

Lotus Delivers Strong Second Quarter Performance

Taipei, Taiwan, 14 August 2020 -- Lotus Pharmaceuticals (1795:TT), a multinational pharmaceutical company, today reported its financial results for the second quarter ended 30 June 2020.

Second quarter financial highlights:

- Outperforming results were delivered in both top line and bottom line to achieve a record high quarterly EPS of NT\$1.23 for Q2 with continued commercial and operational execution, despite the challenging market conditions during COVID-19.
- Total net sales were NT\$2,677 million, up 41.3% compared to prior period year reflecting solid growth in both Asian and Export Business segments.
 - Asian Business segment increased by 11.6% to NT\$ NT\$1,639 million, or up 20.7% excluding the unfavorable currency impact, due to strong performance of Qsymia in Korea and new revenue streamlines from ASEAN countries.
 - Export Business segment reported sales of NY\$1,010 million, representing a 161.7% growth driven by an expanded 35% market share of gSuboxone as of June in the US market.
- Operating profits were up 229.9% to NT\$416 million mainly contributed from improved market share of gSuboxone together with well-controlled operating expenses.
- Enhanced cash-generating capability, which brought in NT\$604 million cash from operations in Q2, further strengthened Lotus’s capital structure backed by solid operations.

Petar Vazharov, Chief Executive Officer of Lotus, said: “We have delivered strong second quarter results and we are pleased with operating performance in the face of COVID-related headwinds with all our business segments performing well. We have a positive outlook for each of our business segments and look forward to the second half of the year with confidence.

It’s great to see that our flagship product gSuboxone has reached 35% market share in the U.S. market, comparable to the originator share in the market since June’20. our Asian business has performed also very well, the highlight being that Alvogen Korea regained its leadership position in the anti-obesity market; Moreover, we have major progress in the SEA markets driven by new product launches, success in major tenders as well new product submissions and approval.

Our commitment to strategic execution and cost efficiency continues to drive 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 public health crisis and remain dedicated to our mission of making a difference for patients.”

Key financials for the second quarter ended 30 June 2020:

In NT\$ million, except EPS	Q2’20	Q2’19*	YoY %
Net Sales	2,677	1,894	41.4%

Gross Profits	1,077	963	11.8%
Gross Margin %	40.2%	50.9%	
Net Income	299	52	475.0%
EPS (NT\$)	1.23	0.20	515.0%

* As previously reported

Operational results for the second quarter 2020

Total net sales were NT\$2,677 million, compared to NT\$1,894 million for the comparable prior year period, representing an increase of 41.3% boosted by both Asian Business and Export Business.

- Net sales from Asian Business, with infusion of ASEAN markets starting from April this year, grew by 11.6% compared to the same period last year. Core business in Korea was 1.6% higher, mainly from the rapid ramp-up of Qsymia which the sales have surpassed KRW 10bn in less than 1 year since launch, offset by unfavorable impact of foreign currency translation from changes in the New Taiwan dollar as compared to Korean won. Revenue streamlines from ASEAN markets, including Thailand, Vietnam, and other distribution markets, added in additional 4% of total sales in Q2. The unfavorable foreign currency impact on current period net sales from Asian Business was approximately NT\$110 million. On a constant currency basis of New Taiwan dollar to Korean won, net sales from Asian Business increased by NT\$303 million, or 20.7%, over prior year period.
- Revenue of Export Business showed strong momentum surged by more consistent order patterns from its gSuboxone with leading market share among all generics in the US. The Company has expanded its market share to 35% exiting Q2 and further increased to 36% as of July 24th. Revenue from export of oncology portfolio was primarily contributed by the increased shipment sales in Q2'20 as its products are gradually launched to global markets, while less milestone revenue recognized in this quarter made the oncology export business land softer than prior year period.

Gross margin was 40.2% in the quarter and 50.9% for the same period 2019. The difference was mainly driven by revenue mix of the quarter. In Q2'20, more sales were generated by gSuboxone, which Lotus managed to maintain mid thirty's for margin, while more revenue from global licensing deals, which gross margin is generally higher, was recognized in Q2'19.

R&D expenses was NT\$86 million for the three months ended 30 June 2020, a 31.2% less than the same period last year due to the timing modulation of project spending as a result of COVID-19 in 2020.

SG&A expenses saw a decrease of 19.2% compared to the same prior year period mainly driven by less sales and marketing personnel expenses as a result of a restructuring program in Q2'19 and less marketing activities during COVID-19 pandemic in 2020.

With growing top line and well-controlled spending during the challenging market situation, Lotus managed to deliver an improving operating efficiency and further expand **operating margin** to 15.5% for the quarter, versus 6.7% for the comparable prior year period and 14.9% for the previous quarter.

A **strong cash inflow generated from operations** continued to improve the Company's capital structure with effectively lowering its net debt to LTM EBITDA ratio from 3.72x as of Q2'19 to 2.41x as of Q2'20. The refinancing project completed in early Q2 also significantly saved its finance costs by 17% versus last quarter. With all the combined efforts, the Company made the most successful quarter by delivering a **record high EPS** of NT\$1.23 in Q2'20.

Pipeline and business development update

During the second quarter 2020, Lotus received 4 product approvals and made additional 8 submissions in Asia to support market expansion with more competitive product offering in the region. It successfully submitted Pazopanib 200mg in Taiwan, followed its first filing in certain EU markets last quarter, and cleared regulatory requirements for Orion portfolio in preparation for the launch in Q3.

Lotus also worked closely with global partners to get additional 6 approvals in 6 different countries for its leading oncology portfolio, which then has made its oncology products accessible to global markets with potentials of US\$9,300 million worldwide.

- As of Q2'20, the Company has 81 countries covered in the world for its Lenalidomide – 22 countries approved, 27 countries under registration, which includes the single largest market in the US, and 12 submissions under preparation.
- There are 52 countries covered for Lotus' Gefitinib – 30 approved, 9 under registration, and 13 submissions under preparation.
- 43 countries are covered for Lotus' Vinorelbine – 23 approved, 14 under registration, and 6 more under preparation. These out-licensing partnerships with long-term supply opportunities creates the most competitive potentials for substantial growth.

In regard to market expansion in to ASEAN markets, Lotus has made important tender wins/product launches, including Imatinib, Palonosetron, and Capecitabine in Vietnam, and several critical product approvals in Thailand and Indonesia. In addition, the Company currently has **31 submissions** for 19 products **under registration** in Singapore, Philippines, Bangladesh, and Hong Kong with another **39 submission under preparation for filing** in Singapore, Philippines, Malaysia, Sri Lanka, and Hong Kong to aggressively evolve into the whole region.

Income statement

In NT\$ million, except EPS	Q2'20	Q2'19*	YoY %
Net Sales	2,677	1,894	41.4%
Cost of Goods	1,600	930	72.0%
Gross Profits	1,077	963	11.8%
Gross Margin %	40.2%	50.9%	
R&D	86	125	(31.2%)
SG&A	575	712	(19.2%)
Operating Expenses	661	873	(21.0%)
Operating Income	416	126	229.9%
OP Margin %	15.5%	6.7%	
Non-Operating Income (Expenses)	(41)	(55)	34.1%
Income Before Tax	375	72	420.8%
Net Income	299	52	475.0%
EPS (NT\$)	<u>1.23</u>	<u>0.20</u>	<u>515.0%</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 June 30, 2019, for the three months ended June 30, 2019, and for the six months ended June 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, 18 August and conduct a conference call at 4pm, 18 August in English to review the Company's financial results for the second quarter ended 30 June 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 Q2 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

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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