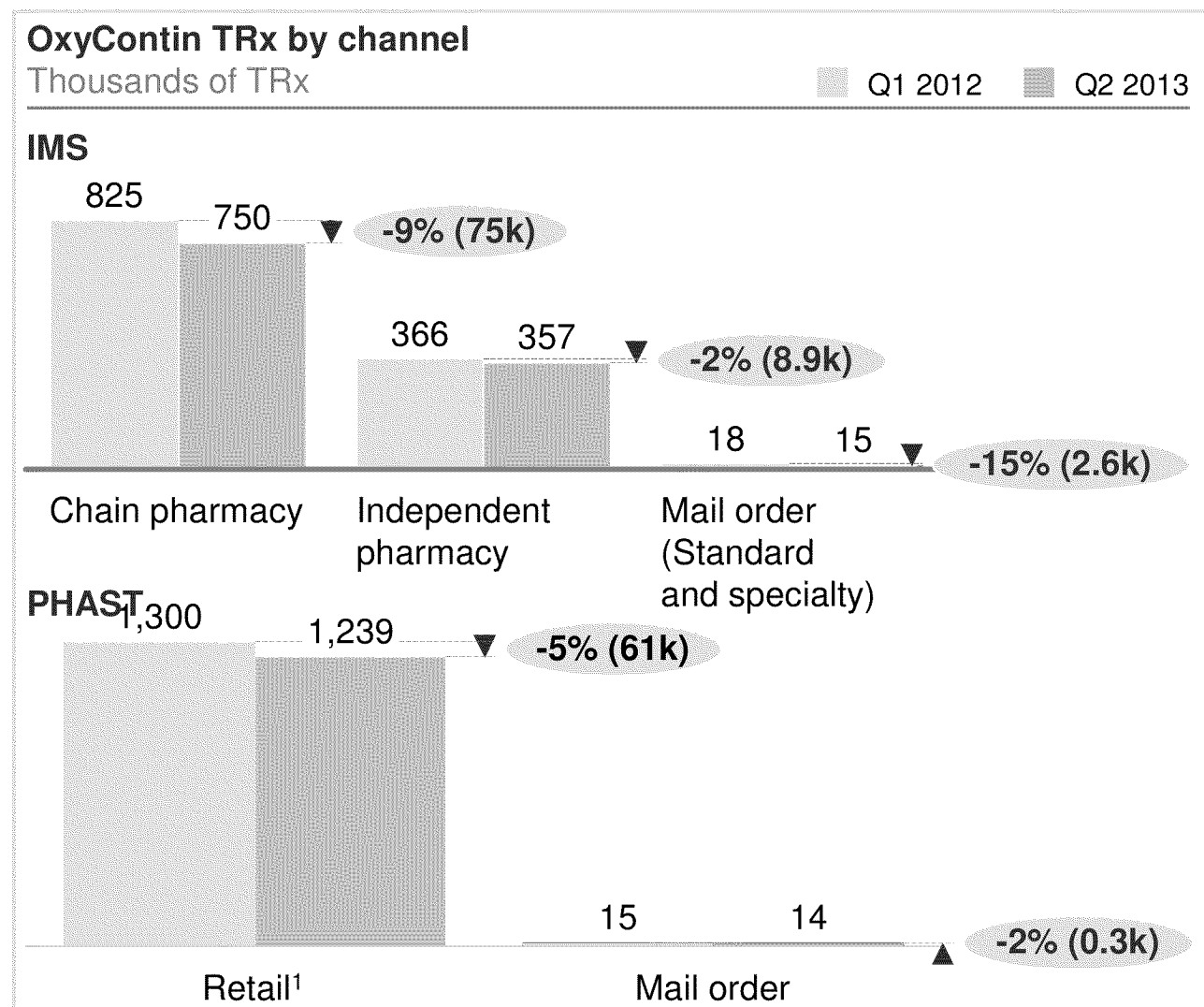


IMS and PHAST data both show no evidence that mail order is offsetting TRx losses from chain pharmacies



- Chain pharmacy volume decreased by 9% (75k scripts), while mail order declined by 15% (2.6k scripts) – providing **no indication that mail order has offset declines in chain pharmacy volumes**
- This relationship holds even when we focus on Q1 2013 vs Q2 2013 (e.g., time of Walgreen's GFD implementation)

Source: IMS; PHAST

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Even by dosage, there is little evidence that mail order is offsetting declines at the chain pharmacy level

OxyContin TRx by channel and dosage

Change between Q1 2012 and Q2 2013

| Dosage | Channel | Q1 2012 TRx | Q2 2013 TRx | % change |
|--------|------------|-------------|-------------|----------|
| 10mg | Chain | 160998 | 151210 | -6.1 |
| | Mail order | 2571 | 2104 | -18.2 |
| 20mg | Chain | 217528 | 194323 | -10.7 |
| | Mail order | 4868 | 3941 | -19.04 |
| 30mg | Chain | 75490 | 80619 | +6.8 |
| | Mail order | 1347 | 1038 | -23.9 |
| 40mg | Chain | 171146 | 144114 | -15.8 |
| | Mail order | 4285 | 3643 | -14.9 |
| 60mg | Chain | 61827 | 59931 | -3.1 |
| | Mail order | 1204 | 1279 | +6.2 |
| 80mg | Chain | 115799 | 93401 | -19.3 |
| | Mail order | 3307 | 2903 | -12.3 |

- Mail order volume declined for all strengths, with the exception of 60mgs
- Even for 60mgs, increase in mail order volume (+75 TRx) does not significantly offset chain volume declines (-1896)

Source: IMS

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Managed care – executive summary

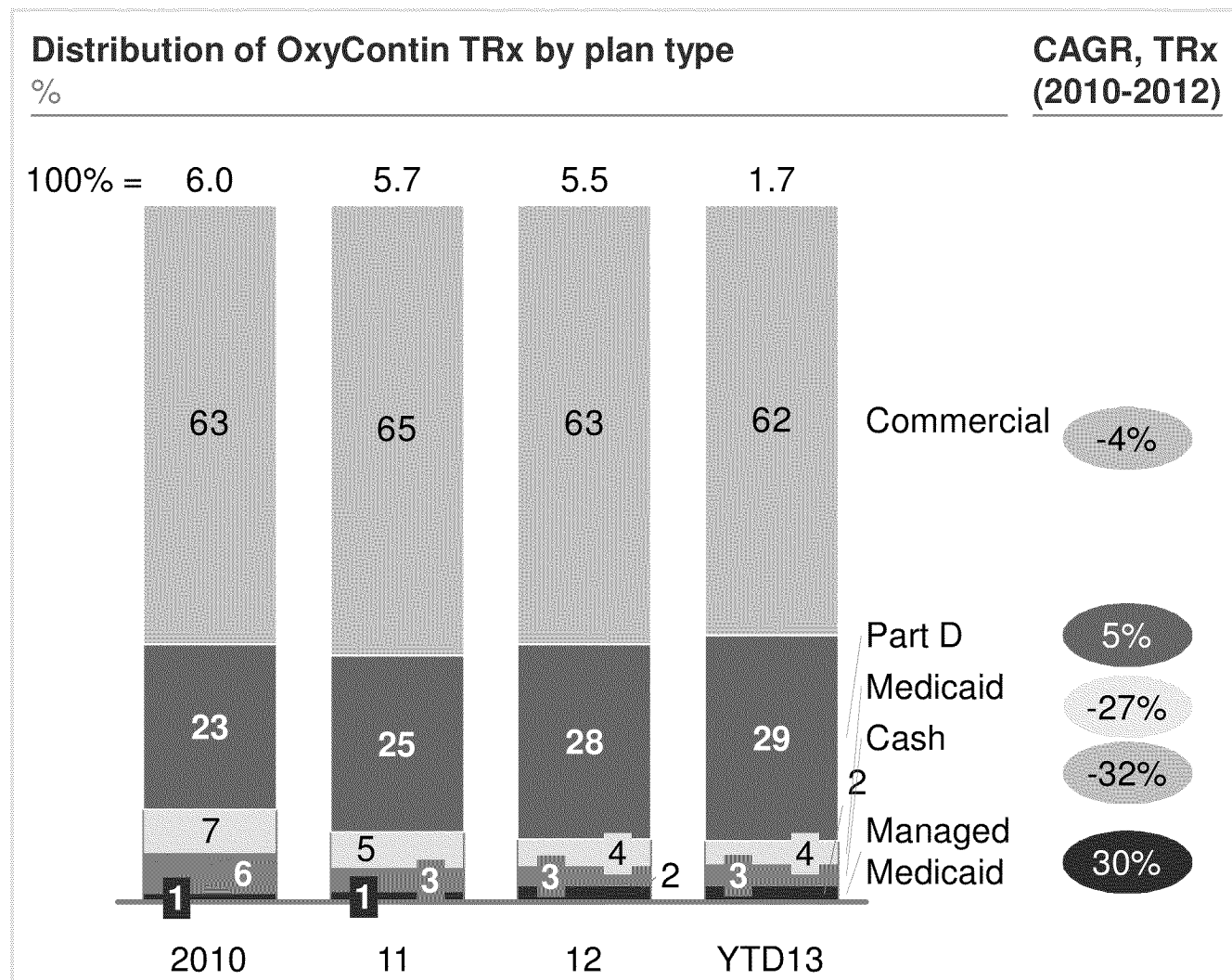
PRELIMINARY

- **To date, Purdue has successfully maintained strong tier and rebate position in Commercial plans though it faces a more challenging environment in Medicare Part D**
 - Medicare Part D is the only growing segment of the business, increasing from 23% to 29% of OxyContin TRx from 2010-12
 - OxyContin share in all market segments (Part D, Commercial, Medicaid) declined between 2010 and 2012
 - While Commercial has maintained a relatively high level of access, Part D plans have much more restricted access
- **Formulary status has a significant impact on OxyContin share of ERO, for both Commercial and Part D**
 - In Commercial, OxyContin has 32% share of ERO among plans with Pref. Branded Access and 22% share of ERO among plans with no formulary coverage. In Part D, OxyContin share is 28% in plans with Pref. Branded Access and 11% in plans with no formulary coverage.
 - In Part D, OxyContin is best keeping up with overall ERO growth in plans where OxyContin has Pref. Branded Tier access
- **There have been several key adverse changes in formulary status for OxyContin in recent years, mainly in Part D**
 - Changes in formulary status have substantially impacted OxyContin TRx volumes
 - Moreover, formulary changes in Part D can “spillover” into Commercial plans
- **However, substantial variation in share even for territories with similar levels of access suggests opportunities for better pull-through**
- **While payors see pain as a relatively stable class, rebates mentioned as one reason why OxyContin continues to stay on Preferred Branded tier**
 - Management of pain category overall is stable in outlook – rebates mentioned as one reason why OxyContin stays on Preferred Branded Tier
 - Lack of differentiation among opioids in the market, but wide range of options is important
 - Pain is a relatively important category in formulary, but behind oncology and other higher-cost drug types
 - Differing levels of awareness about AD reformulation
 - Even with AD benefits, cost savings of generics is heavy counterweight to using more expensive AD formulations

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Medicare Part D is the only significant and growing book of business for OxyContin

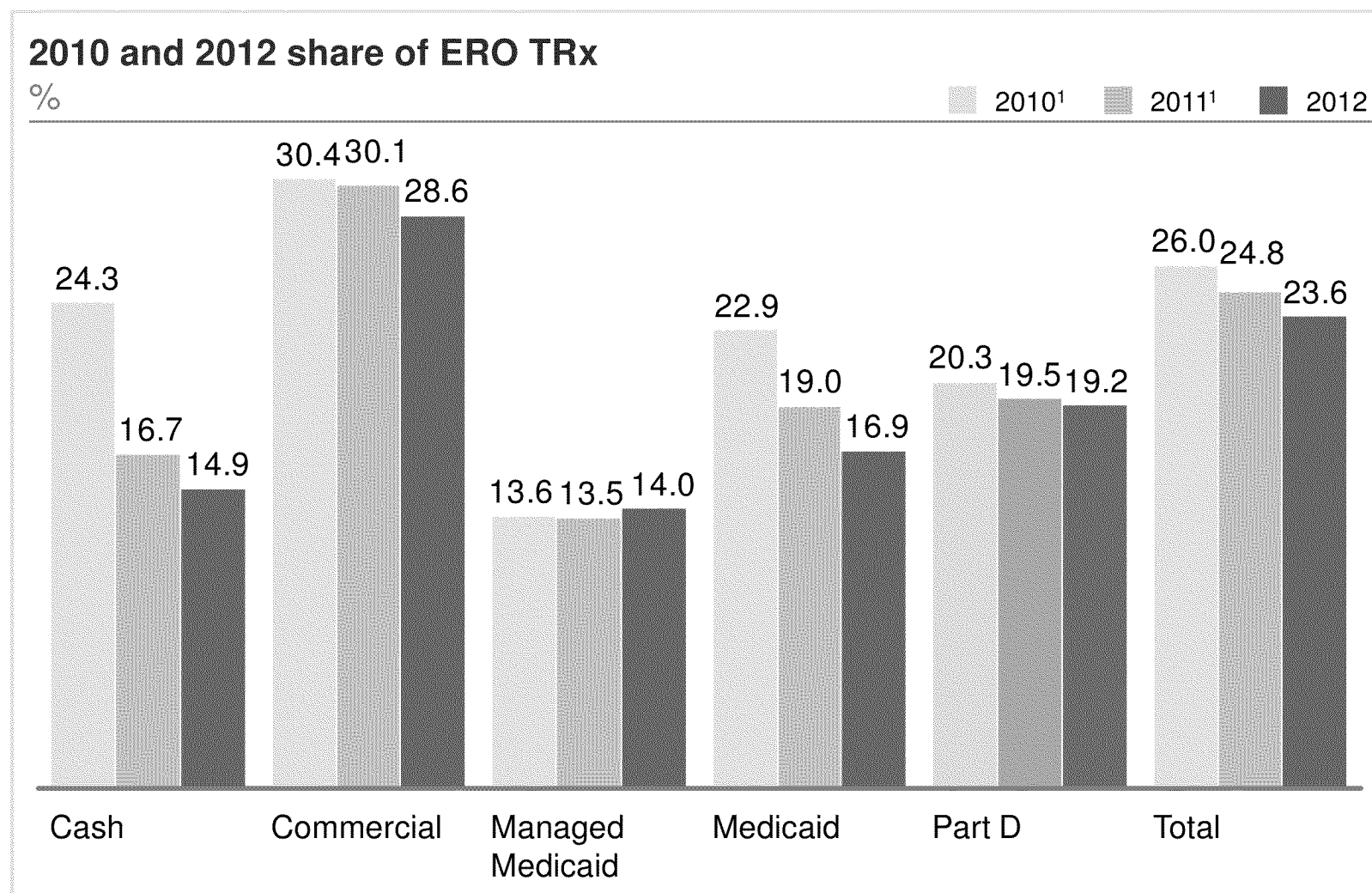


- As Medicare's percent share of insured increases, Purdue will need to actively address reimbursement pressures
- Primary growth driver for OxyContin Part D was likely the increase in covered population

SOURCE: IMS

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... but OxyContin's share of the ERO market is declining in all significant segments, including Part D



¹ 2010 and 2011 coincides with period of reformulation rollout and exit of generic OxyContin from the market

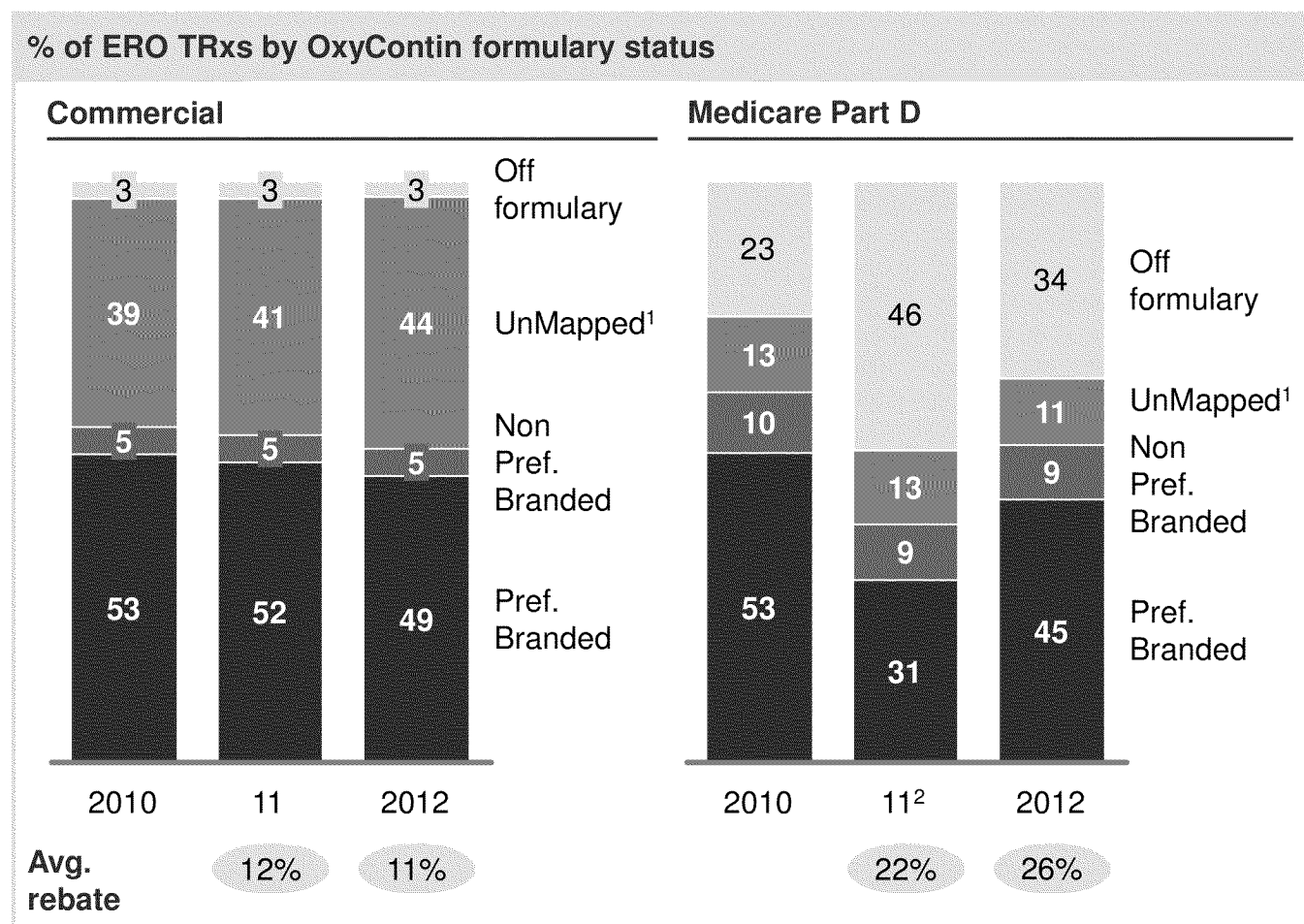
SOURCE: IMS

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To date, Purdue has maintained a strong tier and rebate position in commercial plans, but has faced a more challenging environment in Part D



- In Part D, a significant fraction of ERO Rx's fall under plans where OxyContin is not on formulary
- Assuming Medicare continues to grow at current rates and Commercial plans decline, significant value is at risk

¹ UnMapped refers to ERO TRxs written under plans where the formulary status of OxyContin is unknown or cannot be systematically matched into a database with formulary status information

² Aetna Part D, Wellpoint Part D, and Silverscript go off formulary in 2011; Silverscript comes back on formulary at the end of 2011

SOURCE: IMS, IGallery, Managed care agreement logs

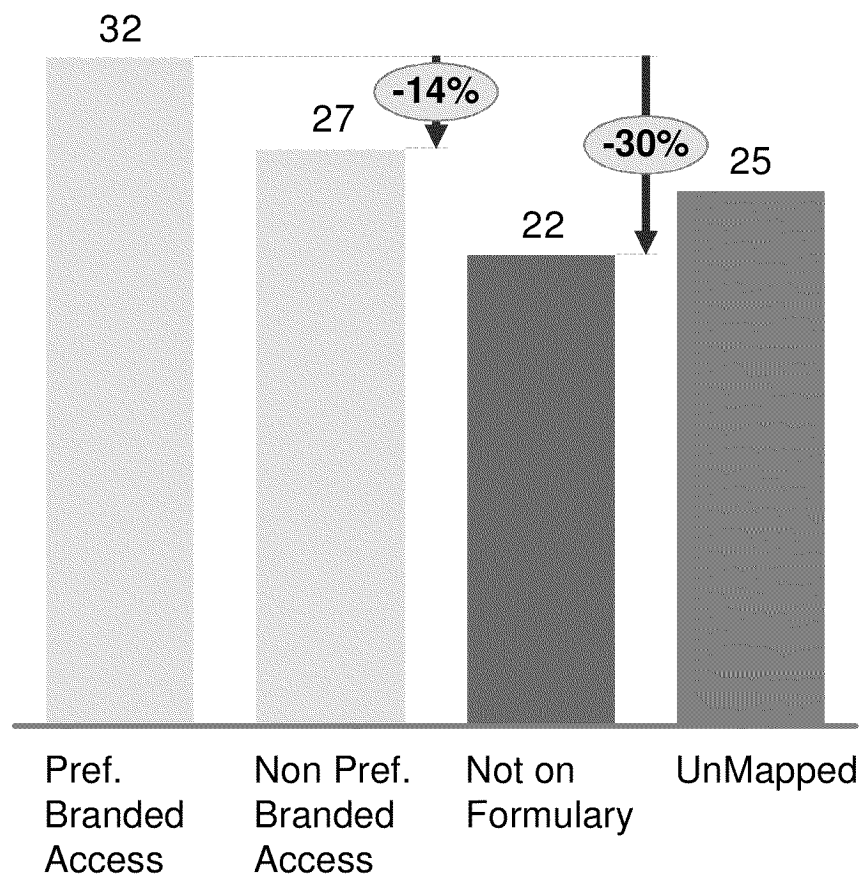
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Coverage has an impact on market share in both Commercial and Part D

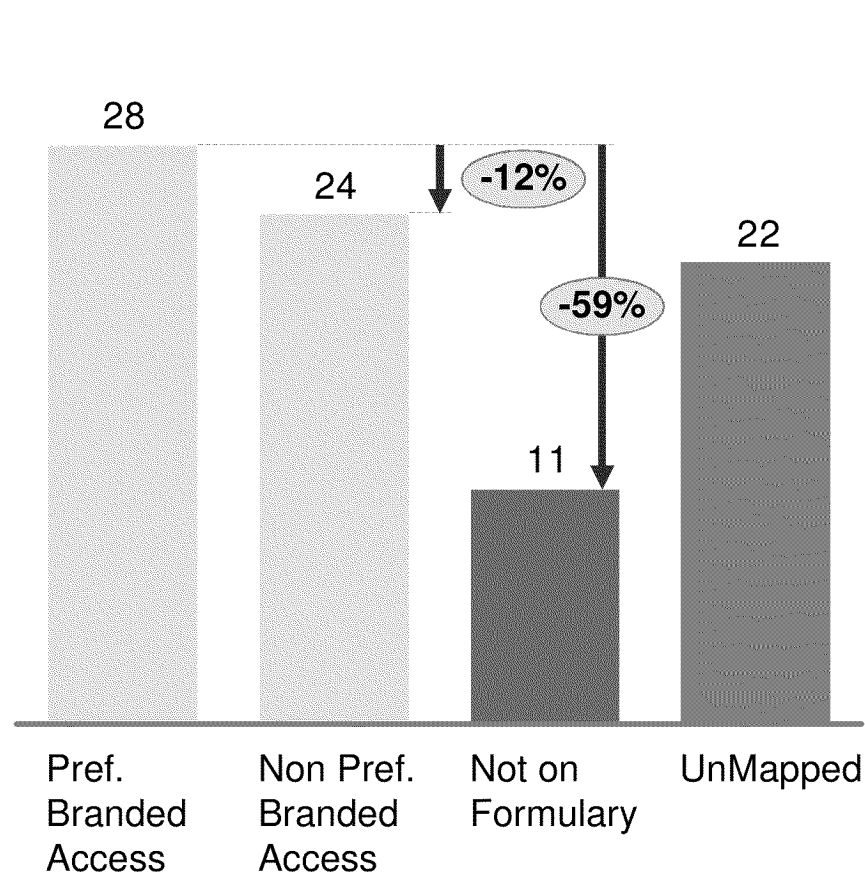
Oxycontin share of ERO TRxs, 2012

%

Commercial



Medicare Part D



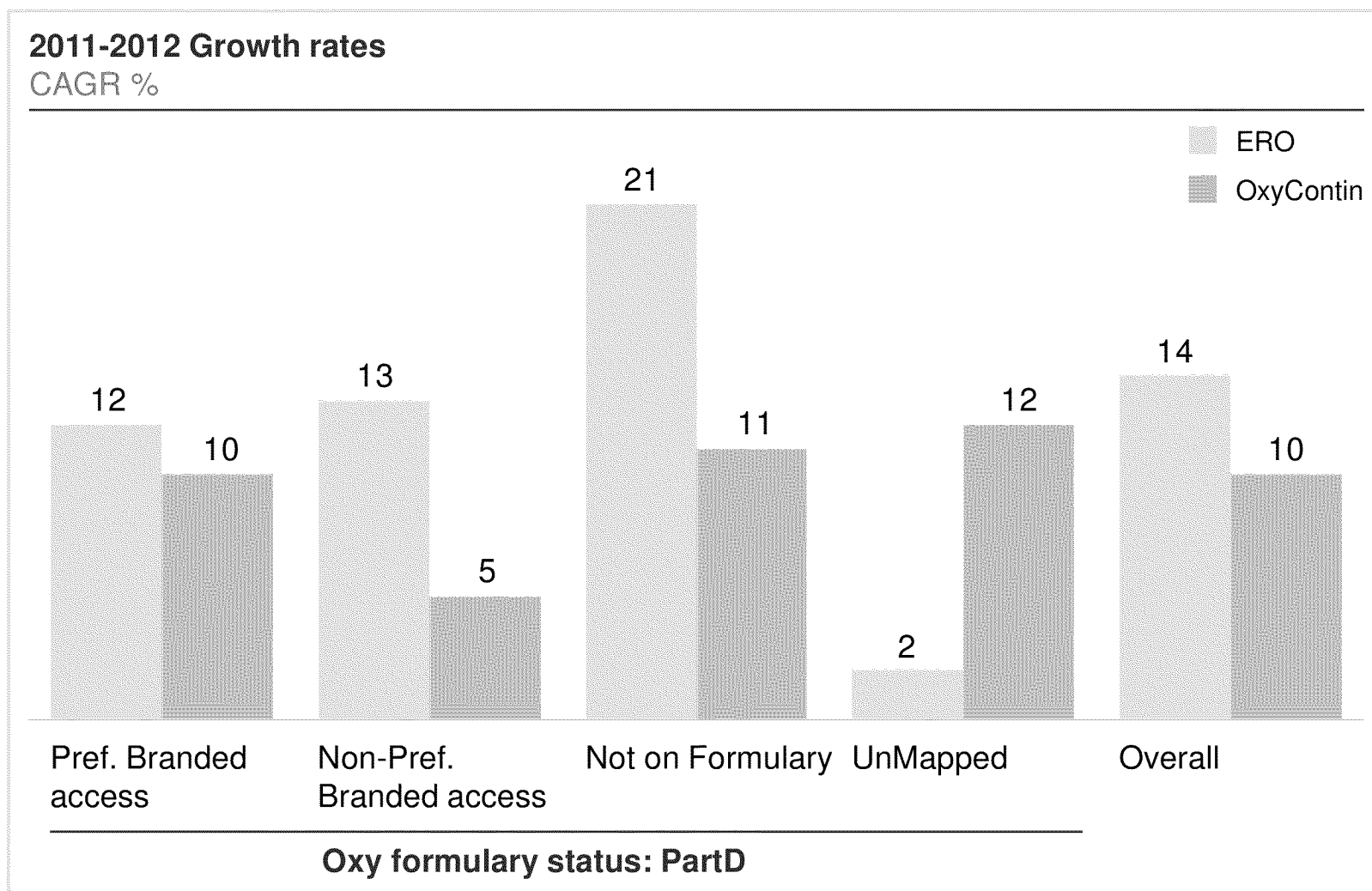
SOURCE: IMS data, IGallery data (Purdue internal data)

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In Part D, OxyContin growth is best keeping up with overall ERO growth in plans where OxyContin has Preferred Branded Tier access



SOURCE: IMS, IGallery

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There have been several key adverse changes in formulary status for OxyContin in recent years

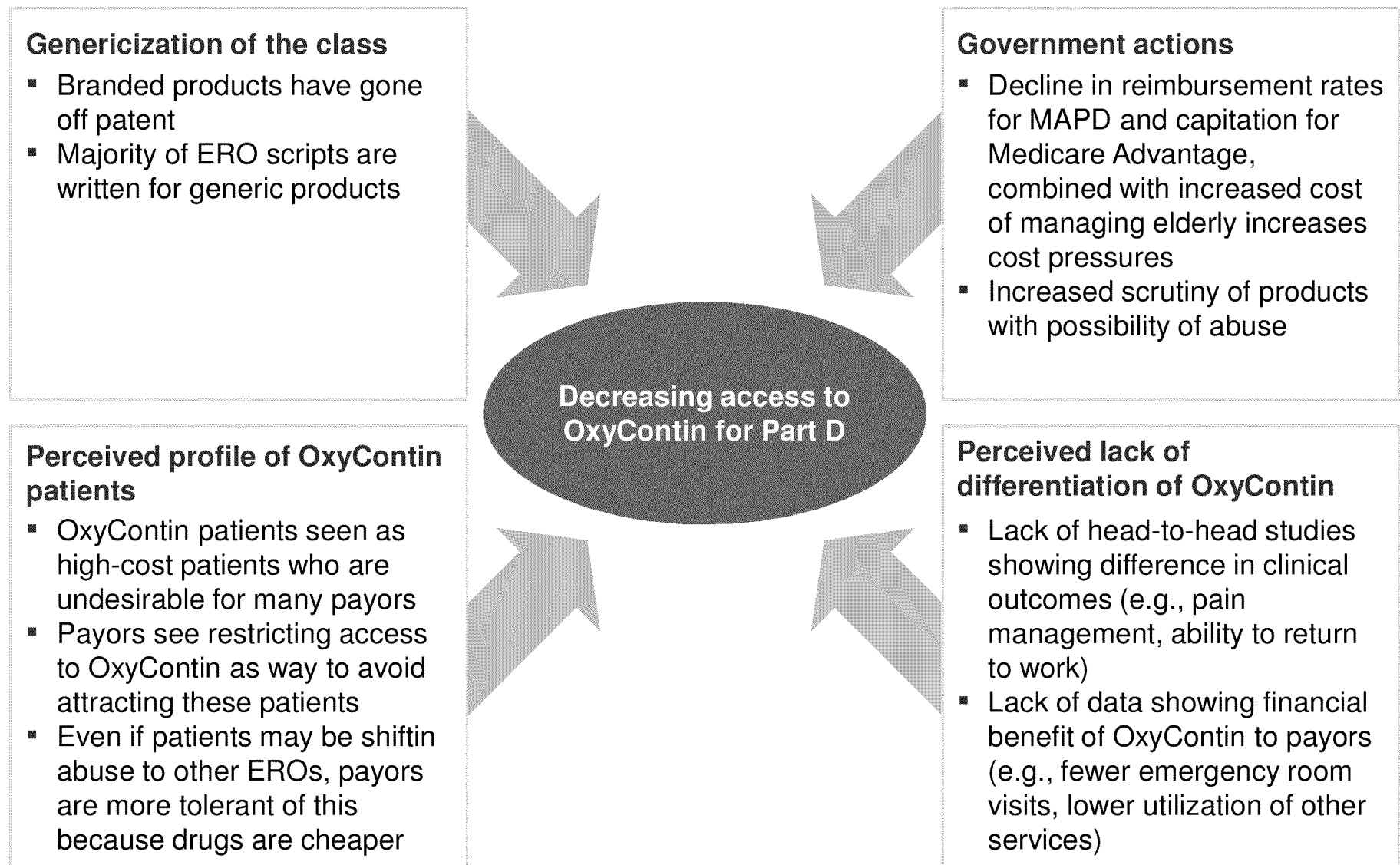
| | Payor | Formulary change | Period | Rationale | ERO TRx 2012 (000s) | Percentage of overall ERO market with payor (%) |
|--------------------------|-----------------------|---------------------------|------------------------|---|---------------------------------------|--|
| Finalized as of Jan 2013 | Humana (Part D) | Removal from formulary | 2009 - present | <ul style="list-style-type: none"> Dissatisfied with rebate levels Decreasing service to dual-eligibles overall | 107k (Comm) 863k (Part D) | 0.5% (Comm) 3.7% (Part D) |
| | Aetna (Part D) | Removal from formulary | 2010 - present | <ul style="list-style-type: none"> Dissatisfied with rebate levels Desires to move away from perceived OxyContin patients | 219k | 1% |
| | Caremark (Part D) | Removal from formulary | Jan 2011 - Nov 2011 | <ul style="list-style-type: none"> Dissatisfied with rebate levels | 1,213k (SILVERSCRIPT) ¹ | 5.2% (SILVERSCRIPT) ¹ |
| | Wellpoint (Part D) | Removal from formulary | Jan 2011- present | <ul style="list-style-type: none"> Dissatisfied with rebate levels Views class as very generic | 168k | 0.7% |
| | Kaiser (TBC) | Removal from formulary | - | <ul style="list-style-type: none"> - | 22k | 0.1% |
| | Regence (Comm) | New PA requirement | Late 2011 | <ul style="list-style-type: none"> - | 58k | 0.2% |
| Pending | UHC (Part D, MA) | Removal from formulary | Jan 2014 | <ul style="list-style-type: none"> Dissatisfied with rebate levels Lack of differentiation of OxyContin | 146k | 0.6% |
| | UHC (Part D, PDP) | Removal from formulary | Pending | <ul style="list-style-type: none"> Dissatisfied with rebate levels Lack of differentiation of OxyContin | 1,280k | 5.7% |

¹ In the IMS data, there is a dip in Oxycontin's share of ERO Rx's for SILVERSCRIPT from 21% in 2010 to 18.7% in 2011, and back up to 22% in 2012. Oxycontin was placed back on formulary in Nov 2011, partially triggered by the acquisition of Member Health by CVS (Member Health had a previously negotiated contract with Purdue)

SOURCE: Internal interviews; Fingertip Formulary

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Changes in formulary status in Part D are driven by genericization, government actions, and perceived profile of OxyContin patients



SOURCE: Internal and external interviews

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Market share and growth of largest plans by volume – Commercial

Sorted by ERO market size

| | 2012 ERO TRx (000s) | Oxy TRx (000s) | | | Oxy share of ERO (%) | | | Formulary status ¹ |
|--------------------------------------|------------------------|-------------------|------|-----------------|-------------------------|-----------------|---|-----------------------------------|
| | | 2011 | 2012 | 2011-2012 delta | 2012 | 2011-2012 delta | | |
| Medco Hlth Solutions Unsp. | 1585 | 543 | 515 | -28 | 32 | -1 | | Pref. Branded |
| United Healthcare | 500 | 179 | 173 | -6 | 35 | -1 | | Pref. Branded |
| Tricare | 475 | 163 | 146 | -17 | 31 | -1 | | Pref. Branded |
| Express Scripts Unspec | 422 | 132 | 131 | -1 | 31 | -2 | | Unmapped |
| Advancepcs Unspec | 408 | 116 | 122 | | 6 30 | | 0 | Pref. Branded/ Unmapped |
| Federal employees/ FEHB | 353 | 105 | 110 | | 5 31 | -1 | | Pref. Branded/ Unmapped |
| BCBS Wellpoint/Anthem ² | 349 | 142 | 113 | -29 | 32 | | 0 | Pref. Branded |
| Workers Comp – Employer ³ | 310 | 119 | 109 | -10 | 35 | -1 | | Pref. Branded |
| Aetna Inc. | 304 | 112 | 96 | -16 | 32 | -1 | | Pref. Branded |
| Cigna | 254 | 78 | 83 | | 5 32 | -1 | | Pref. Branded |
| All other third party | 243 | 39 | 40 | | 1 16 | -1 | | Unmapped |
| Walgreens Hlth Init Unspec | 240 | 40 | 36 | -4 | 15 | -3 | | Unmapped |
| BCBS Healthcare Service | 229 | 64 | 62 | -2 | 27 | -2 | | Pref. Branded/ Non Pref Access |

¹ Many payors have plans that vary somewhat in formulary status. However, the dominant formulary status is listed here.

² Wellpoint lost 7mn patients during this time period, helping to explain why OxyContin scripts fell significantly with this plan but share was not impacted.

³ Worker's Comp does not have a formulary; however, the level of access appears to be most comparable to a Pref. Branded tier from internal interviews.

SOURCE: IMS data, Fingertips data

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Market share and growth of largest plans by volume – Part D

Sorted by ERO market size

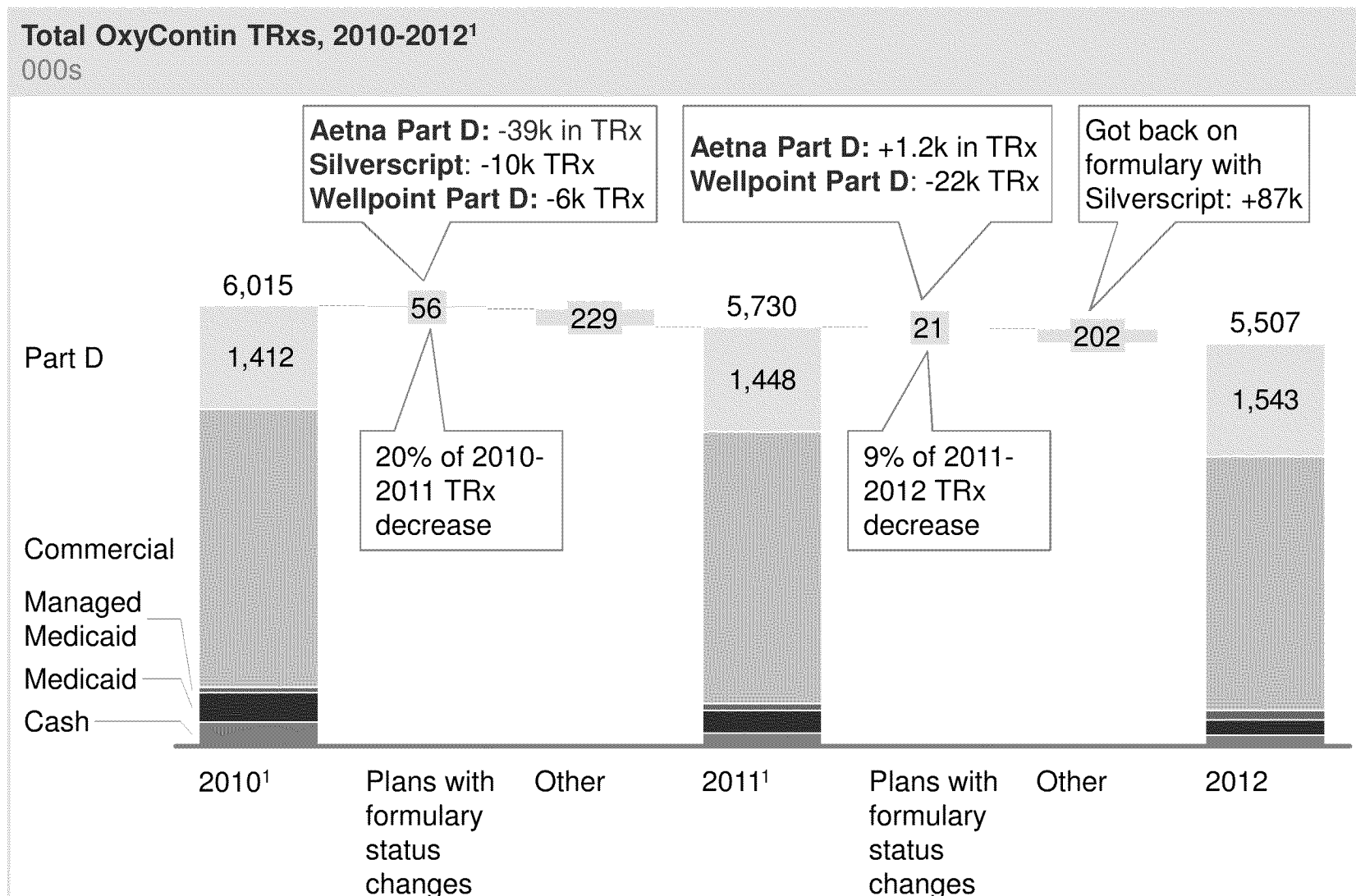
| | 2012 ERO TRx (000s) | 2012 Oxy TRx (000s) | | | 2012 Oxy share of ERO (%) | | Formulary status ¹ |
|--------------------------|---------------------------|------------------------|------|-----------------|------------------------------|-----------------|------------------------------------|
| | | 2011 | 2012 | 2010-2012 delta | 2012 | 2011-2012 delta | |
| UHC/Pacificare/AARP MedD | 1,748 | 570 | 528 | -42 | 30 | 0 | Mixed |
| Silverscript | 1,213 | 175 | 262 | 87 | 22 | 3 | Pref. Branded |
| Humana | 863 | 37 | 42 | 5 | 5 | -1 | NC |
| Universal American Corp | 722 | 3 | 3 | 0 | 0 | 0 | Unmapped |
| Coventry Health | 431 | 56 | 69 | 13 | 16 | -1 | NC |
| Wellcare Health Plans | 297 | 18 | 16 | -2 | 5 | -1 | NC |
| Cigna | 269 | 73 | 83 | 10 | 31 | -1 | Pref. Branded |
| Healthspring/Bravo | 261 | 20 | 22 | 2 | 8 | 1 | NC |
| Health Net Inc. | 254 | 52 | 71 | 19 | 28 | 0 | Non Pref Access/ Pref. Branded. |
| ESI/Medco Med PDP | 239 | 70 | 80 | 10 | 34 | 0 | Pref. Branded |
| Aetna Inc. | 219 | 27 | 29 | 1 | 13 | -5 | NC |
| Bcbs Wellpoint/Anthem | 168 | 56 | 34 | -22 | 20 | -3 | Mixed |
| United American InsCo | 79 | 13 | 21 | 9 | 27 | -4 | Mixed |

¹ Many payors have plans that vary somewhat in formulary status. However, the dominant formulary status is listed here.

SOURCE: IMS data

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Changes in formulary status have substantially impacted OxyContin TRx volumes



¹ 2010 and 2011 coincides with period of reformulation rollout and exit of generic OxyContin from the market

SOURCE: IMS, Internal interviews

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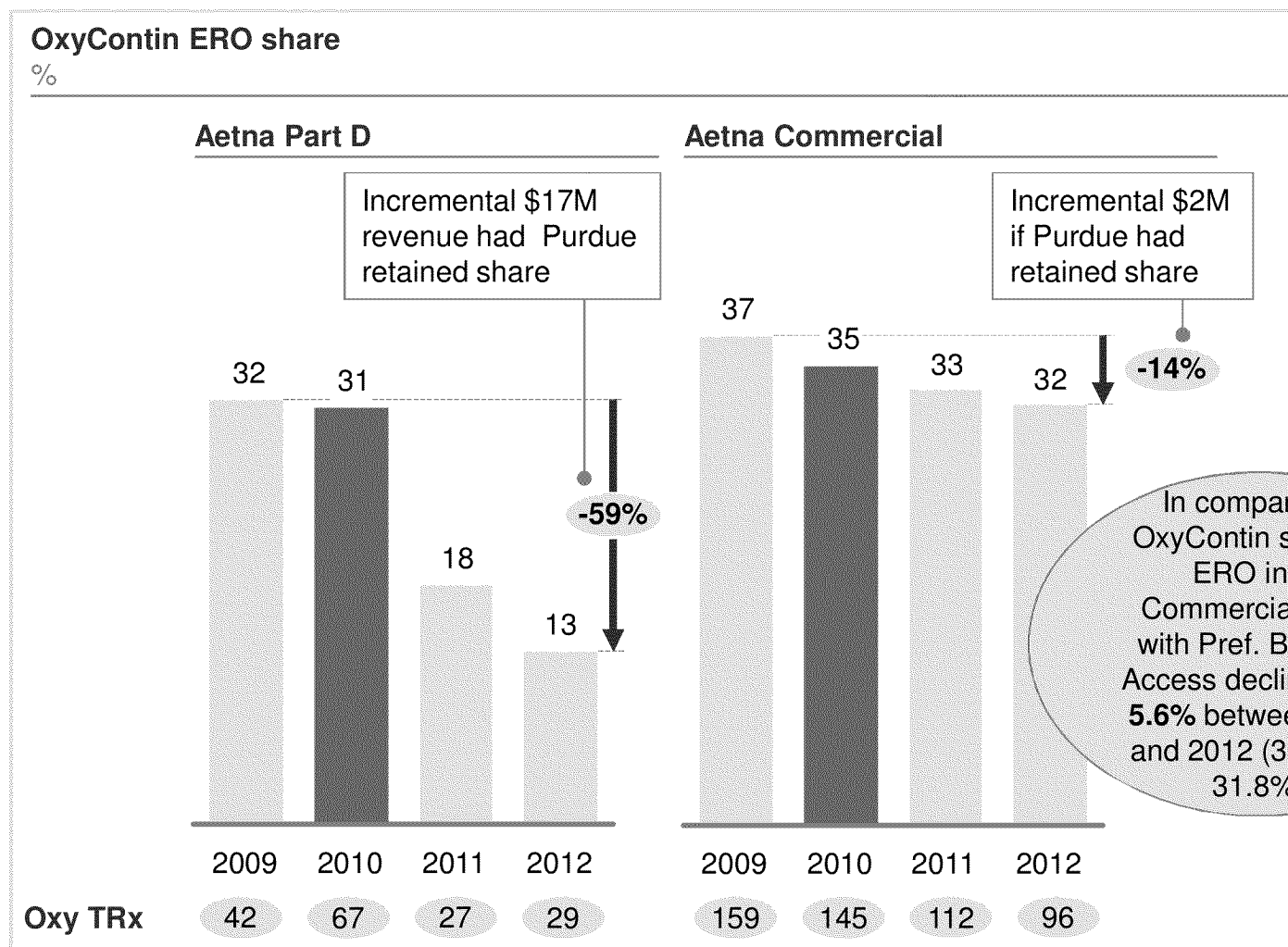
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Loss of Part D formulary can spill over into Commercial

Summary of OxyContin performance in Aetna plans post loss of Medicare Part D formulary status

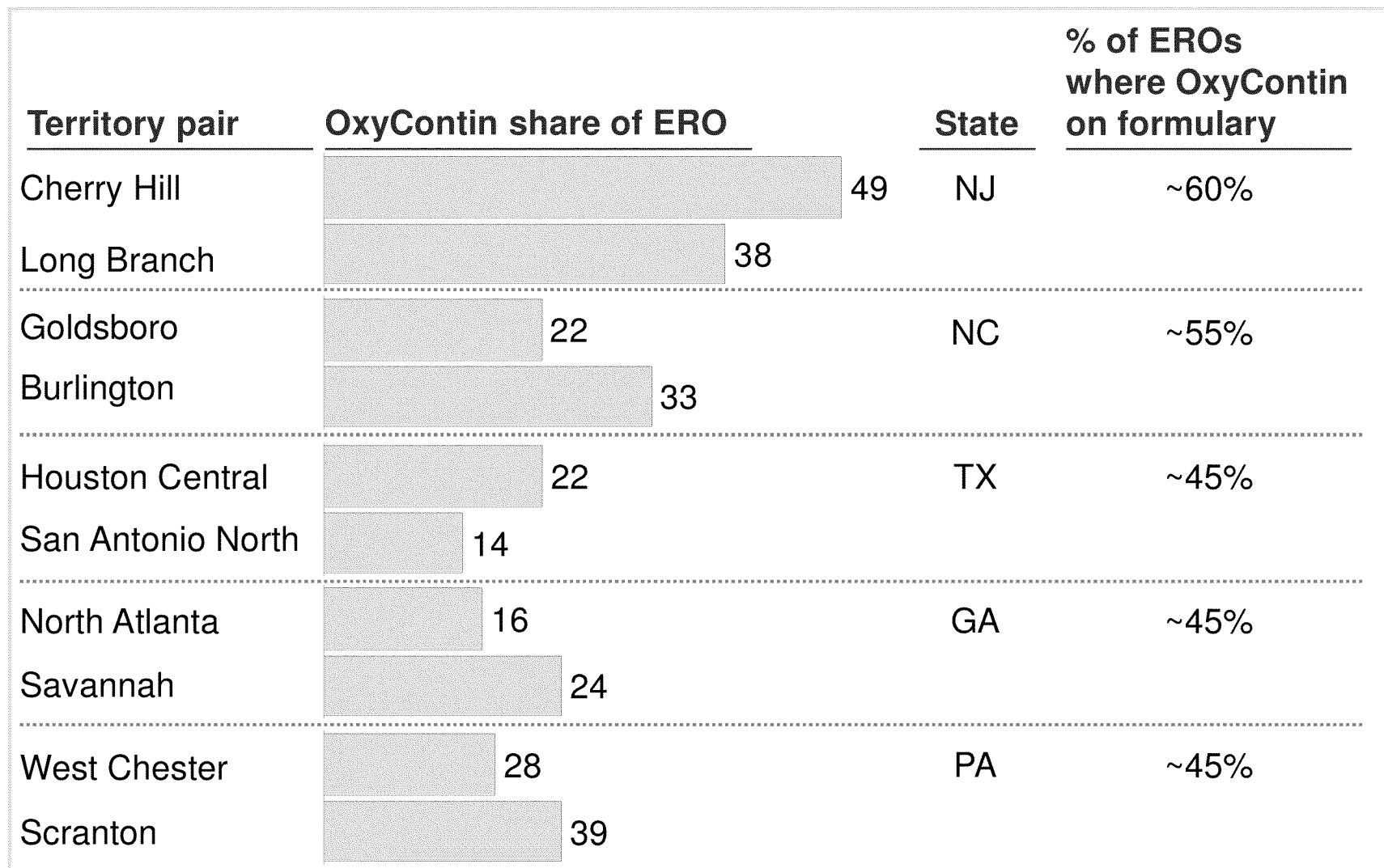
■ Year of to OxyContin loss of Part D formulary status in Jan 2010



SOURCE: IMS PlanTrak; Purdue iGallery data; Purdue interviews; Team analysis

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Even across territories with equal access situations, there is differential pull through



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SOURCE: IMS, IGallery

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While payors see pain as a relatively stable class, rebates mentioned as one reason why OxyContin continues to stay on Preferred Branded tier

| Themes from interviews | Example quotes |
|---|---|
| Management of pain category overall is stable in outlook – rebates mentioned as one reason why OxyContin stays on Preferred Branded Tier | “I think this category is pretty much settled... we’ve only just added some step edits to increase generic utilization... OxyContin has been on preferred tier for very long time... really no plans to move it anywhere because we would lose rebates and also it was recently reformulated with abuse deterrence” |
| Lack of differentiation among opioids in the market, but wide range of options is important | “No products that really stand out/ differentiated... but important to have wide range of opioids available for prescribers... important from a clinical perspective because people react differently to pain medications and have allergies” |
| Pain is a relatively important category in formulary, but behind oncology and other higher-cost drug types | “Pain is 4-5% of my total spend – somewhat important but heavily driven by generics... [there’s] no differentiation among pain medication – it’s one big bucket” |
| Differing levels of awareness about AD reformulation | “I haven’t seen anything that has blown me away... the jury is still out... I don’t think the sample sizes are large enough for our kind of population” |
| Even with AD benefits, cost savings of generics is heavy counterweight to using more expensive AD formulations | “If it could be proven that the product decreases/ eliminates abuse, yes, payors would consider it... but bottom line is very important, just having clinical advantage might not be enough” |

Interviewed experts attributes include:

- Perspectives from SE, West, and NE
- Experience in plans with 200k to 5.5mn lives
- Pharmacy Ops Manager, Regional Medical Director, and Pharmacy Director

Note: Refer to full summary of payor interview notes for details

SOURCE: Payor expert interviews

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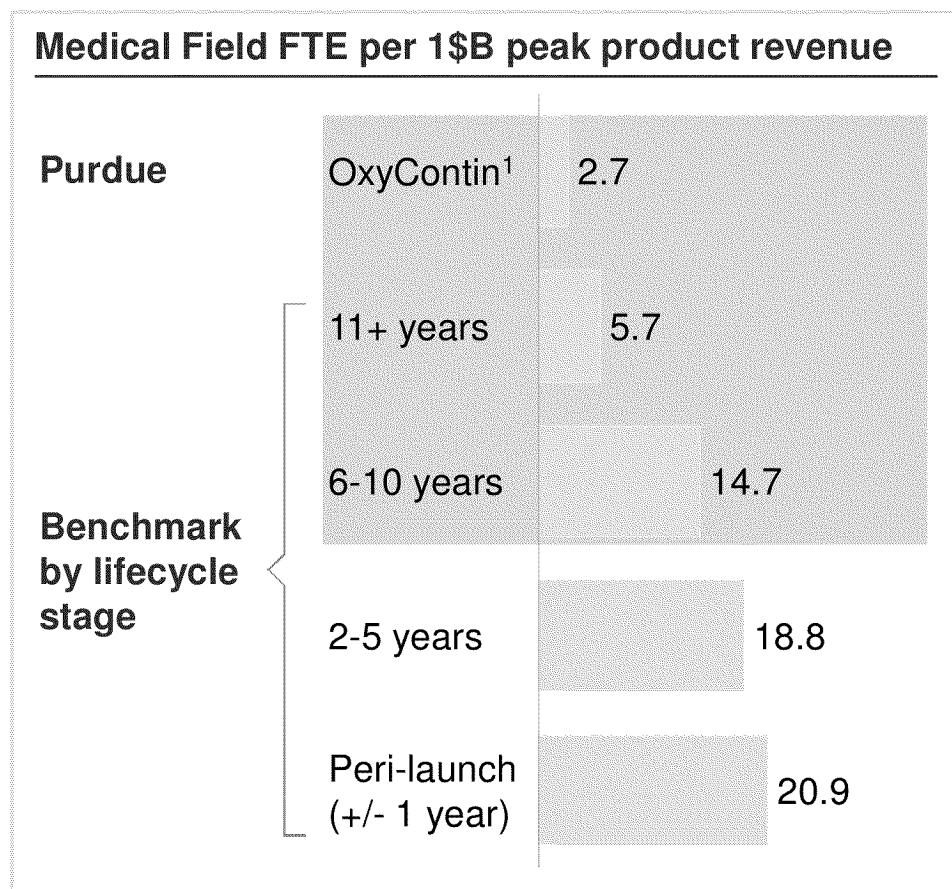
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OxyContin appears somewhat under-resourced on MSLs compared to industry benchmarks

■ Most relevant comparisons



- Even compared to products 11+ years old, OxyContin seems under-resourced on MSLs who focus on building field support for products
- OxyContin may need higher level of MSL resources, even given its age, due to AD reformulation
- ~6-7 additional MSL FTEs would bring OxyContin to benchmark

¹ 6 MSLs for \$2.2 bn net OxyContin sales in 2012. Only MSLs dedicated to field information dissemination were counted.

SOURCE: Purdue Medical Affairs; McKinsey benchmarks

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Current Purdue MSL practices vs. industry practice

| | Current Purdue practice | Industry practice |
|--------------------|--|--|
| Payors | <ul style="list-style-type: none"> ▪ Avoid bringing in MSLs unless payor makes unsolicited request | <ul style="list-style-type: none"> ▪ MSLs target payors for delivery of medical content related to product |
| Prescribers | <ul style="list-style-type: none"> ▪ MSLs do not target any prescribers (including KOLs) to deliver OxyContin-related medical information | <ul style="list-style-type: none"> ▪ MSLs target KOLs for delivery of medical content related to product ▪ MSLs may also target other prescribers who have unmet medical information needs |

SOURCE: Purdue HECON; Purdue national payor accounts; Purdue Medical Affairs; McKinsey experts

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Potential leverage points to defend & bolster OxyContin position in the market

PRELIMINARY

Current perceptions

- Physicians believe OxyContin has equal or greater risk of abuse relative to other products

- Physicians are unaware that certain types of abuse (injecting, snorting) are no higher with OxyContin relative to other products

- Unclear long-term efficacy

- Payors: Abuse-deterrent OxyContin does reduce costs of abuse but does not lower the overall formulary cost due to price v. Gx

Potential data to generate/disseminate

- a** Randomized trial analyzing abuse rates for OxyContin v. other ERO products

- b** Real world IR v. Oxy abuse rates

- c** Poison control center cases by type relative to prevalence of product

- d** Data showing lower rates of immune suppression, endocrinological problem

- e** Lower switching v. comparators (e.g. ER morphine)

- f** Estimates of cost of abuse (e.g. emergency room visits) and prevalence of abuse in particular payor's population

Key Questions to address

- How much of this data exists already but is not well understood by physicians?
- What additional data could support these and what would it take (resources, timing)?
- What are the best dissemination channels for different stakeholders? What resources (e.g. MSLs) are required?
- What is the overall message?

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