Dear Shareholders and Employees:

Fiscal 2018 was filled with significant accomplishments. We also had our challenges, and over the last year our company and our industry have undergone dynamic changes. In particular, we learned that a contract with a significant supplier will not be renewed upon its expiration in March 2019, but your company responded impressively developing and implementing growth strategies designed to help us succeed in an ever-evolving environment.

Since the beginning of this calendar year, even before we found out about the non-renewal of the supplier contract, we kicked into high gear a plan to build up and further diversify our revenue base. We focused on near-term opportunities and reducing costs throughout the company. To that end, we have selectively augmented our management team, successfully launched many new products, expanded our pipeline, increased capacity at our Seymour, Indiana plant and continued efforts to streamline operations and enhance efficiencies. We are fortunate to have the right team in place and we are making excellent progress.

Leadership

To help lead the development and execution of our strategies, in January of this year the Board appointed me as chief executive officer. I bring more than 25 years of broad, senior-level pharmaceutical industry experience. In addition, we brought on board several seasoned executives to add depth and expertise to the team. Maureen Cavanaugh was appointed to the newly created position, senior vice president and chief commercial operations officer. Also joining the company were Grant Brock as vice president operations and Alicia Evolga as vice president of marketing, as well as others in engineering, project management and site quality. All are talented, experienced and successful executives in their respective areas.

In conjunction with these new team members, we re-aligned some of our organizational structure and management responsibilities of a few of our tenured officers. John Kozlowski was named chief of staff and strategy officer, and John Abt was promoted to vice president and chief quality and operations officer.

We also announced changes to our Board of Directors. Patrick LePore, a seasoned pharmaceutical executive, was named chairman, succeeding Jeffrey Farber who remains on the Board, and John Chapman, a tenured audit partner, was appointed to the Board on July 1st.

Product and Pipeline Highlights

In fiscal 2018, we received FDA approvals for a number of products, including Cyproheptadine Hydrochloride Oral Solution, Esomeprazole Magnesium Delayed-Release (DR) Capsules, Dexmethylphenidate Hydrochloride Tablets, Oxycodone and Acetaminophen Tablets, Lansoprazole DR Capsules (two approvals – one each for prescription and over-the-counter products), Dronabinol Capsules and Levofloxacin Oral Solution.

In addition, over the last 12 months, we consummated transactions with several strategic alliance partners to add market-ready or near market-ready products. As a result of these agreements, we became the exclusive distributor in the U.S. of the authorized generic version of Toprol-XL® (Metoprolol Succinate) Extended Release (ER) Tablets, and similarly obtained marketing rights to Diclofenac ER Tablets, Clarithromycin ER Tablets and Vardenafil HCl IR Tablets, among others. We acquired more than 20 oral solution products, many which can be manufactured in our Carmel, NY facility and are planned for launch in the coming months. All told, we acquired or in-licensed about 30 products, some of which have already been launched and a substantial number of others we expect to launch in the coming months.

And speaking of product launches, we commenced marketing 16 new products since January 1st of this year, including: Buprenorphine and Naloxone Sublingual Tablets, Clarithromycin ER Tablets, Diclofenac Sodium ER Tablets, Diphenoxylate Atropine Sulfate IR Tablets, Dronabinol IR Capsules, Esomeprazole Magnesium ER Capsules, Hydrocodone Bitartrate and Acetaminophen IR Tablets, Lansoprazole DR Capsules, Levofloxacin Oral Solution, Memantine HCl IR Tablets, Methylphenidate HCl CD ER Capsules, Metolazone IR Tablets, Metoprolol Succinate ER Tablets, Niacin ER Tablets, Oxycodone and Acetaminophen IR Tablets and Vardenafil HCl IR Tablets. We achieved meaningful market shares across these products as customers responded favorably to this greatly expanded new product flow. A key priority of ours is to maintain this healthy pace of product launches for the balance of the current fiscal year and beyond. I am also delighted to note that many of our near-term planned launches are internally developed products, which tend to have higher margins than in-licensed products.

Cost Reductions

In November, we announced our plan for a material reduction of our cost structure and redeploying a portion of the cost savings into growth opportunities for our business. The plan includes, among other things, the proposed sale of our Cody Laboratories active pharmaceutical ingredients (API) business, completing the transfer of our manufacturing and distribution operations in Pennsylvania to our Seymour, Indiana facility and reducing operating expenses. Importantly, our overall level of Research & Development expenditures will not be substantially reduced; in fact, spending on internal Abbreviated New Drug Application (ANDA) development projects is expected to increase. Such restructuring is never easy for all involved, but it put our company on a more lean and nimble foundation upon which we plan to grow.

Fiscal 2018 Financial Highlights

For the 2018 fiscal year, total net sales increased 8% to $684.6 million from $633.3 million for fiscal 2017. Net income attributable to Lannett was $28.7 million, or $0.75 per diluted share, compared with net loss attributable to Lannett of $581 thousand, or $0.02 per share, for fiscal 2017.

For the fiscal 2018 full year reported on a Non-GAAP basis, adjusted total net sales increased to $684.6 million from $637.3 million for fiscal 2017. Adjusted net income attributable to Lannett was $118.2 million, or $3.10 per diluted share, compared with $107.9 million, or $2.86 per diluted share, for fiscal 2017. Reconciliations of non-GAAP financial measures to the most directly comparable GAAP financial measures can be found in the company's financial results news releases.

Outlook

As of today, including our partnerships, we have approximately 20 ANDAs that have FDA approval and not yet launched; another 20 ANDAs that are filed with the FDA and pending approval; and finally, we have about 20 more product candidates in our active development portfolio. These 60 products, relative to the size of our company, gives us the confidence that we can maintain our recent rate and impact of new product launches well into the future.

Our Business Development team is in ever-ongoing negotiations to in-license even more products, and we believe we have demonstrated that our company is well positioned as a partner of choice.

In the medium and longer term, we have several opportunities that represent meaningful upside to our business. These include the continuing submission of product applications to the FDA, with efforts targeting areas where we have expertise and strength. Our R&D teams have already submitted five ANDAs in the first half of the fiscal year, a substantial increase over the recent past. Beyond our ANDA portfolio, our New Drug Application (NDA) for Cocaine Hydrochloride Topical Solution, with a proposed trade name of Numbrino™, continues to advance at the FDA. Additionally, our efforts to co-develop a biosimilar Insulin Glargine product referencing Sanofi's Lantus® are progressing.

Since joining Lannett in January of this year, I continue to be impressed with Lannett's prospects, as well as the dedication and talent of the team. Our entire staff and management have responded to recent challenges with impressive energy and determination, and we are excited about the renewed and revitalized Lannett.

I believe our recent actions and future plan will help us achieve our goals, and I am excited about our pipeline and prospects. We thank our shareholders for their support and belief in our future.

Sincerely,

Tim Crew
Chief Executive Officer

December 10, 2018