

## Lotus Delivers Another Solid Performance for Third Quarter 2020

**Taipei, Taiwan, 13 November 2020** -- Lotus Pharmaceuticals (1795:TT), a multinational pharmaceutical company, today reported its financial results for the third quarter ended 30 September 2020.

### Third quarter financial highlights:

- Another outstanding quarter was achieved by continued growing momentum in both top line and bottom line and a record high 9-month EPS of NT\$2.92 was reported, despite the market fluctuations during COVID-19.
- Total net sales were NT\$2,886 million, up 46.5% compared to prior year reflecting continuous positive progress in both Asian and Export Business segments.
  - Asian Business segment increased by 10.7% to NT\$ NT\$1,645 million, or up 13.8% excluding the unfavorable currency impact, with strong uptakes from the expansion into SEA markets.
  - Export Business segment reported sales of NT\$1,210 million, representing a 192.7% growth driven by significant contribution from oncology products with both licensing fees and supply revenues and a stable leading position among generics of gSuboxone market share above 35% since second quarter in the US.
- Operating profits were up 51.1% to NT\$441 million contributed by better operating leverage from increased scale of business together with well-managed operating expenses.
- Stable cash generation, which brought in NT\$422 million cash from operations in Q3, further strengthened Lotus's capital structure backed by steady operations.
- EPS of NT\$1.15 includes one-off expenses related to extraordinary inventory scrapping due to API issues and impairment of Ulipristal due to EMA's recommendation to revoke the marketing authorization of the brand and generics. If excluding the impact from the two one-off items, the normalized EPS would be NT\$1.56 for the quarter.

**Petar Vazharov, Chief Executive Officer of Lotus, said:** "We are pleased to share another outperforming quarter with steady growth despite the unpredictable market fluctuations from recent COVID recurrence globally. Most of the major milestones set in the beginning of the year have been delivered as scheduled in all business lines, and we are confident that we are able to conclude the full year of 2020 with fruitful results in all aspects.

Further to our first filing of Pazopanib in certain European countries earlier this year, we achieved another important milestone in September as being the first company to get a tentative approval from US FDA for Lenalidomide in the US, which proves our R&D capabilities as well as solid execution in terms of regulatory communication. A recent GMP certification granted by Brazil ANVISA in October paves the way for our pipeline into the largest market in Latin America and opens up more opportunities with proven record to further fuel our evolving Export Business on top of our steadily growing Asian Business.

Our commitment to strategic execution and cost efficiency solidifies our stable foundation to drive sustainable growth across all business lines and positions Lotus well for the remainder of 2020 and beyond. We are extremely proud of our employees, who have demonstrated resiliency during this dynamic situation and remain dedicated to our mission of making a difference for our patients.”

#### Key financials for the third quarter ended 30 September 2020:

In NT\$ million, except EPS	Q3'20	Q3'19*	YoY %
Net Sales	2,886	1,970	46.5%
Gross Profits	1,255	1,031	21.7%
Gross Margin %	43.5%	52.3%	
Net Income	279	200	39.4%
EPS (NT\$)	<u>1.15</u>	<u>0.82</u>	<u>40.2%</u>

\* As previously reported

#### Operational results for the third quarter 2020

**Total net sales** were NT\$2,886 million, compared to NT\$1,970 million for the comparable prior year period, representing an increase of 46.5% boosted by continued growth from both Asian Business and Export Business.

- Net sales from Asian Business increased by 10.7% compared to the same period last year with strong drivers from the infusion of SEA markets in addition to steady sales momentum in Korea and Taiwan. With Thailand and Vietnam being the major contributors, ASEAN markets accounted for almost 5% of the Company’s total sales and grew by another 21.0% in Q3 over last quarter. The unfavorable impact of foreign currency translation from changes in the New Taiwan dollar to Korean won continued in Q3 and the net impact on current period net sales from Asian Business were approximately NT\$72 million. On a constant currency basis of New Taiwan dollar to Korean won, net sales from Asian Business increased by NT\$205 million, or 13.8%, over prior year period.
- Revenue of Export Business showed strong performance driven by licensing fees from the new agreements as well as supply revenues from the uptake of launched products. The Company has seen substantial growth from export of oncology portfolio and the revenue during the first nine months this year has already surpassed the same period last year contributing more than 10% of total revenue first ever. The order patterns from its gSuboxone was stably consistent during the quarter with leading market share among all generics maintained since Q2 in the US.

**Gross margin** was 43.5% in the quarter and 52.3% for the same period 2019. The difference was mainly driven by revenue mix. Compared to 40.2% in Q2, gross margin of this quarter was improved by 3.3 basis points contributed by more licensing revenues from growing Export Business, partially offset by the extraordinary inventory write-off of NT\$76 million due to API quality issues. If excluding this unexpected charge, gross margin in this quarter would be further improved to around 44%.

**R&D expenses** was NT\$173 million for the three months ended 30 September 2020, a 28.0% increase compared to the same period last year mainly caused by the impairment of Ulipristal in the amount of NT\$57 million, for the treatment of symptoms of uterine fibroids, due to EMA’s recommendation to revoke the marketing authorization of the brand and generics as a one-off item.

**SG&A expenses** saw an increase of 6.2% compared to the same prior year period driven by higher amortization from product acquisitions as per commercial launches of these acquired products during the period.

With steadily growing top line and well-managed spending during the challenging environment caused by COVID recurrence, Lotus managed to deliver **operating margin** above 15% consistently for 2 consecutive quarters, even enhanced from 14.8% for the comparable prior year period.

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 3.49x as of Q3'19 to 2.21x as of Q3'20. Its finance costs were further reduced to NT\$75 million during the quarter, compared to NT\$91 million in Q3'19 and NT\$83 million last quarter. With all the major deliverables achieved on track, the Company made another outstanding quarter with **EPS of NT\$1.15** in Q3'20, the first time to deliver EPS of more than NT\$1 for 2 quarters in a row, while the **normalized EPS** of the quarter would be **NT\$1.56** without the unexpected losses from extraordinary inventory scrapping and Ulipristal impairment.

### Pipeline and business development update

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During the third quarter 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. In addition, the Company received additional 10 approvals for its Lenalidomide in multiple countries around Latin America, South Africa, and Europe to boost the worldwide potentials for its leading portfolio.

- As of Q3'20, the Company has 82 countries covered in the world, which includes the single largest market in the US, for its Lenalidomide – 32 counties approved with 1 more tentative approval, 41 countries under registration, and 9 submissions under preparation.
- There are 53 countries covered for Lotus' Gefitinib – 31 approved, 10 under registration, and 12 submissions under preparation.
- 44 countries are covered for Lotus' Vinorelbine – 23 approved, 18 under registration, and 3 more under preparation.
- Moreover, the Company made 2 submissions for its Enzalutamide, which is another leading product Lotus managed to get approval among the first generic, with its strategic partners in Canada and Chile. 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 16 product approvals and made 33 submissions during the quarter 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 of biosimilar Darbeopetin Alfa for Taiwan and selected SEA markets via partnership with CKD in September to complete the overall portfolio for long term competitiveness.

### Income statement

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In NT\$ million, except EPS	Q3'20	Q3'19*	YoY %
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Net Sales	2,886	1,970	46.5%
Cost of Goods	1,631	939	73.7%
Gross Profits	1,255	1,031	21.7%
<i>Gross Margin %</i>	<i>43.5%</i>	<i>52.3%</i>	
R&D	173	135	28.0%
SG&A	642	604	6.2%
Operating Expenses	815	740	10.2%
Operating Income	441	292	51.1%
<i>OP Margin %</i>	<i>15.3%</i>	<i>14.8%</i>	
Non-Operating Income (Expenses)	(78)	(68)	14.6%
Income Before Tax	363	224	62.1%
Net Income	279	200	39.4%
<u>EPS (NT\$)</u>	<u>1.15</u>	<u>0.82</u>	<u>40.2%</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 September 30, 2019, for the three months ended September 30, 2019, and for the nine months ended September 30, 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, 17 November and conduct a conference call at 4pm, 17 November in English to review the Company's financial results for the third quarter ended 30 September 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 Q3 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**

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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