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Q2 2010 United Therapeutics Earnings Conference Call

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CORPORATE PARTICIPANTS

Martine Rothblatt *United Therapeutics - Chairman & CEO*
Roger Jeffs *United Therapeutics - President & COO*
John Ferrari *United Therapeutics - CFO*

CONFERENCE CALL PARTICIPANTS

Laura Ekas *Collins Stewart - Analyst*
Geoffrey Meacham *JPMorgan - Analyst*
Michael Yee *RBC Capital Markets - Analyst*
Eun Yang *Jefferies & Co. - Analyst*
Bret Holley *Oppenheimer & Co. - Analyst*
Mark Schoenebaum *ISI Group - Analyst*
Matt Kaplan *Ladenburg Thalmann & Company Inc. - Analyst*
Liana Moussatos *Wedbush Morgan Securities, Inc. - Analyst*
Joseph Schwartz *Leerink Swann & Company - Analyst*
Jon Stephenson *Summer Street Partners - Analyst*
Jim Birchenough *Barclays Capital - Analyst*
Matt Duffy *Black Diamond Research - Analyst*

PRESENTATION

Operator

Good morning. My name is Jonathan, and I will be your conference operator today. At this time, I would like to welcome everyone to the United Therapeutics Corporation's second quarter 2010 conference call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question and answer session.

(Operator instructions)

Remarks today concerning United Therapeutics will include forward-looking statements which represent United Therapeutics expectations or beliefs regarding future events based on current assumptions. United Therapeutics cautions that such statements involve risks and uncertainties that may cause actual results to differ materially from those in forward-looking statements. Consequently, all such forward-looking statements are qualified by the cautionary language and risk factors set forth in the United Therapeutics periodic and other reports filed with the SEC. There can be no assurance that the actual results, events, or developments referenced in such forward-looking statements will occur or be realized. United Therapeutics assumes no obligation to update these forward-looking statements to reflect actual results, changes in assumption, or changes in factors affecting such forward-looking statements. Thank you. Dr. Rothblatt, you may begin your conference.

Martine Rothblatt *United Therapeutics - Chairman & CEO*

Good morning everybody, and welcome to the United Therapeutics second quarter 2010 financial results conference call. I'm joined this morning by Dr. Roger Jeffs, our President and Chief Operating Officer; and Mr. John Ferrari, our Chief Financial Officer. Together the three of us will answer your questions after I start off with some introductory remarks.

The quarter has been a great one for us. Revenues for the second quarter were $137 million, up from $84 million in the second quarter of 2009. Net income for the second quarter of 2010 was $37.7 million, or $0.67 per basic share, compared to a modest net loss a year ago. So, the business is doing very well indeed. Our strong performance for this quarter, and indeed for the whole first half of 2010, has been highlighted by continued top line growth. These results, which were principally driven by the increase in demand for our therapies, affirmed that the patient base benefiting from our medicines is expanding along the entire range of the pulmonary arterial hypertension continuum. Indeed, that's been exactly our strategy in beginning with the parenteral therapies with Remodulin, expanding into the class III population with the inhaled treprostinil, and then with Adcirca being able to address the entire continuum of pulmonary hypertension class II, III, and IV patients. All of the therapies are experiencing substantial growth in their market segments, and have either achieved market leadership or are on their way to.

Starting with Remodulin, we remain overwhelmingly the therapy of choice for parental prostanoid therapy, having a clear majority of prescriptions and revenue market share compared to Flolan and its generic alternatives. In the inhaled market space, we are really excited to announce on this call that we are right on target to our goal of achieving 80% market share of inhaled prostanoids, because as of this call we now have crusted over 60% market share. This is especially significant when you consider we started from a dead halt nine months ago when we launched in September, and already six out of every ten patients using any form of inhaled prostanoid in the US are using our Tyvaso.

And then our goal for Adcirca is similarly right on track. There our goal is to achieve 80% market share by the time that REVATIO, the alternative PDE5 inhibitor goes off patent at the end of 2012. There too, we started from a debt start with its launch one year ago, and I'm just really impressed that one year later we're already at over 20% market share in the PDE5 space among pulmonary hypertension patients. So, just following that curve, I remain confident that Adcirca will become the treatment of choice along -- right on the schedule that we've projected it to be. We've -- for each of the individual products, we've had some either some slight variances from consensus with regard to -- let me start with GAAP earnings. We're aware that we're about 50% better than consensus, so I think a lot of that relates to people still understanding the -- the stock option structure accounting for that. But really great result on GAAP earnings per share.

In terms of Remodulin revenues, we are off about $3 million, off a couple million dollars on Tyvaso, and then up $2 million on Adcirca. So, these differences of $2 million or $3 million one way or the other are completely insignificant, given the level of revenues that we're talking about and the continued growth of patients in each of these three product lines. So with those introductory remarks behind me, let me now open up the lines and either myself, Dr. Jeffs, or John Ferrari will be glad to take your calls.

QUESTIONS AND ANSWERS

Operator

(Operator instructions)

Our first question comes from Salveen Kochnover from Collins Stewart. Your question please.

Laura Ekas ***Collins Stewart - Analyst***

Good morning. This is Laurie Ekas on behalf of Salveen. I was just wondering if you could give us some additional insight into -- or as to how we should think about the quarter-over-quarter increase in Remodulin sales, given that you took a price increase and that there was no inventory stocking in the first quarter? How should we think about the growth trajectory going forward from here?

Martine Rothblatt ***United Therapeutics - Chairman & CEO***

Yes, thanks for your question. I think you should think positively about the growth trajectory. Year-to-year we're looking at about 20% growth on Remodulin, and I think that's a reasonable sort of curve, looking forward. The total number of patients with pulmonary hypertension continues to grow.

Total spending in the hypertension market has a (inaudible) around 20%, so there's a lot of growth in the market. The vast majority of that growth is at the front end, with the patients who are being treated simply with oral therapies such as Adcirca. But for most of the patients, the condition is inexorably progressive, and the patients end up requiring parenteral therapy at the later stages of the conditions. And amongst the parenteral therapies, Remodulin is the clear choice of physicians throughout the country. It's got the very long half life, which is completely unique to it, and the greatest convenience. And finally, the physicians have the alternative modes of administration and delivery, whether subq or IV, which again gives a lot of flexibility to the patients. So, as these ever-growing numbers of pulmonary hypertension patients progress toward the latter stages of the disease, the numbers of patients on Remodulin are going to continue to increase. And that's what we've seen here, year over year. And I think you could continue to see it.

Now, it's interesting that there has been some little bit of cannibalization from Remodulin to Tyvaso. For example, as best as we can track, about 6% of our Tyvaso patients have actually come from Remodulin. This is not something that we encourage. In fact, it's something that a number of leading physicians caution against. But in the hands of the skilled physician, that transition for an appropriate patient can certainly be accomplished, and has been successfully accomplished. And for those patients, it's certainly a big sense of liberation going from a 24-hour a day therapy to a therapy that only takes eight minutes a day in the case of Tyvaso. Yet the fact that there's been such modest transition from

Remodulin to Tyvaso shows that that's not a very big factor affecting Remodulin's growth.

So, I think Remodulin is going to continue to grow. It's going to probably grow at the same rate that you've seen year-over-year. And it's interesting, it's in its eighth year and actually getting stronger and stronger. And if you ask me, Martine, what is the main reason why Remodulin continues to get stronger and stronger, it's because in the first few years of the drug, there was a lot of uncertainty on how to manage the site pain, which afflicts upwards of 90% of the patients who start the drug. And doctors don't want to hurt their patients. And so many people recoiled from subq. Dr. Jeffs led the brilliant effort to develop IV Remodulin, and very quickly we regathered all that steam with IV Remodulin. But in the intervening years, physicians figured out if you leave your subq needle in place beyond three days, the site pain for the great majority of patients greatly diminishes. And in some -- many patients, all but disappears. So, there has been an evolving practice of keeping the subq needle in place for upwards of three weeks, maybe a few more days.

And the long and short of it is the subq patient suffers site pain for two or three days, but for the rest of the month is pretty much free of the pain, and has the much greater freedom associated with subq. That has led to a situation where the majority of our Remodulin patients are now subq patients, which was a flip from -- at one point it was a majority IV. And that's continuing drive the aggressive growth of Remodulin into more and more of the pulmonary hypertension patient population.

Laura Ekas ***Collins Stewart - Analyst***

Okay, great.

Martine Rothblatt ***United Therapeutics - Chairman & CEO***

Next question?

Operator

Thank you, our next question comes from the line of Geoff Meacham from JPMorgan. Your question please.

Geoffrey Meacham ***JPMorgan - Analyst***

Yes, thanks. Thanks guys for taking the question. On Tyvaso, wondering Martine if you can talk about, or maybe Roger, the breakout of patients. I think last quarter you talked about de novo versus Ventavis switches versus Remodulin switches, and you just gave a number recently, or the 6% number. How does that distribution -- has that changed from 4Q last year to 1Q to 2Q?

Martine Rothblatt ***United Therapeutics - Chairman & CEO***

Yes, I'll start off answering the question and then invite Roger to provide some additional color. Things have -- the bottom line is things have not changed from the fourth quarter. The mix of patients is very similar to -- the mix we saw initially. And as mentioned in my introductory remarks, it's actually beginning to gain significant steam here in the second quarter and moving to the third quarter. Roughly speaking, about 10% of the patients come on to Tyvaso actually from parenteral therapies. Either Remodulin or Flolan or the other generic parenteral therapies. Maybe a tad less than 10%.

About 20% of the patients, maybe a little bit more than 20%, come on to our therapy from Ventavis, and then the majority, the large majority, around 70%, come on to our therapy after not really achieving the results desired with either oral or more commonly dual oral therapies. That is PDE5 plus an ETRA. So, that's pretty much as you recall the situation as we reported last year. The majority of patients are coming from the oral therapies rather than at the expense of Ventavis. And what I find really fascinating about that is it actually validates a thesis of our VP of strategic planning, Dr. Oster, who has actually long highlighted the fact that there is this huge population of patients on orals, upwards of 15,000 on PDE5s, maybe a little bit lesser number on ETRAs who -- only a small fraction of those patients are also on some form of prostacyclin therapy. And yes, those patients are overwhelmingly going to progress. And unfortunately, when there's no prostacyclin therapy that the patient wants to go on, all too often the patient ends up expiring without ever getting the benefits of prostacyclin therapy. And a lot of surveys have shown that to be a common end result with pulmonary hypertension.

What Dr. Oster's pointed out is the much greater convenience and efficacy, the safety associated with Tyvaso allows prostacyclin therapy to move upstream into this large patient population who are previously on orals. And indeed, that's exactly what we are seeing. Because to the best of our calculations, our achievement of 60% market share in the inhaled prostanoid space has come not so much at the expense of

Ventavis per se as it has come through moving upstream into patients who were previously treated on dual oral therapies. That's a very, very positive message for all concerned. And it's why my introductory remarks I said our revenue growth reflects our growth along the entire continuum of pulmonary arterial hypertension. Roger, would you like to add any color to those remarks?

Roger Jeffs ***United Therapeutics - President & COO***

No, I think that's a very eloquent response, Martine. The only thing I would add is that over time, the payer acceptance, and I would even say the payer preference for Tyvaso is emerging, and I think that continues to change the profile of patients started on Tyvaso versus Ventavis, which speaks to the share that we gained. So, I think it's an additive benefit to everything that you have said.

Martine Rothblatt ***United Therapeutics - Chairman & CEO***

Great. Thanks.

Geoffrey Meacham ***JPMorgan - Analyst***

Can I ask a follow-up or do you want me to get back in the queue?

Martine Rothblatt ***United Therapeutics - Chairman & CEO***

I think you should get back in queue because -- there's a lot of people in line right now.

Geoffrey Meacham ***JPMorgan - Analyst***

Okay, thanks.

Martine Rothblatt ***United Therapeutics - Chairman & CEO***

Thanks.

Operator

Thank you. Our next question comes from the line of Michael Yee, from RBC Capital.

Michael Yee ***RBC Capital Markets - Analyst***

Hey, thanks Martine. A question on inventories. Were there any slight changes in inventory on Remodulin or Tyvaso? And then can you remind us how much inventory the wholesalers actually keep on hand, say weeks or days? Because based on our calculations, a couple days of change is even worth a few million of Remodulin, right? So that could impact things.

John Ferrari ***United Therapeutics - CFO***

This is John Ferarri. You are actually correct on the -- I guess change in patient days would have a change in potential revenues on it. For -- let me start with Remodulin. We did see a decline, a slight decline in the value of inventory held by US distributors at the end of June. But we saw a decline in the patient days held, probably about three or four days at the end of June. What -- by contract, they are supposed to hold approximately 30 days, patient days of inventory, at any point in time. So, Remodulin was around the contractual terms as we expected. Now for Tyvaso, we actually saw a significant decrease in both the dollar value of the inventory and the patient days held by our distributors for Tyvaso. So, we are working with the distributors to make sure that their ordering patterns are such that it complies with our contractual arrangements.

Michael Yee ***RBC Capital Markets - Analyst***

Great. Thanks, John.

John Ferrari ***United Therapeutics - CFO***

Thanks.

Martine Rothblatt ***United Therapeutics - Chairman & CEO***

Next question.

Operator

Thank you, our next question comes from Eun Yang from Jeffries. Your question please.

Eun Yang *Jefferies & Co. - Analyst*

Thanks. A question on Tyvaso. (Inaudible) reported of Ventavis's sales for the second quarter. In terms of the dollar amount in the US, it's similar to what Tyvaso had generated for the same quarter. (Inaudible) was sold there, Ventavis's sales grew quarter-over-quarter about 20%, so is it fair to assume that in terms of a new patient, getting onto inhaled therapy, Tyvaso captures about 80% and Ventavis captures about 20%?

Martine Rothblatt *United Therapeutics - Chairman & CEO*

It's an interesting analysis. You know, it would be hard -- I'd rather stick with our total market share number, because that's the one that I carefully due diligence before the call, rather than making an off-the-cuff confirmation of your number. I can say with confidence that right now we've got six out of 10, roughly speaking, inhaled patients, people on inhaled prostanoids. So that's - and that means that Ventavis has about four out of 10. And our - the trending is continuing strongly in our favor. And there are a couple of reasons for that.

First of all, we are continuing to register strong triple-digit patient starts every month. And the rate actually is tracking upwards. So, that's a very positive factor. The second positive factor is that we lose many fewer patients than Ventavis loses. The published information on Ventavis that the persistent of the average Ventavis patient is about six months. In fact, we surveyed doctors, and that's what blinded surveys of doctors report. So, for the patients, they get on, they lose one in the same year.

Our drug hasn't been out a whole year, so we can't provide annual persistence data. But there is the published open label data from the Triumph study, which showed significantly greater persistence on Tyvaso than on Ventavis, and as of right now, from all the patients who've started on Tyvaso, 80% -- actually about 86%, little bit more than I mentioned just before, are on the drug right now. So we're seeing some really impressive persistence. When you combine the triple-digit new starts, continuing to -- very strong and steady as a heartbeat, with the greater persistence, it's an inexorable trend that will end up at that 80% figure. Exactly when, I'd rather not predict but that's definitely where we're going.

Eun Yang *Jefferies & Co. - Analyst*

Thank you.

Martine Rothblatt *United Therapeutics - Chairman & CEO*

Sure. Next question please.

Operator

Certainly. Our next question comes from the line of Bret Holley from Oppenheimer. Your question please.

Bret Holley *Oppenheimer & Co. - Analyst*

Yes, hi. Thanks for taking the question. I'm wondering if you can give us any update on the dropout rate (inaudible) for Freedom C. Are you still maintaining a trend where it's in the low single digits as you reported in February?

Martine Rothblatt *United Therapeutics - Chairman & CEO*

Thanks, Bret. Nice to hear your voice on the call. I'm going to forward that question to Dr. Jeffs.

Roger Jeffs *United Therapeutics - President & COO*

Good morning, Bret. So, obviously on dropout rates we're not going to provide exquisite details while the trial's ongoing, and we certainly will provide all of that detail when we unblind. But just to speak more generally about it, I'd say the dropouts that we are seeing today are encouraging to us in terms of the lack of dropouts in general due to prostacyclin-like side effects. Which is presenting a very different profile than what we had seen previously in Freedom C, the first Freedom C study. Our dropout rates now are considerably lower and within the bounds of what you are expressing, a single digit or low single digit. So, we remain very enthusiastic.

I think I would also add that we are pleased with the current patient enrollment. We have over 70 centers active around the globe for both Freedom C and Freedom M. The clinical team is exquisitely focused on robust -- yet what I think is important appropriate patient enroll. We've recently been notified of approval in China by the SFDA, and that will further positively impact enrollment. Particularly the Freedom M study, which as you know the mono therapy setting is a more difficult trial to enroll. Given all this, we're very bullish about the Freedom studies and the prospects for oral treprostinil. We remain confident that we can unblind these trials in 2011, and we think the drug profile, particularly the dropout rate today, is a very positive one that makes us enthusiastic about the potential outcome of these studies.

Bret Holley ***Oppenheimer & Co. - Analyst***

Thanks a lot Roger.

Martine Rothblatt ***United Therapeutics - Chairman & CEO***

Thanks Bret. Good hearing from you. Next call please?

Operator

Certainly. Our next question comes from the line of Mark Schoenebaum from ISI Group. Your question please.

Mark Schoenebaum ***ISI Group - Analyst***

Hey, thanks for taking the question. Appreciate it, guys. My question was fall to you, you said strong triple-digit ads for Tyvaso. So, I guess that means at least 300 gross ads in the quarter, patient ads for Tyvaso. I just was wondering if I'm doing that math right. And then can you give us any sense of what the net ads were? Or what the total patient numbers are?

Martine Rothblatt ***United Therapeutics - Chairman & CEO***

Yes. No. I actually -- painted myself into a corner by giving the triple-digit figure. The ads each month are in the -- the starts each month are in the 100s. So it's -- the exact figure varies to be 170, 140, 150. It bounces all around the place but it's not 300 starts each month.

Mark Schoenebaum ***ISI Group - Analyst***

But I mean at least 300 over the course of the quarter though, right?

Martine Rothblatt ***United Therapeutics - Chairman & CEO***

Oh yes, definitely. I'm sorry, you said per quarter? Oh okay, I was talking about per month. I'm sorry, I didn't catch that. Positively, we have never had a quarter with less than 300 starts.

Mark Schoenebaum ***ISI Group - Analyst***

And then for Roger, is there any chance the Freedom trials come this year? Is there any chance of that? Thanks.

Roger Jeffs ***United Therapeutics - President & COO***

No. We're predicting 2011 and that's what we are going to stick with.

Mark Schoenebaum ***ISI Group - Analyst***

Fair enough. Thanks a lot.

Martine Rothblatt ***United Therapeutics - Chairman & CEO***

Okay. Good hearing from you, Mark.

Mark Schoenebaum ***ISI Group - Analyst***

Thank you.

Martine Rothblatt ***United Therapeutics - Chairman & CEO***

Next call?

Operator

Our next question comes from the line of Matt Kaplan from Ladenburg. Your question please.

Matt Kaplan ***Ladenburg Thalmann & Company Inc. - Analyst***

Hey guys, thanks for taking my question. Two things. First, for John Ferarri, could he talk a little bit about taxes? And what you expect this year's tax rate to be? And then number two, to give us an update with respect to the next generation for Tyvaso?

John Ferrari ***United Therapeutics - CFO***

Just to be fair to the other --

Matt Kaplan ***Ladenburg Thalmann & Company Inc. - Analyst***

For Roger.

John Ferrari ***United Therapeutics - CFO***

Only one question per person until we get back in line.

Matt Kaplan ***Ladenburg Thalmann & Company Inc. - Analyst***

Okay. Fair enough.

John Ferrari ***United Therapeutics - CFO***

Yes, we disclosed in our Q our estimated effective tax rate for the year, which is what we used to book our tax expense. So, right now, we are estimating it to be 35%. Give or take a percentage for 2010.

Matt Kaplan ***Ladenburg Thalmann & Company Inc. - Analyst***

Okay. Thank you.

John Ferrari ***United Therapeutics - CFO***

Thanks. Just bounce back in the queue, and hopefully we'll be able get back around to you. Next question?

Operator

Certainly. Our next question comes from the line of line of Liana Moussatos from Wedbush Securities.

Liana Moussatos ***Wedbush Morgan Securities, Inc. - Analyst***

Thank you. What percentage of Q2 Remodulin sales were subcutaneous?

Martine Rothblatt ***United Therapeutics - Chairman & CEO***

I don't have -- we don't have it that precise, but it's -- as mentioned previously it's over 50% of the patients are subq patients. Now, I realize that's not exactly your question. I would -- to a rough approximation, Liana, I would guess and it really is a guess because the same vials are sold for IV patients and subq patients. But I would guess that it's over 50% of the revenues on Remodulin are IV, even though over 50% of the patients are subq. And the reason for that is that even though we've established with some really great work managed by our clinical development team, that there is a really true statistically true bioequivalent between the subq and the IV routes of administration.

Nevertheless, when things get down to the clinicians' practice, there is a tendency to dose more aggressively with the IV than the subq. And I think it probably has to do with the perception, Liana, which we've not really been able to shake, that the acutely suffered but chronically disappearing site pain associated with treprostinil is somehow dose responsive. And the more you give, the more pain you're going to get. So, if you start a patient, and they start suffering from pain, you don't want to ramp up the Remodulin dose, even though it would help him clinically. You don't cause him more pain. We actually don't believe that it does cause him any more pain, but it's hard to actually persuade people overall of that. If someone is having pain, the natural tendency is to stop whatever you're doing that's causing the pain, not increase it.

So, as a result of that, IV tends to be dosed more aggressively and subq tends to be dosed more cautiously. And hence the average revenue

coming from an IV patient is average that the - is higher than the revenue coming from the subq patient. But I would say it's all within pretty much that 60/40 band. It's nothing outside of that 60/40 band.

Liana Moussatos ***Wedbush Morgan Securities, Inc. - Analyst***

And do you expect it to stay at this rate's steady state over time?

Martine Rothblatt ***United Therapeutics - Chairman & CEO***

Liana, I'm going to move onto the next question, but while the operator's getting the next question. As mentioned, we see the Remodulin market continuing grow at the current rate ,and the mix of the patient patients remaining constant as well.

Liana Moussatos ***Wedbush Morgan Securities, Inc. - Analyst***

Thank you.

Martine Rothblatt ***United Therapeutics - Chairman & CEO***

Next question?

Operator

Certainly. Our next question from the line of Joseph Schwartz from Leerink Swann. You question please.

John Ferrari ***United Therapeutics - CFO***

Leerink Swann. Get the advertisement right. Hey Joe, how's it going?

Joseph Schwartz ***Leerink Swann & Company - Analyst***

Very well, thanks. I was wondering if you could update us on your E- regulatory activities for both parenteral and inhaled Remodulin.

Martine Rothblatt ***United Therapeutics - Chairman & CEO***

Great. Roger manages a global regulatory group as well as several other activities. So Roger, pass that ball to you.

Roger Jeffs ***United Therapeutics - President & COO***

Thanks for the question, Jeff. With regarding Tyvaso, we're in the midst of discussions, a scientific advice meeting with the EMEA regarding trial design. And as we've stated previously, our preference is to conduct a smaller trial than the Triumph program. Possibly a study of Tyvaso in the in the treatment naive setting, which if successful would enable EU approval and possible label extension in the US as an added benefit. But those negotiations, if you will, in that protocol are ongoing, with the intent we will begin this study next year.

With regarding IV, that is also now under act of review for the remainder of this year. And if successful for intravenous Remodulin, we think the first quarter of 2011 is a reasonable target date to expect approval for intravenous Remodulin in the EU. But as we've all seen, that date tends to slip based on holds and reviews and requests for more information. So, if all went well, the first quarter 2011 would be a reasonable proximity to expect.

Joseph Schwartz ***Leerink Swann & Company - Analyst***

Great. Thanks so much.

Martine Rothblatt ***United Therapeutics - Chairman & CEO***

Thanks Roger. Thanks for the call, thanks for the question. Next caller.

Operator

Our next question comes from the line of Jon Stephenson from Summer Street Research. Your question please.

Jon Stephenson ***Summer Street Partners - Analyst***

Great. Thanks for taking the question. I was wondering if you could provide some clarity in terms of the -- clarity you have in terms of pull through on the patient level. Because you made the comment about stocking, and I just want to make sure you really have your hands on exactly what's being pulled through the channel because you know what's being shipped into the channel.

Martine Rothblatt ***United Therapeutics - Chairman & CEO***

I'm going to have John Ferarri answer that question. He manages all of our distribution efforts.

John Ferrari ***United Therapeutics - CFO***

Yes, a decline in the inventory would indicate there's patient demand out there, and the distributors either are stocking contractually against that demand. We do know there are some periods during the year where our distributors do two shipments a month one towards the end of the month, towards -- to patients. And June -- we've seen historically a slight dip in inventory with Remodulin each June, but the dip for Tyvaso for example was much more severe than we've seen with any of our other products. Typically the inventory was not perfect. Should follow on demand over the course of time.

Jon Stephenson ***Summer Street Partners - Analyst***

But you do see the end market demand pull through as well as just what they are reporting on the shelves? Just to make sure that you understand the day's inventory?

John Ferrari ***United Therapeutics - CFO***

Yes.

Jon Stephenson ***Summer Street Partners - Analyst***

Okay. Great. Thank you.

Martine Rothblatt ***United Therapeutics - Chairman & CEO***

Next question.

Operator

Our next question comes from the line of Jim Birchenough from Barclays Capital. Your question please.

Jim Birchenough ***Barclays Capital - Analyst***

Good morning, just wondering if you can give us any detail on absolute numbers of patients on inhaled therapy over the course of the quarter? And how that changed or has been changing over time? Just trying to get a sense of where the overall inhaled market is going.

Martine Rothblatt ***United Therapeutics - Chairman & CEO***

Yes, I think the overall inhaled market is going, again, very much in the direction that Martin Oster has been predicting that it would go. It's moving upstream in the patient population, into the patients who are on -- who have now cycled through, perhaps, two separate ETRAs. First Tracleer then on to [lateris], and then they've cycled through two different PDE5s. First REVATIO and then on to Adcirca. And they are still stuck say at Class III, and possibly even a later Class III.

So, there's a need to go ahead and get a little bit more aggressive. And with that greater aggressiveness, the next logical stuff is the inhaled therapy. Unfortunately, previously with Ventavis, it just didn't stick. Because if the patient wanted to get the efficacious dose, it required an onerous commitment of time. Nine inflations a day, 50 minutes a shot. But with Tyvaso, all that collapses down to just eight minutes a day total. And patients are doing very well. Doctor - anecdotal experience throughout the country is this is a really great drug.

So, the continued growth is going in that direction. For people who don't really see patients constantly, like us, we sometimes live in a -- think about things in a theoretical sense, and say well why wouldn't the doctor just shift all their patients from Ventavis to Tyvaso, and why wouldn't they just shift everybody overnight from Flolan to Remodulin? But in the real world, in the real clinic, it just doesn't work that way. And pretty much if a patient is stable, and they've got a relatively short-term survival prediction, doctors are going to be loathe to shake the

boat at that point in time. And so what generally happens is that the Ventavis population is going to atrophy, while the Tyvaso population continues to grow.

But it's not a one-for-one trade-off. We don't need Tyvaso. We don't need Ventavis switches to achieve our growth because we're able to achieve the lion's share of our growth among patients who are currently just on oral therapy. And that's currently a good place for the lion to feed because that's where there's 30,000 wildebeests. Among the oral patients, whereas among the Ventavis patients, there's just a thousand little skinny zebras. So, we feel that we are in the sweet spot in this market, and we love right where we are.

Jim Birchenough ***Barclays Capital - Analyst***

And just in terms of the total numbers, Martine?

Martine Rothblatt ***United Therapeutics - Chairman & CEO***

Well, as mentioned to you, you can pretty much -- we don't get into the practice of actually giving numbers on the phone. But it's no -- it is not really a hard math problem. You just go ahead and divide out. We break out our revenues, Ventavis breaks out their revenues. And you divide the revenues by the marketed price for the drug and you'll see that we're up to a 60% market share.

Jim Birchenough ***Barclays Capital - Analyst***

Thanks.

Martine Rothblatt ***United Therapeutics - Chairman & CEO***

Next question.

Operator

Our next question is a follow-up question from the line of Geoff Meacham from JPMorgan. Your question please.

Geoffrey Meacham ***JPMorgan - Analyst***

Wow, I can't believe I got a follow-up.

John Ferrari ***United Therapeutics - CFO***

I knew if you got back in the queue, you'd get your call in. I'm so happy about that, great.

Geoffrey Meacham ***JPMorgan - Analyst***

So a question for you on oral. I know you guys haven't given guidance on timing of enrollment, but I'm wondering if you can talk about maybe the number of sites you have activated now versus six months from now? Geographically and US versus OUS?

Martine Rothblatt ***United Therapeutics - Chairman & CEO***

Yes. I'm going to make one introductory comment and turn it over to Roger. Jeff, oral treprostinil is the single most important program in the company. And I say that with caution because every program here is important, and all the people here working at all the programs are important. But I also want to try to provide our owners with objective information. And the potential of oral treprostinil is truly transformative for our company.

We call it, around the water cooler here, the Holy Grail of pulmonary hypertension. It's the doctors. If you asked doctors in the field what would be their greatest dream, they'd say it would be to have the power of prostacyclin [clash] down to a pill. The power of prostacyclin in a pill. That's the dream of everybody who's been in this field since the 1990s, and we are tantalizingly close to there right now. And Roger I want you to let us know just how close we are.

Roger Jeffs ***United Therapeutics - President & COO***

Jeff, we have the centers that we are going to use for the trial in terms of absolute number. We may exchange some centers that are not what we want in terms of performance or other things with newer centers. But given where we are with enrollment, given our expectation to unblinded trial in 2011, I think the 70 plus centers that we have now is the number that we will proceed to close with.

The focus now is -- we're pleased with enrollment, we are happy that China is on board, because I think that's a bowl of (inaudible) that is ready to have the opportunity of the Holy Grail, as Martine mentioned. So, that is certainly going to help, and it's going to help the Freedom M trial because the ethics of doing a patient naive study can be difficult in Europe and at some US centers, although we are putting in patients in both of those territories. So, I think we are where we need to be, we're encouraged about what we've done today, particularly in the quality of the acceptance of the drug in terms of its dosing and its profile at the end of the study. And we're optimistic about the end results. So, I think everything is steady as she goes now until the close of the study and our announcement of unblinding.

Geoffrey Meacham ***JPMorgan - Analyst***

Okay, great.

Martine Rothblatt ***United Therapeutics - Chairman & CEO***

Thank you so much. And I think we had one more person circle back in line. Matt?

Operator

Matt Duffy? Your line is open from PDR research.

Matt Duffy ***Black Diamond Research - Analyst***

Question. I wondered if you could give us a little additional color on the Tyvaso. Both the current patient population and the ads that you're seeing. Could you split out the big academic centers from the community and what that looks like, and what you think it's going to look like going forward?

Martine Rothblatt ***United Therapeutics - Chairman & CEO***

Yes, certainly there's this pyramid that exists in all drugs in existence, pulmonary hypertension stage, where the top 20% of doctors tend to prescribe the majority of the meds. And then what happens is that then you move into the bowl to the curve, and the life cycle of the drug, when the smaller centers, of which there would be many hundreds of them, even thousands of them, begin to fill out and then the smaller centers carry the tail for a long way. And even when a new drug comes out, it's hard for the old drug to still carry the tail for awhile. It's hard to get that information out there.

In our case, I would say that it's really clear that Tyvaso commands the large majority of the mine share among the top prescribing centers. All those top docs were in the Tyvaso Triumph study. They've continued reporting the data through open label extensions. And certainly, I can't -- I don't know the exact percentage. But I would say upwards of a third or more of scripts must come from the top academic centers. What we've done is in our launch campaign, we've taken the two phase approach, Matt. And the first phase was basically to get the troops on the beaches and control the beaches and the air fields.

And those are the key centers, the key academic centers, the key opinion leader centers. And we've done that from July until now with Adcirca, and we've done that from September until now with Tyvaso. And we have achieved the preferred prescribing position among PDE5's and inhaleds at the key centers. And so, that was the mission for year one. And mission accomplished.

Now, we're moving to the second phase of fanning out from those key centers, out to the community centers, doctors who treat fewer than ten patients, for example. So, we're deploying additional resources, increasing the size of our sales teams to be able to adequately achieve awareness. And frequency of reach with the literally thousands of centers that see some numbers of patients.

And the beauty of our franchise is that one rep can talk about three drugs, one rep can talk about two drugs, one rep can talk about one drug, depends what the doctor's interest is. A doctor that's new to Remodulin, he can focus on Remodulin. If the doctor that wants to understand Adcirca, we can talk about Adcirca. So we've got tremendous leverage ability, tremendous economies of scale, and we're now in our second phase of accelerating the launch and moving toward our goal of 80% prescription share for both Adcirca and Tyvaso.

Matt Duffy ***Black Diamond Research - Analyst***

Okay, thank you very much.

Martine Rothblatt ***United Therapeutics - Chairman & CEO***

All right. Well everybody, thank you very much for joining us on this call. It has been a pleasure to talk with you again this quarter. We've got a number of healthcare conferences coming up during the next few months. And we'll have our team there, and look forward to seeing you, both in the large meetings, the breakout sessions, and encourage you to book one-on-one time a lot. Thanks so much, and have a great day.

Operator

Thank you for participating in today's United Therapeutics Corporation's second quarter earnings conference call. This call will be available for replay beginning at 12.00 am Eastern Standard Time today through 11.59 pm Eastern Time on August 6 2010. The conference ID number for the replay is 86703236. The number to dial for replay is 1-800-642-1687 or 706-645-9291. Thank you once again for your participation in today's conference. This does conclude the program. You may now disconnect. Good day.
