

Lotus Reports First Quarter 2020 Results

Taipei, Taiwan, 15 May 2020 -- Lotus Pharmaceuticals (1795:TT), a multinational pharmaceutical company, today reported its financial results for the first quarter ended 31 March 2020.

First quarter financial highlights:

- Q1 performance is in-line with management expectations, and management reaffirms its strong confidence to achieve the growth target for the year in both top line and bottom line.
- Net sales were NT\$1,963 million, reflecting a 10.1% decline versus prior year period, or 4.9%, excluding unfavorable impact on foreign exchange between the Korean Won and US Dollar.
- Lotus' Asian Business segment reported sales of NT\$1,551 million, remaining stable versus prior year despite the challenging COVID-19 situation, and 6.8% higher excluding the unfavorable currency impact, mainly due to strong uptake of Qsymia in Korea.
- Lotus's Export Business segment, composing of gSuboxone and the export of oncology products, was down 37.1% to NT\$369 million mainly due to timing of stocking inventory of gSuboxone, coupled with YoY price erosion in response to market dynamics. Market share has more than doubled since Q4 2019, with current market share of 33%. Revenue from the export business of the oncology portfolio showed an impressive 112.6% growth.
- Net cash generated from operating activities of NTS689 million, compared to NT\$163 million in the prior year period, significantly strengthened Lotus's capital structure to boost further growth.
- EPS of NT\$0.54 includes one-off expenses related to refinancing. If excluding the impact from this one-off item, the normalized EPS would be NT\$0.65 for the quarter.

"Despite turbulence created by the COVID-19 pandemic, Lotus remains focused on advancing its product pipeline for oncology and complex generics. As the pandemic impacts people and communities around the world, we are also deeply committed to protect the health and safety of our employees and the millions of patients across our markets that rely on us," said **Petar Vazharov, Chief Executive Officer of Lotus**.

"Lotus made a strong start to the year, despite the challenging market conditions that have arisen as a result of COVID-19, especially in South Korea. As seen in Lotus' financial statements, there is a continued investment in research and development; 45 product submissions were made and through Lotus' sales network and business partners around the world, important product approvals were achieved and Lotus' B2B team managed to complete 11 new partnership agreements with global partners. Moreover, we are committed to quality manufacturing as always, and our site master plan, which includes new warehouse build-up and modification of oncology area, has been carried out as scheduled for a better operational efficiency. These are all very important elements of Lotus' future growth strategy.

"I'm proud to announce that we have secured a target market share of 33% as of 1 May for our key product, gSubaxone, in the US." Petar Vazharov added, "Also, we made tremendous progress for Qsymia to achieve the leadership position in Q1 among 2nd generation anti-obesity drugs in Korea and kept building up leading portfolio in compelling therapeutic areas, such as our Mercilon, OTC oral contraceptive drug, ranking 1st in Korea for consecutive 9 years and being rewarded as the most preferred Brand. We

are optimistic on our overall business for the year. With the market expansion into SEA countries starting from Q2, we will be getting access to higher growth pharmaceuticals markets.”

Operational highlights for the first quarter ended 31 March 2020:

In NT\$ million, except EPS	Q1'20	Q1'19	YoY %
Net Sales	1,963	2,183	(10.1%)
Gross Profits	901	1,079	(16.5%)
Gross Margin %	45.9%	49.4%	
Net Income	132	287	(54.1%)
EPS (NT\$)	<u>0.54</u>	<u>1.16</u>	<u>(53.3%)</u>

Operational results for the first quarter 2020

Total revenues were NT\$1,963 million, compared to NT\$2,183 million for the comparable prior year period, representing a decrease of 10.1%, or 4.9% excluding the unfavorable impact on foreign exchange between the Korean Won and US Dollar.

- Net sales from Asian Business remained relatively stable despite the severe COVID-19 pandemic in the region during the quarter – both Korea and Taiwan businesses showed growth above 5% in the local currency compared to the same period last year, attributed to new product launches.
- Revenue decline in the Export Business was mainly driven by the timing of gSuboxone inventory buildup in the US. During Q1 2019, we benefited from larger orders to build adequate stocking levels in anticipation of the launch. Further, in Q4 2019 we benefited from larger orders in response to the sharp increase in market share that we expected to continue into 2020. Accordingly, these timing impacts have resulted in lower Q1 performance, with volumes 8% down versus prior year, and down 43% versus prior quarter. Currently, gSuboxone market share has more than doubled versus Dec 2019, and we are currently at 33% as of last week. The Company expects orders patterns to become more consistent for the remainder of the year and pricing has remained stable versus prior quarter. Apart from gSuboxone, the revenue from the export of oncology products grew significantly in Q1 2020 as a result of the Company’s global licensing strategy.
- Lotus’ Asian Business and Export Business grew by 1.8% during the quarter, if excluding the revenue from gSuboxone in both comparable periods.

Gross margin was 45.9% in the quarter and 49.4% for the same period 2019. Lotus managed their gross margin to stay relatively stable, despite the continued pricing pressure in the Asian Business and export product in the US, by leveraging a better margin profile from licensing deals and the oncology pipeline.

R&D expenses was NT\$91 million for the three months ended 31 March 2020, a 5.2% increase compared to the same period last year, as Lotus continued to invest in its product pipeline for both the Asian Business and Export Business.

SG&A expenses saw a decrease of 5.3% compared to the same prior year period, with less sales and marketing activities as a result of the severe COVID-19 situation during the first quarter. With all the combined efforts, **operating margin** was maintained at 14.9% for the quarter.

A strong net cash flow generated from operating activities of NT\$689 million, contributing four times more compared to the first quarter 2019, was delivered by improved working capital management and

made the total **cash and cash equivalents** closed at NT\$2,109 million as of 31 March 2020. This solid performance also enhanced Lotus' overall capital structure by lowering its net debt to LTM EBITDA ratio from 3.65x as of Q1'19 to 2.91x as of Q1'20.

With the strong net cash flow, Lotus further managed to complete a refinancing project at its Korea subsidiary level in Q1'20 as well as Lotus' level in early Q2'20 to secure a significant credit facility independently, without its Alvogen parent as co-borrower. This lowered the financing cost in the long run, while a one-off expense of NT\$38 million, related to the early repayment of previous loans, was then incurred in Q1'20. If excluding the impact from this one-off item, the normalized EPS would be NT\$0.65 for the quarter.

Pipeline and business development update

During the first quarter 2020, Lotus received 4 new product approvals in Asia and worked together with partners to receive additional 11 approvals in multiple countries across multiple regions. In addition, the Company successfully managed to get the first tentative generic approval of Enzalutamide softgel in Taiwan. This is another major milestone achieved by Lotus' leading R&D team and another building block to strengthen its oncology portfolio. The Company is aiming to launch this product in Taiwan in 2021.

By continuing to invest in its R&D pipeline, Lotus, together with their partners, made 45 submissions around the world and signed 11 new strategic partnership agreements to further extend their product offering to various different territories around the world. It is worth noting that, among these submissions, Lotus managed to overcome the challenges in BE study and filed generic dossier application for Pazopanib in several European markets in March. The Company is also expecting feedback from the US FDA for its ANDA application of Lenalidomide at the next target action date in July.

In regard to market expansion, Lotus will be consolidating the business in the SEA markets, including Thailand, Vietnam, Singapore, and other distribution markets, under its umbrella, starting from 1 May. The Company has also started submitting its oncology products for approval in these countries, which will further expand the size of the addressable markets of its existing portfolio and maximize the return on R&D investment for all shareholders.

Impact of COVID-19 on business activities

The impact of COVID-19 has resulted in Lotus redefining some of their processes operationally and internally. The reshaping of how we operate at this time is to safeguard our supply of our medicines, so we can continue to help patients around the world get the valuable treatments they need.

The safety of our team at Lotus was of paramount importance, so we can continue operating effectively and managing our output, including supply chains and manufacturing. In respect of this, we have created measures to make sure our workforce who do need to be working in our facilities are maintaining social distancing and using PPE where necessary.

Although the challenges remain for many countries we operate in, at this point, our supply chain has been unaffected and we are continuing to operate as normal. However, we will continue to monitor government advice around the world and are taking steps to plan effectively for any possible disruptions.

Income statement

In NT\$ million, except EPS	Q1'20	Q1'19	YoY %
Net Sales	1,963	2,183	(10.1%)
Cost of Goods	1,062	1,104	(3.8%)
Gross Profits	901	1,079	(16.5%)
<i>Gross Margin %</i>	<i>45.9%</i>	<i>49.4%</i>	
R&D	91	86	5.2%
SG&A	518	547	(5.3%)
Operating Expenses	609	633	(3.9%)
Operating Income	292	446	(34.5%)
<i>OP Margin %</i>	<i>14.9%</i>	<i>20.4%</i>	
Non-Operating Income (Expenses)	(133)	(57)	134.8%
Income Before Tax	159	389	(59.2%)
Net Income	132	287	(54.1%)
<u>EPS (NT\$)</u>	<u>0.54</u>	<u>1.16</u>	<u>(53.3%)</u>

Conference call and earnings material

Lotus Pharmaceutical will host a live audio conference in Mandarin at 2pm, 19 May and conduct a conference call at 4pm, 19 May in English to review the Company's financial results for the first quarter ended 31 March, 2020. The information of earnings call is available at the following address on the Company's website: <https://www.lotuspharm.com/investors/investor-news>. The Q1 2020 "Earnings Call Presentation", which will be referenced during the call can also be found at <https://www.lotuspharm.com/investors/investor-news>.

About Lotus

Founded in 1966, Lotus is a generic company headquartered in Taiwan with high-value generic products covering CNS, CVS, oncology, women health, and anti-obesity drugs in tablets & hard/softgel capsule for global markets. It became an Alvogen Company in 2014. The primary focus of Lotus is on addressing the fast-growing oncology market. By aligning the company's internal development and manufacturing capabilities, Lotus aims to benefit patients, its employees and shareholders alike. The company boasts a best in class R&D and manufacturing platform across Taiwan and Korea. Further, Lotus can reach nearly every global market with its high value pipeline through the company's direct markets, relationship with Alvogen's commercial units spanning over 30 countries, and through alliances with top-tier pharma companies.

Lotus 2020 financial calendar

Q2 results 14 August, 2020

Q3 results 14 November, 2020

Q4 results 20 March, 2021

Forward looking statements disclaimer

Except for historical information contained herein, the matters set forth in this document are forward looking statements that are subject to risks and uncertainties that could cause actual results to differ materially. These forward looking statements are not based on historical facts but rather on management's expectations regarding future growth, results of operations, performance, future capital and other expenditures, competitive advantages, business prospects and opportunities. Statements in this presentation about our future plans and intentions, results, level of activities, performance, goals or achievements or other future events constitute forward looking statements. Wherever possible, words such as "anticipate", "believe", "expect", "may", "could", "will", "potential", "intend", "estimate", "should", "plan", "predict", or the negative or other variations of statements reflect management's current beliefs and assumptions and are based on the information currently available to our management. Investors are cautioned not to place undue reliance on these forward looking statements, which are made as of the date of this document and we assume no obligation to update or revise any forward looking statements.

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