

# FELLOW SHAREHOLDERS

Looking back upon my first full year as your Chief Executive Officer, I am proud of what we have accomplished in a relatively short amount of time. When I joined the company, I was aware we needed to address some significant challenges, which would require a shift in our strategy and tactics. However, I quickly discovered that the extent of those challenges were far greater than we expected, and our success was dependent on a foundational transformation that would stabilize our current business while positioning the company for future growth. As a result, Depomed today is in a strong and favorable position, poised to deliver growth and improved profitability to those we serve in 2018 and beyond.

In 2017, in response to rapidly changing market conditions, we outlined a new corporate plan. The resulting Three Pillar Strategy is designed to **Maintain, Grow** and **Build** our business, positioning the company for improved profitability in 2018 and an acceleration of growth in 2019-2020. I am pleased to report that we have made significant progress executing on this strategy.

We have worked to maintain a strong NUCYNTA franchise through our December commercialization agreement with Collegium Pharmaceuticals. This agreement provides Collegium the right to commercialize both NUCYNTA® Extended Release and NUCYNTA® Immediate Release and, in exchange, Depomed will receive a royalty rate on all NUCYNTA revenues based on certain net sales thresholds. For the first four years, this equates to Depomed receiving a minimum royalty of \$135 million per year. Our commitment to growing our neurology franchise comprised of Cambia®, Gralise® and Zipsor® is being driven by our late September salesforce expansion that more than doubled the number of sales representatives on these promotionally sensitive products. We expect this team to lead the return of our Neurology franchise to growth by the end of 2018. Lastly, we are building a new growth engine with the formation of our Orphan-Specialty franchise. This franchise is focused on high-value, high-touch products that are specifically designed towards the needs of patients, physicians and payors. The franchise's first product, cosyntropin, a synthetic corticotrophin drug candidate, entered our portfolio following our November asset transfer agreement with Slán Medical Holdings. An NDA is expected to be filed with the FDA later this year in the first indication while a significant clinical trial is currently underway in our second indication, infantile spasms, an FDA orphan drug designated indication.

Another strategic element to our transformation is our new Lake Forest, Illinois headquarters, located just north of Chicago. Home to leading pharmaceutical and specialty pharmaceutical companies, this facilitates our ability to create greater value while also attracting the top talent needed to take Depomed to the next level. We expect our new corporate headquarters to be fully operational by mid-year.

Depomed today is a company that possesses a strong cash flow from a combination of our product sales and the NUCYNTA royalty stream. We are committed to leveraging this position to drive future growth through an appropriate investment in our Neurology franchise, the formation of our new Specialty/Orphan franchise and executing on opportunistic business development efforts.

With Depomed's transformation well underway, we look forward to being a leaner, more entrepreneurial and faster moving company. Culturally, we are fully committed to developing a company that will make a meaningful difference in the lives of patients, encourage our employees to reach their full potential, and deliver strong shareholder value to our investors.



Arthur J. Higgins  
President and Chief Executive Officer