

Full-Time Turnover Projection - YTD 12/31/2012

	Begin Count	End Count	Ave EE's	Termina- tions	% Term EE's	Retired	Resigned	% Resigned	Total T/O	YTD T/O %	Prior Year T/O
S&P											
SALES	631	609	620	17	2.7%	3	61	9.7%	81	12.8%	
MARKETING	45	48	47	3	6.7%	0	4	8.9%	7	15.6%	
SALES SUPPORT	23	29	26	0	0.0%	1	2	8.7%	3	13.0%	
FIELD OPS, SUPPORT & ADMIN	15	15	15	0	0.0%	0	3	20.0%	3	20.0%	
Total S&P	714	701	708	20	2.8%	4	70	9.8%	94	13.2%	9.2%
% of X-FTE's											
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%	
ENVIRONMENT, HEALTH & SAFETY	5	6	6	0	0.0%	0	0	0.0%	0	0.0%	
EXECUTIVE	11	13	12	0	0.0%	0	2	18.2%	2	18.2%	
EXTERNAL AFFAIRS	18	18	18	0	0.0%	0	0	0.0%	0	0.0%	
FINANCE	60	62	61	1	1.7%	0	0	0.0%	1	1.7%	
GENERAL COUNSEL	47	46	47	4	8.5%	0	0	0.0%	4	8.5%	
HUMAN RESOURCES	23	23	23	0	0.0%	0	0	0.0%	0	0.0%	
IT	92	96	94	1	1.1%	0	2	2.2%	3	3.3%	
PROCUREMENT	13	12	13	0	0.0%	0	0	0.0%	0	0.0%	
QA	24	31	28	0	0.0%	0	0	0.0%	0	0.0%	
SECURITY	16	15	16	1	6.3%	1	0	0.0%	2	12.5%	
Total G&A	359	374	367	7	1.9%	1	4	1.1%	12	3.3%	2.8%
% of X-FTE's											
IRD/US											
DISCOVERY	46	50	48	2	4.3%	0	0	0.0%	2	4.3%	
CRANBURY SUPPORT	10	14	12	0	0.0%	0	0	0.0%	0	0.0%	
DRUG SAFETY & PHARMACOVIGILANCE	36	33	35	0	0.0%	0	3	8.3%	3	8.3%	
HEALTH POLICY	38	40	39	0	0.0%	0	1	2.6%	1	2.6%	
MEDICAL RESEARCH	75	95	85	2	2.7%	0	6	8.0%	8	10.7%	
NONCLINICAL R&D	47	50	49	0	0.0%	0	1	2.1%	1	2.1%	
PROGRAM MGMT	22	26	24	0	0.0%	0	1	4.5%	1	4.5%	
REGULATORY AFFAIRS	23	26	25	0	0.0%	0	1	4.3%	1	4.3%	
Total IRD/US	297	334	316	4	1.3%	0	13	4.4%	17	5.7%	3.0%
% of X-FTE's											
MFG/OPERATIONS											
PF LABS. SALARIED	17	18	18	0	0.0%	0	0	0.0%	0	0.0%	
M&SC	55	58	57	0	0.0%	0	1	1.8%	1	1.8%	
WILSON NC	189	186	188	2	1.1%	1	17	9.0%	20	10.6%	
Total MFG/OPERATIONS	261	262	262	2	0.8%	1	18	6.9%	21	8.0%	5.0%
% of X-FTE's											
Total PURDUE	1,631	1,671	1,651	33	2.0%	6	105	6.4%	144	8.8%	5.0%
RHODES TECHNOLOGIES	138	148	143	1	0.7%	1	1	0.7%	3	2.2%	
RHODES PHARMA	22	30	26	0	0.0%	0	1	4.5%	1	4.5%	
Total RHODES	160	178	169	1	0.6%	1	2	1.3%	4	2.5%	7.9%
% of X-FTE's											
Grand Total	1,791	1,849	1,820	34	1.9%	7	107	6.0%	148	8.2%	6.1%
% of X-FTE's											
INTERMEZZO CONTRACT SALES											
Total QUINTILES	303	102	203	251					251	82.8%	N/A
% of X-FTE's											

INFORMATION TECHNOLOGY

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

- Purdue IT successfully launched the Direct to Consumer web site - myintermezzo.com.
- IT supported packaging line upgrades in Wilson, with a focus on the shift from RFID to 2D Datamatrix barcoding, which ensure compliance with FDA regulations to identify drug packages with a unique ID number. In addition, the projected cost savings from shifting to 2D barcoding~~RFID reduction~~ are estimated to be more than \$800,000 per year.
- Early in 2012, IT enabled UPS labeling, parcel, and rate tracking functions to be executed on premises - drastically reducing shipping costs for Rhodes Pharma shipments made from Wilson. We have now completed the final phase - full integration of UPS Standard shipping into SAP - bypassing the Worldship standalone application. This has shaved an additional three minutes processing time from every Rhodes Pharma shipment from Wilson, equating to approximately one full-time employee per year. The conversion from Express Critical to UPS Standard for Rhodes will save over \$850,000 in direct shipping costs per year.
- The project team implemented a new work flow system on Nov. 9, 2012 for the Licensing and Business Development group. This implementation included executive dashboards.
- The Regulatory Document Management system upgrade was completed in November, delivering updated infrastructure components, enhanced security options, and advanced search capabilities. The project was completed by agreed-to timelines, and was delivered under budget by ~\$70,000.
- Wilson's Quality Phase-I Trackwise implementation went live on budget and on schedule on October 1, 2012. Wilson's Change Control Phase II implementation is on track for end of March 2013 completion.

[PAGE * MERGEFORMAT]

- The Anaqua Intellectual Property Asset Management program is now live. The Invention Disclosure and Submission module has been rolled out to the primary invention user groups (Cranbury, Wilson, Rhodes, and Stamford) and have been widely accepted as an improved form of submitting intellectual property ideas. In addition, the Patent Review Committee ranking and collaboration module has been rolled out to the primary IP review committee. The primary application users for IP Management (docketing searching, office action monitoring, and annuity monitoring) have gone live with primary tasks in the new system.
- IT contributions to the Savings Scorecard greatly surpassed both our \$1.5MM target and \$2MM stretch goal with approximately \$9.5MM in cost savings and efficiencies from IT projects and Procurement negotiations.

###

[PAGE * MERGEFORMAT]

Purdue
Quarterly Report to the Board
1st Quarter, 2013

May 13, 2013

TABLE OF CONTENTS

FINANCE 3

SALES & MARKETING 7

MANUFACTURING & SUPPLY CHAIN
38

 QUALITY
40

RESEARCH & DEVELOPMENT
42

 DISCOVERY RESEARCH
47

LICENSING & BUSINESS DEVELOPMENT.....
49

CORPORATE COMPLIANCE
52

EXTERNAL AFFAIRS
53

 HEALTH POLICY
56

HUMAN RESOURCES 59

INFORMATION TECHNOLOGY 63

FINANCE / INFORMATION TECHNOLOGY

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

Topics covered:

- 2013-Q1 Financial Performance
 - Non-Tax Distributions
 - 2013 10-Year Plan Process
 - Executive Audit Committee
 - Treasury – Short-term Cash Investments
 - Pension Investment Committee
-

2013-Q1 Financial Performance

	March Year-to-Date			Full Year	
	2013 Actual	2013 Budget	2012 Actual	2013 Budget	2012 Actual
<u>Expressed in 000's</u>					
Net Branded Revenues (1)	461,420	575,815	508,021	2,410,348	2,200,922
Operating Margin	161,222	243,216	233,214	1,124,604	992,750
EBITDA	125,572	228,788	258,046	1,066,878	1,038,561
Net Profit Before Tax	117,595	220,796	253,569	1,034,912	1,010,856
Owner's Equity	849,181	944,536	743,003	705,232	671,725
Non-tax Distributions (2)	3,669	543	543	538,100	471,643
Days Sales Outstanding	33.2	35.0	33.6	35.0	33.2
Accounts Receivable Outstanding > 90 Days Past Due	< 1%	< 1%	< 1%	< 1%	< 1%
Capital Spending	6,933	8,750	3,461	35,500	30,467
Unrestricted Cash on Hand	838,013	716,300	793,671	600,000	755,593
Available Liquidity	838,013	716,300	793,671	600,000	755,593
Available Liquidity - Average Months Sales	5.4	3.7	4.7	3.0	4.1
Headcount	1,697	1,710	1,645	1,784	1,666

Notes:

(1) Net revenues are lower than budget primarily due to lower OxyContin sales.

(2) Partner non-tax distributions of \$127 million were made in early April.

(3) See full financial report for detailed information.

Non-Tax Distributions

- In 2013 budget, non-tax distributions were projected to total \$538 million. Of the \$538 million, \$30 million is budgeted to be reinvested into Rhodes Pharmaceuticals.
- In early April, \$127 million of non-tax distributions were made.
- 5.4 million shares of Infinity Pharmaceutical stock were distributed in April. With the distributed stock valued at \$40 per share, the revised total 2013 non-tax distributions are projected at \$615.7 million:
 - April -- \$127 million cash paid earlier this month plus \$216.7 million in Infinity shares,
 - July -- \$42 million cash,
 - October -- \$100 million cash,
 - December -- \$100 million cash, and
 - Rhodes reinvestment Q3 / Q4 -- \$30 million cash.

2013 10-Year Plan Process

In March, we kicked off the 10-Year Plan process. We are scheduled to deliver the 10-Year plan in early May.

Executive Audit Committee

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

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

Frequency: Quarterly

- The committee's recent meetings focused on the 2012 Financial Statement Audit, accounting positions taken by management and annual audit fee approval.
- The committee members routinely met with Ernst & Young, without Purdue financial management present.
- No material matters to report.

Treasury - Short-term Cash Investments

- Purdue's cash holding is currently invested in Treasury bills and U.S. Government Securities mutual funds. These securities are primarily registered in Purdue's name to reduce counter-party risk.
- These investments earn approximately 0.06-0.08% per annum with an outstanding investment balance of \$944 million at the end of March 2013.
- The group invests 80-90% of investable funds in Treasury investments with the rest in FDIC-insured bank accounts for daily funding operations.

Pension Investment Committee

Members: Stuart Baker, [REDACTED], 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

- PPLP Plan - The plan's Accumulated Benefit Obligation¹ is projected at \$220-230 million at 12/31/2013 and the plan assets were \$243 million at 3/31/2013.
- The plan investments returned 11.3% for the 12-month ended 3/31/2013. The fund assets are invested in: (a) passive equity indexed funds, and (b) actively managed fixed income funds – which have outperformed passive fixed income. The plan's 1-year return over-performed the portfolio benchmark passive index by 1.2%.
- The 2013 budget assumes a total funding of \$10.5 million (spread out evenly during the year) to the PPLP plan.
- PF Labs (Union) Plan - PF Labs has a smaller defined benefit plan - \$6.9 million in assets – covering ex-employees, the plan is well funded and small contributions are being made.

• Change to PPLP Defined Benefits Pension Plan

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

- Effective January 1, 2013, the PPLP Plan was closed to new entrants and closed for future service credits for about 54% of current employees.
- PPLP created a new additional savings plan with three-year vesting and a 100% participation for those employees no longer eligible for the PPLP Defined Benefits Plan.

- **Defined Contribution Pension Plan**

- Purdue Pharma LP also offers employees a 401(k) defined contribution savings plan. The company's contribution to this plan is expected to be \$8.2 million in 2013.
- The 401(k) plan funds' assets total \$310 million and \$337 million at the end of 2012 and March 2013 respectively.
- The plan, offers employees a broad range of active, passive, and target-date investment options. The funds offered are generally very good performers in their classes. Marginal and poor performers are frozen to new investment and/or removed. Nearly all funds in Purdue's lineup are rated by Morningstar at 3 stars or higher.
- The employees choose how their account balances are invested from the investment choices offered.

MARKETING & SALES

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

Meet or exceed total prescriber call targets of 744,777 with Butrans assigned 50% of primary detail equivalents and OxyContin assigned 50% of primary detail equivalents. Intermezzo will be in third position on at least 70% of all prescriber calls.

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

Gross Sales Budget: \$3,228.5MM

Net Sales Budget: \$2,410.3MM

2013	Actual		Budget		Prior Year	
(\$MM)	Gross Sales	Net Sales	Gross Sales	Net Sales	Gross Sales	Net Sales
Q1	620.0	461.4	773.4	575.8	674.0	508.0
Q2			819.4	617.6	764.0	556.8
Q3			816.4	616.7	749.6	533.0
Q4			819.3	600.2	817.3	603.1
Total	620.0	461.4	3,228.5	2,410.3	3,004.9	2,200.9

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

2013 year to date actual net sales of \$461.4 mm, lower than budget by \$114.4 mm or 19.9%. This variance was driven by:

- OxyContin net sales of \$414.2 mm were \$106.9 mm or 20.5% less than budget. The variance is primarily driven by lower demand of \$20 mm and lower wholesaler inventory at net sales value of \$86 mm.
- Butrans net sales of \$23.5 mm were \$3.2 mm or 12.0% less than budget driven by lower wholesaler inventory.
- Intermezzo net sales of \$2.5 mm were \$2.3 mm or 48.1% less than budget due to lower demand.

2013 actual net sales of \$461.4 mm were lower than 2012 by \$46.6 mm or 9.2%. This variance was primarily driven by lower OxyContin net sales of \$51.8 mm offset by an increase in Butrans net sales of \$5.7 mm and Intermezzo net sales of \$2.6 mm.

OxyContin – First Quarter Prescription Results

An analysis of the first quarter IMS prescriptions shows that total OxyContin prescriptions are approximately 1% ahead of budget. Four of the seven strengths are ahead of budget (10mg, 15mg, 20mg, and 40mg), while three strengths are below budget (30mg, 60mg and 80mg).

As described in the gross/ net sales section above, there are two factors impacting lower than budgeted sales. In addition to lower inventory levels than budgeted, prescription demand is running below budget. The lower prescription demand is impacted by two issues. First, there is an unfavorable “mix” of prescriptions across strengths, versus the assumptions in the budget. This represents approximately \$11.5mm in lower gross dollar sales versus budget (Actual IMS prescriptions dollarized). This is primarily impacted by the 60mg and 80mg strengths, which together are \$16.8mm behind budget (\$5.64mm for the 60mg and \$11.15mm for the 80mg). The second factor relates to lower average tablet counts per prescription versus budget. This reduction of average tablets per prescription accounts for approximately \$14.5mm of the lower gross dollar sales versus budget.

A deeper analysis is underway to determine the cause of the decline in the 30mg, 60mg and 80mg tablet strengths, as well as the lower than budgeted average tablets per prescription. Once the analysis is complete, we will have a better sense of what tactics to implement to address both issues.

Butrans Prescription Results

Butrans IMS prescriptions for the first quarter are at budget for total prescriptions. Butrans weekly prescription trends as of the week ending March 29, 2013 remained slightly ahead of budget by 0.6% year-to-date. Butrans total “grossed up” prescription volume to-date is 127,526 prescriptions.

Intermezzo Prescription Results

The first quarter budget was 31,111 prescriptions. IMS prescriptions for the first quarter were 22,389 for total prescriptions (TRx) and 19,535 (63% of budget) for “True Rx” (TRxs minus the Trial Offer/Free Rx).

Trends for the week ending January 4th – March 1st had been running approximately 75% of budget, and the DTC program appeared to be producing a rate of growth similar to what was projected. However, during the month of March, weekly

prescriptions leveled off and the increased rate of growth experienced in the first eight weeks of the DTC is no longer being achieved. The current prescription trends projected through the remainder of 2013 yields between \$20-\$27mm in gross sales demand versus 2013 budget of \$57.6mm.

An analysis of prescription trends through April will determine the level of promotional budget the brand can support for the remainder of 2013 and beyond.

Operating Budget

The department will operate within the total 2013 S&P budget of \$309.9 mm, which is 12.9% of total net sales budget of \$2,410.3 mm.

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

S&P expense of \$81.7 mm was \$5.9 mm higher than budget due to timing. This includes higher Intermezzo direct-to-consumer advertising spend (\$12.6 million), lower OxyContin promotional spend (\$2.2 million), lower Butrans promotional spend (\$2.3 million), lower people driven expenses (\$1.8 million) partially due to higher than budgeted vacancies in the Analgesic Sales Force, and all other (\$0.4 million).

S&P expense of \$81.7 mm was \$13.4 mm higher than prior year primarily due to Intermezzo direct to consumer advertising and promotional spend (\$18.8 million).

Business Unit Performance

Each Branded Business Unit will strive to maintain its budgeted contribution on net sales: OxyContin \$1,672.6 mm/77.9% of net sales, Butrans negative \$25.0 mm, Intermezzo negative \$19.5 mm, Laxatives \$17.6 mm/36.2 % of net sales. Q1 2013 targets and results are detailed below.

	2013 Target Gross (\$MM)	2013 Target Net (\$MM)	2013 Target Product Contribution (\$MM)	2013 Target Product Contribution (%)	YTD Actual Gross (\$MM)	YTD Actual Net (\$MM)	YTD Actual Product Contribution (\$MM)	YTD Actual Product Contribution (%)
<i>OxyContin</i>	\$2,916.5	\$2,147.6	\$1,672.6	77.9%	\$566.3	\$414.2	\$304.2	73.4%
<i>Butrans</i>	\$160.0	\$126.9	(\$25.0)	N/A	\$29.1	\$23.5	(\$11.8)	N/A
<i>Intermezzo</i>	\$57.6	\$44.0	(\$19.5)	N/A	\$3.2	\$2.5	(\$21.7)	N/A
<i>Laxatives</i>	\$49.3	\$48.6	\$21.3	3.8%	\$11.7	\$11.4	\$3.8	33.5%

OxyContin's product contribution of \$304.2 mm was lower than budget by \$86.2 mm. This variance was driven by lower net sales of \$106.9 mm offset by lower COGS/Royalties of \$10.0 mm and lower S&P and R&D expenses of \$10.7 mm.

Intermezzo's product contribution of (\$21.7 mm) was lower than budget by \$9.2 mm. This variance was primarily driven by lower net sales of \$2.3 mm and timing of spend on direct to consumer advertising / promotion of \$6.7 mm (net of Transcept Contribution).

Butrans product contribution of (\$11.8mm) was lower than budget by \$1.7 mm. The variance was primarily driven by lower net sales of \$3.2 mm offset by higher spending of COGS/Product Spending of \$0.2 mm and lower R&D expenses /other of \$1.7 mm.

OTC's product contribution of \$3.8 mm is approximately in line with the budget.

Purdue Analgesic Sales Force

In order to maximize the Analgesic Sales Force effectiveness, total prescriber call targets of 744,777 have been budgeted for 2013. A daily call average of 7.1 prescribers per day has been established for 2013.

March YTD 2013 Performance by product is detailed below:

Calls by Product 2013 Budget v. Actual Mar YTD					
Primary Calls	Budget	Act	Var	Budget	Act
Butrans	86,394	106,782	20,387	50%	70%
OxyContin	86,394	46,532	(39,862)	50%	30%
Total Primary Calls	172,788	153,314	(19,475)	100%	100%
Secondary Calls	Budget	Act	Var	Budget	Act
OxyContin	77,755	87,577	9,822	45%	57%
Butrans	77,755	42,364	(35,391)	45%	28%
Total Secondary Calls	155,509	129,940	(25,569)	90%	85%
Tertiary Calls	Budget	Act	Var		
Intermezzo	60,476	80,832	20,356		
Total Tertiary Calls	60,476	80,832	20,356	35%	53%
PDEs	Budget	Act	Var		
Butrans	125,272	127,963	2,692		
OxyContin	125,272	90,321	(34,951)		
Intermezzo	6,048	8,083	2,036		
Total PDEs	256,591	226,367	(30,223)		
Calls	Budget	Act	Var		
Butrans	164,149	149,145	(15,004)		
OxyContin	164,149	134,109	(30,040)		
Intermezzo	60,476	80,832	20,356		
Total calls	388,774	364,086	(24,688)		

Results: First quarter prescriber calls were below goal. The lower than budgeted prescriber calls were primarily the result of a higher than budgeted vacancy rate (actual vacancy rate averaged 5.3% during the first quarter vs. budget of 2.5%) and lower prescriber calls per day versus budget (6.8 physician calls/day vs. a budget of 7.1 physician calls/day). During the first quarter, 70% of primary calls went to Butrans versus a budget of 50%. Conversely, OxyContin primary sales calls accounted for 30% of primary presentations, which was below the budget of 50%.

A major realignment of the Analgesic Sales Force was conducted during the fourth quarter of 2012 and became effective January 2013. This realignment is a contributing factor for the level of primary presentation activity during the first quarter. The realignment created vacancies and realigned existing territories. As with previous

realignments, there is a drop in short-term efficiencies. As we began the second quarter, the sales force is much closer to both budgeted headcount and the primary presentation allocation across OxyContin and Butrans. Also, total calls are closer to budget.

2013	Call Goal	Calls Made	Difference	% to Goal
Q1	172,788	155,354	-17,434	90%
Q2	191,184	0	0	0%
Q3	196,845	0	0	0%
Q4	183,960	0	0	0%
Total	744,777	155,354	-17,434	21%

Source: Weekly Metrics Reports W/E March 29, 2013.

Result: The average physician calls per day for the first quarter 2013 was 6.8. This was below the objective of 7.1 calls per day and is primarily driven by the realignment that took place at the end of 2012. Call productivity is expected to increase towards the targeted goal throughout 2013.

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

Intermezzo Sales Force

In order to maximize Intermezzo Sales Force effectiveness, the 2013 Budget prescriber call target is 131,946 with a daily call average of 7.5 prescribers per day.

March YTD 2013 Performance by product is detailed below:

2013	Call Goal	Calls Made	Difference	% to Goal
Q1	30,611	34,340	3,729	112%
Q2	33,870	0	0	0%
Q3	34,873	0	0	0%
Q4	32,591	0	0	0%
Total	131,946	34,340	3,729	26%

Source: Phoenix Territory Management System

Result: The average physician calls per day for Q1 2013 is 8.0 calls per day. This is above the objective of 7.5 calls per day.

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

The Intermezzo Sales Force exceeded the total prescriber call objective for the first quarter, as well as the average prescriber calls per day.

Marketing & Sales Department Key Initiatives

Butrans® Brand

In the first quarter, the Analgesic Sales Force (ASF) received training at the National Sales Meeting on the updates to the Butrans Full Prescribing Information (FPI), which included information on the class-wide Risk Evaluation and Mitigation Strategy (REMS). Following the training in January, the ASF began distributing the new FPI, along with new sales materials that are now reflecting the changes to the FPI.

The new sales material is listed below:

- Butrans Core Sales Aid
- Initiation and Titration Guide
- Patient Profiles Brochure
- Decision Tree Algorithm
- Opioid-Naïve and Opioid-Experienced Clinical Trial Backgrounders
- Supplemental Analgesia Brochure

The new sales material supports the primary promotional message for Butrans, which is centered on the need to ensure appropriate initiation and titration of Butrans.

The ASF is messaging to healthcare professionals (HCPs) BuTran's improved formulary coverage. We began 2013 with 90% of commercially-insured patients having formulary coverage for Butrans (Tier 2 or Tier 3). 31% of these lives have Butrans covered in Tier 2 (preferred brand) status.

Butrans Patient Savings Program

The objective of this program is to enable new, commercially-insured patients, to receive a free 28-day trial of Butrans for their first prescription. All refill prescriptions would then be filled with an out-of-pocket co-pay that would be \$15 per prescription. This co-pay is between the average Tier 1 (generic co-pay of \$10) and Tier 2 (preferred brand co-pay of \$25) co-pays.

Based on a sensitivity analysis conducted in 2012, we increased the offer on the savings program. Analysis shows that the increased offer will increase gross sales, as well as profitability. The updates to the Butrans 2013 Patient Savings Program include:

- **Butrans Trial Offer:** \$0 out-of-pocket up to **\$100** off the first prescription for new, commercially-insured patients. This program is only offered with a trial card.
- **Butrans Savings Program Offer:** \$15 out-of-pocket up to **\$50** off for commercially-insured, and cash patients. This offer is provided via trial cards, as well as the RelayHealth point-of-purchase program (electronic savings at the pharmacy).

There are tactics being implemented to reach non-called on HCPs through a variety of eMarketing initiatives. The goal is to generate awareness and interest in this program, leading to utilization with patients. The Butrans Patient Savings Program is now offered on PurdueHCP.com and Butrans.com, where savings cards can be printed off by HCPs, or patients, and redeemed at retail pharmacies when filling a Butrans prescription.

Analysis conducted in 2012 demonstrated that HCPs who use the savings program increase their prescribing by 226% over those that do not use the program. The Butrans Trial Offer portion of the program increased "new to brand" prescriptions by 28% over the control group. Below is a review of first quarter results for the Butrans Patient Savings Program:

- Since the program was launched 40% of all prescriptions filled are accompanied by one of the Patient Savings Program offers
- There has been a 3% increase in the number of eVoucher redemptions following the introduction of the \$15/\$50 offer which was launched on Feb 2, 2013. Since the inception of the program, the redemption rate for eVouchers represents

approximately 27% of all prescriptions filled. However, since February the weekly rates have been 28-29% of all prescriptions filled.

- The Trial Offer and savings Cards combine for approximately 13% of all prescriptions filled. This has been decreasing during the first quarter to approximately 11% per week. However, this coincides with improved Managed Care formulary coverage; therefore it is expected to see a decrease in the number of savings cards being redeemed, as the co-pay for patients decrease with improved formulary coverage.

Butrans Speaker Programs

The ASF is actively engaged in implementing speaker programs for Butrans. Analysis conducted in 2012 demonstrated that there is a 195% increase in prescriptions from HCPs who attend a speaker program, versus the control group, who do not attend a program. Therefore, this is a major initiative for the ASF in 2013.

For the first quarter 2013, there have been 350 speaker programs conducted. These 350 programs were provided to approximately 3,900 HCPs. There is ongoing analysis being conducted to measure the impact of these speaker programs during 2013.

Butrans Experience Program

This is a program designed to allow prescribers and their patients to gain experience with Butrans. This includes kits that are provided to patients to track their pain, daily activities and side-effects. The tools that the patient uses also allow them to keep the prescriber updates, allowing the prescriber to gain greater insights into the Butrans “experience” and results of therapy than through normal prescribing methods.

In the first quarter 5,000 kits were distributed to the ASF representatives. These will be utilized by the ASF representatives with prescribers who have not yet participated in the program. Also, an additional 600 kits have been provided to the ASF representatives for distribution to prescribers who have already participated in the program.

Analysis conducted in 2012 demonstrated that this program has resulted in an average increase of 1.57 prescriptions per prescriber, with an overall ROI of 1.4, versus the control group. These results represent one of the most successful programs we’ve implemented for Butrans.

Butrans Journal Advertisements

To support the ASF activities with HCPs, share-of-voice for Butrans is also being created via medical journal advertising. Below is the schedule for 2013. As can be seen there were nine “insertions” (advertisements) during the first quarter. Including, two in

The Journal of The American Medical Association, Medical Practice and Reviews (MPR), and Practical Pain Management. One advertisement was run in American Family Physician, The Journal of Pain, and the Physician's Assistant/Nurse Practitioner Prescribing Reference. Six of the advertisements were "premium" placements.

		Jan 2013	Feb 2013	Mar 2013	Apr 2013	May 2013	June 2013	July 2013	Aug 2013	Sept 2013	Oct 2013	Nov 2013	Dec 2013
	Insertions	3	3	3	2	4	2	3	4	5	4	6	4
	43												
Total	26												
PCP	7		1		1		1		1		1	1	1
AM FAMILY PHYSICIAN	6	1		1		1		1		1		1	
JRL OF AM MED ASSOCIATION	9	1		1		1		1	1	1	1	1	1
MPR	4									1	1	1	1
CONSULTANT	13												
	6		1		1		1		1		1		1
PAIN MEDICINE	1									1			
THE JOURNAL OF PAIN	6	1		1		1		1		1		1	
PAIN MEDICINE NEWS	4												
PRACTICAL PAIN MANAGEMENT	4		1			1			1			1	
NP/PA													
PA/NP Prescribing Reference													

Butrans eMarketing Initiatives

In the first quarter, implementation of the Butrans HCP Relationship Marketing Program continued. The program includes interactive components, such as representative invitations, an eMail series on Butrans-related topics, and the "Initiations" Case Study program.

Additional information is provided on the Butrans section of the PurdueHCP.com site and Butrans.com, which contains available materials (such as the Patient Education Brochure and the Butrans Initiation and Titration guide) for healthcare professionals to download and use to educate themselves, peers, and patients.

Search Engine Marketing (SEM) is actively driving HCPs seeking information associated with Butrans to educational information about the product. These eMarketing initiatives reinforce the branding, positioning, and key selling messages of Butrans. All eMail delivery and display advertisements were suspended in January and February, due to labeling updates. The updated label is being incorporated into the emails and display advertisements. As they are reviewed and approved through the Medical-Regulatory-Law process, they will be placed directly into the outreach program.

For the first two months of 2013, four of the five tactics that were implemented exceeded objectives. For example, the SEM "Impressions" for the first quarter were 630,298, versus the goal of 200,000. Also, there were 17,705 visits to PurdueHCP.com,

versus the goal of 8,000. The eMarketing initiatives can be seen in the below two charts which is inclusive of the first two months of the year:

OxyContin® Tablets Brand

The sales new material includes:

- Updated “Core” visual aid (includes updated FPI that includes information regarding the class-wide REMs. This was introduced to the ASF in the Fall of 2012)
- “Slim Jim” version of the “Core” visual aid
- Patient Saving Program “leave behind” visual aid
- Conversion and Titration Guide

The primary focus for OxyContin continues to be on supporting HCPs in selecting appropriate patients who meet OxyContin’s indication. This includes continued focus on appropriate initiation and titration of OxyContin, stressing the “individualize the dose” message, which capitalizes on OxyContin’s seven strengths.

In addition, OxyContin’s category-leading Managed Care formulary coverage continues to be a focus for the ASF when messaging to healthcare professionals (HCPs). OxyContin’s formulary coverage for both commercially-insured lives, as well as Medicare Part D lives, is a competitive advantage that continues to resonate well with HCPs.

OxyContin S.T.A.R.T. Principles Campaign

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

This campaign has been included in many key selling materials such as the OxyContin Conversion and Titration Guide, the OxyContin Slim Jim, the OxyContin portal at PurdueHCP.com and will continued to be leveraged in promotional materials throughout 2013.

OxyContin Patient Savings Program

The OxyContin Patient Savings Program provides commercially-insured patients with two ways to realize reduced out-of-pocket co-pays. This includes savings cards and Relay Health eVouchers (point-of-purchase, electronic savings at retail pharmacies).

Approximately 12% of all prescriptions for OxyContin include redemption of either a savings card or eVoucher. Savings cards represent approximately 3% of redemptions, with eVouchers accounting for approximately 9% of redemptions. For the first quarter, there were approximately 40,000 redemptions for the savings card and approximately 130,000 redemptions for the Relay Health (eVoucher) program. Analysis conducted in 2012 demonstrated that there is a positive ROI and prescription lift associated with prescribers who utilize the Savings Program. Analysis also demonstrated that patients who redeem a savings card or eVoucher remain on therapy longer than patients who do not.

OxyContin Patient Essentials Pack

This was a new initiative was developed to support patients that are initiated on OxyContin therapy. The kit was uniquely packaged and contains a “Welcome Brochure”, an OxyContin Patients Savings Brochure and a Savings Card. Also included is a “Pain Tracker” that is designed for patients to utilize as a way of monitoring their progress while on OxyContin therapy and report back to their physician.

The objective of this tool is to educate patients on appropriate communication with their physician, encouraging active feedback about their treatment, and provide a tool to track the specifics about their treatment plan and what they are experiencing. The kit was designed to be utilized by physicians who have become high prescribers for new branded, extended-release opioids, but are underperforming for OxyContin.

Representative Initiated Direct Mail and email Initiatives

New direct mails, and e-mails, were introduced at the National Sales Meeting. These are “triggered” by the ASF representative following a sales call via the Phoenix call reporting system.

There are two letters/emails. One is titled, “Thank You for Your Time”, and with a second one titled, “Sorry I Missed You”. They feature one of two topics, either information regarding OxyContin’s formulary coverage, or the new Patient Savings Program offer. This includes a “call to action” for the recipient to visit the PurdueHCP.com portal to download Savings Cards.

Support for National Accounts & Trade Relations

A “Dear Trading Partner” letter, as well as a Wholesaler Fact Sheet, was developed for the National Account Managers to utilize with wholesalers and pharmacies. These were designed to communicate the label changes, and updated product specifications, surrounding both OxyContin and MS Contin packaging that resulted from the class-wide REMS. The objective of the communication was to clearly communicate changes to the packaging specifications, in an effort to minimize any potential returns that may be due to the label change.

OxyContin Medical Journal Advertisement

A new OxyContin medical journal advertisement was developed. These new advertisements continue to message the “Individualize the Dose” campaign, but now focuses more directly on the excellent managed care coverage for OxyContin, as well as the availability of an OxyContin Patient Savings program accessible for download at PurdueHCP.com. The new advertisement was placed into the journals listed below:

- American Family Physician
- American Medical News
- Consultant- Primary Care Edition
- Medical Economics
- Monthly Prescribing Reference
- Journal of Pain
- Pain Medicine News
- Practical Pain Management
- The Pain Practitioner
- Prescribing Reference for NPs/PAs
- Annals of Long Term Care

OxyContin eMarketing Initiatives

QuantiaMD is an “online HCP community” featuring the new OxyContin Savings Card Program. High decile OxyContin prescribers were identified for this initiative. This online program is scheduled to achieve 6,000 engagements.

In the first quarter of 2013 we continued to implement the OxyContin HCP Relationship Marketing Program. However, the program has been expanded to now reach approximately 72k HCPs. The program includes a variety of activities for reaching, and engaging, the targeted HCPs. These include “interactivity invitations”, and an email series on OxyContin-related topics. Additional information is provided on the PurdueHCP.com web portal, which contains available materials (such as Managed Care formulary status and Patient Saving Cards) for healthcare professionals to engage and educate themselves, peers, and patients. These eMarketing initiatives reinforce the branding, positioning, and key selling messages of OxyContin.

Together with the initiatives described above, Search Engine Marketing (SEM) began in February 2013, as well as, digital display advertisements which began running on April 1, 2013. Search and Online advertising were delayed due to the changes in OxyContin labeling. Once the new labeling is incorporated into the Search and Online advertising information, and reviewed through the Medical-Regulatory-Law process, they will be implemented.

Recent data on the achievement versus goal for each of the various components of the Relationship Marketing Program can be seen in the below two charts. For the first two months of 2013, most objectives were exceeded. For example, for the SEM, there were 271,311 "Impressions" versus the objective of 238,286. Visits to the portal (PurdueHCP.com) were 17,705 versus the goal of 10,000. The data included below is inclusive only of the first two months of 2013:

The OxyContin National Program has REACHED		90%	of the 60.4K HCPs	
Targeted Tactics		YTD	YTD Goal	% Achieved
Recruitment Emails	Number Sent	409,453	238,286	172%
	Delivery Rate	99%	94%	105%
Open Tactics		YTD	YTD Goal	% Achieved
SEM	Impressions	271,311	238,286	142%
	Position	3	3.00	98%
Portal	Visits	17,705	10,000	177%
	Page Views per Visits	2.27	2.00	114%
Display	Impressions	Paused		

The OxyContin National Program has ENGAGED		14%	of the 60.4K HCPs	
Targeted Tactics		YTD	YTD Goal	% Achieved
Recruitment Emails	Open Rate	3.9%	3.3%	117%
Portal	Registrations	266	120	222%
	Savings Cards	145	50	290%
Program eMails	Open Rate	Paused		
Open Tactics		YTD	YTD Goal	% Achieved
SEM	Clicks	3,204	4,022	80%
	CTR	1.18%	1.26%	94%
Portal	Fingertip Formulary	121	60	202%

Note: CTR on the chart above represents click through rate

Intermezzo® Brand

The first quarter began with a reduced Intermezzo Sales Force (ISF), which underwent downsizing in the fourth quarter of 2012 from 275 sales representatives to 90. However, the ASF received Intermezzo training at the National Sales Meeting and was directed to include Intermezzo in a third position, following OxyContin and Butrans presentations, to prescribers. The ASF was directed to include Intermezzo in a primary position on retail pharmacy calls.

The ISF representatives and managers were brought to Stamford for a National Sales Meeting the first week of February. This was the first opportunity to meet with the ISF since the downsizing and provided an opportunity to focus them on the objectives established for 2013, and to provide training around effective promotional messages and approaches. In addition, they were trained on new promotional material.

The sales force continues to leverage the Core Visual Aid as their main selling asset. Additional sales tools were introduced to the ISF in the fourth quarter, with additional, focused training conducted in February.

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

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

Intermezzo Patient Savings Program

Patient Savings Programs were implemented in April 2012. These include two methods available to reduce a patient’s out-of-pocket co-pay. There is an eVoucher (Relay Health) which is provided electronically at the point-of-purchase in the retail pharmacy. Also, there are savings cards the representatives provide to HCPs. There are also savings cards available at myintermezzo.com and IntermezzoRx.com.

Since the inception of the Patient Savings Programs, 34% of prescriptions filled have been accompanied by either eVoucher or Savings Card. In the first quarter, there has been an increase in the percentage of redemptions for web generated savings cards. This is related to the TV advertising and increased traffic to IntermezzoRx.com and Myintermezzo.com, where there are savings cards available for printing. For the first quarter, web generated savings cards represented 16% of all savings cards redeemed. In the final few weeks of the quarter, there were two weeks in excess of 20% of all redemptions occurring from web generated savings cards.

Intermezzo Sample Program

The Intermezzo sampling program was discontinued in December 2012. However, the Trial Offer program, which provides patients with the ability to obtain Intermezzo tablets free of cost by utilizing a trial card provided by a prescriber, was increased from three to five tablets for January 2013. The Trial Offer is now the primary sample program for 2013. Both ISF and ASF representatives are distributing these Trial Offer cards as a way of “sampling” Intermezzo. The Trial Cards can be printed off of Myintermezzo.com and IntermezzoRx.com and redeemed along with a prescription for Intermezzo. For the first quarter there were 3,096 Trial Offer redemptions processed. Web generated Trial Offer cards represented 20% of Trial Card redemptions.

Intermezzo Speaker Programs

The Speakers Bureau has a total of 92 national Key Opinion Leaders trained within FDA guidelines. Our initial 2013 objective is to complete 90 speaker events by May 31st.

Through the end of the first quarter, forty speaker programs have been completed, with 400 confirmed HCP attendees as of the March report. The speaker programs are currently averaging twelve HCP's per event. The ISF continues to schedule speaker programs into the second quarter.

Direct-to-Consumer Campaign

Television Advertising commenced in January, adding to other Direct-to-Consumer components of the Intermezzo promotion. The TV advertising ran from January 7 – March 31. Prescription trends during this period showed a positive lift from trends experienced in 2012. However, in the final weeks of the first quarter prescriptions for Intermezzo reached a plateau. The Intermezzo DTC print and digital campaigns began in November/December and will continue through March 2013.

Professional Television Network (PTN) - Healthcasts

PTN is a company we've used for OxyContin and Butrans. This is a service that provides in-house viewing of educational programs for physicians who enroll in the PTN service. The programs are provided via cable or dish, only to those physicians who enroll with PTN. We are able to cross-match physicians in the PTN database with our database. Then, working with PTN, market our program to a set number of physicians who have a high potential to prescribe our product (in this case Intermezzo).