

Lotus Reports Record High EPS for FY2020

Taipei, Taiwan, 26 March 2021 -- Lotus Pharmaceuticals (1795:TT), a multinational pharmaceutical company, today reported its financial results for the full year 2020.

FY2020 financial highlights:

- Another fruitful year was delivered by remarkable achievements – Lotus achieved annual sales over NT\$10 billion and now is the largest pharma company in Taiwan by revenue. It also reported a new record EPS of NT\$4.22 since inception.
- Total net sales were NT\$10,729 million, up 16.9% compared to last year reflecting the successful execution of the niche two-pronged strategies.
 - Asian Business segment increased by 10.8% to NT\$6,627 million, or up 16.2% excluding the unfavorable currency impact of KRW/NTD, with strong uptakes from the expansion into ASEAN.
 - Export Business segment reported sales of NT\$3,965 million, representing a 32.3% growth driven by its gSuboxone product reaching the highest market share in overall Buprenorphine/Naloxone film market in the US and increasing supply revenues from export oncology pursuant to licensing milestones.
- Operating profits were up 44.9% to NT\$1,631 million contributed by better operating leverage from increased scale of business together with synergies realized from on-going group optimization programs.
- Stable cash generation, which brought in NT\$2,429 million cash from operations during 2020, further strengthened Lotus's capital structure backed by steadily growing operations.
- EPS of NT\$4.22 includes one-off expenses, including extraordinary inventory scrapping due to API issues and impairment of R&D projects conservatively reflecting EMA's initial comments.

Petar Vazharov, Chief Executive Officer of Lotus, said: “We are pleased to announce another great year achieved in all aspects despite the unpredictable market fluctuations from COVID recurrence globally. Most of the major milestones set throughout the year have been delivered as scheduled, and we are confident that we are kicking off substantial growth momentum toward 2021.

By diligently executing our two-pronged strategies, Lotus now is well diversified by both market expansion and portfolio extension with solid infrastructure for further differentiation. We completed our APAC coverage with infusion of SEA markets in Q2'20 and immediately deployed resources to introduce our oncology portfolio to boost the local footprints. We now have more leverage for strategic alliance based on our home markets in North Asia and new drivers from ASEAN countries. In terms of portfolio extension, the first tentative approval from US FDA for our Lenalidomide in September proves our R&D capabilities as well as solid execution of regulatory communication, and thus opens up more out-licensing opportunities in addition to 80+ submissions we've made during 2020. Our new warehouse and renovated oncology production are also the major advancements so that we can substantially increase our manufacturing capacity to support more than 247 SKUs demand by our global customers throughout 2021.

Our commitment to strategic execution and cost efficiency reinforces our stable foundation to drive sustainable growth across all business lines. We believe all these efforts positions Lotus well for being a leader in global pharma markets in the long run.”

Key financials for the full year of 2020:

In NT\$ million, except EPS	FY2020	FY2019*	YoY %
Net Sales	10,729	9,175	16.9%
Gross Profits	4,597	4,248	8.2%
Gross Margin %	42.8%	46.3%	
Net Income	1,030	678	51.8%
EPS (NT\$)	4.22	2.74	54.0%

* As previously reported

Operational results for FY2020

Total net sales were NT\$10,729 million, compared to NT\$9,175 million for the prior year, representing an increase of 16.9% supported by well-diversified growth from Asian Business and Export Business.

- Net sales from Asian Business increased by 10.8% over last year with strong drivers from the infusion of SEA markets. With Thailand and Vietnam being the major contributors, ASEAN markets accounted for almost 5% of the Company’s total sales while several milestones kicked in from China markets to solidify new revenue streams. Domestic markets in Korea and Taiwan also showed steady growth momentum despite the turbulence from COVID-19 and made all Asian Business grow by 16.2% over FY2019 excluding unfavorable foreign currency impact.
- Revenue of Export Business showed strong performance again with promising outlook. The Company’s gSuboxone gained the market leadership, not only among all the generics but also surpassing the originator, with market share around 38% as of December 2020. Export of oncology portfolio also grew significantly with on-going supply revenues doubled over last year, which demonstrated its capabilities of delivering the one-stop solutions as a preferred partner worldwide.

Gross margin was 42.8% for the year of 2020 and 46.3% in 2019. The difference was mainly driven by revenue mix, and the extraordinary inventory write-off due to API quality issues to a lesser degree. Gross margin in Q4’20 stayed around 42.5%, similar level compared to last quarter, with upward improvement by adopting cheaper APIs for gSuboxone starting from December as planned.

R&D expenses was NT\$505 million in 2020, an 8.7% less compared to a year before as a result of improved R&D quality, which led to higher capitalization rate and less impairments, offset by the costs related to R&D consolidation for better efficiency in the long run.

SG&A expenses saw a slight decrease of 3.9% over FY2019 mainly due to less marketing activities during COVID-19 pandemic and operating leverage synergies gradually realized by previous group optimization programs.

With steadily growing top line and well-managed spending during the challenging environment in 2020, Lotus managed to deliver **operating margin** above 15% for the full year, significantly better off from 12.1% in 2019.

A **stable cash inflow generated from operations** continued to improve the Company's capital structure with effectively lowering its net debt to LTM EBITDA ratio from 2.81x as of FY2019 to 1.93x as of FY2020, which is its first time to manage the net debt to LTM EBITDA ratio below 2.00x. Its finance costs were further reduced to NT\$74 million during the quarter, compared to NT\$96 million in Q4'19 and NT\$75 million last quarter. With all the major deliverables achieved on track, the Company made another record since its inception with **EPS of NT\$4.22** for FY2020, consistently to deliver EPS of more than NT\$1 for 3 quarters in a row.

Pipeline and business development update

During 2020, Lotus achieved remarkable milestone to secure its next blockbuster product as being the first company to obtain a tentative approval in the US for generic Lenalidomide, which is the single largest drug by annual sales among small molecule in the world, further to its filing of Pazopanib being the first generic submission in certain European countries in 1H'20. In addition, the Company received additional 11 approvals for its Lenalidomide in multiple countries around Latin America, South Africa, and Europe to boost the worldwide potentials for its leading portfolio during Q4'20.

- As of the end of 2020, the Company has 91 countries covered in the world, which includes the single largest market in the US, for its Lenalidomide – 43 countries approved with 1 more tentative approval, 35 countries under registration, and 12 submissions under preparation.
- There are 55 countries covered for Lotus' Gefitinib – 31 approved, 9 under registration, and 15 submissions under preparation.
- 48 countries are covered for Lotus' Vinorelbine – 24 approved, 17 under registration, and 7 more under preparation.
- In addition to the 3 leading products already launched in more than 55 markets in the world, the Company also made several submissions for the other oncology pipeline with its strategic partners, including Pazopanib, Enzalutamide, Sunitinib, in Europe, Latin America, and South Africa. These out-licensing partnerships with long-term supply opportunities gradually turn the Company's internal pipeline into sales contributors and create the most competitive potentials for sustainable growth.

For Asian Business, Lotus received 37 product approvals and made 45 submissions during the year to support market expansion and aggressively develop ASEAN markets with more competitive pipeline. The Company also continues to expand its product portfolio with in-licensed/acquired projects and secured exclusive marketing rights by 7 strategic value-added deals closed in 2020, which include biosimilar Darbepoetin Alfa in Taiwan and selected SEA markets via partnership with CKD, to complete the overall portfolio for long term competitiveness.

Income statement

In NT\$ million, except EPS	FY2020	FY2019*	YoY %
Net Sales	10,729	9,175	16.9%
Cost of Goods	6,132	4,927	24.5%
Gross Profits	4,597	4,248	8.2%
<i>Gross Margin %</i>	<i>42.8%</i>	<i>46.3%</i>	

R&D	505	554	(8.7%)
SG&A	2,479	2,581	(3.9%)
Operating Expenses	2,984	3,135	(4.8%)
Operating Income	1,613	1,113	44.9%
<i>OP Margin %</i>	<i>15.0%</i>	<i>12.1%</i>	
Non-Operating Income (Expenses)	(308)	(237)	30.0%
Income Before Tax	1,304	876	48.4%
Net Income	1,030	678	51.8%
<u>EPS (NT\$)</u>	<u>4.22</u>	<u>2.74</u>	<u>54.0%</u>

* As previously reported

Restatement of comparative consolidated financial statements

On April 1, 2020, Lotus' board of directors resolved to acquire 100% equity interest in Alvogen (Thailand) Ltd., which was 100% owned by Alvogen Group. The transaction was completed in the second quarter 2020. In compliance with the "Comments on IFRS" and Interpretation 2012-301 issued by Accounting Research and Development Foundation, the acquisition resulted in a joint control restructuring. Therefore, in preparing comparative consolidated financial statements, the acquisition is disclosed as if it has occurred before January 1, 2019 and the Group's consolidated financial statements and related notes as of December 31, and for the full year of 2019 are restated. The related equity adjustments are recognized as equity attributable to former owner of business combination under common control.

Conference call and earnings material

Lotus Pharmaceutical will host a live audio conference in Mandarin at 2pm, 30 March and conduct a conference call at 4pm, 30 March in English to review the Company's financial results for the full year 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 FY2020 "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 2021 financial calendar

Q1 results 13 May, 2021

Q2 results 12 August, 2021

Q3 results 11 November, 2021

Q4 results March, 2022

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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