Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2024
or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to
Commission file number 001-36509

AMPHASTAR PHARMACEUTICALS, INC.
(Exact name of Registrant as specified in its charter)

Delaware	**33-0702205**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
11570 6th Street Rancho Cucamonga, CA	**91730**
(Address of principal executive offices)	**(zip code)**

(909) 980-9484
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.0001 per share	AMPH	The NASDAQ Stock Market LLC

The number of shares outstanding of the registrant's only class of common stock as of August 2, 2024 was 48,675,822.

AMPHASTAR PHARMACEUTICALS, INC.
TABLE OF CONTENTS
FORM 10-Q FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2024

SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, or Quarterly Report, contains "forward-looking statements" that involve substantial risks and uncertainties. In some cases, you can identify forward-looking statements by the following words: "may," "might," "will," "could," "would," "should," "expect," "intend," "plan," "anticipate," "believe," "estimate," "predict," "project," "potential," "continue," "ongoing" or the negative of these terms or other comparable terminology, although not all forward-looking statements contain these identifying words. Forward-looking statements relate to future events or future financial performance or condition and involve known and unknown risks, uncertainties and other factors that could cause actual results, levels of activity, performance or achievement to differ materially from those expressed or implied by the forward-looking statements. These forward-looking statements include, but are not limited to, statements about:

- our expectations regarding the sales and marketing of our products;
- our expectations regarding our newly acquired product, BAQSIMI®, including with respect to our ability to increase our revenues and derive certain benefits as a result of our acquisition of BAQSIMI®;
- our ability to successfully acquire and integrate assets, including our ability to integrate BAQSIMI®;
- our expectations regarding our manufacturing and production and the integrity of our supply chain for our products, including the risks associated with our single source suppliers;
- our business and operations in general, including: adverse impacts of the Russia-Ukraine and Middle East conflicts and challenging macroeconomic conditions on our business, financial condition, operations, cash flows and liquidity;
- our ability to attract, hire, and retain highly skilled personnel;
- interruptions to our manufacturing and production as a result of natural catastrophic events or other causes beyond our control such as power disruptions, pandemics, wars, terrorist attacks or other events;
- global, national and local economic and market conditions, specifically with respect to geopolitical uncertainty, including the Russia-Ukraine and Middle East conflicts, inflation and high interest rates;
- the timing and likelihood of U.S. Food and Drug Administration, or FDA, approvals and regulatory actions on our product candidates, manufacturing activities and product marketing activities;
- our ability to advance product candidates in our platforms into successful and completed clinical trials and our subsequent ability to successfully commercialize our product candidates;
- cost and delays resulting from the extensive pharmaceutical regulations to which we are subject;
- our ability to compete in the development and marketing of our products and product candidates;
- our expectations regarding the business of our Chinese subsidiary, Amphastar Nanjing Pharmaceuticals, Ltd., or ANP;
- the potential for adverse application of environmental, health and safety and other laws and regulations on our operations;
- our expectations for market acceptance of our new products and proprietary drug delivery technologies, as well as those of our active pharmaceutical ingredient, or API, customers;
- the effects of reforms in healthcare regulations and reductions in pharmaceutical pricing, reimbursement and coverage;
- our expectations in obtaining insurance coverage and adequate reimbursement for our products from third-party payers;
- the amount of price concessions or exclusion of suppliers adversely affecting our business;
- variations in intellectual property laws, our ability to establish and maintain intellectual property protection for our products and our ability to successfully defend our intellectual property in cases of alleged infringement;
- the implementation of our business strategies, product development strategies and technology utilization;
- the potential for exposure to product liability claims;
- our ability to successfully bid for suitable acquisition targets or licensing opportunities, or to consummate and integrate acquisitions, divestitures or investments, including the anticipated benefits of such acquisitions, divestitures or investments;
- our ability to expand internationally;
- economic and industry trends and trend analysis;
- our ability to remain in compliance with laws and regulations that currently apply or become applicable to our business both in the United States and internationally;
- the impact of trade tariffs, export or import restrictions, or other trade barriers;
- the impact of Patient Protection and Affordable Care Act (as amended) and other legislative and regulatory healthcare reforms in the countries in which we operate including the potential for drug price controls;
- the impact of global and domestic tax reforms;
- the timing for completion and the validation of the new construction at our ANP and Amphastar facilities;
- the timing and extent of share buybacks; and
- our financial performance expectations, including our expectations regarding our backlog, revenue, cost of revenue, gross profit or gross margin, operating expenses, including changes in research and development, sales and marketing and general and administrative expenses, and our ability to achieve and maintain future profitability.

You should read this Quarterly Report and the documents that we reference elsewhere in this Quarterly Report completely and with the understanding that our actual results may differ materially from what we expect as expressed or implied by our forward-looking statements. In light of the significant risks and uncertainties to which our forward-looking statements are subject, you should not place undue reliance on or regard these statements as a representation or warranty by us or any other person that we will achieve our objectives and plans in any specified timeframe, or at all. We discuss many of these risks and uncertainties in greater detail in this Quarterly Report and in our Annual Report on Form 10-K for the year ended December 31, 2023, particularly in Item 1A. “Risk Factors.” These forward-looking statements represent our estimates and assumptions only as of the date of this Quarterly Report regardless of the time of delivery of this Quarterly Report, and such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise after the date of this Quarterly Report.

Unless expressly indicated or the context requires otherwise, references in this Quarterly Report to “Amphastar,” “the Company,” “we,” “our,” and “us” refer to Amphastar Pharmaceuticals, Inc. and our subsidiaries.

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

AMPHASTAR PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	June 30, 2024 (unaudited)	December 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	$ 189,619	$ 144,296
Restricted cash	235	235
Short-term investments	28,156	112,510
Restricted short-term investments	2,200	2,200
Accounts receivable, net	131,412	114,943
Inventories	122,411	105,833
Income tax refunds and deposits	667	526
Prepaid expenses and other assets	7,945	9,057
Total current assets	482,645	489,600
Property, plant, and equipment, net	287,999	282,746
Finance lease right-of-use assets	469	564
Operating lease right-of-use assets	32,104	32,333
Investment in unconsolidated affiliate	—	527
Goodwill and intangible assets, net	600,849	613,295
Long-term investments	9,944	14,685
Other assets	24,260	25,910
Deferred tax assets	53,252	53,252
Total assets	$ 1,491,522	$ 1,512,912
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 131,212	$ 93,366
Accrued payments for BAQSIMI® (see Note 3)	—	126,090
Income taxes payable	1,514	1,609
Current portion of long-term debt	249	436
Current portion of operating lease liabilities	3,996	3,906
Total current liabilities	136,971	225,407
Long-term reserve for income tax liabilities	6,066	6,066
Long-term debt, net of current portion and unamortized debt issuance costs	586,853	589,579
Long-term operating lease liabilities, net of current portion	29,483	29,721
Other long-term liabilities	18,803	22,718
Total liabilities	778,176	873,491
Commitments and contingencies		
Stockholders' equity:		
Preferred stock: par value $0.0001; 20,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock: par value $0.0001; 300,000,000 shares authorized; 60,482,455 and 48,962,414 shares issued and outstanding, respectively, as of June 30, 2024 and 59,390,194 and 48,068,881 shares issued and outstanding, respectively, as of December 31, 2023	6	6
Additional paid-in capital	487,571	486,056
Retained earnings	490,394	409,268
Accumulated other comprehensive loss	(8,826)	(8,478)
Treasury stock	(255,799)	(247,431)
Total equity	713,346	639,421
Total liabilities and stockholders' equity	$ 1,491,522	$ 1,512,912

See Accompanying Notes to Condensed Consolidated Financial Statements.

AMPHASTAR PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited; in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net revenues:				
Product revenues, net	$ 179,388	$ 145,712	$ 337,017	$ 285,734
Other revenues	3,006	—	17,213	—
Total net revenues	182,394	145,712	354,230	285,734
Cost of revenues	87,228	72,974	168,964	139,156
Gross profit	95,166	72,738	185,266	146,578
Operating expenses:				
Selling, distribution, and marketing	9,012	6,718	18,383	13,827
General and administrative	13,285	12,281	28,961	25,764
Research and development	17,652	16,843	34,695	36,658
Total operating expenses	39,949	35,842	82,039	76,249
Income from operations	55,217	36,896	103,227	70,329
Non-operating income (expenses):				
Interest income	3,337	1,030	5,893	1,954
Interest expense	(8,609)	(3,602)	(17,220)	(4,000)
Other income (expenses), net	298	(1,516)	6,219	(1,906)
Total non-operating income (expenses), net	(4,974)	(4,088)	(5,108)	(3,952)
Income before income taxes	50,243	32,808	98,119	66,377
Income tax provision	12,294	6,383	16,420	13,135
Income before equity in losses of unconsolidated affiliate	37,949	26,425	81,699	53,242
Equity in losses of unconsolidated affiliate	—	(301)	(573)	(1,086)
Net income	$ 37,949	$ 26,124	$ 81,126	$ 52,156
Net income per share:				
Basic	$ 0.77	$ 0.54	$ 1.67	$ 1.08
Diluted	$ 0.73	$ 0.49	$ 1.54	$ 0.99
Weighted-average shares used to compute net income per share:				
Basic	48,907	48,404	48,560	48,202
Diluted	52,046	53,102	52,530	52,536

See Accompanying Notes to Condensed Consolidated Financial Statements.

AMPHASTAR PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited; in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net income	$ 37,949	$ 26,124	$ 81,126	$ 52,156
Other comprehensive income (loss), net of income taxes				
Foreign currency translation adjustment	(57)	(56)	(348)	300
Total other comprehensive income (loss)	(57)	(56)	(348)	300
Total comprehensive income	$ 37,892	$ 26,068	$ 80,778	$ 52,456

See Accompanying Notes to Condensed Consolidated Financial Statements.

AMPHASTAR PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited; in thousands, except share data)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (loss)	Treasury Stock		Total
	Shares	Amount				Shares	Amount	
Balance as of December 31, 2023	59,390,194	$ 6	$ 486,056	$ 409,268	$ (8,478)	(11,321,313)	$ (247,431)	$ 639,421
Net income	—	—	—	43,177	—	—	—	43,177
Other comprehensive loss	—	—	—	—	(291)	—	—	(291)
Issuance of treasury stock in connection with the Company's equity plans	—	—	(33)	—	—	2,197	33	—
Issuance of common stock in connection with the Company's equity plans	770,265	—	(17,311)	—	—	—	—	(17,311)
Share-based compensation expense	—	—	7,360	—	—	—	—	7,360
Balance as of March 31, 2024	60,160,459	$ 6	$ 476,072	$ 452,445	$ (8,769)	(11,319,116)	$ (247,398)	$ 672,356
Net income	—	—	—	37,949	—	—	—	37,949
Other comprehensive loss	—	—	—	—	(57)	—	—	(57)
Purchase of treasury stock	—	—	—	—	—	(207,288)	(8,498)	(8,498)
Issuance of treasury stock in connection with the Company's equity plans	—	—	(97)	—	—	6,363	97	—
Issuance of common stock in connection with the Company's equity plans	321,996	—	5,816	—	—	—	—	5,816
Share-based compensation expense	—	—	5,780	—	—	—	—	5,780
Balance as of June 30, 2024	60,482,455	$ 6	$ 487,571	$ 490,394	$ (8,826)	(11,520,041)	$ (255,799)	$ 713,346

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (loss)	Treasury Stock		Total
	Shares	Amount				Shares	Amount	
Balance as of December 31, 2022	58,110,231	$ 6	$ 455,077	$ 271,723	$ (8,624)	(9,998,162)	$ (189,524)	$ 528,658
Net income	—	—	—	26,032	—	—	—	26,032
Other comprehensive income	—	—	—	—	356	—	—	356
Purchase of treasury stock	—	—	—	—	—	(263,131)	(8,015)	(8,015)
Issuance of common stock in connection with the Company's equity plans	330,300	—	(4,565)	—	—	—	—	(4,565)
Share-based compensation expense	—	—	6,111	—	—	—	—	6,111
Balance as of March 31, 2023	58,440,531	$ 6	$ 456,623	$ 297,755	$ (8,268)	(10,261,293)	$ (197,539)	$ 548,577
Net income	—	—	—	26,124	—	—	—	26,124
Other comprehensive loss	—	—	—	—	(56)	—	—	(56)
Purchase of treasury stock	—	—	—	—	—	(3,585)	(129)	(129)
Issuance of treasury stock in connection with the Company's equity plans	—	—	(231)	—	—	15,207	231	—
Issuance of common stock in connection with the Company's equity plans	627,946	—	9,853	—	—	—	—	9,853
Share-based compensation expense	—	—	4,865	—	—	—	—	4,865
Balance as of June 30, 2023	59,068,477	$ 6	$ 471,110	$ 323,880	$ (8,324)	(10,249,671)	$ (197,437)	$ 589,235

See Accompanying Notes to Condensed Consolidated Financial Statements.

AMPHASTAR PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited; in thousands)

	Six Months Ended June 30,	
	2024	**2023**
Cash Flows From Operating Activities:		
Net income	$ 81,126	$ 52,156
Reconciliation to net cash provided by operating activities:		
Loss on disposal of assets	108	7
Impairment of long-lived assets	—	2,700
Loss (gain) on interest rate swaps and foreign currency transactions, net	(4,589)	2,434
Depreciation of property, plant, and equipment	13,771	12,121
Amortization of product rights, trademarks, and patents	12,360	471
Operating lease right-of-use asset amortization	1,977	1,825
Amortization of discounts, premiums, and debt issuance costs	4,564	3,249
Equity in losses of unconsolidated affiliate	573	1,086
Share-based compensation expense	13,140	10,976
Changes in operating assets and liabilities:		
Accounts receivable, net	(16,522)	(10,533)
Inventories	(17,020)	(767)
Prepaid expenses and other assets	241	740
Income tax refunds, deposits, and payable, net	(234)	11,967
Operating lease liabilities	(1,898)	(1,750)
Accounts payable and accrued liabilities	36,803	8,623
Net cash provided by operating activities	124,400	95,305
Cash Flows From Investing Activities:		
BAQSIMI® acquisition (See Note 3)	(129,000)	(500,829)
Purchases and construction of property, plant, and equipment	(14,837)	(18,531)
Purchase of investments	(22,507)	(19,774)
Maturity of investments	113,274	25,151
Deposits and other assets	(1,596)	(932)
Net cash used in investing activities	(54,666)	(514,915)
Cash Flows From Financing Activities:		
Proceeds from equity plans, net of withholding tax payments	(11,496)	5,288
Purchase of treasury stock	(8,498)	(8,143)
Debt issuance costs	(251)	(14,150)
Proceeds from borrowing under lines of credit	4,057	—
Proceeds from issuance of long-term debt	—	500,000
Principal payments on long-term debt	(8,107)	(68,432)
Net cash provided by (used in) financing activities	(24,295)	414,563
Effect of exchange rate changes on cash	(116)	(6)
Net increase (decrease) in cash, cash equivalents, and restricted cash	45,323	(5,053)
Cash, cash equivalents, and restricted cash at beginning of period	144,531	156,333
Cash, cash equivalents, and restricted cash at end of period	$ 189,854	$ 151,280
Noncash Investing and Financing Activities:		
Deferred payment for BAQSIMI® acquisition	$ —	$ 127,276
Capital expenditures included in accounts payable	$ 6,730	$ 3,681
Operating lease right-of-use assets in exchange for operating lease liabilities	$ 1,748	$ 2,598
Supplemental Disclosures of Cash Flow Information:		
Interest paid, net of capitalized interest	$ 13,860	$ 2,772
Income taxes paid	$ 16,932	$ 1,322

See Accompanying Notes to Condensed Consolidated Financial Statements.

AMPHASTAR PHARMACEUTICALS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. General

Amphastar Pharmaceuticals, Inc., a Delaware corporation (together with its subsidiaries, hereinafter referred to as the "Company") is a bio-pharmaceutical company that focuses primarily on developing, manufacturing, marketing, and selling technically challenging generic and proprietary injectable, inhalation, and intranasal products, including products with high technical barriers to market entry. Additionally, the Company sells insulin active pharmaceutical ingredient, or API, products. Most of the Company's products are used in hospital or urgent care clinical settings and are primarily contracted and distributed through group purchasing organizations and drug wholesalers. The Company's insulin API products are sold to other pharmaceutical companies for use in their own products and are being used by the Company in the development of injectable finished pharmaceutical products. The Company's inhalation product, Primatene MIST®, is primarily distributed through drug retailers.

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2023 and the notes thereto as filed with the Securities and Exchange Commission, or SEC, in the Company's Annual Report on Form 10-K for the year ended December 31, 2023. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP, have been condensed or omitted from the accompanying condensed consolidated financial statements. The accompanying year-end condensed consolidated balance sheet was derived from the audited financial statements. The accompanying interim financial statements are unaudited, but reflect all adjustments which are, in the opinion of management, necessary for a fair presentation of the Company's consolidated financial position, results of operations, comprehensive income, stockholders' equity, and cash flows for the periods presented. Unless otherwise noted, all such adjustments are of a normal, recurring nature. The Company's results of operations, comprehensive income and cash flows for the interim periods are not necessarily indicative of the results of operations and cash flows that it may achieve in future periods.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The unaudited condensed consolidated financial statements include the accounts of the Company and its subsidiaries, and are prepared in accordance with GAAP. All intercompany activity has been eliminated in the preparation of the condensed consolidated financial statements. In the opinion of management, the accompanying unaudited condensed consolidated financial statements include all adjustments, which are of a normal recurring nature, necessary to present fairly the consolidated financial position, results of operations, and cash flows of the Company.

The Company's subsidiaries include: (1) International Medication Systems, Limited, or IMS, (2) Armstrong Pharmaceuticals, Inc., or Armstrong, (3) Amphastar Nanjing Pharmaceuticals Inc., or ANP, (4) Amphastar France Pharmaceuticals, S.A.S., or AFP, (5) Amphastar UK Ltd., or AUK, (6) International Medication Systems (UK) Limited, or IMS UK, and (7) Amphastar Medication Co., LLC, or Amphastar Medication.

Investment in Unconsolidated Affiliate

The Company applies the equity method of accounting for investments when it has significant influence, but not controlling interest in the investee. The Company's proportionate share of the earnings or losses resulting from these investments is reported as "Equity in losses of unconsolidated affiliate" in the accompanying condensed consolidated statements of operations. Investments accounted for using the equity method may be reported on a lag of up to three months if financial statements of the investee are not available in sufficient time for the investor to apply the equity method as of the current reporting date.

AMPHASTAR PHARMACEUTICALS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The carrying value of equity method investments is reported as "Investment in unconsolidated affiliate" in the accompanying condensed consolidated balance sheets. The Company's equity method investments are reported at cost and adjusted each period for the Company's share of the investee's earnings or losses and dividends paid, if any.

Use of Estimates

The preparation of condensed consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. Actual results could differ from those estimates. The principal accounting estimates include: fair value of acquired assets, determination of allowances for credit losses, fair value of financial instruments, allowance for discounts, provision for chargebacks and rebates, provision for product returns, adjustment of inventory to its net realizable value, impairment of investments, long-lived and intangible assets and goodwill, accrual for workers' compensation liabilities, litigation reserves, stock price volatility for share-based compensation expense, valuation allowances for deferred tax assets, and liabilities for uncertain income tax positions.

Foreign Currency

The functional currency of the Company, its domestic subsidiaries, its Chinese subsidiary ANP, and its U.K. subsidiary, AUK, is the U.S. Dollar, or USD. ANP maintains its books of record in Chinese yuan. These books are remeasured into the functional currency of USD using the current or historical exchange rates. The resulting currency remeasurement adjustments and other transactional foreign currency exchange gains and losses are reflected in the Company's condensed consolidated statements of operations.

The Company's French subsidiary, AFP, maintains its book of record in euros. AUK's subsidiary, IMS UK, maintains its book of record in British pounds. These local currencies have been determined to be the subsidiaries' respective functional currencies. Activities in the statements of operations are translated to USD using average exchange rates during the period. Assets and liabilities are translated at the rate of exchange prevailing on the balance sheet date. Equity is translated at the prevailing rate of exchange at the date of the equity transactions. Translation adjustments are reflected in stockholders' equity and are included as a component of other comprehensive income (loss). The unrealized gains or losses of intercompany foreign currency transactions that are of a long-term investment nature are reported in other accumulated comprehensive income (loss).

The unrealized gains and losses of intercompany foreign currency transactions that are of a long-term investment nature were a $0.3 million loss and a $1.0 million loss for the three and six months ended June 30, 2024, respectively. For the three and six months ended June 30, 2023, the unrealized gains and losses of intercompany foreign currency transactions that are of a long-term investment nature were a $0.1 million loss and a $0.5 million gain, respectively.

Comprehensive Income

The Company's comprehensive income includes its foreign currency translation gains and losses as well as its share of other comprehensive income from its equity method investments.

Acquisitions

The Company evaluates acquisitions and other similar transactions to assess whether or not the transaction should be accounted for as a business combination or asset acquisition by first applying a screen test to determine if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the screen is met, the transaction is accounted for as an asset acquisition. If the screen is not met, further determination is required as to whether or not the Company has acquired inputs and substantive processes that have the ability to create outputs, which would meet the definition of a business.

AMPHASTAR PHARMACEUTICALS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Acquisitions meeting the definition of business combinations are accounted for using the acquisition method of accounting, which requires that the purchase price be allocated to the net assets acquired at their respective fair values. In a business combination, any excess of the purchase price over the estimated fair values of the net assets acquired is recorded as goodwill.

For asset acquisitions, a cost accumulation model is used to determine the cost of an asset acquisition. Direct transaction costs are recognized as part of the cost of an asset acquisition. The cost of an asset acquisition, including transaction costs, is allocated to identifiable assets acquired and liabilities assumed based on a relative fair value basis, with the exception of non-qualifying assets. Goodwill is not recognized in an asset acquisition. When a transaction accounted for as an asset acquisition includes an in-process research and development, or IPR&D, asset, the IPR&D asset is only capitalized if it has an alternative future use other than in a particular research and development project. Asset acquisitions may include contingent consideration arrangements that encompass obligations to make future payments to sellers contingent upon the achievement of future financial targets. Contingent consideration, including assumed contingent considerations, is not recognized until all contingencies are resolved and the consideration is paid or becomes payable (unless contingent considerations meets the definition of a derivative, in which case the amount becomes part of the basis in the asset acquired), at which point the consideration is allocated to the assets acquired based on their relative fair values at the acquisition date, with the exception of non-qualifying assets.

Judgments are used in determining estimates of useful lives of long-lived assets. Useful life estimates are based on, among other factors, estimates of expected future net cash flows, the assessment of each asset's life cycle, and the impact of competitive trends on each asset's life cycle and other factors. These judgments can materially impact the estimates used to allocate purchase consideration to assets acquired and liabilities assumed, and the resulting timing and amounts charged to or recognized in current and future operating results. For these and other reasons, actual results may vary significantly from estimated results.

Advertising Expense

Advertising expenses, primarily associated with Primatene MIST®, are recorded as they are incurred, except for expenses related to the development of a major commercial or media campaign, which are expensed in the period in which the commercial or campaign is first presented, and are reflected as a component of selling, distribution and marketing in the Company's condensed consolidated statements of operations. For the three and six months ended June 30, 2024, advertising expenses were $2.6 million and $5.3 million, respectively. For the three and six months ended June 30, 2023, advertising expenses were $2.9 million and $6.2 million, respectively.

Financial Instruments

The Company's accompanying condensed consolidated balance sheets include the following financial instruments: cash and cash equivalents, restricted cash, accounts receivable, accounts payable, accrued expenses, short-term borrowings, and long-term obligations. The Company considers the carrying amounts of current assets and liabilities on the condensed consolidated balance sheets to approximate the fair value of these financial instruments due to the short maturity of these items. The carrying value of the Company's long-term obligations, with the exception of the convertible debt (See Note 14) approximates their fair value, as the stated borrowing rates are comparable to rates currently offered to the Company for instruments with similar maturities. Investments and short-term investments are recorded at fair value based on quoted prices from recognized security exchanges and other methods (See Note 9). The Company at times enters into interest rate swap contracts to manage its exposure to interest rate changes and its overall cost of long-term debt. The Company's interest rate swap contracts exchange the variable interest rates for fixed interest rates.

AMPHASTAR PHARMACEUTICALS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Cash and Cash Equivalents

Cash and cash equivalents consist of cash, money market accounts, certificates of deposit and highly liquid investments with original maturities of three months or less.

Investments

Investments as of June 30, 2024 and December 31, 2023 consisted of certificates of deposit and investment grade corporate, agency and municipal bonds with original maturity dates between three and fifteen months.

Restricted Cash

Restricted cash is collateral required for the Company to guarantee certain vendor payments in France. As of June 30, 2024 and December 31, 2023, the restricted cash balance was $0.2 million.

Restricted Short-Term Investments

Restricted short-term investments consist of certificates of deposit that are collateral for standby letters of credit to qualify for workers' compensation self-insurance. The certificates of deposit have original maturities greater than three months, but less than one year. As of June 30, 2024 and December 31, 2023, the balance of restricted short-term investments was $2.2 million.

Deferred Income Taxes

The Company utilizes the liability method of accounting for income taxes, under which deferred taxes are determined based on the temporary differences between the financial statements and the tax basis of assets and liabilities using enacted tax rates. A valuation allowance is recorded when it is more likely than not that the deferred tax assets will not be realized.

Debt Issuance Costs

Debt issuance costs related to non-revolving debt are recognized as a reduction to the related debt balance in the accompanying condensed consolidated balance sheets and amortized to interest expense over the contractual term of the related debt using the effective interest method. Debt issuance costs associated with revolving debt are capitalized within other long-term assets on the condensed consolidated balance sheets and are amortized to interest expense over the term of the related revolving debt.

Convertible Debt

The Company accounts for its convertible debt instruments as a single unit of accounting, a liability, because the Company concluded that the conversion features do not require bifurcation as a derivative under Accounting Standards Codification, or ASC, 815-15, *Derivatives and Hedging* and the Company did not issue its convertible debt instruments at a substantial premium. The Company records debt issuance costs as contra-liabilities in its condensed consolidated balance sheets at issuance and amortizes them over the contractual term of the convertible debt instrument using the effective interest rate.

In accordance with Accounting Standards Update, or ASU, *2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*, the Company evaluates convertible debt instruments to determine if the conversion feature is freestanding or embedded. If the conversion feature is embedded, the conversion

AMPHASTAR PHARMACEUTICALS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

feature is not bifurcated from the host instrument. If the conversion feature does not require derivative treatment under ASC 815, the instrument is evaluated under ASC 470-20, *"Debt with Conversion and Other Options"* for consideration of any beneficial conversion features. If no beneficial conversion features exist that require separate recognition, convertible debt instruments are accounted for as a single liability measured at its amortized cost as long as no other features require separation and recognition as derivatives.

Litigation, Commitments and Contingencies

Litigation, commitments and contingencies are accrued when management, after considering the facts and circumstances of each matter as then known to management, has determined it is probable a liability will be found to have been incurred and the amount of the loss can be reasonably estimated. When only a range of amounts is reasonably estimable and no amount within the range is more likely than another, the low end of the range is recorded. Legal fees are expensed as incurred. Due to the inherent uncertainties surrounding gain contingencies, the Company generally does not recognize potential gains until they are realized.

Recent Accounting Pronouncements

In November 2023, the Financial Accounting Standards Board, or FASB, issued Accounting Standard Update 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* which is intended to improve reportable segment disclosure requirements, primarily through additional disclosures about significant segment expenses. The standard is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The amendments should be applied retrospectively to all prior periods presented in the financial statements. The Company is currently evaluating the disclosure requirements related to the new standard.

In December 2023, the FASB issued Accounting Standard Update 2023-09, *Income taxes (Topic 740): Improvements to Income Tax Disclosures* which requires entities to disclose disaggregated information about their effective tax rate reconciliation as well as expanded information on income taxes paid by jurisdiction. The disclosure requirements will be applied on a prospective basis, with the option to apply them retrospectively. The standard is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the disclosure requirements related to the new standard.

Note 3. BAQSIMI® Asset Acquisition

On June 30, 2023, the Company completed its acquisition of BAQSIMI® glucagon nasal powder, or BAQSIMI® pursuant to an asset purchase agreement, or the Purchase Agreement, with Eli Lilly & Company, or Lilly, dated April 21, 2023.

The Company accounted for the BAQSIMI® acquisition as an asset acquisition in accordance with ASC 805, *Business Combination*s, as substantially all the fair value of the assets acquired was concentrated in a single identifiable asset, BAQSIMI® product rights. The BAQSIMI® product rights include the license for the BAQSIMI® intellectual property, regulatory documentation, marketing authorizations, and domain names, which are considered a single asset as they are inextricably linked.

AMPHASTAR PHARMACEUTICALS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The total purchase price was allocated to the acquired assets based on their relative fair values, as follows:

	Fair Value (in thousands)
Property, plant, and equipment	$ 34,426
BAQSIMI® product rights	591,338
Deferred tax assets	2,341
Total assets acquired	$ 628,105

The Company amortizes the acquired intangible asset on a straight line basis over its estimated useful life of 24 years (See Note 10 for additional information).

A portion of the consideration for the asset acquisition was a deferred cash payment. The fair value of the deferred cash payment was accreted to its full $129.0 million amount over a one-year period from the date of acquisition through interest expense. During the three and six months ended June 30, 2024, $1.8 million and $3.6 million of interest expense was recognized related to accretion of the deferred cash payments, respectively. The Company made the $129.0 million deferred cash payment in June 2024.

The Company may also be required to pay additional contingent consideration of up to an aggregate of $575.0 million in cash as part of the BAQSIMI® acquisition, based on the achievement of certain net sales milestones. Through June 30, 2024, the Company has not triggered any milestones and therefore no amounts have been recognized or paid.

Manufacturing Services Agreement

In connection with the Closing, the Company entered into a Manufacturing Services Agreement, or the MSA, with Lilly, pursuant to which Lilly has agreed, for a period of time not to exceed 18 months, to provide certain manufacturing, packaging, labeling and supply services for BAQSIMI® directly or through third-party contractors to the Company in connection with its operation of the development, manufacture, and commercialization of BAQSIMI®. Upon termination of the MSA, the Company will be obligated to purchase all API, components, and finished goods on hand at prices agreed upon in the MSA.

Transition Services Agreement

In connection with the Closing, the Company entered into a Transition Services Agreement, or the TSA, with Lilly pursuant to which Lilly has agreed, for a period of time not to exceed 18 months, to provide certain services to the Company to support the transition of BAQSIMI® operations to the Company, including with respect to the conduct of certain clinical, regulatory, medical affairs, and commercial sales channel activities.

During the first quarter of 2024, the Company assumed distribution responsibilities, from Lilly, to its customers in the United States, and certain countries in Europe. As a result, the Company has recorded the sales and related cost of BAQSIMI® in these countries as product revenue, net and cost of revenues, respectively. The Company will continue to assume distribution of BAQSIMI® for the remaining territories on a country by country basis throughout 2024.

Note 4. Revenue Recognition

Product revenues, net

In accordance with ASC 606 *Revenue from Contracts with Customers*, revenue is recognized at the time that the Company's customers obtain control of the promised goods.

AMPHASTAR PHARMACEUTICALS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Generally, revenue is recognized at the time of product delivery to the Company's customers. In some cases, revenue is recognized at the time of shipment when stipulated by the terms of the sale agreements.

The consideration to which the Company expects to be entitled includes a stated list price, less various forms of variable consideration including provision for chargebacks and rebates, accrual for product returns, prompt pay discounts, distributor fees, patient co-pay assistance, and other related deductions. These deductions to product sales are referred to as gross-to-net deductions and are estimated and recorded in the period in which the related product sales occur. Payment terms offered to customers generally range from 30 to 75 days; however, payment terms differ by jurisdiction, by customer and, in some instances, by type of product. Revenues from product sales, net of gross-to-net deductions, are recorded only to the extent a significant reversal in the amount of cumulative revenue recognized is not probable of occurring when the uncertainty associated with gross-to-net deductions is subsequently resolved. Taxes assessed by governmental authorities and collected from customers are excluded from product sales. If the Company expects, at contract inception, that the period between the transfer of control and corresponding payment from the customer will be one year or less, the amount of consideration is not adjusted for the effects of a financing component. Shipping and handling activities are considered to be fulfillment activities rather than a separate performance obligation and are recorded within selling, distribution and marketing expenses in the accompanying condensed consolidated statements of operations.

Provision for Chargebacks and Rebates

The provision for chargebacks and rebates is a significant estimate used in the recognition of revenue. Wholesaler chargebacks relate to sales terms under which the Company agrees to reimburse wholesalers for differences between the gross sales prices at which the Company sells its products to wholesalers and the actual prices of such products that wholesalers resell under the Company's various contractual arrangements with third parties such as hospitals and group purchasing organizations in the United States. Rebates include primarily amounts paid to retailers, payers, and providers in the United States, including those paid to state Medicaid programs, and are based on contractual arrangements or statutory requirements. The Company estimates chargebacks and rebates using the expected value method at the time of sale to wholesalers based on wholesaler inventory stocking levels, historical chargeback and rebate rates, and current contract pricing.

The provision for chargebacks and rebates is reflected as a component of product revenues, net. The following table is an analysis of the chargeback and rebate provision:

	Six Months Ended June 30,	
	2024	2023
	(in thousands)	
Beginning balance	$ 27,920	$ 26,606
Provision for chargebacks and rebates	137,928	143,792
Credits and payments issued to third parties	(113,795)	(141,584)
Ending balance	$ 52,053	$ 28,814

Changes in the chargeback provision from period to period are primarily dependent on the Company's sales to its wholesalers, the level of inventory held by wholesalers, and the wholesalers' customer mix. Changes in the rebate provision from period to period are primarily dependent on retailers' and other indirect customers' purchases. The approach that the Company uses to estimate chargebacks and rebates has been consistently applied for all periods presented. Variations in estimates have been historically small. The Company continually monitors the provision for chargebacks and rebates and makes adjustments when it believes that the actual chargebacks and rebates may differ from the estimates. The settlement of chargebacks and rebates generally occurs within 20 days to 60 days after the sale to wholesalers. Accounts receivable and/or accounts payable and accrued liabilities are reduced and/or increased by the chargebacks and rebate amounts depending on whether the Company has the right to offset with the customer.

AMPHASTAR PHARMACEUTICALS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The provision for chargebacks and rebates is included in the following balance sheet accounts:

	June 30, 2024	December 31, 2023
	(in thousands)	
Reduction to accounts receivable, net	$ 22,150	$ 21,861
Accounts payable and accrued liabilities	29,903	6,059
Total	$ 52,053	$ 27,920

Accrual for Product Returns: The Company offers certain customers the right to return qualified excess or expired inventory for partial credit; however, API product sales are generally non-returnable. The Company's product returns primarily consist of the returns of expired products from sales made in prior periods. Returned products cannot be resold. At the time product revenue is recognized, the Company records an accrual for product returns estimated using the expected value method. The accrual is based, in part, upon the historical relationship of product returns to sales and customer contract terms. The Company also assesses other factors that could affect product returns including market conditions, product obsolescence, and new competition.

Prompt Pay Discounts: The Company provides its customers with a percentage discount on their invoice if the customers pay within the agreed upon timeframe. The Company expects that its customers will earn prompt pay discounts. The Company estimates the probability of customers paying promptly based on the percentage of discount outlined in the purchase agreement between the two parties, and deducts the full amount of these discounts from gross product sales and accounts receivable at the time revenue is recognized.

Distributor Fees: The Company engages with wholesalers to distribute its products to end customers. The Company pays the wholesalers a fee for services such as: inventory management, chargeback administration, and service level commitments. The Company estimates the amount of distribution services fees to be paid and adjusts the transaction price with the amount of such estimate at the time of sale to the customer. An accrued liability is recorded for unpaid distribution service fees.

Patient Co-Pay Assistance: Co-pay assistance represents financial assistance to qualified patients, assisting them with prescription drug co-payments required by insurance. The accrual for co-pay is based on an estimate of claims and the cost per claim that the Company expects to receive associated with inventory that exists in the distribution channel at period end.

Revenues derived from contract manufacturing services are recognized when third-party products are shipped to customers. The Company's accounting policy is to review each agreement involving contract development and manufacturing services to determine if there are multiple revenue-generating activities that constitute more than one unit of accounting. Revenues are recognized for each unit of accounting based on revenue recognition criteria relevant to that unit.

Service revenues derived from research and development contracts are recognized over time based on progress toward satisfaction of the performance obligation. For each performance obligation satisfied over time, the Company assesses the proper method to be used for revenue recognition, either an input method to measure progress toward the satisfaction of services or an output method of determining the progress of completion of performance obligation. For the three and six months ended June 30, 2024, revenues from research and development services were $1.5 million and $1.9 million, respectively. For the three and six months ended June 30, 2023, revenues from research and development services were $1.2 million and $1.3 million, respectively.

AMPHASTAR PHARMACEUTICALS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Other revenues

Revenues related to sales of BAQSIMI®, which was supplied and sold by Lilly under the TSA during the three and six months ended June 30, 2024, or BAQSIMI® NEB, were recorded on a net basis, similar to a royalty arrangement. This includes revenues in the United States and certain countries in Europe for a portion of the period.

Note 5. Net Income per Share

Basic net income per share is calculated based upon the weighted-average number of shares outstanding during the period. Diluted net income per share gives effect to all potentially dilutive shares outstanding during the period, such as stock options, non-vested restricted stock units and shares issuable under the Company's Employee Stock Purchase Plan, or ESPP, and potential shares of common stock issuable upon conversion of Convertible Notes of the Company, due March 2029, or the 2029 Convertible Notes.

For the three and six months ended June 30, 2024, options to purchase 687,217 and 577,948 shares of stock, respectively, with a weighted-average exercise price of $46.25 and $46.68 per share, respectively, were excluded in the computation of diluted net income per share because their effect would be anti-dilutive. The 2029 Convertible Notes had no impact on the computation of diluted net income per share as the average stock price during the period was less than the conversion price.

For the three and six months ended June 30, 2023, options to purchase 45,464 shares of stock, with a weighted-average exercise price of $46.01 per share, were excluded from the computation of diluted net income per share because their effect would be anti-dilutive.

The following table provides the calculation of basic and diluted net income per share for each of the periods presented:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(in thousands, except per share data)			
Basic and dilutive numerator:				
Net income	$ 37,949	$ 26,124	$ 81,126	$ 52,156
Denominator:				
Weighted-average shares outstanding — basic	48,907	48,404	48,560	48,202
Net effect of dilutive securities:				
Incremental shares from equity awards	3,139	4,698	3,970	4,334
Weighted-average shares outstanding — diluted	52,046	53,102	52,530	52,536
Net income per share — basic	$ 0.77	$ 0.54	$ 1.67	$ 1.08
Net income per share — diluted	$ 0.73	$ 0.49	$ 1.54	$ 0.99

Note 6. Segment Reporting

The Company's business is the development, manufacture, and marketing of pharmaceutical products. The Company has identified two reporting segments that each report to the Chief Operating Decision Maker, or CODM, as defined in ASC 280, *Segment Reporting*. The Company's performance is assessed and resources are allocated by the CODM based on the following two reportable segments:

- Finished pharmaceutical products
- APIs

AMPHASTAR PHARMACEUTICALS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The finished pharmaceutical products segment manufactures, markets and distributes BAQSIMI®, Primatene MIST®, glucagon, enoxaparin, naloxone, phytonadione, lidocaine, epinephrine, various critical and non-critical care drugs, as well as certain contract manufacturing and contract research revenues. The API segment manufactures and distributes recombinant human insulin API and porcine insulin API for external customers and internal product development.

Other revenues includes the portion of BAQSIMI® sales by Lilly on the Company's behalf under the TSA and is accounted for as a component of the finished pharmaceutical product segment.
Selected financial information by reporting segment is presented below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(in thousands)			
Net revenues:				
Finished pharmaceutical products	$ 178,859	$ 142,866	$ 349,003	$ 278,876
API	3,535	2,846	5,227	6,858
Total net revenues	182,394	145,712	354,230	285,734
Gross profit (loss):				
Finished pharmaceutical products	100,636	77,067	196,778	153,243
API	(5,470)	(4,329)	(11,512)	(6,665)
Total gross profit	95,166	72,738	185,266	146,578
Operating expenses	39,949	35,842	82,039	76,249
Income from operations	55,217	36,896	103,227	70,329
Non-operating (expenses) income	(4,974)	(4,088)	(5,108)	(3,952)
Income before income taxes	$ 50,243	$ 32,808	$ 98,119	$ 66,377

The Company manages its business segments to the gross profit level and manages its operating and other costs on a company-wide basis. The Company does not identify total assets by segment for internal purposes, as the Company's CODM does not assess performance, make strategic decisions, or allocate resources based on assets.

AMPHASTAR PHARMACEUTICALS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The amount of net revenues in the finished pharmaceutical product segment is presented below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(in thousands)			
Finished pharmaceutical products segment net revenues:				
Glucagon	$ 27,373	$ 27,276	$ 55,908	$ 52,972
Epinephrine	27,941	16,714	54,051	36,805
Primatene MIST®	22,856	16,520	47,022	40,003
BAQSIMI®	30,854	—	44,697	—
Lidocaine	12,800	14,006	25,573	27,652
Phytonadione	10,304	17,855	20,277	25,568
Enoxaparin	5,273	7,872	12,369	17,739
Naloxone	3,800	5,102	8,087	10,059
Other finished pharmaceutical products	34,652	37,521	63,806	68,078
Total finished pharmaceutical products net revenues	175,853	142,866	331,790	278,876
BAQSIMI® NEB	3,006	—	17,213	—
Total finished pharmaceutical products segment net revenues	$ 178,859	$ 142,866	$ 349,003	$ 278,876

The amount of depreciation and amortization expense included in cost of revenues by reporting segment is presented below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(in thousands)			
Depreciation and amortization expense				
Finished pharmaceutical products	$ 8,673	$ 2,081	$ 17,331	$ 4,527
API	1,003	982	2,007	1,935
Total depreciation and amortization expense	$ 9,676	$ 3,063	$ 19,338	$ 6,462

Net revenues and carrying values of long-lived assets by geographic regions, based on where the Company conducts its operations are as follows:

	Net Revenues				Long-Lived Assets	
	Three Months Ended June 30,		Six Months Ended June 30,		June 30,	December 31,
	2024	2023	2024	2023	2024	2023
	(in thousands)					
United States[1]	$ 176,420	$ 143,895	$ 346,077	$ 281,853	$ 755,615	$ 765,102
China	1,564	1,182	1,967	1,309	95,847	91,913
France	4,410	635	6,186	2,572	35,809	37,647
Total	$ 182,394	$ 145,712	$ 354,230	$ 285,734	$ 887,271	$ 894,662

(1) Includes Other revenues from the sales of BAQSIMI®.

AMPHASTAR PHARMACEUTICALS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 7. Customer and Supplier Concentration

Customer Concentrations

Three large wholesale drug distributors, Cencora Inc., formally AmerisourceBergen, or Cencora, Cardinal Health, Inc., or Cardinal, and McKesson Corporation, or McKesson, are all distributors of the Company's products, as well as suppliers of a broad range of health care products. Lilly currently manufactures and sells BAQSIMI® on the Company's behalf pursuant to the terms of the TSA in certain jurisdictions (See Note 3 for additional information). The Company considers these four customers to be its major customers, as each individually, and these customers collectively, represented a significant percentage of the Company's net revenue for the three and six months ended June 30, 2024 and 2023, and accounts receivable as of June 30, 2024 and December 31, 2023, respectively. The following table provides accounts receivable and net revenue information for these major customers:

	% of Total Accounts Receivable		% of Net Revenues			
			Three Months Ended June 30,		Six Months Ended June 30,	
	June 30, 2024	December 31, 2023	2024	2023	2024	2023
McKesson	30 %	26 %	26 %	31 %	24 %	27 %
Cencora	23 %	16 %	20 %	21 %	20 %	22 %
Cardinal Health	18 %	13 %	20 %	17 %	19 %	16 %
Lilly	2 %	20 %	2 %	—	5 %	—

Supplier Concentrations

The Company depends on suppliers for raw materials, APIs, and other components that are subject to stringent FDA requirements. Some of these materials may only be available from one or a limited number of sources. Establishing additional or replacement suppliers for these materials may take a substantial period of time, as suppliers must be approved by the FDA. Furthermore, a significant portion of raw materials may only be available from foreign sources. If the Company is unable to secure, on a timely basis, sufficient quantities of the materials it depends on to manufacture and market its products, it could have a materially adverse effect on the Company's business, financial condition, and results of operations.

Note 8. Fair Value Measurements

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability at the measurement date (an exit price). These standards also establish a hierarchy that prioritizes observable and unobservable inputs used in measuring fair value of an asset or liability, as described below:

- *Level 1* – Inputs to measure fair value are based on quoted prices (unadjusted) in active markets on identical assets or liabilities;
- *Level 2* – Inputs to measure fair value are based on the following: (a) quoted prices in active markets on similar assets or liabilities, (b) quoted prices for identical or similar instruments in inactive markets, or (c) observable (other than quoted prices) or collaborated observable market data used in a pricing model from which the fair value is derived; and
- *Level 3* – Inputs to measure fair value are unobservable and the assets or liabilities have little, if any, market activity; these inputs reflect the Company's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities based on best information available in the circumstances.

AMPHASTAR PHARMACEUTICALS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

As of June 30, 2024 and December 31, 2023, cash equivalents include money market accounts and corporate and municipal bonds with original maturities of less than three months. Investments consist of certificates of deposit as well as investment-grade corporate, agency and municipal bonds with original maturity dates between three and fifteen months. The certificates of deposit are carried at amortized cost in the Company's condensed consolidated balance sheets, which approximates their fair value determined based on Level 2 inputs. The corporate, agency and municipal bonds are classified as held-to-maturity and are carried at amortized cost net of allowance for credit losses. The fair value of such bonds is disclosed in Note 9 and was determined based on Level 2 inputs. The restrictions on restricted cash and investments have an immaterial effect on the fair value of these financial assets.

The fair values of the Company's financial assets and liabilities measured on a recurring basis as of June 30, 2024 and December 31, 2023, are as follows:

	Total	(Level 1)	(Level 2)	(Level 3)
		(in thousands)		
Cash equivalents	$ 165,589	$ 165,589	$ —	$ —
Restricted cash	235	235	—	—
Short-term investments	6,171	—	6,171	—
Restricted short-term investments	2,200	—	2,200	—
Interest rate swaps related to variable rate loans	590	—	590	—
Total assets and liabilities measured at fair value as of June 30, 2024	$ 174,785	$ 165,824	$ 8,961	$ —

	Total	(Level 1)	(Level 2)	(Level 3)
		(in thousands)		
Cash equivalents	$ 116,441	$ 116,441	$ —	$ —
Restricted cash	235	235	—	—
Short-term investments	37,142	—	37,142	—
Restricted short-term investments	2,200	—	2,200	—
Interest rate swaps related to variable rate loans	(5,243)	—	(5,243)	—
Total assets and liabilities measured at fair value as of December 31, 2023	$ 150,775	$ 116,676	$ 34,099	$ —

The Company does not hold any Level 3 instruments that are measured at fair value on a recurring basis.

Nonfinancial assets and liabilities are not measured at fair value on a recurring basis but are subject to fair value adjustments in certain circumstances. These items primarily include investments in unconsolidated affiliates, long-lived assets, goodwill, and intangible assets for which the fair value is determined as part of an impairment test. As of June 30, 2024, and December 31, 2023, there were no significant adjustments to fair value for nonfinancial assets or liabilities.

The Company's deferred compensation plan assets are valued using the cash surrender value of the life insurance policies and are not included in the table above.

AMPHASTAR PHARMACEUTICALS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 9. Investments

The following is a summary of the Company's investments that are classified as held-to-maturity:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(in thousands)		
Corporate and agency bonds (due within 1 year)	$ 21,877	$ —	$ (63)	$ 21,814
Corporate and agency bonds (due within 1 to 3 years)	9,824	—	(53)	9,771
Total investments as of June 30, 2024	$ 31,701	$ —	$ (116)	$ 31,585
Corporate and agency bonds (due within 1 year)	$ 73,815	$ 7	$ (21)	$ 73,801
Corporate and agency bonds (due within 1 to 3 years)	14,621	56	(1)	14,676
Municipal bonds (due within 1 year)	1,081	1	—	1,082
Total investments as of December 31, 2023	$ 89,517	$ 64	$ (22)	$ 89,559

At each reporting period, the Company evaluates securities for impairment when the fair value of the investment is less than its amortized cost. The Company evaluated the underlying credit quality and credit ratings of the issuers, identifying neither a significant deterioration since purchase nor any other factors that would indicate a material credit loss.

The Company measures expected credit losses on held-to-maturity investments on a collective basis. All the Company's held-to-maturity investments were considered to be one pool. The estimate for credit losses considers historical loss information that is adjusted for current conditions and reasonable and supportable forecasts. Expected credit losses on held-to-maturity investments were not material to the condensed consolidated financial statements.

Note 10. Goodwill and Intangible Assets

The table below shows the weighted-average life, original cost, accumulated amortization, and net book value by major intangible asset classification:

	Weighted-Average Life (Years)	Original Cost	Accumulated Amortization	Net Book Value
		(in thousands)		
Definite-lived intangible assets				
BAQSIMI® product rights[1]	24	$ 591,338	$ 24,639	$ 566,699
Patents	15	193	89	104
Land-use rights	39	2,540	848	1,692
Subtotal	24	594,071	25,576	568,495
Indefinite-lived intangible assets				
Trademark	*	29,225	—	29,225
Goodwill - Finished pharmaceutical products	*	3,129	—	3,129
Subtotal	*	32,354	—	32,354
As of June 30, 2024	*	$ 626,425	$ 25,576	$ 600,849

AMPHASTAR PHARMACEUTICALS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

	Weighted-Average Life (Years)	Original Cost	Accumulated Amortization	Net Book Value
		(in thousands)		
Definite-lived intangible assets				
BAQSIMI® product rights[1]	24	$ 591,338	$ 12,319	$ 579,019
Patents	12	486	376	110
Land-use rights	39	2,540	815	1,725
Subtotal	24	594,364	13,510	580,854
Indefinite-lived intangible assets				
Trademark	*	29,225	—	29,225
Goodwill - Finished pharmaceutical products	*	3,216	—	3,216
Subtotal	*	32,441	—	32,441
As of December 31, 2023	*	$ 626,805	$ 13,510	$ 613,295

* Intangible assets with indefinite lives have an indeterminable average life.
(1) See Note 3.

Goodwill

The changes in the carrying amounts of goodwill are as follows:

	June 30, 2024	December 31, 2023
	(in thousands)	
Beginning balance	$ 3,216	$ 3,126
Currency translation	(87)	90
Ending balance	$ 3,129	$ 3,216

Note 11. Inventories

Inventories consist of the following:

	June 30, 2024	December 31, 2023
	(in thousands)	
Raw materials and supplies	$ 56,444	$ 50,082
Work in process	38,552	30,822
Finished goods	27,415	24,929
Total inventories	$ 122,411	$ 105,833

Charges of $3.5 million and $9.2 million were included in the cost of revenues in the Company's condensed consolidated statements of operations for the three and six months ended June 30, 2024, respectively, to adjust the Company's inventory and related firm purchase commitments to its net realizable value. For the three and six months ended June 30, 2023, charges of $8.3 million and $10.2 million were included in the cost of revenues, respectively, to adjust the Company's inventory and related firm purchase commitments to its net realizable value.

Losses on firm purchase commitments related to raw materials on order as of June 30, 2024 and December 31, 2023 were $3.2 million and $1.0 million, respectively, which are recorded in cost of revenues in the Company's condensed consolidated statement of operations.

AMPHASTAR PHARMACEUTICALS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 12. Property, Plant, and Equipment

Property, plant, and equipment consist of the following:

	June 30, 2024	December 31, 2023
	(in thousands)	
Buildings	$ 169,492	$ 168,771
Leasehold improvements	42,012	41,686
Land	7,452	7,484
Machinery and equipment	269,352	259,484
Furniture, fixtures, and automobiles	33,712	31,943
Construction in progress	24,161	18,676
Total property, plant, and equipment	546,181	528,044
Less accumulated depreciation	(258,182)	(245,298)
Total property, plant, and equipment, net	$ 287,999	$ 282,746

Note 13. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consisted of the following:

	June 30, 2024	December 31, 2023
	(in thousands)	
Accrued customer fees and rebates	$ 44,924	$ 16,702
Accrued payroll and related benefits	26,470	25,203
Accrued product returns, current portion	14,030	12,263
Accrued loss on firm purchase commitments	3,207	918
Other accrued liabilities	10,806	12,842
Total accrued liabilities	99,437	67,928
Accounts payable	31,775	25,438
Total accounts payable and accrued liabilities	$ 131,212	$ 93,366

AMPHASTAR PHARMACEUTICALS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 14. Debt

Debt consists of the following:

	June 30, 2024	December 31, 2023
	(in thousands)	
Convertible Debt		
2029 Convertible Notes	$ 345,000	$ 345,000
Term Loan		
Wells Fargo Term Loan due June 2028	250,000	250,000
Mortgage Loans		
Mortgage payable with East West Bank paid off June 2024	—	8,016
Other Loans and Payment Obligations		
French government loans due December 2026	158	158
Line of Credit Facilities		
Line of credit facility with China Merchant Bank due October 2026	—	—
Wells Fargo Revolving line of credit facility due June 2028	—	—
Line of credit facility with ICBC Bank due November 2033	4,057	—
Equipment under Finance Leases	526	616
Total debt	599,741	603,790
Less current portion of long-term debt	249	436
Less: Loan issuance costs	12,639	13,775
Long-term debt, net of current portion and unamortized debt issuance costs	$ 586,853	$ 589,579

Credit Agreement

2029 Convertible Notes

In September 2023, the Company issued the 2029 Convertible Notes, in the aggregate principal amount of $345.0 million in a private offering pursuant to Section 4(a)(2) and Rule 144A under the Securities Act of 1933, as amended. The Company used portions of the net proceeds from the 2029 Convertible Notes to (i) repay approximately $200.0 million of the Company's borrowings under the Wells Fargo Term Loan and (ii) repurchase $50.0 million of the Company's common stock.

In connection with the issuance of the 2029 Convertible Notes, the Company incurred approximately $10.8 million of debt issuance costs, which primarily consisted of underwriting, legal and other professional fees. Unamortized debt issuance costs related to the 2029 Convertible Notes were $9.3 million as of June 30, 2024. The fair value of the 2029 Convertible Notes was approximately $332.5 million as of June 30, 2024 based on level 2 inputs.

AMPHASTAR PHARMACEUTICALS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The 2029 Convertible Notes are general senior, unsecured obligations and bear an interest rate of 2.0% per year. The 2029 Convertible Notes were issued pursuant to an indenture, dated September 15, 2023, or the Indenture, between the Company and U.S. Bank Trust Company, National Association, as trustee.

The 2029 Convertible Notes will rank senior in right of payment to all of the Company's indebtedness that is expressly subordinated in right of payment to the 2029 Convertible Notes; equal in right of payment to all of the Company's unsecured indebtedness that is not so subordinated; effectively junior to any of the Company's secured indebtedness to the extent of the value of the assets securing such indebtedness, including any amount outstanding under the Company's credit facilities; and structurally junior to all indebtedness and other liabilities of the Company's current or future subsidiaries, including trade payables.

Interest is payable semi-annually in arrears on March 15 and September 15 of each year. The 2029 Convertible Notes may bear additional interest under specified circumstances relating to the Company's failure to comply with its reporting obligations under the Indenture or if the 2029 Convertible Notes are not freely tradeable as required by the Indenture.

The 2029 Convertible Notes will mature on March 15, 2029, unless earlier converted, repurchased or redeemed.

Conversions of the 2029 Convertible Notes will be settled in cash up to the aggregate principal amount of the 2029 Convertible Notes to be converted, and cash, shares of common stock or a combination of cash and shares of common stock, at the Company's election, with respect to the remainder, if any, of the Company's conversion obligation in excess of the aggregate principal amount.

Holders may convert their 2029 Convertible Notes at their option prior to the close of business on the business day immediately preceding December 15, 2028, in multiples of $1,000 principal amount, only under the following circumstances; (i) during any calendar quarter commencing after the calendar quarter ending on December 31, 2023 (and only during such calendar quarter), if the last reported sale price of the common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price for the 2029 Convertible Notes on each applicable trading day, (ii) during the five business day period after any five consecutive trading day period in which the trading price, as defined in the Indenture, per $1,000 principal amount of the 2029 Convertible Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of the Company's common stock and the conversion rate on each such trading day, (iii) if the Company calls the 2029 Convertible Notes for redemption, at any time prior to the close of business on the second scheduled trading day immediately preceding the redemption date, and (iv) upon the occurrence of specified corporate events defined in the Indenture.
On or after December 15, 2028, until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert all or any portion of their 2029 Convertible Notes, in multiples of $1,000 principal amount, at the option of the holder regardless of the foregoing circumstances.

The Company may redeem the 2029 Convertible Notes, at its option, in whole or in part (subject to certain limitations), on or after September 20, 2026 and prior to the 41st scheduled trading day preceding the maturity date, if the last reported sale price of the Company's common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on and including the trading day immediately preceding the date on which the Company provides notice of redemption at a redemption price equal to 100% of the principal amount of the 2029 Convertible Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date.

The initial conversion rate is 15.8821 shares of the Company's common stock per $1,000 principal amount of the 2029 Convertible Notes, which represents an initial conversion price of approximately $62.96 per share of common stock. The

AMPHASTAR PHARMACEUTICALS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

initial conversion price of $62.96 represents a premium of approximately 35.0% over the last reported sale price of the Company's common stock on Nasdaq Global Select Market on September 12, 2023. The conversion rate is subject to adjustment under certain circumstances in accordance with the terms of the Indenture.

If a fundamental change, as defined in the Indenture, occurs at any time prior to the maturity date, then, subject to certain conditions, holders of the 2029 Convertible Notes may require the Company to repurchase for cash all or any portion of their 2029 Convertible Notes at a repurchase price equal to 100% of the principal amount of the 2029 Convertible Notes to be repurchased, plus any accrued and unpaid interest. In addition, following certain specified corporate events or if the Company issues a notice of redemption, the Company will, under certain circumstances, increase the conversion rate for holders who convert their 2029 Convertible Notes in connection with such corporate event or during a redemption period.

Syndicated Line of Credit Facility with ICBC Bank – Due November 2033

In January 2024, the Company entered into a credit agreement with Industrial and Commercial Bank of China Limited, or ICBC Bank, acting as a lender and as agent for other lenders. The credit agreement allows the Company to borrow up to $40.0 million secured by equipment and buildings at ANP. The interest rate and other terms will be determined at the time of the borrowing, depending on the type of loan requested. The credit agreement expires in November 2033.

In the first half of 2024, the Company borrowed approximately $4.1 million under the credit agreement. The loan bears interest at the prime rate as published by The People's Bank of China minus 0.2%. Interest payments are due quarterly and repayment of the principal amount is biannual and begins in May 2026. As of June 30, 2024, the Company had $4.1 million outstanding under this loan.

Interest Rate Swap Contract

As of June 30, 2024, the fair value of the loans listed above approximated their carrying amount based on Level 2 inputs. For the Wells Fargo Term Loan, the Company has entered into a fixed interest rate swap contract to exchange the variable interest rates for fixed interest rates. The interest rate swap contract is recorded at fair value in the other assets line in the condensed consolidated balance sheets. Changes in the fair values of interest rate swaps were $0.6 million gain and $5.8 million gain for the three and six months ended June 30, 2024, respectively. Changes in the fair values of interest rate swaps were $1.2 million loss and $2.2 million loss for the three and six months ended June 30, 2023, respectively.

Covenants

At June 30, 2024 and December 31, 2023, the Company was in compliance with all of its debt covenants.

AMPHASTAR PHARMACEUTICALS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 15. Income Taxes

The following table sets forth the Company's income tax provision for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(in thousands)			
Income before taxes	$ 50,243	$ 32,808	$ 98,119	$ 66,377
Income tax provision	12,294	6,383	16,420	13,135
Income before equity in losses of unconsolidated affiliate	$ 37,949	$ 26,425	$ 81,699	$ 53,242
Income tax provision as a percentage of income before income taxes	24.5 %	19.5 %	16.7 %	19.8 %

Valuation Allowance

In assessing the need for a valuation allowance, management considers whether it is more likely than not that some portion or all of the deferred income tax assets will be realized. Ultimately, realization depends on the existence of future taxable income. Management considers sources of taxable income such as income in prior carryback periods, future reversal of existing deferred taxable temporary differences, tax-planning strategies, and projected future taxable income.

The Company continues to record a full valuation allowance on the net deferred income tax assets of its France subsidiary, AFP, and its U.K. subsidiaries, AUK and IMS UK. The Company will continue to do so until the subsidiaries generate sufficient taxable income to realize their respective deferred income tax assets.

The Company records a valuation allowance on net deferred income tax assets in states where it files separately and will continue to do so until sufficient taxable income is generated to realize these state deferred income tax assets.

Note 16. Stockholders' Equity

Share Buyback Program

Pursuant to the Company's existing share buyback program, the Company purchased 207,288 shares of its common stock, during the three and six months ended June 30, 2024, for total consideration of $8.5 million. The Company purchased 3,585 and 266,716 shares of its common stock during the three and six months ended June 30, 2023, for total consideration of $0.1 million and $8.1 million, respectively.

In June 2024, the Company's Board of Directors authorized a $50.0 million increase to the Company's share buyback program, which is expected to continue for an indefinite period of time. Since the inception of the program, the Company's Board of Directors have authorized a total of $335.0 million in the share buyback program. The primary goal of the program is to offset dilution created by the Company's equity compensation programs.

Purchases are made through open market and private block transactions pursuant to Rule 10b5-1 plans, privately negotiated transactions or other means as determined by the Company's management and in accordance with the requirements of the SEC and applicable laws. The timing and actual number of treasury share purchases will depend on a variety of factors including price, corporate and regulatory requirements, and other conditions. These treasury share purchases are accounted for under the cost method and are included as a component of treasury stock in the Company's condensed consolidated balance sheets.

AMPHASTAR PHARMACEUTICALS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Amended and Restated 2015 Equity Incentive Plan

In February 2024, the Board of Directors approved the Company's amended and restated 2015 Equity Incentive Plan, or the Amended 2015 Plan, which was subsequently approved by the Company's stockholders, and accordingly, adopted by the Company in June 2024. The Amended 2015 Plan extends the terms of the 2015 Equity Incentive Plan, or the Original 2015 Plan, and makes certain other changes. The term of the Amended 2015 Plan will be extended indefinitely, however, the Company's ability to grant incentive stock options thereunder will continue through February 2034.

As of June 30, 2024, the Company reserved an aggregate of 7,801,931 shares of common stock for future issuance under the Amended 2015 Plan.

2014 Employee Stock Purchase Plan

As of June 30, 2024, the Company has issued 1,246,323 shares of common stock under the ESPP and 753,677 shares of its common stock remain available for issuance under the ESPP.

In May 2024, the Company issued 54,189 shares at a purchase price of $35.98 per share under the ESPP. For the three and six months ended June 30, 2024, the Company recorded ESPP expense of $0.4 million and $0.7 million, respectively. For the three and six months ended June 30, 2023, the Company recorded ESPP expense of $0.3 million and $0.6 million, respectively.

Share-Based Award Activity and Balances

The Company accounts for share-based compensation payments in accordance with ASC 718, which requires measurement and recognition of compensation expense at fair value for all share-based payment awards made to employees and directors. Under these standards, the fair value of option awards and the option components of the ESPP awards are estimated at the grant date using the Black-Scholes option-pricing model. The fair value of RSUs is estimated at the grant date using the Company's common share price. Compensation cost for all share-based payments granted with service-based graded vesting schedules is recognized using the straight-line method over the requisite service period.

The weighted-averages for key assumptions used in determining the fair value of options granted are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Average volatility	41.1 %	40.2 %	41.3 %	41.4 %
Average risk-free interest rate	4.5 %	3.8 %	4.2 %	4.1 %
Weighted-average expected life in years	5.7	4.9	6.2	6.2
Dividend yield rate	— %	— %	— %	— %

AMPHASTAR PHARMACEUTICALS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

A summary of option activity under all plans for the six months ended June 30, 2024, is presented below:

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value[1] (in thousands)
Outstanding as of December 31, 2023	7,762,298	$ 19.70		
Options granted	642,985	46.27		
Options exercised	(1,407,539)	13.27		
Options forfeited	(11,638)	33.45		
Options expired	—	—		
Outstanding as of June 30, 2024	6,986,106	$ 23.42	5.30	$ 120,120
Exercisable as of June 30, 2024	5,158,550	18.92	4.16	$ 109,036
Vested and expected to vest as of June 30, 2024	6,801,230	23.00	5.21	$ 119,370

(1) The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying awards and the estimated fair value of the Company's stock for those awards that have an exercise price below the estimated fair value at June 30, 2024.

For the three and six months ended June 30, 2024, the Company recorded expense of $2.6 million and $6.3 million, respectively, related to stock options granted under all plans. For the three and six months ended June 30, 2023, the Company recorded expense of $2.3 million and $5.3 million, respectively, related to stock options granted under all plans.

Information relating to option grants and exercises is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(in thousands, except per share data)			
Weighted-average grant date fair value per share	$ 19.40	$ 17.77	$ 21.89	$ 16.76
Intrinsic value of options exercised	6,340	16,575	42,163	18,916
Cash received from options exercised	4,001	8,350	5,822	9,738
Total fair value of the options vested during the period	1,041	1,136	9,704	8,720

A summary of the status of the Company's non-vested options as of June 30, 2024, and changes during the six months ended June 30, 2024, are presented below:

	Options	Weighted-Average Grant Date Fair Value
Non-vested as of December 31, 2023	2,076,355	$ 12.68
Options granted	642,985	21.89
Options vested	(880,146)	11.02
Options forfeited	(11,638)	15.33
Non-vested as of June 30, 2024	1,827,556	16.70

As of June 30 2024, there was $23.6 million of total unrecognized compensation cost, net of forfeitures, related to non-vested stock option based compensation arrangements granted under all plans. The cost is expected to be recognized over a weighted-average period of 2.8 years and will be adjusted for future changes in estimated forfeitures.

AMPHASTAR PHARMACEUTICALS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Restricted Stock Units

The Company grants restricted stock units, or RSUs, to certain employees and members of the Board of Directors with a vesting period of up to four years. The grantee receives one share of common stock at a specified future date for each RSU awarded. The RSUs may not be sold or otherwise transferred until vested. The RSUs do not have any voting or dividend rights prior to the issuance of the underlying common stock. The share-based expense associated with these grants was based on the Company's common stock fair value at the time of grant and is amortized over the requisite service period, which generally is the vesting period using the straight-line method. For the three and six months ended June 30, 2024, the Company recorded total expenses of $2.7 million and $6.1 million, respectively, related to RSU awards granted under all plans. For the three and six months ended June 30, 2023, the Company recorded expenses of $2.2 million and $5.1 million, respectively, related to RSU awards granted under all plans.

As of June 30, 2024, there was $24.9 million of total unrecognized compensation cost, net of forfeitures, related to non-vested RSU-based compensation arrangements granted under all plans. The cost is expected to be recognized over a weighted-average period of 2.8 years and will be adjusted for future changes in estimated forfeitures.

Information relating to RSU grants and deliveries is as follows:

	Total RSUs Issued	Total Fair Market Value of RSUs Issued[1] (in thousands)
RSUs outstanding at December 31, 2023	920,376	
RSUs granted	303,788	$ 14,060
RSUs forfeited	(5,270)	
RSUs vested[2]	(383,087)	
RSUs outstanding at June 30, 2024	835,807	

(1) The total fair market value is derived from the number of RSUs granted times the current stock price on the date of grant.
(2) Of the vested RSUs, 146,421 shares of common stock were surrendered to fulfil tax withholding obligations.

Share-based Compensation Expense

The Company recorded share-based compensation expense, which is included in the Company's condensed consolidated statement of operations as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(in thousands)			
Cost of revenues	$ 1,325	$ 1,158	$ 3,450	$ 2,864
Operating expenses:				
Selling, distribution, and marketing	268	227	528	436
General and administrative	3,653	2,991	7,529	6,348
Research and development	534	489	1,633	1,328
Total share-based compensation	$ 5,780	$ 4,865	$ 13,140	$ 10,976

AMPHASTAR PHARMACEUTICALS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 17. Employee Benefits

401(k) Plan

The Company has a defined contribution 401(k) plan, or the Plan, whereby eligible employees voluntarily contribute up to a defined percentage of their annual compensation. The Company matches contributions at a rate of 50% on the first 6% of employee contributions, and pays the administrative costs of the Plan. Total employer contributions for the three and six months ended June 30, 2024 were approximately $0.6 million and $1.4 million, respectively, compared to the prior year expense of $0.6 million and $1.2 million for the three and six months ended June 30, 2023, respectively.

Defined Benefit Pension Plan

The Company's subsidiary, AFP, has an obligation associated with a defined-benefit plan for its eligible employees. This plan provides benefits to the employees from the date of retirement and is based on the employee's length of time employed by the Company. The calculation is based on a statistical calculation combining a number of factors that include the employee's age, length of service, and AFP employee turnover rate.

The liability under the plan is based on a discount rate of 3.25% as of June 30, 2024 and December 31, 2023. The liability is included in other long-term liabilities in the accompanying condensed consolidated balance sheets. The plan is currently unfunded, and the benefit obligation under the plan was $2.7 million and $2.6 million at June 30, 2024 and December 31, 2023, respectively. The Company recorded an immaterial amount of expense under the plan for each of the three and six months ended June 30, 2024 and 2023.

Non-qualified Deferred Compensation Plan

In December 2019, the Company established a non-qualified deferred compensation plan. The plan allows certain eligible participants to defer a portion of their cash compensation and provides a matching contribution at the discretion of the Company. The plan obligations are payable upon retirement, termination of employment and/or certain other times in a lump-sum distribution or in installments, as elected by the participant in accordance with the plan. Participants can allocate their deferred compensation amongst various investment options with earnings accruing to the participant. The Company has established a Rabbi Trust to fund the plan obligations and to hold the plan assets. Eligible participants began contributing to the plan in January 2020. The plan assets were valued at approximately $8.4 million and $6.8 million as of June 30, 2024 and December 31, 2023, respectively. The plan liabilities were valued at approximately $8.8 million and $7.1 million as of June 30, 2024, and December 31, 2023, respectively. The plan assets and liabilities are included in other long-term assets and other long-term liabilities, respectively, on the Company's condensed consolidated balance sheets.

Note 18. Commitments and Contingencies

Purchase Commitments

As of June 30, 2024, the Company has entered into commitments to purchase equipment and raw materials for an aggregate amount of approximately $91.0 million.

Note 19. Related Party Transactions

Investment in Hanxin

The Company has an 11.5% ownership in Hanxin that is accounted for as an equity method investment. The Company maintains a seat on Hanxin's board of directors, and Henry Zhang, the son of Dr. Jack Zhang is an equity holder, the

AMPHASTAR PHARMACEUTICALS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

general manager, and the chairman of the board of directors of Hanxin. Additionally, Dr. Mary Luo and Dr. Jack Zhang, have an ownership interest in Hanxin through an affiliated entity. As a result, Hanxin is a related party.

Contract manufacturing agreement with Hanxin

In April 2022, ANP, entered into a contract manufacturing agreement with Hanxin, whereby Hanxin will develop several active pharmaceutical ingredients and finished products for the Chinese market and will engage ANP to manufacture the products on a cost-plus basis. Hanxin will commit to purchase certain quantities from ANP subject to the terms and conditions set forth in the agreement, including Hanxin filing for and obtaining any required marketing authorizations.

During the three and six months ended June 30, 2024, the Company recognized $0.1 million and $0.4 million, respectively, of revenue from manufacturing services provided to Hanxin. During the three and six months ended June 30, 2023, the Company recognized an immaterial amount of revenue from manufacturing services provided to Hanxin. As of June 30, 2024, the Company had $0.3 million of receivables from Hanxin.

Contract Research Agreement with Hanxin

In July 2022, the Company entered into a three-year contract research agreement with Hanxin, a related party, whereby Hanxin will develop Recombinant Human Insulin Research Cell Banks, or RCBs, for the Company and license the RCBs to the Company subject to a fully paid, exclusive, perpetual, transferable, sub-licensable worldwide license. The RCBs will be used by the Company to make Master Cell Banks for one of its product candidates. Per the terms of the agreement with Hanxin, all title to the RCBs developed, prepared and produced by Hanxin in conducting research and development will belong to the Company. The Company will also own any confidential and proprietary information, technology regarding development and manufacturing of the RCBs. This will include engineering, scientific and practical information and formula, research data, design, and procedures and others to develop and manufacture the RCBs, in use or developed by Hanxin. The total cost of the agreement to the Company shall not exceed approximately $2.2 million, with payments adjusted based on the then current exchange rates. Any additional work or changes to the scope of work requested by the Company will be charged by Hanxin to the Company on a cost plus basis, plus any applicable taxes.

In March 2023, the Company amended the agreement with Hanxin, whereby Hanxin will perform scale-up manufacturing process development using the RCBs for the Company. Per the terms of the amended agreement the Company will own any confidential and proprietary information and technology produced during the scale-up manufacturing. This will include engineering, scientific and practical information and formula, research data design and procedures and others to develop and manufacture the RCBs. The amendment agreement will remain in full force and effect until July 5, 2025. The total cost of the amended agreement to the Company shall not exceed approximately $0.5 million in additional payments beyond the $2.2 million in payments under the contract research agreement, with payments adjusted based on actual currency exchange rates. Any additional work or changes to the scope of work requested by the Company will be charged by Hanxin to the Company on a cost-plus basis, plus any applicable taxes.

During the three months ended June 30, 2024, the Company paid an immaterial amount under the amended agreement and during the six months ended June 30 2024, the Company paid $0.2 million under the amended agreement. During the three and six months ended June 30, 2023, the Company paid $0.4 million and $1.0 million, respectively, under the amended agreement. As of June 30, 2024, the Company did not have any amounts payable to Hanxin.

Supply Agreement with Letop

In November 2022, ANP, entered into a supply agreement with Nanjing Letop Biotechnology Co., Ltd., or Letop, which is considered a related-party due to an ownership stake of Henry Zhang. Under the terms of the supply agreement Letop will manufacture and deliver chemical intermediates to ANP on a cost-plus basis. The agreement is effective for three years and the total cost of the agreement shall not exceed approximately $1.5 million, with payments adjusted based on

AMPHASTAR PHARMACEUTICALS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

the then current exchange rates.

During the three and six months ended June 30, 2024, ANP did not make any payments under this agreement. During the three months ended June 30, 2023, ANP paid an immaterial amount under this agreement. During the six months ended June 30, 2023, ANP paid $0.7 million, under this agreement. As of June 30, 2024, the Company did not have any amounts payable to Letop.

Note 20. Litigation

Employment Litigation

On June 20, 2024, a former employee ("Plaintiff") initiated an employment litigation against Amphastar and IMS by filing a complaint having individual and class action claims for alleged violations of the California Labor Code pertaining to wage and hour, and other state laws. This Complaint was filed in the Superior Court of California for the County of Los Angeles. An initial Status Conference is set for October 18, 2024. In the complaint, the Plaintiff is seeking damages and related remedies under California Law, as well as various penalty payments under the California Labor Code. The Company intends to vigorously defend itself against the class action complaint.

Albuterol sulfate Inhalation Aerosol Patent Litigation

On July 25, 2024, Teva Branded Pharmaceutical Products R&D, Inc. ("Teva Branded"), Norton (Waterford) Ltd. ("Norton"), and Teva Pharmaceuticals USA, Inc. ("Teva USA"), collectively referred to as ("Plaintiff") filed a Complaint in the United States District Court for the District of Delaware against the Company for infringement of U.S. Patent No. 9,463,289 with regard to Amphastar's ANDA No. 212447 for approval to manufacture and sell generic version of ProAir® HFA (albuterol sulfate) Inhalation Aerosol. The Company intends to vigorously defend this patent lawsuit.

Other litigation

The Company is subject to various claims, arbitrations, investigations, and lawsuits from time to time arising in the ordinary course of business. In addition, third parties may, from time to time, assert claims against the Company in the forms of letters and other communications.

The Company records a provision for contingent losses when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. In the opinion of management, the ultimate resolution of any such matters is not expected to have a material adverse effect on its financial position, results of operations, or cash flows; however, the results of litigation and claims are inherently unpredictable and the Company's view of these matters may change in the future. Regardless of the outcome, litigation can have an adverse impact on the Company because of defense and settlement costs, diversion of management resources, and other factors.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion and analysis of the consolidated operating results, financial condition, liquidity and cash flows of our company as of and for the periods presented below. The following discussion and analysis should be read in conjunction with the "Condensed Consolidated Financial Statements" and the related notes thereto included in this Quarterly Report on Form 10-Q, or Quarterly Report. This discussion contains forward-looking statements that are based on the beliefs of our management, as well as assumptions made by, and information currently available to, our management. Actual results could differ materially from those discussed in or implied by forward-looking statements. These risks, uncertainties, and other factors include, among others, those identified under the "Special Note About Forward-Looking Statements," above and described in greater detail elsewhere in this Quarterly Report and in our Annual Report on Form 10-K for the year ended December 31, 2023, particularly in Item 1A. "Risk Factors".

Overview

We are a bio-pharmaceutical company focusing primarily on developing, manufacturing, marketing and selling technically challenging generic and proprietary injectable, inhalation, and intranasal products, as well as insulin API products. We currently manufacture and sell over 25 products.

Our largest products by net revenues currently include BAQSIMI®, Primatene MIST®, glucagon, epinephrine, lidocaine, enoxaparin sodium, and phytonadione.

We are currently developing a portfolio of generic abbreviated new drug applications, or ANDAs, biosimilar insulin product candidates and proprietary product candidates, which are in various stages of development and target a variety of indications. Three of the ANDAs are currently on file with the FDA.

To complement our internal growth and expertise, we have made several strategic acquisitions of companies, products and technologies. These acquisitions collectively have strengthened our injectable, inhalation, and intra-nasal product technology infrastructure by providing additional manufacturing, marketing, and research and development capabilities, including the ability to manufacture raw materials, API, and other components for our products.

Macroeconomic Trends and Uncertainties

Recent uncertain macroeconomic conditions and worldwide events, including extended periods of heightened inflation, high interest rates and instability in the financial systems, ongoing geopolitical conflicts such as the Russia-Ukraine and Middle East conflicts, as well as rising healthcare costs continue to pose challenges to our business.

See the section titled "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023, for further discussion of the potential adverse impact of unfavorable global and geopolitical economic conditions on our business, results of operations and financial conditions.

Recent Developments

Product Approval

In May 2024, the FDA approved our Albuterol Sulfate Inhalation Aerosol, which we plan to launch in the third quarter of 2024.

BAQSIMI® Acquisition

In connection with the acquisition of BAQSIMI® in June 2023, we entered into a Transition Service Agreement, or the TSA with Eli Lilly & Company, or Lilly, pursuant to which Lilly agreed, for a period of time not to exceed 18 months to provide certain services to us to support the transition of the BAQSIMI® operations, including with respect to the

conduct of certain clinical, regulatory, medical affairs, and commercial sales channel activities. Revenues from the sales of BAQSIMI® under the TSA with Lilly during the transition period were recognized on a net basis, similar to a royalty arrangement. The impact of this revenue recognition method resulted in lower reported revenues relative to the revenue that would have been reported had we recognized gross revenues from sales of BAQSIMI®.

During the first quarter of 2024, we assumed distribution responsibilities from Lilly to our customers in the United States, which comprises approximately 80% of BAQSIMI® worldwide revenues, as well as certain countries in Europe. As a result, we started recognizing gross revenues and cost of revenues from the sales of BAQSIMI® in these countries, which is classified as product revenue, net and cost of revenue, respectively on the condensed consolidated statement of operations. The assumption of distribution in countries outside the United States will occur on a country-by-country basis once the marketing authorizations for each territory have been transferred to us, we have set up distribution agreements, and we have obtained sufficient inventory.

For more information regarding our acquisition of BAQSIMI®, see "Part I – Item 1. Financial Statements – Notes to Condensed Consolidated Financial Statements – Note 3. BAQSIMI® Acquisition."

Business Segments

As of June 30, 2024, our performance is assessed and resources are allocated based on the following two reportable segments: (1) finished pharmaceutical products and (2) Active Pharmaceutical Ingredient, or API, products. The finished pharmaceutical products segment manufactures, markets and distributes BAQSIMI®, Primatene MIST®, epinephrine, glucagon, phytonadione, lidocaine, enoxaparin, naloxone, as well as various other critical and non-critical care drugs. The API segment manufactures and distributes Recombinant Human Insulin, or RHI API, and porcine insulin API for external customers and internal product development. Information reported herein is consistent with how it is reviewed and evaluated by our chief operating decision maker. Factors used to identify our segments include markets, customers and products.

For more information regarding our segments, see "Part I – Item 1. Financial Statements – Notes to Condensed Consolidated Financial Statements – Note 6. Segment Reporting."

Results of Operations

Three Months Ended June 30, 2024 Compared to Three Months Ended June 30, 2023

Net revenues

	Three Months Ended June 30,		Change	
	2024	2023	Dollars	%
	(in thousands)			
Net revenues				
Finished pharmaceutical products	$ 175,853	$ 142,866	$ 32,987	23 %
API	3,535	2,846	689	24 %
Total product revenues, net	179,388	145,712	33,676	23 %
Other revenues	3,006	—	3,006	N/A
Total net revenues	$ 182,394	$ 145,712	$ 36,682	25 %
Cost of revenues				
Finished pharmaceutical products	$ 78,223	$ 65,799	$ 12,424	19 %
API	9,005	7,175	1,830	26 %
Total cost of revenues	$ 87,228	$ 72,974	$ 14,254	20 %
Gross profit	$ 95,166	$ 72,738	$ 22,428	31 %
as % of net revenues	*52 %*	*50 %*		

The increase in net revenues of the finished pharmaceutical products for the three months ended June 30, 2024 was due to the following changes:

	Three Months Ended June 30,		Change	
	2024	2023	Dollars	%
		(in thousands)		
Finished pharmaceutical products net revenues				
BAQSIMI®	$ 30,854	$ —	$ 30,854	N/A
Epinephrine	27,941	16,714	11,227	67 %
Glucagon	27,373	27,276	97	0 %
Primatene MIST®	22,856	16,520	6,336	38 %
Lidocaine	12,800	14,006	(1,206)	(9)%
Phytonadione	10,304	17,855	(7,551)	(42)%
Enoxaparin	5,273	7,872	(2,599)	(33)%
Naloxone	3,800	5,102	(1,302)	(26)%
Other finished pharmaceutical products	34,652	37,521	(2,869)	(8)%
Total finished pharmaceutical products net revenues	$ 175,853	$ 142,866	$ 32,987	23 %

Product Revenues, net

In the first quarter of 2024, we assumed distribution responsibilities for BAQSIMI® from Lilly to our customers in the United States, and certain countries in Europe. As a result, $30.9 million of our second quarter BAQSIMI® sales were recognized separate from the cost of revenues, similar to our other products.

For more information, see “Part I – Item 1. Financial Statements – Notes to the Condensed Consolidated Financial Statements – Note 4. Revenue Recognition.”

The increase in sales of epinephrine was primarily due to an increase in unit volumes, as a result of an increase in demand caused by other supplier shortages. Primatene MIST® sales increased primarily due to an increase in unit volumes. The decrease in the sales of lidocaine and phytonadione were primarily due to lower unit volumes, as a result of other suppliers returning to their historical distribution levels. The decrease in sales of enoxaparin and naloxone was primarily due to a decrease in unit volumes. The decrease in other finished pharmaceutical products was primarily due to not having any sales of medroxyprogesterone, or MPA, during the quarter, as our API supplier discontinued making the active ingredient, as well as, lower unit sales of atropine, as a result of other suppliers returning to their historical distribution levels. This decrease was partially offset by higher unit volumes of dextrose and sodium bicarbonate due to an increase in demand caused by other supplier shortages during the quarter.

We anticipate that sales of naloxone and enoxaparin will continue to fluctuate in the future due to competitive dynamics. We also anticipate that sales of epinephrine and other finished pharmaceutical products will continue to fluctuate depending on the ability of our competitors to supply market demands. Sales of medroxyprogesterone were essentially halted as of August 2023, as our API supplier discontinued manufacturing this product. During the fourth quarter of 2023, we qualified our subsidiary, ANP, to manufacture this API. For the three months ended June 30, 2024, we did not have any sales of medroxyprogesterone compared to $4.6 million during the three months ended June 30, 2023. We plan to relaunch the product during the second half of 2024.

Sales of API primarily depend on the timing of customer purchases, and will be lower for the next two years because MannKind, our largest RHI customer, is in the process of qualifying our upgraded RHI, which uses our internally produced inclusion bodies made at AFP. Until they complete this process, we anticipate sales will be at levels lower than historical.

Other Revenues

Other revenues include the portion of BAQSIMI® sales made by Lilly on our behalf under the TSA which amounted to $3.0 million during the three months ended June 30, 2024, based on total BAQSIMI® sales of $7.6 million as reported to us by Lilly, which was recognized on a net basis, similar to a royalty arrangement.

Backlog

A significant portion of our customer shipments in any period relate to orders received and shipped in the same period, generally resulting in low product backlog relative to total shipments at any time. As of June 30, 2024, we experienced an immaterial amount of backlog for various products, primarily as a result of competitor shortages and supplier constraints. Historically, our backlog has not been a meaningful indicator in any given period of our ability to achieve any particular level of overall revenue or financial performance.

Gross margins

The increase in gross margins during the three months ended June 30, 2024, is primarily due to an increase in sales of Primatene MIST® and epinephrine, which are higher-margin products, as well as the sales of BAQSIMI® in the United States and certain European countries, following our assumption of distribution responsibilities from Lilly in the first quarter of 2024. As a result of the TSA with Lilly, the portion of revenues relating to BAQSIMI® sales made by Lilly on our behalf are reported on a net basis, similar to a royalty arrangement with no amount reported as cost of revenues. The increase in gross margins was partially offset by an increase in depreciation and amortization expenses related to the acquired BAQSIMI® assets, an increase in labor costs and certain component costs, as well as charges included in cost of revenues to adjust our inventory and related purchase commitments to their net realizable value.

We are currently experiencing increased costs for labor as well as certain APIs and purchased components. However, we believe that this trend will be offset longer term by increased sales of our higher-margin products, including BAQSIMI®, Primatene MIST®, vasopressin, ganirelix, regadenoson and new products we anticipate launching.

Selling, distribution and marketing, and general and administrative

	Three Months Ended June 30,		Change	
	2024	2023	Dollars	%
	(in thousands)			
Selling, distribution, and marketing	$ 9,012	$ 6,718	$ 2,294	34 %
General and administrative	$ 13,285	$ 12,281	$ 1,004	8 %

The increase in selling, distribution and marketing expenses was primarily due to expenses related to the expansion of our sales and marketing efforts related to BAQSIMI®. The increase in general and administrative expense was primarily due to an increase in salary and personnel-related expenses and expenses related to BAQSIMI®.

We expect that selling, distribution and marketing expenses will continue to increase due to the increase in marketing expenditures for BAQSIMI® and Primatene MIST®. Legal fees may fluctuate from period to period due to the timing of patent challenges and other litigation matters.

Research and development

	Three Months Ended June 30,		Change	
	2024	2023	Dollars	%
	(in thousands)			
Salaries and personnel-related expenses	$ 8,281	$ 6,918	$ 1,363	20 %
Clinical trials	80	1,483	(1,403)	(95)%
FDA fees	266	72	194	269 %
Materials and supplies	3,508	3,735	(227)	(6)%
Depreciation	3,118	2,388	730	31 %
Other expenses	2,399	2,247	152	7 %
Total research and development expenses	$ 17,652	$ 16,843	$ 809	5 %

The increase in research and development expenses is primarily due to an increase in salary and personnel-related expenses, which was partially offset by a decrease in clinical trial expense, due to the timing of clinical trials.

Research and development expenses consist primarily of costs associated with the research and development of our product candidates including the cost of developing APIs. We expense research and development costs as incurred.

We have made, and expect to continue to make, substantial investments in research and development to expand our product portfolio and grow our business. We expect that research and development expenses will increase on an annual basis due to increased clinical trials costs related to our insulin and inhalation product candidates. These expenditures will include costs of APIs developed internally as well as APIs purchased externally, the cost of purchasing reference listed drugs and the costs of performing the clinical trials. As we undertake new and challenging research and development projects, we anticipate that the associated costs will increase significantly over the next several quarters and years.

Other income (expenses), net

	Three Months Ended June 30,		Change	
	2024	2023	Dollars	%
	(in thousands)			
Non-operating income (expenses)				
Interest income	$ 3,337	$ 1,030	$ 2,307	NM
Interest expense	(8,609)	(3,602)	(5,007)	NM
Other income (expenses), net	298	(1,516)	1,814	NM
Total non-operating income (expenses), net	$ (4,974)	$ (4,088)	$ (886)	22 %

The change in non-operating income (expenses), net is primarily a result of:

- An increase in interest income resulting from an increase in cash and investments.
- An increase in interest expense resulting from the Term Loan used to finance the acquisition of BAQSIMI®, as well as the 2029 Convertible Notes. For more information regarding our debt, see “Part I – Item 1. Financial Statements – Notes to Condensed Consolidated Financial Statements – Note 14. Debt.”
- A change to Other income (expenses), net primarily as a result of foreign currency fluctuation, as well as mark-to-market adjustments relating to our interest rate swap contracts during the three months ended June 30, 2024.

Income tax provision

	Three Months Ended June 30,		Change	
	2024	2023	Dollars	%
	(in thousands)			
Income tax provision	$ 12,294	$ 6,383	$ 5,911	93 %
Effective tax rate	*24 %*	*19 %*		

Our effective tax rate for the three months ended June 30, 2024 increased in comparison to the three months ended June 30, 2023, primarily due to differences in pre-tax income positions and timing of discrete tax items. For more information regarding our income taxes, see "Part I – Item 1. Financial Statements – Notes to Condensed Consolidated Financial Statements – Note 15. Income Taxes."

Beginning in 2024, many countries are implementing some or all of the Organization for Economic Co-operation and Development's Inclusive Framework on Base Erosion and Profit Shifting Two-Pillar in response to tax challenges arising from the digitalization of the global economy. While we continue to evaluate those countries' implementations, we do not expect those implementations to have a material impact on our consolidated financial statements in 2024.

Six Months Ended June 30, 2024 Compared to Six Months Ended June 30, 2023

Net revenues

	Six Months Ended June 30,		Change	
	2024	2023	Dollars	%
	(in thousands)			
Net revenues				
Finished pharmaceutical products	$ 331,790	$ 278,876	$ 52,914	19 %
API	5,227	6,858	(1,631)	(24)%
Total product revenues, net	337,017	285,734	51,283	18 %
Other revenues	17,213	—	17,213	N/A
Total net revenues	$ 354,230	$ 285,734	$ 68,496	24 %
Cost of revenues				
Finished pharmaceutical products	$ 152,225	$ 125,633	$ 26,592	21 %
API	16,739	13,523	3,216	24 %
Total cost of revenues	$ 168,964	$ 139,156	$ 29,808	21 %
Gross profit	$ 185,266	$ 146,578	$ 38,688	26 %
as % of net revenues	*52 %*	*51 %*		

The increase in net revenues of the finished pharmaceutical products for the six months ended June 30, 2024, was due to the following changes:

	Six Months Ended June 30,		Change	
	2024	2023	Dollars	%
		(in thousands)		
Finished pharmaceutical products net revenues				
Glucagon	$ 55,908	$ 52,972	$ 2,936	6 %
Epinephrine	54,051	36,805	17,246	47 %
Primatene MIST®	47,022	40,003	7,019	18 %
BAQSIMI®	44,697	—	44,697	N/A
Lidocaine	25,573	27,652	(2,079)	(8)%
Phytonadione	20,277	25,568	(5,291)	(21)%
Enoxaparin	12,369	17,739	(5,370)	(30)%
Naloxone	8,087	10,059	(1,972)	(20)%
Other finished pharmaceutical products	63,806	68,078	(4,272)	(6)%
Total finished pharmaceutical products net revenues	$ 331,790	$ 278,876	$ 52,914	19 %

Product Revenues, net

In the first quarter of 2024, we assumed distribution responsibilities for BAQSIMI ® from Lilly to our customers in the United States, and certain countries in Europe. As a result, $44.7 million of our BAQSIMI® sales for the six months ended June 30, 2024, are recognized separate from the cost of revenues, similar to our other products.

For more information, see “Part I – Item 1. Financial Statements – Notes to the Condensed Consolidated Financial Statements – Note 4. Revenue Recognition.”

The increase in sales of glucagon was primarily due to a higher average selling price. The increase in sales of epinephrine was primarily due to an increase in unit volumes, as a result of an increase in demand caused by other supplier shortages. Primatene MIST® sales increased primarily due to an increase in unit volumes. The decrease in the sales of lidocaine and phytonadione were primarily due to lower unit volumes, as a result of other suppliers returning to their historical distribution levels. The decrease in sales of enoxaparin and naloxone was primarily due to a decrease in unit volumes. The decrease in other finished pharmaceutical products was primarily due to lower unit sales of MPA, as our API supplier discontinued making the active ingredient, as well as, lower unit sales of atropine and calcium chloride, as a result of other suppliers returning to their historical distribution levels. This decrease was partially offset by higher unit volumes of dextrose and sodium bicarbonate due to an increase in demand caused by other supplier shortages.

We anticipate that sales of naloxone and enoxaparin will continue to fluctuate in the future due to competitive dynamics. We also anticipate that sales of epinephrine and other finished pharmaceutical products will continue to fluctuate depending on the ability of our competitors to supply market demands. Sales of medroxyprogesterone were essentially halted as of August 2023, as our API supplier discontinued manufacturing this product. During the fourth quarter of 2023, we qualified our subsidiary, ANP, to manufacture this API. Sales of medroxyprogesterone totaled $0.2 million during the six months ended June 30, 2024, compared to $10.0 million during the six months ended June 30, 2023. We plan to relaunch the product during the second half of 2024.

Sales of API primarily depend on the timing of customer purchases, and will be lower for the next two years because MannKind, our largest RHI customer, is in the process of qualifying our upgraded Recombinant Human Insulin, or RHI, which uses our internally produced inclusion bodies made at AFP. Until they complete this process, we anticipate sales will be at levels lower than historical.

Other Revenues

Other revenues include the portion of BAQSIMI® sales made by Lilly on our behalf under the TSA which amounted to $17.2 million during the six months ended June 30, 2024, based on total BAQSIMI® sales of $32.2 million as reported to us by Lilly, which was recognized on a net basis, similar to a royalty arrangement.

Gross margins

The increase in gross margins during the six months ended June 30, 2024, is primarily due to the increase in sales of glucagon, Primatene MIST®, and epinephrine, which are higher-margin products, as well as the sales of BAQSIMI® in the United States and certain countries in Europe, following our assumption of distribution responsibilities from Lilly in the first quarter of 2024. As a result of the TSA with Lilly, the portion of revenues relating to BAQSIMI® sales made by Lilly on our behalf are reported on a net basis, similar to a royalty arrangement with no amount reported as cost of revenues. The increase in gross margins was partially offset by an increase in depreciation and amortization expenses related to the acquired BAQSIMI® assets, an increase in labor costs and certain component costs, as well as charges included in cost of revenues to adjust our inventory and related purchase commitments to their net realizable value.

We are currently experiencing increased costs for labor as well as certain APIs and purchased components. However, we believe that this trend will be offset longer term by increased sales of our higher-margin products, including BAQSIMI®, Primatene MIST®, vasopressin, ganirelix, regadenoson and new products we anticipate launching.

Selling, distribution and marketing, and general and administrative

	Six Months Ended June 30,		Change	
	2024	2023	Dollars	%
	(in thousands)			
Selling, distribution, and marketing	$ 18,383	$ 13,827	$ 4,556	33 %
General and administrative	$ 28,961	$ 25,764	$ 3,197	12 %

The increase in selling, distribution and marketing expenses was primarily due to expenses related to the expansion of our sales and marketing efforts related to BAQSIMI®. The increase in general and administrative expense was primarily due to an increase in salary and personnel-related expenses and expenses related to BAQSIMI®.

We expect that selling, distribution and marketing expenses will continue to increase due to the increase in marketing expenditures for BAQSIMI® and Primatene MIST®. Legal fees may fluctuate from period to period due to the timing of patent challenges and other litigation matters.

Research and development

	Six Months Ended June 30,		Change	
	2024	2023	Dollars	%
	(in thousands)			
Salaries and personnel-related expenses	$ 16,130	$ 14,646	$ 1,484	10 %
Clinical trials	283	2,757	(2,474)	(90)%
FDA fees	1,299	97	1,202	NM
Materials and supplies	6,482	9,892	(3,410)	(34)%
Depreciation	5,928	4,830	1,098	23 %
Other expenses	4,573	4,436	137	3 %
Total research and development expenses	$ 34,695	$ 36,658	$ (1,963)	(5)%

The decrease in research and development expenses is primarily due to a decrease in clinical trials expense, as well as a decrease in materials and supply expense, as a result of a ramp-up of expenses in 2023 for our insulin and inhalation pipeline products. This was partially offset by an increase in salary and personnel-related expenses.

Research and development expenses consist primarily of costs associated with the research and development of our product candidates including the cost of developing APIs. We expense research and development costs as incurred.

We have made, and expect to continue to make, substantial investments in research and development to expand our product portfolio and grow our business. We expect that research and development expenses will increase on an annual basis due to increased clinical trials costs related to our insulin and inhalation product candidates. These expenditures will include costs of APIs developed internally as well as APIs purchased externally, the cost of purchasing reference listed drugs and the costs of performing the clinical trials. As we undertake new and challenging research and development projects, we anticipate that the associated costs will increase significantly over the next several quarters and years.

Other income (expenses), net

	Six Months Ended June 30,		Change	
	2024	2023	Dollars	%
	(in thousands)			
Non-operating income (expenses)				
Interest income	$ 5,893	$ 1,954	$ 3,939	NM
Interest expense	(17,220)	(4,000)	(13,220)	NM
Other income (expenses), net	6,219	(1,906)	8,125	NM
Total non-operating income (expense), net	$ (5,108)	$ (3,952)	$ (1,156)	29 %

The change in non-operating income (expenses), net is primarily a result of:

- An increase in interest income resulting from an increase in cash and investments.
- An increase in interest expense resulting from the Term Loan used to finance the acquisition of BAQSIMI®, as well as the 2029 Convertible Notes. For more information regarding our debt, see "Part I – Item 1. Financial Statements – Notes to Condensed Consolidated Financial Statements – Note 14. Debt."
- A change to Other income (expenses), net primarily as a result of foreign currency fluctuation, as well as mark-to-market adjustments relating to our interest rate swap contracts during the six months ended June 30, 2024.

Income tax provision

	Six Months Ended June 30,		Change	
	2024	2023	Dollars	%
	(in thousands)			
Income tax provision	$ 16,420	$ 13,135	$ 3,285	25 %
Effective tax rate	*17 %*	*20 %*		

Our effective tax rate for the six months ended June 30, 2024 decreased in comparison to the six months ended June 30, 2023, primarily due to the timing of discrete tax items partially offset by differences in pre-tax income positions. For more information regarding our income taxes, see "Part I – Item 1. Financial Statements – Notes to Condensed Consolidated Financial Statements – Note 15. Income Taxes."

Liquidity and Capital Resources

Cash Requirements and Sources

We need capital resources to maintain and expand our business. We expect our cash requirements to increase significantly in the foreseeable future as we sponsor clinical trials for, seek regulatory approvals of, and develop, manufacture and market our current development stage product candidates and pursue strategic acquisitions of

businesses or assets. Our future capital expenditures include projects to upgrade, expand, and improve our manufacturing facilities in the United States and China, including a significant increase in capital expenditures over the next few years. We plan to fund this facility expansion primarily with cash flows from operations. We may also become subject to cash obligations of up to an aggregate of $575.0 million that are contingent upon certain net sales milestones related to the BAQSIMI® acquisition. No milestone payments have been made through the date of this filing. Our cash obligations include the principal and interest payments due on our existing loans and lease payments, as described below and throughout this Quarterly Report.

As of June 30, 2024, our foreign subsidiaries collectively held $8.4 million in cash and cash equivalents. Cash or cash equivalents held at foreign subsidiaries are not available to fund the parent company's operations in the United States. We believe that our cash reserves, operating cash flows, and borrowing availability under our credit facilities will be sufficient to fund our operations for at least the next 12 months from the date of filing of this Quarterly Report on Form 10-Q. We expect additional cash flows to be generated in the longer term from future product introductions, although there can be no assurance as to the receipt of regulatory approval for any product candidates that we are developing or the timing of any product introductions, which could be lengthy or ultimately unsuccessful.

We maintain a shelf registration statement on Form S-3 pursuant to which we may, from time to time, sell up to an aggregate of $250 million of our common stock, preferred stock, debt securities, depositary shares, warrants, subscription rights, purchase contracts, or units. If we require or elect to seek additional capital through debt or equity financing in the future, we may not be able to raise capital on terms acceptable to us or at all. To the extent we raise additional capital through the sale of equity or convertible debt securities, the issuance of such securities will result in dilution to our stockholders. If we are required and unable to raise additional capital when desired, our business, operating results and financial condition may be adversely affected.

Working capital increased $81.5 million to $345.7 million at June 30, 2024, compared to $264.2 million at December 31, 2023.

Cash Flows from Operations

The following table summarizes our cash flows used in operating, investing, and financing activities for the six months ended June 30, 2024 and 2023:

	Six Months Ended June 30,	
	2024	2023
	(in thousands)	
Statement of Cash Flow Data:		
Net cash provided by (used in)		
Operating activities	$ 124,400	$ 95,305
Investing activities	(54,666)	(514,915)
Financing activities	(24,295)	414,563
Effect of exchange rate changes on cash	(116)	(6)
Net increase (decrease) in cash, cash equivalents, and restricted cash	$ 45,323	$ (5,053)

Sources and Use of Cash

Operating Activities

Net cash provided by operating activities was $124.4 million for the six months ended June 30, 2024, which included net income of $81.1 million. Non-cash items comprised primarily of $32.7 million of depreciation and amortization, which includes $13.8 million related to deprecation of property, plant and equipment; $12.4 million related to amortization of product rights, trademarks and patents; $4.6 million related to amortization of discounts, premiums, and debt issuance costs; and share-based compensation expense of $13.1 million.

Additionally, for the six months ended June 30, 2024, there was a net cash inflow from changes in operating assets and liabilities of $1.4 million, which resulted primarily from an increase in accounts payable and accrued liabilities, which was partially offset by an increase in accounts receivables and inventories. Accounts payable and accrued liabilities increased primarily due to the increase in accrued customer fees and rebates associated with BAQSIMI® sales. The increase in accounts receivables was primarily due to the increase in sales. The increase in inventories was primarily due to the increased purchases of certain raw materials and components.

Net cash provided by operating activities was $95.3 million for the six months ended June 30, 2023, which included net income of $52.2 million. Non-cash items comprised primarily of $14.4 million of depreciation and amortization, $11.0 million of share-based compensation expense, and an impairment charge of $2.7 million relating to the impairment of the IMS (UK) international product rights. Additionally, for the six months ended June 30, 2023, there was a net cash inflow from changes in operating assets and liabilities of $8.3 million, which resulted from an increase in accounts payable and accrued liabilities, which was partially offset by an increase in accounts receivables. Accounts payable and accrued liabilities increased primarily due to the timing of payments. The increase in accounts receivables was due to both increases in sales and timing of sales.

Investing Activities

Net cash used in investing activities was $54.7 million for the six months ended June 30, 2024, primarily due to the payment of $129.0 million relating to the BAQSIMI® acquisition, $14.8 million in purchases of property, plant, and equipment, which included $6.9 million incurred in the United States, $1.6 million in France, and $6.3 million in China. This was partially offset by a net cash inflow of $90.8 million from sales and purchases of investments during the quarter.

Net cash used in investing activities was $514.9 million for the six months ended June 30, 2023, primarily as a result of $500.8 million relating to the BAQSIMI® acquisition, $18.5 million in purchases of property, plant, and equipment, which included $13.5 million incurred in the United States, $0.6 million in France, and $4.4 million in China. This was partially offset by a net cash inflows from purchases and sales of short-term investments during the period of $5.4 million.

Financing Activities

Net cash used in financing activities was $24.3 million for the six months ended June 30, 2024, primarily as a result of $11.5 million used to settle share-based compensation awards under our equity plan and for tax payments related to the net share settlement of options exercised and $8.5 million used to purchase treasury stock. Additionally, we made $8.1 million in principal payments on our long-term debt, primarily as a result of paying off the mortgage loan with East West Bank. This was partially offset by $4.1 million of net proceeds from borrowings on our line of credit in China.

Net cash provided by financing activities was $414.6 million for the six months ended June 30, 2023, primarily due to our entry into the Credit Agreement, which was partially offset by $68.4 million in principal payments of our long-term debt and $14.2 million in debt issuance cost. Additionally, we received $5.3 million in net proceeds from the settlement of share-based compensation awards under our equity plan, which was partially offset by the $8.1 million used to purchase treasury stock.

Indebtedness

For more information regarding our outstanding indebtedness, see “Part I – Item 1. Financial Statements – Notes to Condensed Consolidated Financial Statements – Note 14. Debt”.

Critical Accounting Policies

The preparation of our condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and notes to the financial statements. Some of those judgments can be subjective and complex, and therefore, actual results

could differ materially from those estimates under different assumptions or conditions. A summary of our critical accounting policies is presented in Part II, Item 7, of our Annual Report on Form 10-K for the year ended December 31, 2023. There have been no material changes to our critical accounting policies as compared to the critical accounting policies as described in our Annual Report on Form 10-K for the year ended December 31, 2023.

Recent Accounting Pronouncements

For information regarding recent accounting pronouncements, see "Part I – Item 1. Financial Statements – Notes to Condensed Consolidated Financial Statements – Note 2. Summary of Significant Accounting Policies".

Government Regulation

Our products and facilities are subject to regulation by a number of federal and state governmental agencies. The FDA, in particular, maintains oversight of the formulation, manufacture, distribution, packaging, and labeling of all of our products. The Drug Enforcement Administration, or DEA, maintains oversight over our products that are considered controlled substances.

From February 6 through February 16, 2023, our IMS facility in South El Monte, California was subject to pre-approval inspection by the FDA. The inspection included a review of compliance with FDA regulations to support one of our pending applications. The inspection resulted in two observations on Form 483. We responded to those observations. We believe that our response to the observations will satisfy the requirements of the FDA and that no significant further actions will be necessary.

From February 20 through March 1, 2024, our Amphastar facility in Rancho Cucamonga, California was subject to pre-approval and cGMP inspection by the FDA. The inspection included a review of compliance with FDA regulations to support one of our pending applications as well as to compliance with Good Manufacturing Practices. The inspection resulted in several observations on Form 483. We responded to those observations. We believe that our response to the observations will satisfy the requirements of the FDA and that no significant further actions will be necessary.

From June 3 through June 18, 2024, two of our clinical trial sites were subject to pre-approval biomonitoring inspections by the FDA. The inspections included a review of the clinical trial data to support one of our pending applications. Each inspection resulted in no Form 483 findings. No further actions will be necessary.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Except for the broad, ongoing macroeconomic challenges facing the global economy and financial markets, there have been no material changes in market risk from the information provided in our Annual Report on Form 10-K for the year ended December 31, 2023. We are exposed to market risk in the ordinary course of business. Market risk represents the potential loss arising from adverse changes in the value of financial instruments. The risk of loss is assessed based on the likelihood of adverse changes in fair values, cash flows or future earnings. We are exposed to market risk for changes in the market values of our investments (Investment Risk), the impact of interest rate changes (Interest Rate Risk), and the impact of foreign currency exchange changes (Foreign Currency Exchange Risk).

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer, our principal executive and principal financial officers, respectively, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act of 1934, as amended, as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures were effective (a) to ensure that information that we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time

periods specified in SEC rules and forms and (b) to include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2024, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act).

Inherent Limitations of Internal Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management overriding of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For information regarding legal proceedings, see "Part I – Item 1. Financial Statements – Notes to Condensed Consolidated Financial Statements – Note 20. Litigation."

ITEM 1A. RISK FACTORS

Except as noted below, there were no material changes from the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2023, filed with the Securities and Exchange Commission on February 29, 2024.

Jack Y. Zhang and Mary Z. Luo have each pledged shares of our common stock to secure funds borrowed under existing credit lines from three financial institutions. Each of the lenders has varying rights as a lender, including one which has the right to conduct a forced sale at its sole discretion. An action by one of the lenders could include a sale of certain shares of our common stock pledged as collateral, the sale of which could cause the price of our common stock to decline. An action to cure and cover indebtedness by any one of the lenders could also have other negative impacts on our business.

Since September 2015, UBS Bank USA, or UBS, has made extensions of credit up to the amount of $8.0 million to Applied Physics & Chemistry Laboratories, Inc., or APCL, which is controlled by Jack Y. Zhang and Mary Z. Luo. In May 2019, the credit amount was increased to $11.0 million. Since February 2017, UBS Group AG, or UBS AG, has also provided an extension of credit up to the amount of $8.0 million to APCL. In 2021, the outstanding UBS AG credit line was transferred to UBS's Utah location due to an organizational change and in June 2024, the credit line with UBS was increased to $11.9 million. As of June 30, 2024, the total outstanding UBS combined credit lines were $11.9 million. The UBS credit lines are secured by a pledge of 400,000 shares of our common stock currently held by APCL. Interest on the loans accrues at market rates. UBS has an unlimited and unilateral right to call each of the credit lines for any reason whatsoever.

In October 2017, East West Bank, or East West, entered into an agreement with Drs. Zhang and Luo whereby East West would loan them up to $5.0 million. In March 2023, East West amended the loan to increase the loan amount to $8.0 million. As of June 30, 2024, the loan is secured by a pledge of 500,000 shares of our common stock held by Dr. Zhang. Interest on the loan accrues at market rates. East West has acceleration rights to protect itself in the event of a default.

In June 2024, Cathay Bank entered into an agreement with APCL and Dr. Luo, whereby Cathay Bank would loan them up to $20.0 million. As of June 30, 2024, the loan is secured by a pledge of 1,000,000 shares of our common stock held by APCL and Dr. Luo. Interest on the loan accrues at market rates. Cathay Bank has acceleration rights to protect itself in the event of a default.

We are not a party to these loans, which are full recourse against APCL and each of Drs. Zhang and Luo, respectively, and are secured by pledges of a portion of the shares of our common stock currently held by APCL and each of Drs. Zhang and Luo.

In 2021, we created a pledging policy to restrict the pledging of shares by our executive officers and directors. The policy prohibits our executive officers and directors from entering into any transaction whereby the executive officer or director, directly or indirectly, pledges, hypothecates, or otherwise encumbers more than twenty (20) percent of shares of common stock held by the individual or more than five (5) percent of our total outstanding shares of common stock as of the date of the transaction, whichever is lower, as collateral for indebtedness. This restriction extends to any hedging or similar transaction designed to decrease the risks associated with holding our securities. For already existing pledges made by executive officers and directors, those existing pledges must be reduced to no more than twenty (20) percent of the shares of our common stock held by such individual as collateral for indebtedness within three (3) years of December 31, 2021. As a result of this policy, Drs. Zhang and Luo reduced their total number of pledged shares to 1,900,000 in June 2024 from 2,350,000 in May 2022, 3,182,898 in February 2022, and 8,582,898 in February 2021.

If the price of our common stock declines, Drs. Zhang and Luo may be forced by these financial institutions to provide additional collateral for the loans or to sell shares of our common stock held by them in order to remain within the margin limitations imposed under the terms of their loans. Furthermore, the pledged shares of our common stock may be acquired and sold by the lenders. These factors may limit Drs. Zhang and Luo's ability to either pledge additional shares of our common stock or sell shares of our common stock held by them as a means to avoid or satisfy a margin call with respect to their pledged shares of our common stock in the event of a decline in our stock price that is large enough to trigger a margin call. Any significant sales of shares of our common stock by one or more of these three lenders could cause the price of our common stock to decline further.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(c) Issuer Purchases of Equity Securities

The table below provides information with respect to repurchases of our common stock.

Period	Total Number of Shares Purchased [1]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
April 1 - April 30, 2024	—	$ —	—	—
May 1 - May 31, 2024	—	—	—	—
June 1 - June 30, 2024	207,288	40.98	207,288	—

(1) On June 3, 2024, we announced that our Board of Directors authorized an increase of $50.0 million to our share buyback program. As of June 30, 2024, $77.0 million remained available for repurchase under such program. The share buyback program does not have an expiration date.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Securities Trading Plans of Directors and Executive Officers

During our last fiscal quarter, none of our officers or directors, as defined in Rule 16a-1(f), adopted or terminated a Rule 10b5-1 trading arrangement, or a non-Rule 10b5-1 trading arrangement, each as defined in Regulation S-K Item 408.

ITEM 6. EXHIBITS

Exhibit No.	Description
31.1	Certification pursuant to Rule 13a-14(a) or 15d-14a of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of pursuant to Rule 13a-14(a) or 15d-14a of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1#	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2#	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document - The instance document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definitions Linkbase Document
104	Cover Page Interactive File (Formatted as Inline XBRL and contained in Exhibit 101)

The information in Exhibits 32.1 and 32.2 shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section, nor shall they be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act (including this Report), unless the Registrant specifically incorporates the foregoing information into those documents by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AMPHASTAR PHARMACEUTICALS, INC.
(Registrant)
By: **/s/ JACK Y. ZHANG**
Jack Y. Zhang
Chief Executive Officer
(Principal Executive Officer)

Date: August 9, 2024

AMPHASTAR PHARMACEUTICALS, INC.
(Registrant)
By: **/s/ WILLIAM J. PETERS**
William J. Peters
Chief Financial Officer
(Principal Financial and Accounting Officer)

Date: August 9, 2024

Exhibit 31.1

CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14a OF THE SECURITIES EXCHANGE ACT OF 1934 AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES OXLEY ACT OF 2002

I, Jack Y. Zhang, Ph.D., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Amphastar Pharmaceuticals, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2024

By: **/s/ JACK Y. ZHANG**
Jack Y. Zhang
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14a OF THE SECURITIES EXCHANGE ACT OF 1934 AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES OXLEY ACT OF 2002

I, William J. Peters, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Amphastar Pharmaceuticals, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2024

By: **/s/ WILLIAM J. PETERS**
William J. Peters
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATIONS OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

The undersigned officer of Amphastar Pharmaceuticals, Inc. (the "Company"), hereby certifies, to the best of such officer's knowledge, that:

(i) the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2024 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

Date: August 9, 2024

By: **/s/ JACK Y. ZHANG**
Jack Y. Zhang
Chief Executive Officer
(Principal Executive Officer)

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. §1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Exhibit 32.2

CERTIFICATIONS OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

The undersigned officer of Amphastar Pharmaceuticals, Inc. (the "Company"), hereby certifies, to the best of such officer's knowledge, that:

(i) the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2024 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

Date: August 9, 2024

By: **/s/ WILLIAM J. PETERS**
William J. Peters
Chief Financial Officer
(Principal Financial and Accounting Officer)

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. §1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.