19.1%
Week 46	2-Dec-11	6,390	1,498	7,888	1,909	336	2,245	2,860	718	3,578	1,621	444	2,065	81.0%	19.0%
Week 47	9-Dec-11	6,461	1,479	7,940	1,933	360	2,293	3,031	677	3,708	1,497	442	1,939	81.4%	18.6%
Week 48	16-Dec-11	6,712	1,594	8,306	2,009	477	2,486	3,070	659	3,729	1,633	458	2,091	80.8%	19.2%
Week 49	23-Dec-11	6,419	1,505	7,924	1,967	382	2,349	2,875	671	3,546	1,577	452	2,029	81.0%	19.0%





		Distribution of Butrans Prescriptions by Strength									Distribution of Butrans New Prescriptions by Strength					
Week #	Week Ending	5 mcg/hour				10 mcg/hour			20 mcg/hour			Total			5 mcg/hour	
		TRx	NRx	RRx	TRx	NRx	RRx	TRx	NRx	RRx	TRx	NRx	RRx	TRx	NRx	RRx
Week 45	25-Nov-11	100.0%	24.8%	4.6%	29.4%	36.0%	8.7%	44.8%	20.1%	5.7%	25.8%	80.9%	19.1%	100.0%	84.2%	15.8%
Week 46	2-Dec-11	100.0%	24.2%	4.3%	28.5%	36.3%	9.1%	45.4%	20.6%	5.6%	26.2%	81.0%	19.0%	100.0%	85.0%	15.0%
Week 47	9-Dec-11	100.0%	24.3%	4.5%	28.9%	38.2%	8.5%	46.7%	18.9%	5.6%	24.4%	81.4%	18.6%	100.0%	84.3%	15.7%
Week 48	16-Dec-11	100.0%	24.2%	5.7%	29.9%	37.0%	7.9%	44.9%	19.7%	5.5%	25.2%	80.8%	19.2%	100.0%	80.8%	19.2%
Week 49	23-Dec-11	100.0%	24.8%	4.8%	29.6%	36.3%	8.5%	44.8%	19.9%	5.7%	25.6%	81.0%	19.0%	100.0%	83.7%	16.3%



		w, Refill and Total Prescriptions by Strength							Weekly Growth in Butrans New, Refill and Total Presc							
		10 mcg/hour			20 mcg/hour				Total			5 mcg/hour			10 mcg/hou	
<u>Week #</u>	<u>Week Ending</u>	<u>TRx</u>	<u>NRx</u>	<u>RRx</u>	<u>TRx</u>	<u>NRx</u>	<u>RRx</u>	<u>TRx</u>	<u>NRx</u>	<u>RRx</u>	<u>TRx</u>	<u>NRx</u>	<u>RRx</u>	<u>TRx</u>	<u>NRx</u>	<u>RRx</u>
Week 45	25-Nov-11	100.0%	80.5%	19.5%	100.0%	77.7%	22.3%	100.0%	-21.8%	-12.2%	-20.2%	-21.4%	-18.9%	-21.1%	-24.0%	-9.0%
Week 46	2-Dec-11	100.0%	79.9%	20.1%	100.0%	78.5%	21.5%	100.0%	20.5%	19.4%	20.2%	17.4%	10.2%	16.3%	21.0%	25.3%
Week 47	9-Dec-11	100.0%	81.7%	18.3%	100.0%	77.2%	22.8%	100.0%	1.1%	-1.3%	0.7%	1.3%	7.1%	2.1%	6.0%	-5.7%
Week 48	16-Dec-11	100.0%	82.3%	17.7%	100.0%	78.1%	21.9%	100.0%	3.9%	7.8%	4.6%	3.9%	32.5%	8.4%	1.3%	-2.7%
Week 49	23-Dec-11	100.0%	81.1%	18.9%	100.0%	77.7%	22.3%	100.0%	-4.4%	-5.6%	-4.6%	-2.1%	-19.9%	-5.5%	-6.4%	1.8%



Prescriptions by Strength					
Week #	Week Ending	20 mcg/hour			
		TRx	NRx	RRx	TRx
45	25-Nov-11	-21.5%	-18.1%	-11.1%	-16.6%
46	2-Dec-11	21.9%	23.2%	17.8%	22.0%
47	9-Dec-11	3.6%	-7.6%	-0.5%	-6.1%
48	16-Dec-11	0.6%	9.1%	3.6%	7.8%
49	23-Dec-11	-4.9%	-3.4%	-1.3%	-3.0%



[Butrans 10mcg Equivalents](#)  
[Distribution of 10mcg Equivalents](#)  
[Weekly Growth in 10mcg Equivalents](#)

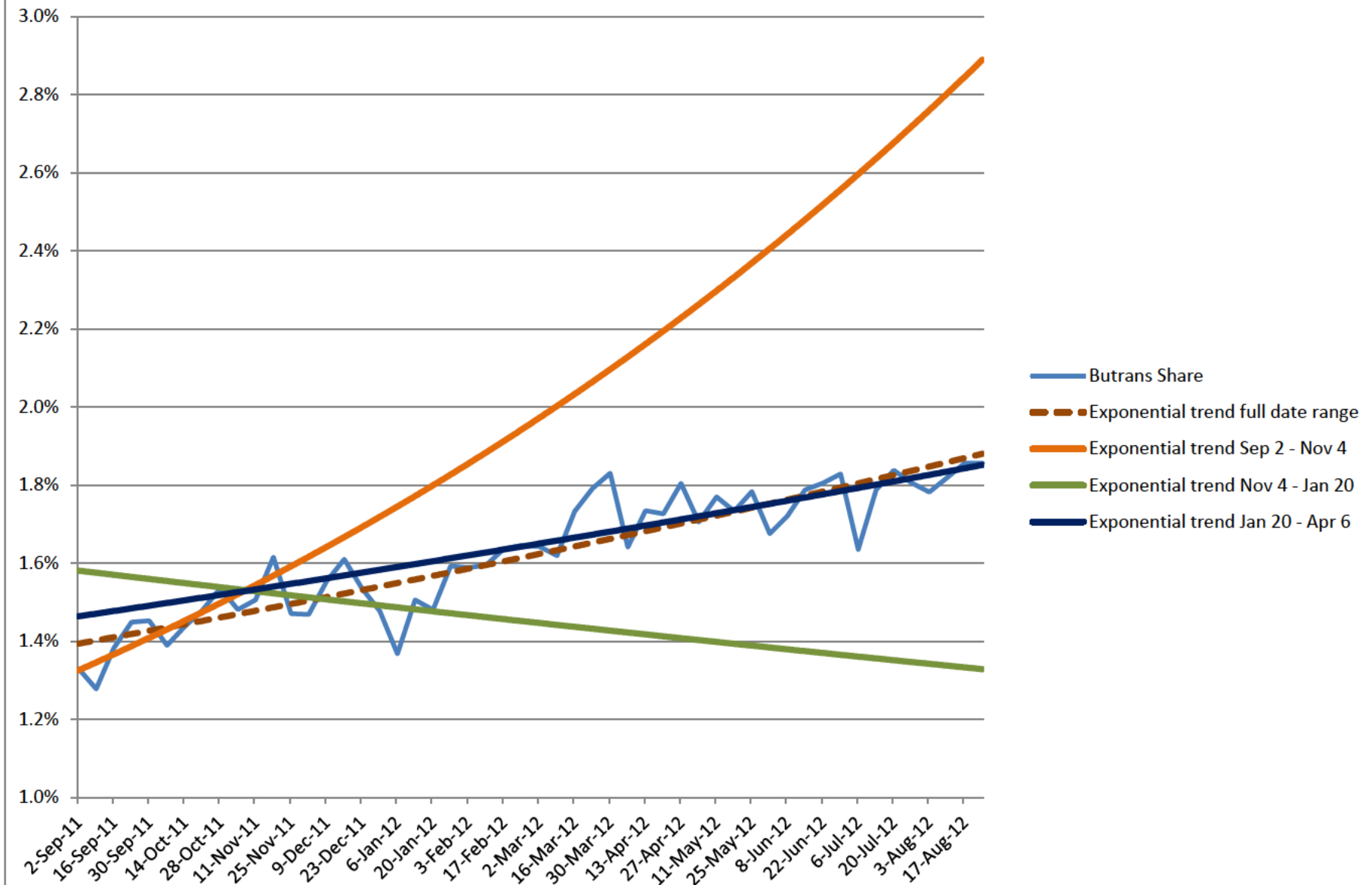
		Butrans 10mcg Equivalents				Trend Line Sept 1	Trend Line Jan 20	Distrib
		Total TRx	5 mcg/hour TRx	10 mcg/hour TRx	20 mcg/hour TRx	Total TRx	Total TRx	
<u>Week #</u>	<u>Week Ending</u>							
Week 44	18-Nov-11	9,023	1,223	3,740	4,060	9,023		100.0%
Week 45	25-Nov-11	7,288	966	2,936	3,386	7,288		100.0%



Conversion of Butrans 10mcg Equivalents		
5 mcg/hour	10 mcg/hour	20 mcg/hour
<u>TRx</u>	<u>TRx</u>	<u>TRx</u>
13.6%	41.4%	45.0%
13.2%	40.3%	46.5%

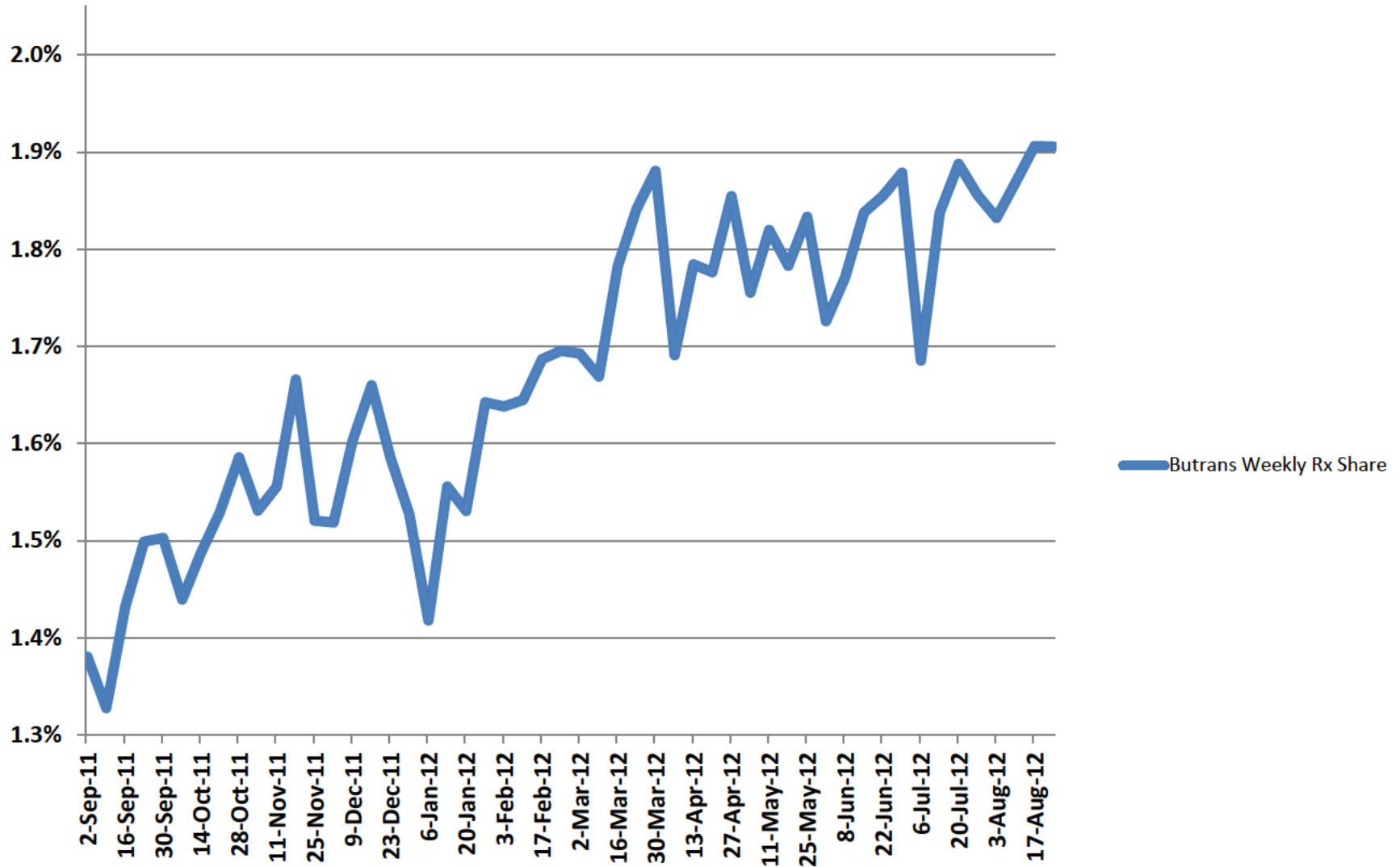
<u>Week #</u>	<u>Week Ending</u>
Week 44	18-Nov-11
Week 45	25-Nov-11

**Detailed Butrans Weekly Extended Release Opioid Market Share**  
 (Source: IMS National Prescription Audit; includes both branded and generic opioids)

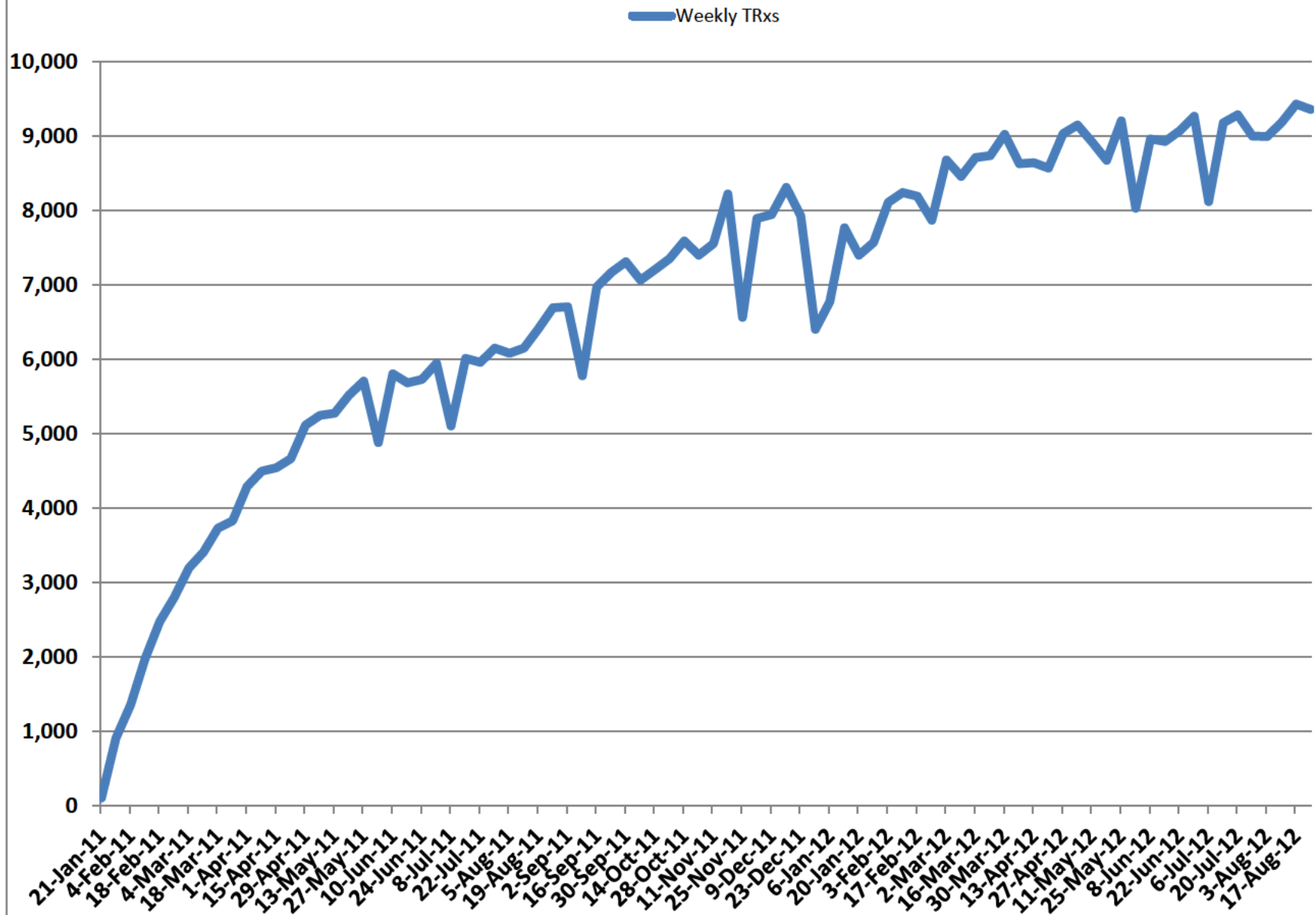


## Detailed Butrans Weekly Extended Release Opioid Market Share

(Source: IMS National Prescription Audit; includes both branded and generic opioids)

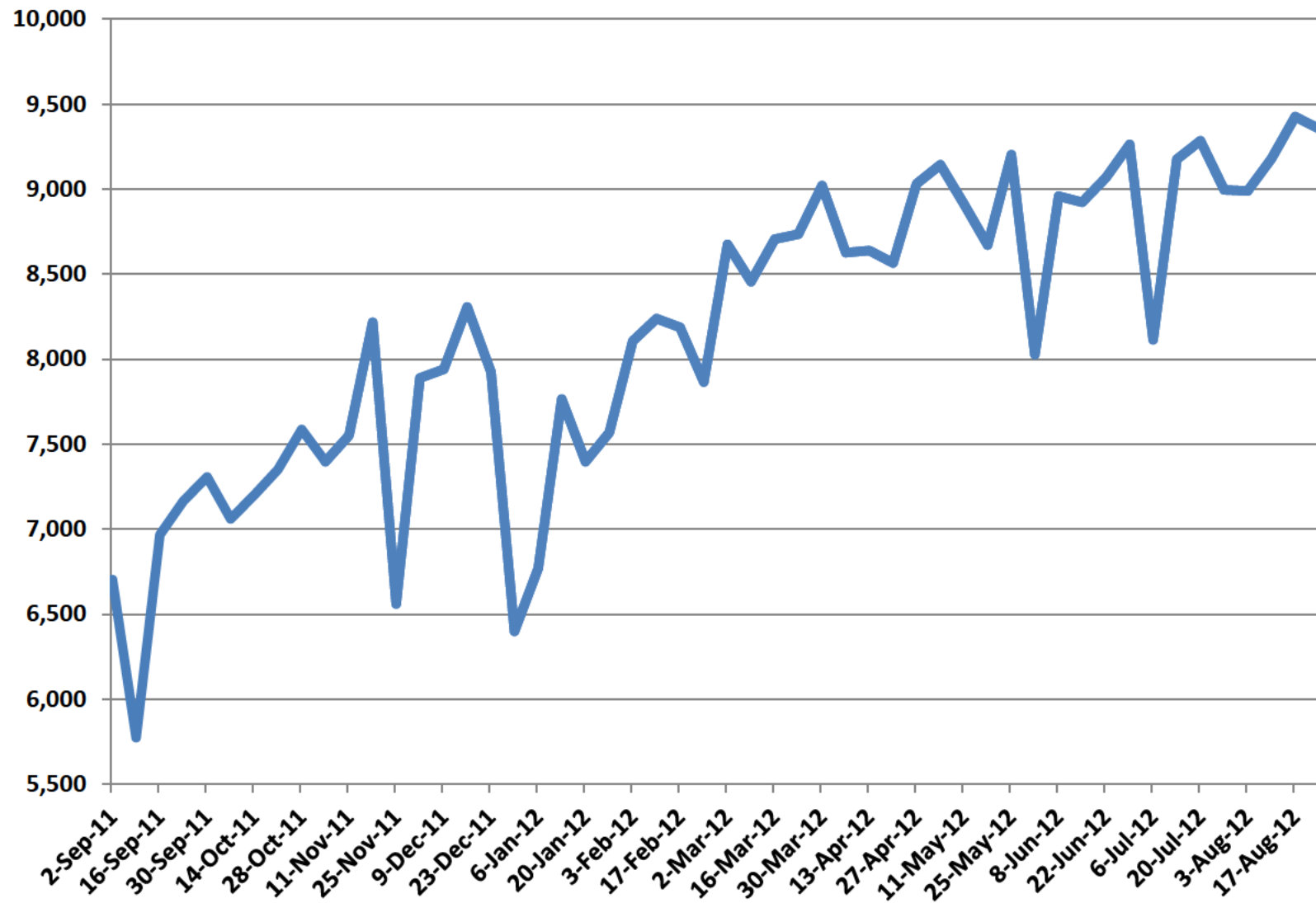


## Butrans Weekly Rx Graph (Source: IMS National Prescription Audit)



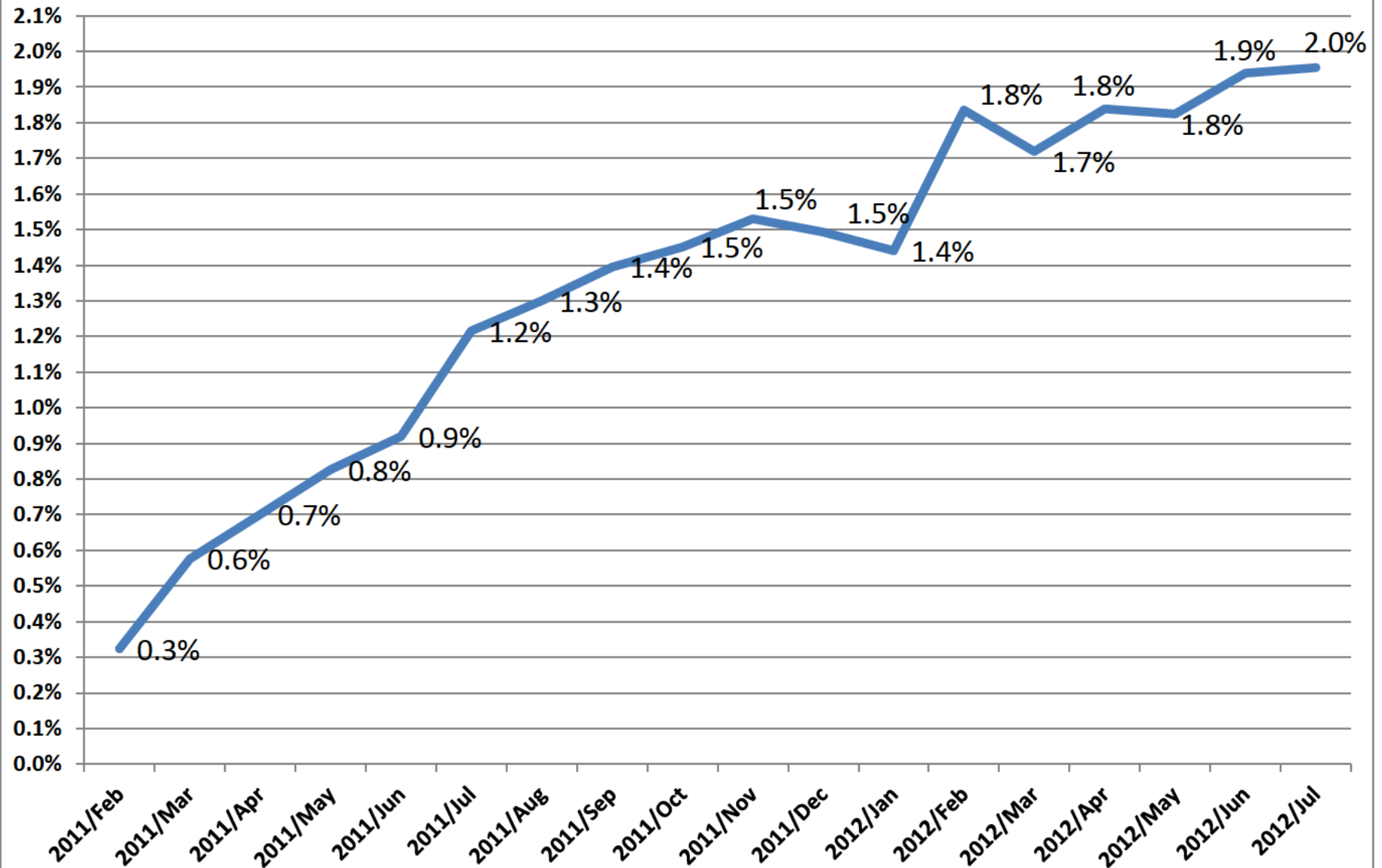


## Detailed Butrans Weekly Rx's (Source: IMS National Prescription Audit)

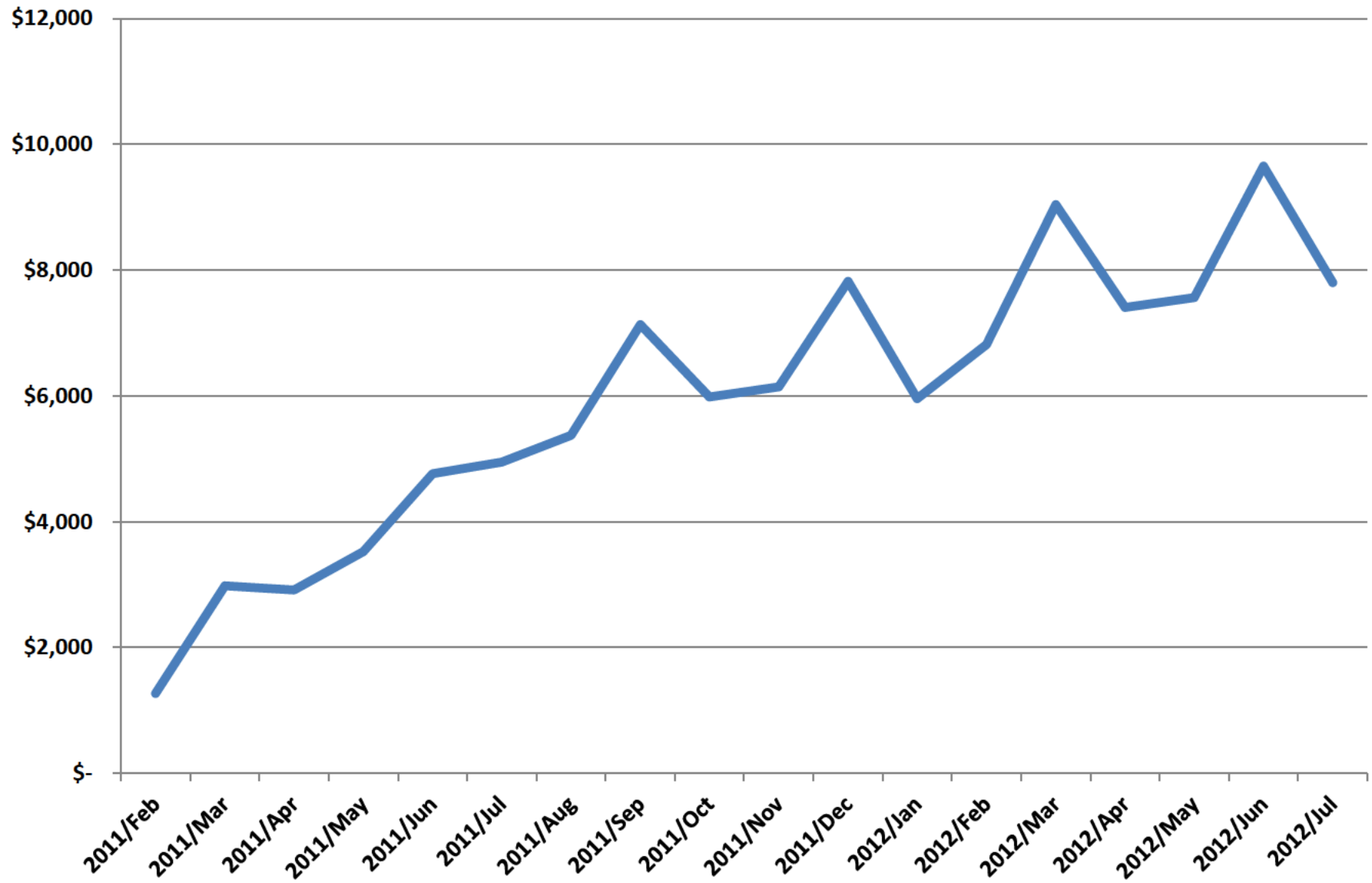


## Butrans US Dollar Share of the Extended Release Opioid Market

(Source: IMS National Sales Perspective; includes branded and generic opioids)



**Butrans monthly US Dollars Sold -- Wholesaler to Retailer --Excluding  
Jan Stocking (source: IMS National Sales Perspective)**



Message

**From:** Mahony, Edward [REDACTED]  
**Sent:** 9/7/2012 2:33:42 PM  
**To:** Boer, Peter [REDACTED]; Lewent, Judy  
[REDACTED] Pickett, Cecil [REDACTED] Costa, Paulo  
[REDACTED] Sackler, Beverly [REDACTED] Sackler, Jonathan  
[REDACTED] Sackler, Dr Kathe [REDACTED] Sackler, Mortimer D.A.  
[REDACTED] Sackler, Dr Raymond R [REDACTED] Sackler, Dr Richard  
[REDACTED] Sackler, Dame Theresa [REDACTED] Sackler Lefcourt, Ilene [REDACTED] Baker, Stuart D.  
[REDACTED] Stewart, John H. (US) [REDACTED] Gasdia,  
[REDACTED] Dolan, James [REDACTED]  
Russell [REDACTED] Landau, Dr. Craig [REDACTED] Long, David  
[REDACTED] Mallin, William [REDACTED]  
[REDACTED] Weinstein, Bert [REDACTED] Sackler, David  
[REDACTED] Snyderman, Ralph [REDACTED]  
**CC:** Rosen, David (Sales and Marketing) [REDACTED] Lowne, Jon  
[REDACTED]  
**BCC:** Stewart, John H. (US) [REDACTED]  
**Subject:** August Finance Year-to-Date Flash Report  
**Attachments:** Copy of August Flash Sales Report.xlsx

Colleagues,

Following is Purdue's August flash<sup>[1]</sup> finance report.

Net Sales

- In the month of August net sales were over budget by \$36 million due to higher demand for OxyContin and Butrans and, to a lesser extent, OxyContin trade inventory increases.
- Year-to-date net sales were \$1.45 billion. When compared to budget, net sales improved from 8% below budget last month to 5% below budget this month. The improvement in demand puts Purdue on track

<sup>[1]</sup> Flash Finance report includes sales, cash and any finance significant events. Full financial statements are issued at least five times per year – March, May, June, September and December.

to achieve full year net sales of \$2.25 billion which is in line with prior year and the 2012 mid-year update and approximately 4% under budget.

– The sales report is attached.

#### Cash

– At the end of August Purdue's unrestricted cash balance was \$923 million. This cash balance is within 2% of our forecast. By year-end, we forecast unrestricted cash balance to be \$702 million, after taking into consideration \$203 million of tax distributions in September and December and \$138 million of non-tax distributions in October.

Regards,

Ed Mahony

(1) Flash Finance report includes sales, cash and any finance significant events. Full financial statements are issued at least five times per year – March, May, June, September and December.

.....

**Produced Natively**

## Sales Summary Gross to Net

Expressed in 000's

	Aug Year-to-Date			Variance 2012 YTD Actual versus		Full Year	
	2012 YTD Actual	2012 YTD Budget	2011 YTD Actual	2012 YTD Budget	2011 YTD Actual	2012 Budget	2011 Actual
<b>OxyContin</b>							
Gross Sales	\$ 1,807,881	\$ 1,882,003	\$ 1,822,459	\$ (74,122)	\$ (14,578)	\$ 2,877,360	\$ 2,780,968
Fee for Service	(46,565)	(48,201)	(32,299)	1,636	(14,266)	(73,631)	(70,993)
Sales Discounts and Allowances	(28,437)	(32,772)	(39,692)	4,335	11,255	(58,180)	(58,928)
Savings Cards Discounts	(11,091)	(13,154)	(7,515)	2,063	(3,577)	(19,890)	(10,935)
Rebates	(356,308)	(358,334)	(316,702)	2,026	(39,607)	(542,148)	(540,410)
Proposed Regulation Adjustment for Medicaid Rebates (1)	(39,785)	(49,815)	(46,590)	10,030	6,805	(74,836)	(68,854)
<b>OxyContin Net Sales</b>	<b>\$ 1,325,694</b>	<b>\$ 1,379,727</b>	<b>\$ 1,379,662</b>	<b>\$ (54,032)</b>	<b>\$ (53,968)</b>	<b>\$ 2,108,675</b>	<b>\$ 2,030,848</b>
<b>Butrans</b>							
Gross Sales	\$ 69,056	\$ 81,596	\$ 43,080	\$ (12,540)	\$ 25,976	\$ 135,808	\$ 73,531
Fee for Service	(1,916)	(2,231)	(1,011)	315	(905)	(3,685)	(1,827)
Sales Discounts and Allowances	(1,245)	(1,361)	(1,793)	115	548	(16,123)	(8,254)
Savings Cards Discounts	(4,474)	(5,858)	(2,133)	1,383	(2,341)	(9,671)	(4,392)
Rebates	(3,381)	(6,103)	(1,058)	2,722	(2,323)	(10,387)	(3,123)
<b>Butrans Net Sales</b>	<b>\$ 58,039</b>	<b>\$ 66,044</b>	<b>\$ 37,084</b>	<b>\$ (8,005)</b>	<b>\$ 20,955</b>	<b>\$ 95,942</b>	<b>\$ 55,935</b>
<b>Intermezzo</b>							
Gross Sales	\$ 13,995	\$ 12,353	\$ -	\$ 1,642	\$ 13,995	\$ 49,185	\$ -
Fee for Service	(356)	(437)	-	81	(356)	(1,244)	-
Sales Discounts and Allowances	(9,106)	(346)	-	(8,760)	(9,106)	(1,000)	-
Savings Cards Discounts	(213)	(176)	-	(38)	(213)	(500)	-
Rebates	(291)	(1,085)	-	794	(291)	(3,000)	-
<b>Intermezzo Net Sales</b>	<b>\$ 4,028</b>	<b>\$ 10,309</b>	<b>\$ -</b>	<b>\$ (6,281)</b>	<b>\$ 4,028</b>	<b>\$ 43,441</b>	<b>\$ -</b>
<b>Other Products</b>							
Gross Sales	\$ 61,127	\$ 71,249	\$ 74,099	\$ (10,122)	\$ (12,972)	\$ 105,516	\$ 116,662
Fee for Service	(1,078)	(833)	(282)	(245)	(796)	(1,252)	(1,687)
Sales Discounts and Allowances	4,434	(1,278)	(1,240)	5,712	5,674	1,805	10,960
Savings Cards Discounts	0	(235)	(164)	235	165	(350)	(245)
Rebates	(2,792)	(1,482)	(1,181)	(1,309)	(1,611)	(2,289)	(2,358)
<b>Other Products Net Sales</b>	<b>\$ 61,692</b>	<b>\$ 67,420</b>	<b>\$ 71,232</b>	<b>\$ (5,728)</b>	<b>\$ (9,540)</b>	<b>\$ 103,430</b>	<b>\$ 123,332</b>
<b>Total for All Products</b>							
Gross Sales	\$ 1,952,060	\$ 2,047,201	\$ 1,939,639	\$ (95,142)	\$ 12,421	\$ 3,167,869	\$ 2,971,161
Fee for Service	(49,915)	(51,702)	(33,592)	1,787	(16,322)	(79,812)	(74,507)
Sales Discounts and Allowances	(34,354)	(35,757)	(42,726)	1,402	8,371	(73,498)	(56,222)
Savings Cards Discounts	(15,779)	(19,423)	(9,812)	3,644	(5,967)	(30,411)	(15,572)
Rebates	(362,773)	(367,005)	(318,941)	4,232	(43,832)	(557,824)	(545,891)
Proposed Regulation Adjustment for Medicaid Rebates (1)	(39,785)	(49,815)	(46,590)	10,030	6,805	(74,836)	(68,854)
<b>Total Net Sales</b>	<b>\$ 1,449,453</b>	<b>\$ 1,523,500</b>	<b>\$ 1,487,978</b>	<b>\$ (74,047)</b>	<b>\$ (38,525)</b>	<b>\$ 2,351,488</b>	<b>\$ 2,210,115</b>

**Purdue Sales versus Budget**  
**August 2012**  
**Flash Report**

(\$000)	Year to Date Aug-12			Full Year							
Group	Actual	Budget	Var. to Budget	2012 Budget	2012 Mid Year Update	2011 Actual	2010 Actual	2009 Actual	2008 Actual	2011 Aug YTD Actual	Variance to Prior Year
10mg	\$ 98,449	\$ 101,142	\$ (2,693)	\$ 156,075	\$ 150,922	\$ 146,784	\$ 121,344	\$ 133,629	\$ 118,134	\$ 95,948	\$ 2,501
15mg	21,800	17,024	4,776	26,007	32,101	27,136	23,620	16,548	10,432	16,977	4,823
20mg	261,774	267,608	(5,834)	408,862	402,818	404,149	361,266	369,289	388,132	264,953	(3,180)
30mg	130,859	114,394	16,465	174,780	196,103	171,730	161,048	114,431	57,716	109,287	21,572
40mg	404,270	424,581	(20,311)	648,781	620,219	633,738	682,972	708,279	650,395	414,825	(10,555)
60mg	220,923	209,404	11,519	319,936	330,874	300,721	315,742	226,251	106,119	194,050	26,874
80mg	669,807	747,850	(78,044)	1,142,920	1,004,280	1,096,778	1,331,784	1,320,222	1,105,694	726,420	(56,613)
160mg	-	-	-	-	-	(17)	-	-	(4)	-	-
<b>OxyContin</b>	<b>1,807,881</b>	<b>1,882,003</b>	<b>(74,122)</b>	<b>2,877,361</b>	<b>2,737,318</b>	<b>2,781,018</b>	<b>2,997,775</b>	<b>2,888,649</b>	<b>2,436,618</b>	<b>1,822,459</b>	<b>(14,578)</b>
<b>Butrans</b>	<b>69,056</b>	<b>81,596</b>	<b>(12,540)</b>	<b>135,808</b>	<b>135,808</b>	<b>73,531</b>	-	-	-	<b>43,080</b>	<b>25,976</b>
<b>Intermezzo</b>	<b>13,995</b>	<b>12,353</b>	<b>1,642</b>	<b>49,185</b>	<b>49,185</b>	-	-	-	-	-	<b>13,995</b>
Dilaudid Injectibles	3,711	1,302	2,409	1,932	6,791	4,622	6,903	4,038	3,115	751	2,960
Dilaudid HP	1,714	1,864	(150)	2,698	2,311	2,724	9,448	3,823	9,947	1,829	(115)
Dilaudid Tablets	9,508	12,434	(2,926)	19,108	15,552	17,495	18,730	24,977	14,472	11,573	(2,066)
<b>Dilaudid</b>	<b>14,933</b>	<b>15,600</b>	<b>(667)</b>	<b>23,738</b>	<b>24,654</b>	<b>24,842</b>	<b>35,081</b>	<b>32,838</b>	<b>27,535</b>	<b>14,154</b>	<b>779</b>
<b>MS Contin</b>	<b>8,650</b>	<b>9,133</b>	<b>(484)</b>	<b>13,620</b>	<b>11,547</b>	<b>13,339</b>	<b>15,101</b>	<b>16,860</b>	<b>17,996</b>	<b>8,127</b>	<b>523</b>
<b>Ryzolt</b>	<b>(6,699)</b>	<b>1,533</b>	<b>(8,231)</b>	<b>391</b>	<b>(7,250)</b>	<b>11,168</b>	<b>16,510</b>	<b>10,842</b>	-	<b>8,376</b>	<b>(15,074)</b>
Betadine First Aid	2,733	2,884	(151)	4,314	3,929	4,164	4,249	3,858	3,664	2,847	(115)
Betadine Hospital	3,033	2,765	268	4,144	4,589	4,412	4,196	3,864	4,082	2,747	287
Betadine Veterinary	614	572	42	861	793	793	765	729	747	535	79
<b>Betadine</b>	<b>6,381</b>	<b>6,222</b>	<b>159</b>	<b>9,319</b>	<b>9,311</b>	<b>9,369</b>	<b>9,210</b>	<b>8,451</b>	<b>8,493</b>	<b>6,129</b>	<b>252</b>
<b>Betasept</b>	<b>1,266</b>	<b>1,108</b>	<b>158</b>	<b>1,656</b>	<b>1,664</b>	<b>1,753</b>	<b>1,715</b>	<b>1,500</b>	<b>1,729</b>	<b>1,030</b>	<b>237</b>
Colace	16,389	15,608	781	23,725	25,623	23,729	22,250	22,889	22,996	15,269	1,120
Peri-Colace	2,983	2,712	270	4,068	4,502	3,968	3,637	3,058	4,665	2,650	332
<b>Colace / Peri-Colace</b>	<b>19,372</b>	<b>18,320</b>	<b>1,051</b>	<b>27,793</b>	<b>30,125</b>	<b>27,697</b>	<b>25,887</b>	<b>25,947</b>	<b>27,661</b>	<b>17,920</b>	<b>1,452</b>
Senokot	6,497	6,966	(469)	10,450	10,090	10,428	9,894	7,272	13,417	6,664	(166)
Senokot - S	7,341	9,073	(1,733)	13,610	11,638	13,010	12,360	11,357	17,127	8,474	(1,133)
<b>Senokot</b>	<b>13,838</b>	<b>16,040</b>	<b>(2,202)</b>	<b>24,059</b>	<b>21,728</b>	<b>23,437</b>	<b>22,253</b>	<b>18,629</b>	<b>30,545</b>	<b>15,138</b>	<b>(1,300)</b>
<b>Slow-Mag</b>	<b>3,457</b>	<b>3,293</b>	<b>164</b>	<b>4,940</b>	<b>4,940</b>	<b>5,352</b>	<b>4,585</b>	<b>4,703</b>	<b>4,523</b>	<b>3,527</b>	<b>(69)</b>
<b>Discontinued Products</b>	<b>(71)</b>	<b>-</b>	<b>(71)</b>	<b>-</b>	<b>(44)</b>	<b>(344)</b>	<b>(243)</b>	<b>3,725</b>	<b>4,374</b>	<b>(301)</b>	<b>230</b>
<b>Gross Branded Sales</b>	<b>\$ 1,952,060</b>	<b>\$ 2,047,201</b>	<b>\$ (95,142)</b>	<b>\$ 3,167,870</b>	<b>\$ 3,018,985</b>	<b>\$ 2,971,161</b>	<b>\$ 3,127,873</b>	<b>\$ 3,012,143</b>	<b>\$ 2,559,475</b>	<b>\$ 1,939,639</b>	<b>\$ 12,421</b>
Fee-for-Service	\$ (49,915)	\$ (51,702)	\$ 1,787	\$ (79,812)	\$ (76,465)	\$ (74,507)	\$ (79,237)	\$ (76,215)	\$ (60,355)	\$ (46,895)	\$ (3,020)
Disc. & Allowances	(33,277)	(35,757)	2,479	(72,341)	(74,450)	(56,383)	(45,966)	(51,937)	(57,406)	(29,423)	(3,854)
Ryzolt Returns Reserve	7,100	-	7,100	(1,158)	7,135	161	-	-	-	-	7,100
Intermezzo Returns Reserve	(8,178)	-	(8,178)	-	(4,882)	-	-	-	-	-	(8,178)
Ryzolt Samples	-	-	-	-	-	-	(2,826)	(3,625)	-	-	-
Savings Card Discount	(15,779)	(19,423)	3,644	(30,411)	(30,061)	(15,572)	(15,691)	(17,131)	(13,444)	(9,812)	(5,967)
Rebates	(362,773)	(367,005)	4,232	(557,823)	(538,727)	(545,891)	(621,633)	(455,092)	(342,153)	(318,941)	(43,832)
Proposed regulation adj for Med	(39,785)	(49,815)	10,030	(74,836)	(63,618)	(68,854)	(40,041)	-	-	(46,590)	6,805
<b>Less: Deductions Subtotal</b>	<b>\$ (502,606)</b>	<b>\$ (523,701)</b>	<b>\$ 21,095</b>	<b>\$ (816,382)</b>	<b>\$ (781,068)</b>	<b>\$ (761,047)</b>	<b>\$ (805,395)</b>	<b>\$ (604,000)</b>	<b>\$ (473,358)</b>	<b>\$ (451,661)</b>	<b>\$ (50,945)</b>
<b>Net Branded Sales</b>	<b>\$ 1,449,453</b>	<b>\$ 1,523,500</b>	<b>\$ (74,047)</b>	<b>\$ 2,351,488</b>	<b>\$ 2,237,917</b>	<b>\$ 2,210,115</b>	<b>\$ 2,322,478</b>	<b>\$ 2,408,143</b>	<b>\$ 2,086,116</b>	<b>\$ 1,487,978</b>	<b>\$ (38,525)</b>



(\$ in millions)

Gross Sales

• Impact of trade inventories lower than budget. <sup>(1)</sup>	\$ (38.3)	
• Lower OxyContin demand as Rxs are running ~4% below budget and would need to increase by ~17% above current levels to achieve the sales target. <sup>(1)</sup>	(35.9)	
Lower OxyContin Sales due to lower trade inventory and lower demand.		(74.1)
• Lower Butrans sales - see Sales Trend chart.		(12.5)
• Intermezzo sales - see Sales Trend chart.		1.6
• Ryzolt returns		(8.2)
• All Other		(1.9)
Sub-Total Gross Sales Variance		(95.1)

Deductions

• Lower Fee for Service due to lower sales (\$2.0MM) offset by prior quarter adjustments (\$0.2MM).	\$ 1.8	
• Lower Discounts and Allowances primarily due to change in Ryzolt return reserve (\$7.1MM) and lower sales/other (\$2.5MM) offset by Intermezzo Returns Reserve (\$8.2MM).	1.4	
• Lower Savings Card Discount due to lower OxyContin sales and redemption rates (\$2.1MM), lower Butrans sales (\$1.4MM) and all other (\$0.1MM).	3.6	
• Lower Rebates due to lower sales, partially offset by higher Medicare Part D Coverage Gap and Tricare program utilization.	4.2	
• Lower Proposed regulation adjustment primarily due to lower Medicaid sales.	10.0	

Sub-Total Deductions variance 21.1

**Net Branded Sales Variance to Budget**

**\$ (74.0)**

(1) Each of these factors is based on estimates provided by IMS and customers.

**Purdue Pharma**  
**Trade Inventory Summary**

	OxyContin		
	YTD 2012		FY 2012
	Actual	Budget	Budget
Total Trade Inventory - BOY	\$ 576,556	\$ 669,780	\$ 669,780
Wholesaler - Ending (1)	255,312	173,250	173,250
Pharmacy - Ending (2)	286,272	500,393	513,401
Hospital/Other - Ending	3,971	3,387	3,387
Total Trade Inventory - August 31, 2012	<u>\$ 545,556</u>	<u>\$ 677,030</u>	<u>\$ 690,038</u>
Wholesaler - Ending MOH (1)	1.2	0.8	
Pharmacy - Ending MOH (2)	1.3	2.3	
Hospital/Other - Ending MOH	0.0	0.0	
Total Months on Hand - August 31, 2012	<u>2.6</u>	<u>3.1</u>	
YTD inventory change	\$ (31,000)	\$ 7,250	
Total (unfavorable)/favorable sales impact to YTD 2012		<u>\$ (38,250)</u>	
	Butrans		
	YTD 2012		FY 2012
	Actual	Budget	Budget
Total Trade Inventory - BOY	\$ 17,878	\$ 17,500	\$ 17,500
Wholesaler - Ending (1)	10,806	9,700	9,700
Pharmacy - Ending (2)	8,862	10,742	12,679
Hospital/Other - Ending	82	102	204
Total Trade Inventory - August 31, 2012	<u>\$ 19,751</u>	<u>\$ 20,545</u>	<u>\$ 22,583</u>
Wholesaler - Ending MOH (1)	1.3	1.0	
Pharmacy - Ending MOH (2)	1.1	1.1	
Hospital/Other - Ending MOH	(0.0)	0.0	
Total Months on Hand - August 31, 2012	<u>2.4</u>	<u>2.2</u>	
YTD inventory change	\$ 1,872	\$ 3,045	
Total (unfavorable)/favorable sales impact to YTD 2012		<u>\$ (1,172)</u>	
	Intermezzo		
	YTD 2012		FY 2012
	Actual	Budget	Budget
Total Trade Inventory - BOY	\$ -	\$ -	\$ -
Wholesaler - Ending (1)	6,596	6,568	6,568
Pharmacy - Ending (2)	4,688	9,981	11,355
Hospital/Other - Ending	-	-	-
Total Trade Inventory - August 31, 2012	<u>\$ 11,285</u>	<u>\$ 16,548</u>	<u>\$ 17,923</u>
Months on Hand	N/A	N/A	
YTD inventory change	\$ 11,285	\$ 16,548	
Total (unfavorable)/favorable sales impact to YTD 2012		<u>\$ (5,264)</u>	

**Commentary:**

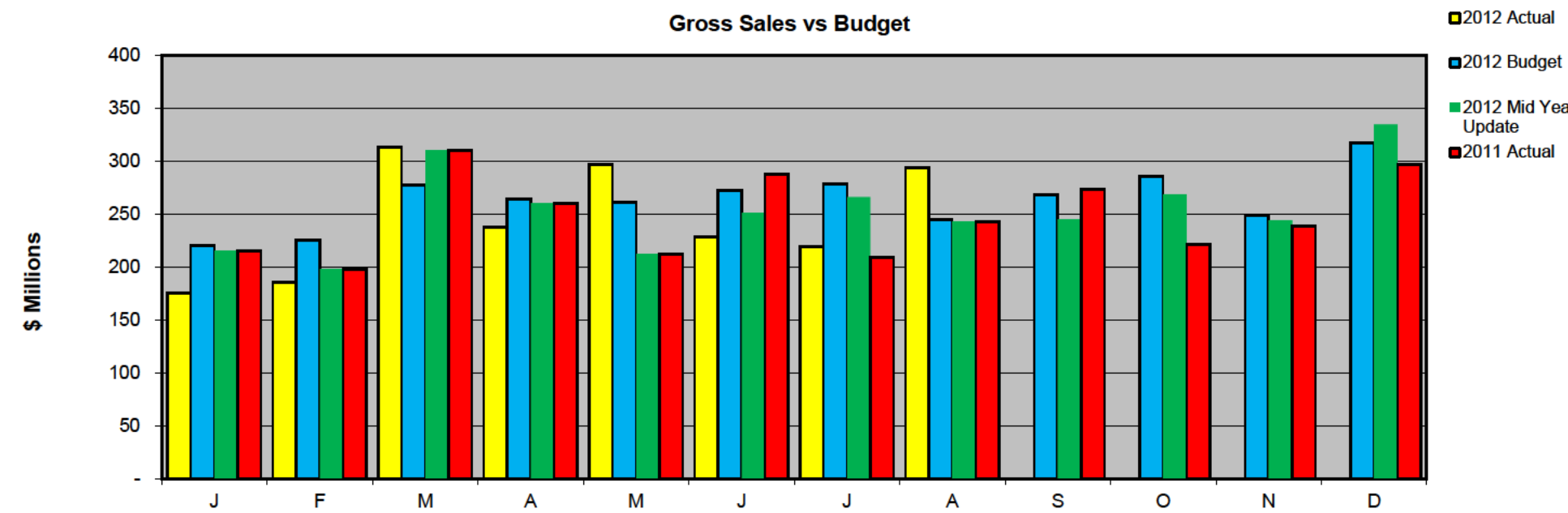
- ❖ OxyContin trade inventory growth is below Budget by \$38.3MM.
- ❖ Butrans trade inventory growth has slightly underperformed Budget likely driven by YTD sales performance.
- ❖ Intermezzo trade inventory growth reflects initial stocking. Dollarized Rx's year to date approximately \$2.6MM.

**Footnotes**

- (1) - **Wholesaler** - Includes inventory held by the wholesaler derived from the Value Centric system.
- (2) - **Pharmacy** - assumes the pharmacies maintain stocking levels.

Purdue Pharma  
Gross Sales by Month

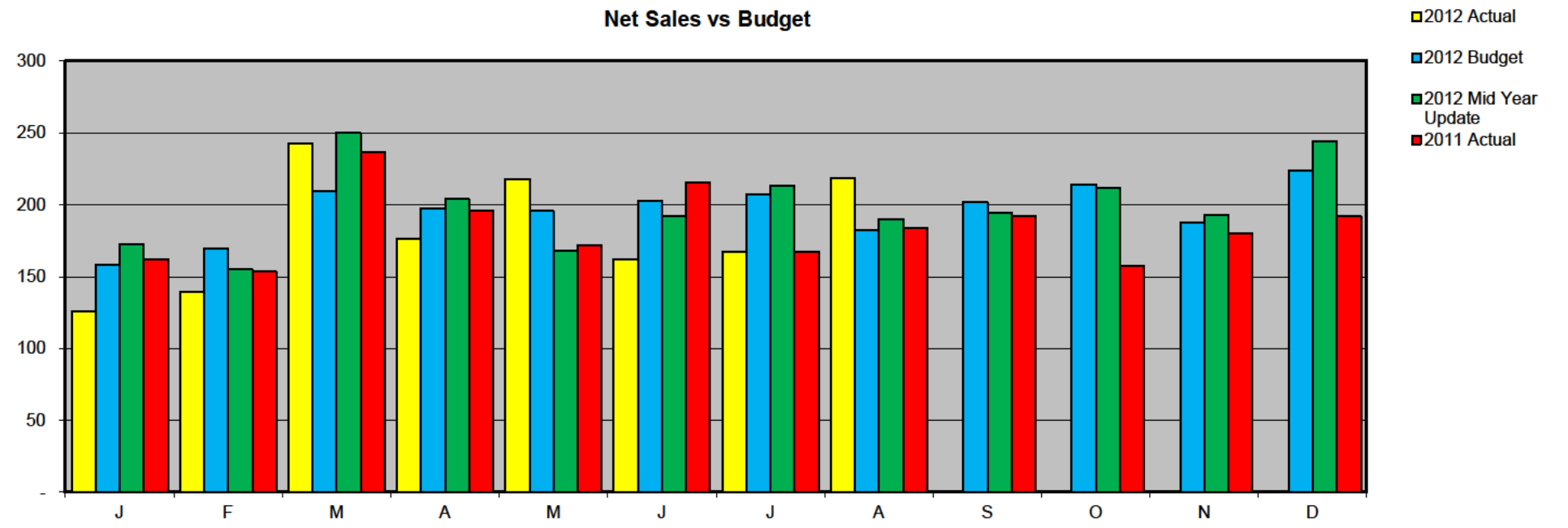
(\$ mm)	2012		2012 Mid Year Update	2011	2010	Monthly			
	Actual	Budget				2012 % Budget	2012 % of 2011	2012 % of 2010	
January	\$ 175.4	\$ 220.6	\$ 175.4	\$ 215.8	\$ 197.1	79.5%	81.3%	89.0%	
February	185.4	226.0	185.4	198.5	218.8	82.1%	93.4%	84.7%	
March	313.2	277.4	313.2	310.9	277.3	112.9%	100.7%	113.0%	
Q1	674.0	724.0	674.0	725.2	693.2	93.1%	92.9%	97.2%	
April	238.2	264.4	238.2	260.8	301.0	90.1%	91.3%	79.2%	
May	297.3	261.4	309.1	212.9	238.4	113.7%	139.6%	124.7%	
June	228.4	273.1	229.0	288.5	261.8	83.6%	79.2%	87.3%	
Q2	764.0	798.9	776.3	762.2	801.2	95.6%	100.2%	95.4%	
July	219.7	278.9	251.5	209.5	258.5	78.8%	104.9%	85.0%	
August	294.3	245.5	253.0	242.7	354.7	119.9%	121.3%	83.0%	
September		268.5	253.7	274.1	301.6				
Q3	-	792.8	758.2	726.3	914.9				
October		286.1	254.6	221.8	255.8				
November		248.7	252.5	238.8	200.4				
December		317.3	303.4	296.8	262.4				
Q4	-	852.2	810.4	757.4	718.7				
Total	\$ 1,952.1	\$ 3,167.9	\$ 3,019.0	\$ 2,971.2	3,127.9	61.6%	65.7%	62.4%	
YTD Cumulative	\$ 1,952.1	\$ 2,047.2	\$ 1,954.9	\$ 1,939.6	\$ 2,107.6	95.4%	100.6%	92.6%	



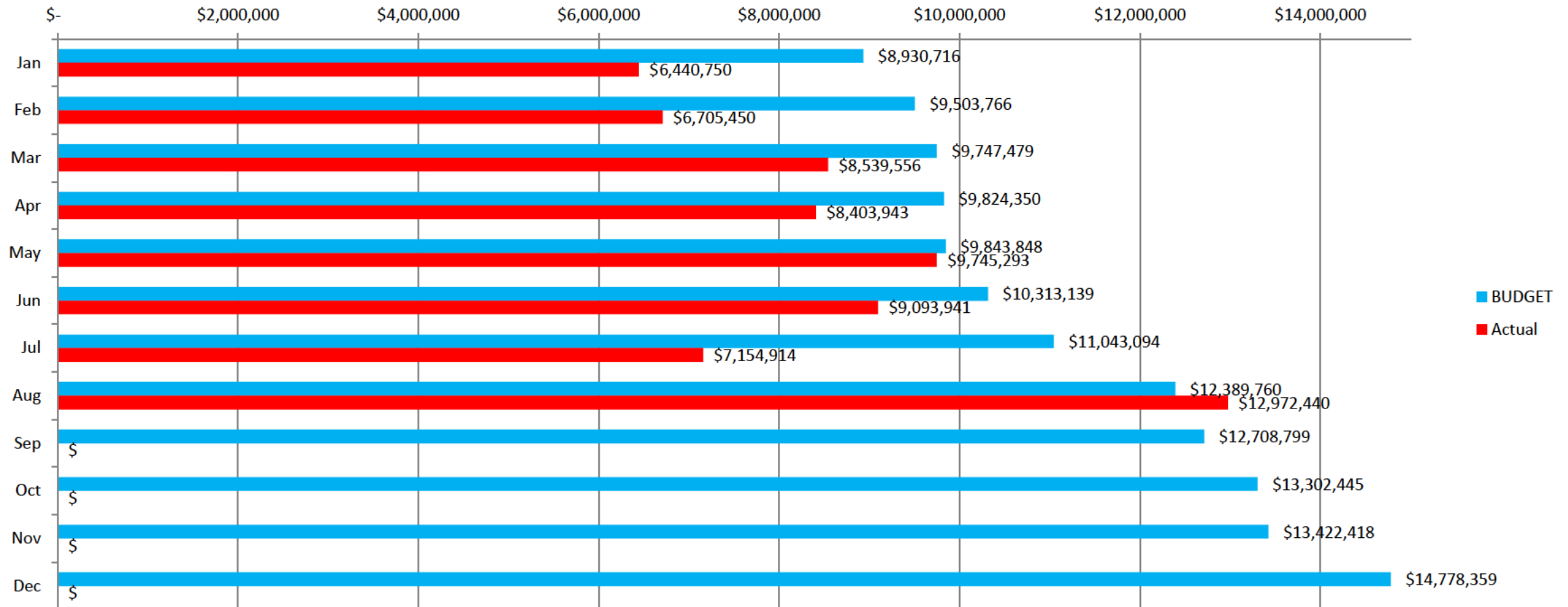
Note: The above net sales includes the impact of the proposed final rule for Medicaid rebates.

Purdue Pharma  
Net Sales by Month

(\$ mm)	2012		2012 Mid Year Update	2011	2010	Monthly			
	Actual	Budget				2012 % Budget	2012 % of 2011	2012 % of 2010	
January	\$ 125.6	\$ 158.0	\$ 130.5	\$ 162.3	\$ 186.7	79.5%	77.4%	67.3%	
February	139.2	169.9	140.1	153.5	143.4	82.0%	90.7%	97.1%	
March	242.7	209.3	233.1	236.9	209.8	115.9%	102.4%	115.6%	
Q1	507.5	537.1	503.7	552.7	540.0	94.5%	91.8%	94.0%	
April	176.2	197.2	180.0	196.0	248.0	89.4%	89.9%	71.0%	
May	218.1	195.7	229.6	172.0	185.3	111.5%	126.8%	117.7%	
June	162.0	203.2	170.2	215.7	196.1	79.7%	75.1%	82.6%	
Q2	556.4	596.1	579.8	583.7	629.4	93.3%	95.3%	88.4%	
July	167.2	207.7	187.9	167.4	203.2	80.5%	99.8%	82.3%	
August	218.4	182.6	186.9	184.1	268.3	119.6%	118.6%	81.4%	
September		201.8	190.6	192.1	204.1				
Q3	-	592.0	565.5	543.7	675.5				
October		214.5	191.4	157.5	193.2				
November		187.4	190.1	180.2	158.5				
December		224.3	207.5	192.2	125.8				
Q4	-	626.2	588.9	530.0	477.6				
Total	\$ 1,449.5	\$ 2,351.5	\$ 2,237.9	\$ 2,210.1	\$ 2,322.5	61.6%	65.6%	62.4%	
YTD Cumulative	\$ 1,449.5	\$ 1,523.5	\$ 1,458.4	\$ 1,488.0	\$ 1,640.8	95.1%	97.4%	88.3%	



## Butrans 2012 Gross Sales Trend - August YTD

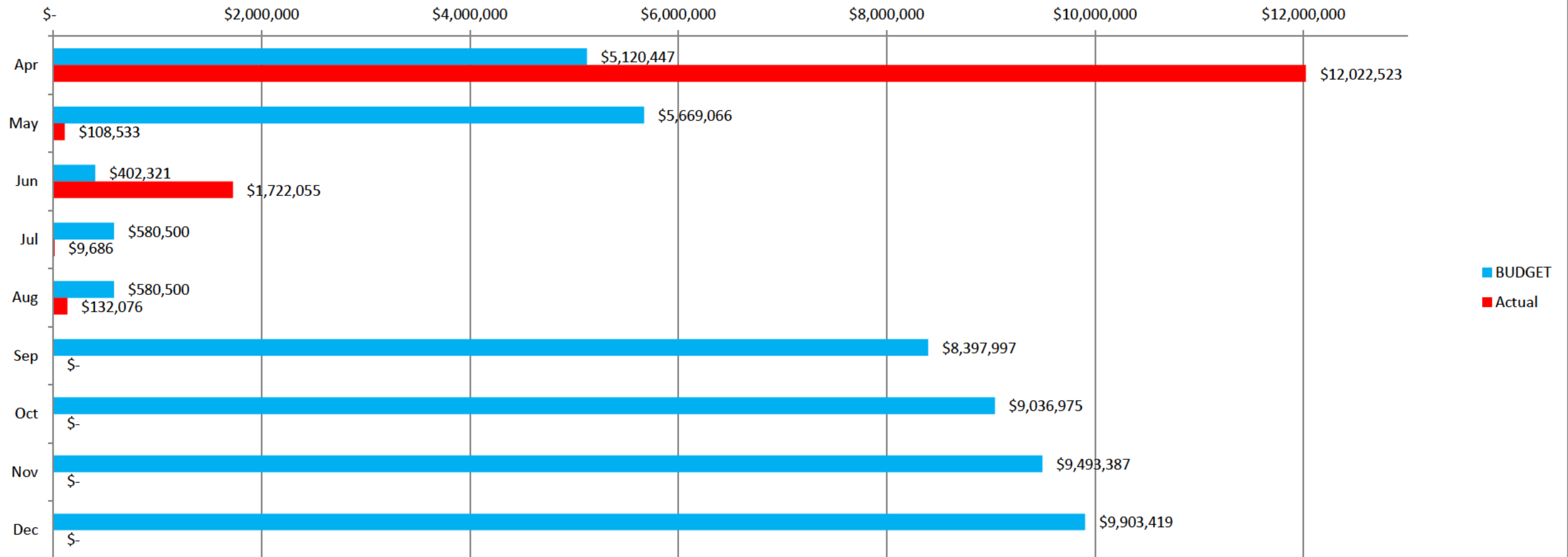


Product	Aug YTD Sales			Aug YTD Units			Aug YTD Average Sales Price		
	Actual	Budget	Var	Actual	Budget	Var	Actual	Budget	Var
BUP405	\$ 9,821,125	\$ 13,516,703	\$ (3,695,578)	74,713	101,833	(27,119)	\$ 131.45	\$ 132.73	\$ (1.28)
BUP410	27,369,741	33,000,793	(5,631,052)	138,318	165,749	(27,431)	197.88	199.10	(1.23)
BUP420	32,808,003	35,078,655	(2,270,652)	93,633	99,527	(5,894)	350.39	352.45	(2.06)
Sub-Total	69,998,870	81,596,152	(11,597,282)	306,665	367,108	(60,444)	228.26	222.27	5.99
Sales Cut-off Adj	\$ (942,583)	-	(942,583)	(4,008)					
Total Sales	\$ 69,056,287	\$ 81,596,152	\$ (12,539,864)	302,657	367,108	(60,444)	\$ 228.17	\$ 222.27	\$ 5.90

As of August month end, Butrans sales are below budget.

- ❖ Sales are below budget by \$12.5MM, or 15.4%.
- ❖ Sales unit volume is 16.5% below budget.
- ❖ In order to achieve the full year budget, sales levels will have to average \$16.7MM per month for the remainder of 2012.
- ❖ The current Rx growth rate is 1.2% week over week in 2012.
- ❖ At current Rx growth rate of 1.2% week over week, total demand for 2012 is \$110.5MM.

## Intermezzo 2012 Gross Sales Trend - August YTD



Product	Aug YTD Sales			Aug YTD Units			Aug YTD Average Sales Price		
	Actual	Budget	Var	Actual	Budget	Var	Actual	Budget	Var
INTERMEZZO 1.75MG TABLETS 30s	\$ 8,317,812	\$ 8,678,072	\$ (360,260)	44,338	44,848	(510)	\$ 187.60	\$ 193.50	\$ (5.90)
INTERMEZZO 3.5MG TABLETS 30s	5,697,960	3,674,762	2,023,198	30,371	18,991	11,380	187.61	193.50	(5.89)
Sub-Total	14,015,772	12,352,834	1,662,938	74,709	63,839	10,870	187.60	193.50	(5.90)
Sales Cut-off Adj	(20,898)	-	(20,898)	(108)	-	(108)			
Total Sales	\$ 13,994,874	\$ 12,352,834	\$ 1,642,040	74,601	63,839	10,762	\$ 187.60	\$ 193.50	\$ (5.90)

As of August month end, Intermezzo sales are favorable to budget.

- ❖ Sales are above budget by \$1.6MM, or 13.3% due to initial stocking.
- ❖ Sales unit volume is 16.9% above budget.
- ❖ In order to achieve the full year budget, sales levels will have to average \$8.8MM per month for the remainder of 2012.
- ❖ Rx dollarized through August total \$2.6MM.

Message

**From:** Baker, Stuart D. [REDACTED]  
**Sent:** 9/7/2012 6:26:08 PM  
**To:** Sackler, Dr Raymond R [REDACTED]  
[REDACTED] Sackler, Beverly  
[REDACTED] Sackler, Dame Theresa [REDACTED] Sackler, Dr Richard [REDACTED]  
[REDACTED] Sackler Lefcourt, Ilene  
[REDACTED] Sackler, Dr Kathe [REDACTED]  
[REDACTED] Sackler, Jonathan  
[REDACTED] Sackler, Mortimer D.A. [REDACTED]  
[REDACTED] Sackler, David  
[REDACTED] Boer, Peter [REDACTED]  
[REDACTED] Boer, Peter  
[REDACTED] Lewent, Judy [REDACTED] Pickett, Cecil [REDACTED]  
[REDACTED] Costa, Paulo  
[REDACTED] Snyderman, Ralph [REDACTED]  
**CC:** Stewart, John H. (US) [REDACTED]  
[REDACTED] Mahony, Edward [REDACTED]  
[REDACTED] Roncalli, Anthony [REDACTED]  
**BCC:** Stewart, John H. (US) [REDACTED]  
**Subject:** Draft Agenda and Board Book - Meetings of the Boards of Directors (U.S. Companies)  
**Attachments:** US Board Book (draft 9-7-12).pdf

Friday, September 07, 2012

Dear All,

Attached is the draft Agenda and Board Book (Draft - September 7, 2012) for the Meetings of the Boards of Directors (U.S. Companies) to be held next Thursday, September 13, 2012 in the Stamford Board Room following the Meetings of the Boards of Directors (International Companies). The Meetings of the Boards of Directors (International Companies) are scheduled to commence at 10:00 a.m.

Directors in the Stamford area are encouraged to attend the meetings in person.

For those persons joining the meetings telephonically, the call-in numbers are as follows:

U.S. Participants: [REDACTED]

Non-U.S. Participants: [REDACTED]

Passcode: [REDACTED]

Hard copies of the final Materials will be circulated by pdf next Wednesday evening and will be available at the Meetings.

Stuart

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