

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

**FORM 10-K**

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

**For the fiscal year ended December 31, 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**  
(State or other jurisdiction of  
incorporation or organization)

**33-0702205**  
(I.R.S. Employer  
Identification No.)

**11570 6<sup>th</sup> Street  
Rancho Cucamonga, CA**  
(Address of principal executive offices)

**91730**  
(zip code)

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

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

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

**Securities registered pursuant to Section 12(g) of the Act: None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes  No

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant on June 30, 2024 (the last business day of the registrant's most recently completed second fiscal quarter), based upon the closing price of Common Stock on such date as reported by Nasdaq Global Select Market, was approximately \$1,197,767,120. Shares of common stock known to be held by directors, executive officers and holders of 5% or more of the outstanding common stock of the registrant are not included in the computation. No determination has been made that such persons are "affiliates" of the registrant for any other purpose.

At February 25, 2025, there were 47,650,121 shares of the registrant's common stock outstanding.

**Documents Incorporated by Reference**

Portions of the registrant's definitive proxy statement to be filed with the Securities and Exchange Commission within 120 days after the end of its fiscal year to which this report relates in connection with its 2025 Annual Meeting of Stockholders are incorporated by reference into Part III hereof.

**AMPHASTAR PHARMACEUTICALS, INC.**  
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## SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K, or Annual 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 ability to successfully acquire and integrate assets;
- 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 and market uncertainty 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;
- the timing and likelihood of U.S. Food and Drug Administration, or the 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;

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- 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 Annual Report and the documents that we reference elsewhere in this Annual 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 Annual Report, particularly in Item 1A. “Risk Factors.” These forward-looking statements represent our estimates and assumptions only as of the date of this Annual Report regardless of the time of delivery of this Annual 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 Annual Report.

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

## Item 1. Business.

### 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 active pharmaceutical ingredient, or insulin API products. We currently manufacture and sell over 25 products, the overwhelming majority of which are prescription pharmaceuticals. Since December 2018, we have sold our patented Primatene MIST<sup>®</sup> using a new hydrofluoroalkanes, or HFA, formulation as our sole over-the-counter product.

Our largest products by net revenues currently include BAQSIMI<sup>®</sup> glucagon nasal powder, or BAQSIMI<sup>®</sup>, Primatene MIST<sup>®</sup>, glucagon, epinephrine, phytonadione, and lidocaine.

In March 2023, the FDA approved our naloxone hydrochloride nasal spray 4mg, REXTOVY<sup>™</sup>, utilizing our proprietary device, which we launched in May 2024.

In June 2023, we completed our acquisition of BAQSIMI<sup>®</sup>, the first and only nasally administered glucagon for the treatment of severe hypoglycemia in people with diabetes, and it is currently available in the United States and 26 international markets.

In May 2024, the FDA approved our Albuterol Sulfate Inhalation Aerosol, which we launched in August 2024.

For the years ended December 31, 2024, 2023, and 2022, we recorded net revenues of \$732.0 million, \$644.4 million, and \$499.0 million, respectively. We recorded net income of \$159.5 million, \$137.5 million, and \$91.4 million for the years ended December 31, 2024, 2023, and 2022, respectively.

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

Our multiple technological capabilities enable the development of technically challenging products with limited competition. These capabilities include characterizing complex molecules, analyzing and synthesizing peptides and proteins, conducting immunogenicity studies, engineering particles, and improving drug delivery through sustained-release technology. These technological capabilities have enabled us to produce bioequivalent versions of complex drugs and support the development and manufacture of a broad range of dosage formulations, including solutions, emulsions, suspensions, and lyophilized products, as well as products administered via pre-filled syringes, vials, nasal sprays, metered-dose inhalers, or MDIs, and dry powder inhalers, or DPIs.

Our primary strategic focus is developing and commercializing products with high technical barriers to market entry. We are specifically focused on products that:

- Leverage our proprietary research and development capabilities;
- Require raw materials or APIs for which we believe we have a competitive advantage in sourcing, synthesizing, or manufacturing; and/or
- Improve upon an existing drug's formulation with respect to drug delivery, safety, and/or efficacy.

Not all of our products will include all of these characteristics. Moreover, we may opportunistically develop and commercialize product candidates with lower technical barriers to market entry if, for example, our existing supply chain and manufacturing infrastructure allow us to pursue a specific product candidate competitively and cost-effectively.

We have made several strategic acquisitions of companies, products, and technologies to complement our internal growth and expertise. These acquisitions have strengthened our core injectable and inhalation product technology infrastructure by providing additional manufacturing, marketing, and research and development capabilities, including the ability to manufacture starting materials, API, and other product components.

## Our Markets

We primarily target products with high technical barriers to market entry, with a particular focus on the injectable and inhalation markets. We also manufacture and sell certain APIs.

- *Injectable market.* Based on a December 2024 IQVIA National Sales Perspective Report, the U.S. injectable drug market in 2024 was over \$390 billion. Our generic development, including interchangeable biosimilar portfolio, is targeting opportunities in over \$7 billion of this market. The injectable market requires highly technical manufacturing capabilities and compliance with strict current Good Manufacturing Practice, or cGMP, requirements, which create high barriers to market entry. Due to these high barriers to market entry, there are a limited number of companies with the technology and experience needed to manufacture injectable products. There have also been a number of quality issues over the past several years that have disrupted the ability of certain injectable manufacturers to produce sufficient product quantity to meet market demand. As such, the supply of injectables has been constrained, even as demand for injectable products has continued to increase.
- *Inhalation market.* Based on a December 2024 IQVIA National Sales Perspective Report, the U.S. inhalation drug market in 2024 was approximately \$27 billion. Our generic development portfolio is targeting opportunities in over \$1.3 billion of this market. Inhalation drug therapy is used extensively to treat respiratory conditions such as asthma and chronic obstructive pulmonary disease. The MDI is the most widely used device to deliver inhalation therapies. It uses pressurized gas, historically chlorofluorocarbons, or CFCs, and more recently HFAs, to release its dose when the patient activates the device. The DPI, which does not rely on a propellant, is also widely used. As in the case of injectables, there are significant technical barriers to manufacturing inhalation products. The evolution of inhalation delivery technologies from nebulizers and CFCs to HFAs and DPIs has required manufacturers of inhalation products to re-formulate their products, which in many cases may require technical engineering capabilities, additional regulatory approvals and modified delivery devices. Additionally, the development of generic HFA and DPI products requires bioequivalence studies for FDA approval.

## Our Strengths

We have built our company by integrating the following capabilities and strengths that we believe enable us to compete effectively in the pharmaceutical industry:

- *Robust portfolio of products and product candidates.* We have over 25 commercial products and over 20 product candidates at different development stages, representing our longer-term growth opportunities.
- *Advanced technical capabilities and multiple delivery technologies.* We have developed multiple advanced technical capabilities that we incorporate into the development of our products and product candidates, including characterization of complex molecules, peptide and protein analysis and synthesis, immunogenicity studies, particle engineering, and sustained-release technology. In addition, we apply these capabilities across our injectable, inhalation, and intranasal delivery technologies. Our injectable delivery technologies enable us to develop and manufacture generic and proprietary injectables in normal solution, lyophilized, suspension, jelly, emulsion forms, and pre-filled syringes. Our inhalation technologies cover a variety of delivery methods, including DPIs and HFA formulations of MDIs. Intranasal technology can offer a non-invasive and convenient route of drug delivery systems. It can offer the advantage of drug bioavailability by bypassing the effect of the first-pass metabolism and can allow drugs to achieve a more rapid and efficient therapeutic effect. These technical capabilities form the foundation of our strategy to develop products with high barriers to market entry targeting a wide range of indications.
- *Vertically integrated infrastructure.* We are a vertically integrated company with the demonstrated ability to advance a product candidate from the research and development stage through commercialization. Our capabilities include strong research and development expertise, sophisticated pharmaceutical engineering capabilities, comprehensive manufacturing capabilities (including synthesizing and manufacturing API), a strict quality assurance system, extensive regulatory and clinical experience, and established marketing and distribution relationships. We believe our vertical integration allows us to achieve better operating

efficiencies, accelerated product development, improved supply chain control, more flexibility in responding to market demands, and internal control over product quality.

- *Experienced management team with deep scientific expertise.* Our management team has a successful track record in product development, project management, quality assurance, acquisitions, sales and marketing and has established relationships with our key customers, partners, and suppliers. Our research and development leadership has deep expertise in areas including pharmaceutical formulation, process development, *in vivo* and *in vitro* studies, analytical chemistry, physical chemistry, drug delivery, and clinical research. We believe that our scientific and technical expertise, coupled with our management team's business, legal, regulatory, and business development experience, will enable us to successfully expand our position with respect to our current products and establish a meaningful market position for our product candidates.

## **Our Strategy**

We aim to be an industry leader in developing, manufacturing, and marketing technically challenging injectable, inhalation and intranasal pharmaceutical products. To achieve this goal, we are pursuing the following key strategies:

- *Diversify our revenues by commercializing our product candidates.* Assuming we successfully develop and obtain regulatory approvals, we plan to commercialize our product candidates and diversify our revenue sources. We have over 20 product candidates in various stages of development, including generic ANDAs or New Drug Applications, or NDAs, biosimilar product candidates, and proprietary product candidates. We also expect to expand our internal sales and marketing capabilities and, in some cases, enter into strategic alliances with other pharmaceutical companies to drive market penetration for our product candidates.
- *Focus on complex generic product opportunities.* We believe that we have significant opportunities for growth driven by our technical expertise in developing generic product candidates with high technical barriers to market entry. We believe that if these product candidates are commercialized, they are likely to face less competition than less technically challenging generic products, which may enable us to earn higher margins for a longer period of time. We believe generic competition for these products will likely be limited because of challenges in product development, manufacturing, or sourcing raw materials or APIs.
- *Develop proprietary products.* We currently have four proprietary product candidates at various stages of development, targeting a broad range of indications. We believe that proprietary products tend to face less competition than generic products due to market exclusivity, intellectual property protection, and other barriers to entry. For these reasons, we believe that our proprietary products will provide us with the opportunity for higher margins and long-term revenue growth.
- *Leverage our vertically integrated infrastructure to drive operational efficiencies.* We believe our vertically integrated infrastructure provides significant benefits, including better operating efficiencies, accelerated product development, and internal control over product quality. Our ability to manufacture APIs allows us to develop products that other companies may not focus on due to the uncertainty of API supply. In addition, our vertically integrated infrastructure, including our research and development capabilities, allows us to conduct technically challenging studies in-house. We believe this vertically integrated infrastructure has led and will continue to lead to a competitive portfolio of products and product candidates.
- *Target and integrate acquisitions of pharmaceutical companies, products, and technologies.* We have a demonstrated ability to identify, acquire and integrate pharmaceutical companies, products, and technologies to complement our internal product development capabilities. Companies we have acquired include, amongst others, (1) International Medication Systems, Limited, or IMS, (2) Armstrong Pharmaceuticals, Inc., or Armstrong, (3) Nanjing Puyan Pharmaceutical Technology Co., Ltd. (which we renamed Amphastar Nanjing Pharmaceuticals Co., Ltd.), or ANP, and (4) Merck Sharpe & Dohme's, or Merck's, API Manufacturing Business in Éragny-sur-Epte, France, in connection with which, we established our French subsidiary, Amphastar France Pharmaceuticals, S.A.S., or AFP. Products we have acquired include BAQSIMI<sup>®</sup>, Cortrosyn<sup>®</sup>, and Primatene<sup>®</sup> MIST. We believe that our scientific and managerial expertise and our integration experience have improved the quality of the product lines and

companies that we have acquired, which has had, and we believe will continue to have, a positive effect on our results of operations.

### **Our Technical Capabilities**

We develop, manufacture, market, and sell generic and proprietary products that utilize injectable, inhalation, and intranasal delivery systems. We also manufacture and sell insulin API.

- *Injectable.* Our injectable product technologies enable us to develop and manufacture generic and proprietary injectables in liquid, lyophilized, suspension, and emulsion forms, as well as the use of pre-filled syringes to facilitate safety and convenience to users. We have multiple injectable manufacturing facilities that include aseptic filling lines dedicated to the sterile production of injectable products. Additionally, we maintain compliance with cGMP regulations, which has enabled us to obtain regulatory approvals and support commercial supply.
- *Inhalation and Intranasal.* We are focused on developing a broad range of generic and proprietary inhalation and intranasal products utilizing various delivery technologies. We have expertise in formulating HFA-based MDIs and DPIs, as well as packaging our inhalation drugs in blister packs and other forms that can be used to load our products into various inhalation devices. As with our injectable products, we maintain compliance with cGMP regulations, which we believe will enable us to obtain regulatory approvals and support commercial supply. Additionally, we have extensive formulation and clinical experience in developing complex formulations that can be administered by intranasal delivery.

We have advanced capabilities that enable us to develop technically challenging products.

- *Characterization of complex molecules.* Complex molecule characterization includes determining physicochemical properties, biological activity, immunochemical properties, and purity. Such characterization is important in developing a generic product that is considered the same as a reference drug product, which in turn allows the generic drug developer to demonstrate such “sameness” to the FDA, which ultimately allows for interchangeability with the reference drug product. Complex drugs typically have large molecules composed of a mixture of molecules that differ very slightly from one another. These slight variances make such complex molecules difficult to characterize. We have developed analytical tools that have enabled us to characterize complex molecules in our products and product candidates. We believe that we have the technology to develop a variety of additional analytical tools that will enable us to characterize other complex molecules, including peptide and protein-based products.
- *Immunogenicity.* The ability of an antigen to elicit immune responses is called immunogenicity. Unwanted immunogenicity, which is strongly linked with peptide and protein drug products, occurs when a patient mounts an undesired immune response against drug therapy. As a result, the FDA has signaled that they may require immunogenicity studies as part of the new pathway for biosimilars and biologics. In the past, the FDA has required these studies to approve products with complex molecules. We have gained expertise in immunogenicity by performing immunogenicity studies in connection with the FDA approval process for our enoxaparin product. We believe that our experience conducting these complex immunogenicity studies will be of primary importance in our future efforts to develop complex molecules, biosimilar, and biologic product candidates.
- *Peptide and protein product development and production.* The development of peptide and protein drug products utilizes our characterization technology, immunogenicity studies, synthetic capabilities, recombinant DNA, or rDNA, and API manufacturing technology. We have experience using rDNA manufacturing technology, including the genetic engineering of host cells, fermentation to promote cell culture growth, and isolation and purification of the desired protein from the cell culture. Testing is required to ensure that only the desired protein is included in the finished product through each step. We believe that this technology will allow us to develop protein and peptide drug products. In December 2020, we received the first-ever FDA approval for a generic version of Glucagon for Injection Emergency Kit. The FDA determined our approved peptide product to be bioequivalent and therapeutically equivalent to the reference listed drug, which has rDNA origin.



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- *Particle engineering.* Particle engineering is important in the field of pulmonary drug delivery as there is a direct relationship between the properties of a particle and its absorption by the lungs. We believe our expertise and technology, which applies to particle engineering and physical chemistry, allow us to engineer particles' size, shape, surface smoothness and distribution to develop inhalation products that are more easily dispersed through targeted areas. We believe this expertise will allow us to formulate difficult-to-disperse inhalation products and demonstrate the sameness of the reference-listed drugs to the FDA.
- *Sustained-release.* We have developed technology to improve drug delivery through sustained-release injectable products. Our sustained-release technology aims to create products that require less dosing frequency, which we believe can lead to diminishing fluctuations of drug concentrations in a patient's bloodstream that would otherwise require more frequent dosing. We plan to use our sustained-release technology to develop generic and proprietary products.
- *Novel formulation.* We have the capability to develop novel formulations to enhance drug delivery. For certain intranasal medications, novel formulations might be required to increase the drug's absorption rate to deliver the medication safely and efficiently. We plan to use our novel formulation with our intranasal epinephrine and other proprietary products.

## **Pharmaceutical Products**

### ***Our Marketed Products***

We currently manufacture and sell over 25 products. The following is a description of products in our existing portfolio.

#### BAQSIMI® (glucagon) nasal powder 3mg

BAQSIMI®, a dry nasal spray used in an emergency for the treatment of severe hypoglycemia in people with diabetes ages four years and above, is the first and only nasally administered glucagon. It is compact, portable and ready to use in a single, fixed 3mg dose.

#### Primatene MIST®

Primatene MIST®, an over-the-counter epinephrine inhalation product, is indicated for the temporary relief of mild symptoms of intermittent asthma.

#### Glucagon for Injection Emergency Kit

Glucagon for injection is a difficult to manufacture injectable product. We received the first-ever FDA approval of a generic version of rDNA Glucagon in the fourth quarter of 2020. Using a dedicated process and sophisticated characterization technology, we demonstrated to the FDA that our highly purified synthetic peptide product is bioequivalent and therapeutically equivalent to the reference listed drug, or RLD, which is an rDNA product. Glucagon for injection emergency kit is indicated for the treatment of severe hypoglycemia and is used as a diagnostic aid.

#### Enoxaparin

Enoxaparin is a difficult to manufacture injectable form of low molecular weight heparin, which is used as an anticoagulant, and has multiple indications, including the prevention and treatment of deep vein thrombosis. Enoxaparin is difficult to produce in part because the API is not easily manufactured. We manufacture the API for our enoxaparin product and perform all subsequent manufacturing of the finished product in-house.

#### Naloxone

We sell two versions of naloxone injections for the emergency treatment of known or suspected opioid overdose. We also sell REXTOVY™, our prescription naloxone nasal spray product delivered using our proprietary device, which is intended to be used for the emergency treatment of known or suspected opioid overdose as manifested by respiratory and/or central nervous system depression.

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### Other Marketed Products

Other pharmaceutical products that we currently market include the following:

- Cortrosyn® (cosyntropin for injection), a lyophilized powder that is indicated for use as a diagnostic agent in the screening of patients with adrenocortical insufficiency;
- Amphadase®, a bovine-sourced hyaluronidase injection that is used as an adjuvant in subcutaneous fluid administration for achieving hydration, to increase absorption and dispersion of other injected drugs, and in subcutaneous urography for improving absorption of radiopaque agents;
- Epinephrine injection, indicated for emergency treatment of allergic reactions, including anaphylaxis, and to increase mean arterial blood pressure in adult patients with hypotension associated with septic shock;
- Lidocaine jelly, a local anesthetic product used primarily for urological procedures;
- Lidocaine topical solution, a local anesthetic used for a variety of procedures;
- Phytonadione injection, an injection of Vitamin K1 that is used for newborn babies;
- Our portfolio of emergency syringe products, including critical care drugs such as atropine, calcium chloride, dextrose, epinephrine, lidocaine, and sodium bicarbonate, are provided in pre-filled syringes and are designed for emergency use in hospital settings;
- Morphine injection in prefilled syringe, pain management product indicated for use with Patient Controlled Analgesia (PCA) pumps;
- Lorazepam injection, a sedative used prior to surgery and medical procedures;
- Neostigmine methylsulfate injection, a cholinesterase inhibitor used in the treatment of myasthenia gravis and to reverse the effects of muscle relaxants such as gallamine and tubocurarine;
- Isoproterenol hydrochloride injection, indicated for multiple uses, including mild or transient episodes of heart block that do not require an electric shock or pacemaker therapy;
- Ganirelix Acetate Injection, indicated for the inhibition of premature luteinizing hormone surges in women undergoing controlled ovarian hyperstimulation; and
- Vasopressin, indicated to increase blood pressure in adults with vasodilatory shock who remain hypotensive despite fluids and catecholamines.
- Regadenoson, a pharmacologic stress agent indicated for radionuclide myocardial perfusion imaging in patients unable to undergo adequate exercise stress.
- Albuterol Sulfate inhalation aerosol, indicated for the treatment or prevention of bronchospasm in patients four years of age and older with reversible obstructive airway disease.

### APIs

We manufacture and sell two API products, Recombinant Human Insulin, or RHI API, and porcine insulin API, as part of our vertical integration strategy by targeting certain finished products for the injectable insulin market. However, we also sell RHI API and porcine insulin API to third parties, which helps fund our vertical integration strategy.

### ***Our Product Candidates***

We seek to develop product candidates with high technical barriers to competitive market entry that leverage our technical capabilities and other competitive advantages. We focus on generic and proprietary product candidates in the injectable, inhalable and intranasal markets. Our pipeline products are in various stages of development, with a number of these candidates still in the early stages of development. Our pipeline has over 20 product candidates, including generic ANDAs, biosimilar, and proprietary product candidates.

The following table includes several of our technical capabilities needed for the generic ANDAs, biosimilar product candidates and proprietary products in development.

<u>Delivery Technology</u>	<u>Characterization</u>	<u>Immunogenicity</u>	<u>Particle Engineering</u>	<u>Sustained-Release</u>	<u>Peptide and Protein Technology</u>
Injectable	P	P		P	P
Inhalation	P		P		

The development, regulatory approval for and commercialization of our product candidates are subject to numerous risks. See Item 1A, “Risk Factors” for additional information.

### *Generic Product Candidates*

We generally employ a strategy of developing generic product candidates that possess a combination of factors that present technical barriers to competition, including difficult formulations, which require complex characterizations, difficult manufacturing requirements and/or limited availability of raw materials. We believe such factors will make these product candidates less susceptible to competition and pricing pressure. We currently have generic ANDAs and biosimilar product candidates at various development stages that leverage our various technical capabilities, including:

- injectable technologies, which include various delivery methods and sizes of pre-filled syringes, vials in solution, suspension and lyophilized forms;
- inhalation technologies, which include MDIs and DPIs; and
- sophisticated analytical technologies, including characterization and immunogenicity studies for complex molecules, particle engineering, sustained-release technology, peptide, protein and DNA analysis and synthesis.

### *Biosimilar Product Candidates*

Our biosimilar pipeline, with a particular emphasis on interchangeable insulin analogs, targets a high-demand diabetes care sector. Our planned filings use in-house developed technical platforms while navigating a complex regulatory environment with our goal to obtain interchangeable designations.

We are applying our technology platforms to develop product candidates in our biosimilar portfolio, including three interchangeable insulin product candidates: Insulin Aspart (AMP-004), Recombinant Human Insulin (AMP-005) and Insulin Degludec (AMP-025). Developed to meet stringent bioequivalence standards, these candidates are expected to support our vision to effectively and efficiently meet the needs of our target markets.

Additionally, we are developing a biosimilar product outside of our insulin portfolio, AMP-028. This product is expected to leverage our API facilities to participate in a large market without any interchangeable biosimilars.

A rigorous development strategy reinforces our commitment to developing biosimilar products and utilizes our vertically integrated structure when possible. Furthermore, our biosimilar product candidates are developed in accordance with regulatory guidelines for biosimilars, focusing on achieving interchangeability and bioequivalence to their respective reference products through rigorous pharmacokinetic and pharmacodynamics studies, supported by our expertise in areas such as protein engineering, creation of highly purified peptides/proteins, immunogenicity assessments, drug product characterization, and other internal technical platforms. This strategy is designed to deliver high-quality biosimilar

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products that meet all regulatory requirements for biosimilarity and interchangeability, thereby maximizing production efficiency.

### *Proprietary Product Candidates*

Our integrated technical skills and expertise provide a strong basis for the development of proprietary drug candidates. These skills include new chemical entity assessment, peptide and protein synthesis technology, complex formulation development, characterization analysis, and immunogenicity studies.

With respect to our proprietary pipeline strategy, we currently have proprietary drug candidates at various development stages that leverage our various technical capabilities including:

#### Intranasal epinephrine

Intranasal epinephrine, a prescription epinephrine nasal spray product candidate, is intended to be used for emergency treatment of allergic reactions, including anaphylaxis to stinging insects, allergen immunotherapy, foods, drugs and other allergens.

#### Other Proprietary Product Candidates

In addition to intranasal epinephrine, we have three other proprietary product candidates in development. These product candidates incorporate multiple indications utilizing a wide variety of our technical capabilities.

### **BAQSIMI<sup>®</sup> Acquisition**

On June 30, 2023, we completed our acquisition of BAQSIMI<sup>®</sup>, the first and only nasally administered glucagon for the treatment of severe hypoglycemia in people with diabetes and which is currently available in 26 international markets.

In connection with the acquisition of BAQSIMI<sup>®</sup> in June 2023, we entered into a Transition Service Agreement, or TSA, with Eli Lilly & Company, or Lilly, pursuant to which Lilly agreed to provide certain services to us to support the transition of BAQSIMI<sup>®</sup> operations, including with respect to the conduct of certain clinical, regulatory, medical affairs, and commercial sales channel activities. Over the course of 2024, we assumed responsibility of these activities from Lilly on a country-by-country basis. As of January 1, 2025, the TSA has been completed and we distribute and manage the BAQSIMI<sup>®</sup> supply chain in all countries where it is available.

The acquisition of BAQSIMI<sup>®</sup>, builds upon our commercial intranasal product portfolio, provides us with a branded product with growing sales and strong gross margins, and expands our international footprint into 26 new countries. For more information see “Part II – Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Note 3. BAQSIMI<sup>®</sup> Acquisition.”

### **Research and Development**

As of December 31, 2024, we had 322 employees dedicated to research and development with expertise in areas such as pharmaceutical formulation, process development, toxicity studies, analytical, synthetic, and physical chemistry, drug delivery, device development, equipment and engineering, clinical research statistical analysis, etc. Our focus on developing products with high barriers to market entry requires a significant investment in research and development, including clinical development. In particular, developing proprietary products that are reformulations of existing proprietary compounds often requires clinical trials to gain regulatory approval, and we have a team dedicated to designing and managing clinical trials. We have successfully completed several clinical trials for some of our product candidates and are in the process of planning clinical trials for other product candidates under development.

### **Backlog**

A significant portion of our customer shipments in any fiscal year relates to orders received and shipped in that fiscal year, generally resulting in a low product backlog relative to total shipments at any time. We had no significant backlog as of December 31, 2024. Historically, our backlog has not been a meaningful indicator of our ability to achieve any particular level of overall revenue or financial performance.

## **Manufacturing and Facilities**

Our manufacturing facilities are located in Rancho Cucamonga and South El Monte, California; Canton, Massachusetts; Éragny-sur-Epte, France; and Nanjing, China. We own or lease a total of 68 buildings at six locations in the United States, France and China, that comprise 2.4 million square feet of manufacturing, research and development, distribution, packaging, laboratory, office and warehouse space. Our facilities are regularly inspected by the FDA in connection with our product approvals, and we believe that all of our facilities are being operated in material compliance with the FDA's cGMP regulations.

We continue to expand our facility in Nanjing, China, and expect further significant investment in this facility.

Our API manufacturing facility in Éragny-sur-Epte, France, manufactures porcine insulin API, RHI API, and the API for our AMP-028 biosimilar candidate, and we expect to continue the current site activities.

We believe that our current manufacturing capacity is adequate for the near term. However, we are planning to increase capacity at our plant in Rancho Cucamonga, CA which will allow us to eventually quadruple the number of units produced at this facility. We are also increasing the capacity of our inhalation facility in Canton, MA and our insulin API production facility at ANP.

## **Raw Material and Other Suppliers**

We depend on suppliers for raw materials, APIs and other components that are subject to stringent FDA requirements. In some cases, we obtain raw materials, components or APIs used in certain of our products from single sources. Currently, we obtain API for certain of our other marketed products from single sources. If we experience difficulties acquiring sufficient quantities of required materials or products from our existing suppliers, or if our suppliers are found to be non-compliant with the FDA's quality system regulation, or QSR, cGMPs or other applicable laws or regulations, we would be required to find alternative suppliers. Obtaining the required regulatory approvals to use alternative suppliers may be a lengthy and uncertain process during which we could lose sales. If our primary suppliers become unable or unwilling to perform, we could experience protracted delays or interruptions in the supply of materials that would ultimately delay our manufacturing of products for commercial sale, which could materially and adversely affect our development programs, commercial activities, operating results and financial condition.

We depend on contract manufacturing organizations, or CMOs, for the supply of BAQSIMI<sup>®</sup> which are subject to stringent FDA requirements. If our CMOs experience difficulties in acquiring sufficient quantities of required materials or products from their existing suppliers or if our CMOs are found to be non-compliant with the FDA's or other regulatory agencies quality system regulation, cGMP, or other applicable laws or regulations, we would be required to find alternative CMOs. Obtaining the required regulatory approvals to use alternative CMOs may be a lengthy and uncertain process during which we could lose sales. If our CMOs become unable or unwilling to perform, we could experience protracted delays or interruptions in the supply of BAQSIMI<sup>®</sup> which could materially and adversely affect our commercial activities, operating results and financial conditions.

If our suppliers or our CMOs encounter problems during manufacturing, establishing additional or replacement suppliers for these materials may take a substantial period of time, as suppliers must be approved by the FDA. Further, a significant portion of our raw materials may be available only from foreign sources, which are subject to the risks of doing business abroad.

The U.S. Department of Agriculture, or USDA, the Animal and Plant Health Inspection Service, or APHIS, and the Veterinary Services regulates the importation of animals and animal-derived materials into the U.S. A USDA veterinary permit is required for importation of materials derived from animals or exposed to animal-source materials. Some of our raw materials sourced from foreign sources are subject to import regulations and permit requirements, including from the USDA. If we are unable to import raw materials, rely upon existing supplies of raw materials or manufacture raw materials in sufficient amounts for our manufacturing needs, we may be required to find alternative suppliers or sources of such materials, which would require prior FDA approval for such alternative suppliers or sources of such materials, which would disrupt or delay the manufacturing of our products.

Similarly, on December 27, 2020, the American Innovation in Manufacturing Act of 2020, or AIM Act, was enacted. The AIM Act directs the United States Environmental Protection Agency to address usage of hydrofluorocarbons, or

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HFC, by reducing production and consumption of certain HFCs. One of our products, Primatene MIST<sup>®</sup>, utilizes HFCs subject to the AIM Act's reduction mandate. Moreover, many of our inhalation pipeline assets use HFCs subject to the AIM Act's reduction mandate. There can be no assurance that we will be able to acquire adequate supplies of HFCs for current and future commercialization of our products as a result of the AIM Act or other similar statutes and regulations. Moreover, changes to the ingredients of our proprietary and generic products require FDA approval and there can be no assurance that we will be able to obtain such approval or the timing of such approval.

ANP currently manufactures heparin sodium for our enoxaparin product, isoproterenol, hyaluronidase, and medroxyprogesterone for Amphastar's current products, and we plan to have ANP manufacture APIs and starting materials for APIs for certain other products and product candidates.

### Sales and Marketing

Our products are marketed and sold to institutions such as hospitals, long-term care facilities, alternate care sites, clinics, and doctors' offices, and to retail pharmacies. Most institutional customers and retail pharmacies are members of one or more group purchasing organizations, which negotiate collective purchasing agreements on behalf of their members. These facilities purchase products through specialty distributors and wholesalers. We have relationships with the major group purchasing organizations in the United States. We also have relationships with major specialty distributors, wholesalers and retailers who distribute pharmaceutical products nationwide.

The following table provides information regarding the percentage of our net revenues that is derived from each of our major customers and partners:

	% of Net Revenues Year Ended December 31,		
	2024	2023	2022
McKesson Corporation	25 %	25 %	22 %
Cencora Inc.	20 %	20 %	23 %
Cardinal Health, Inc.	19 %	15 %	17 %
Lilly	3 %	8 %	—

Our marketing department is responsible for establishing and maintaining contracts and relationships with the group purchasing organizations, distributors, retailers, wholesalers and our sales force is focused on promoting BAQSIMI<sup>®</sup> and Primatene MIST<sup>®</sup> with healthcare professionals. One or more of our proprietary product candidates may require deployment of a sales force either directly or through a strategic partner.

### Competition

We face and will face significant competition for our products and product candidates from pharmaceutical companies that focus on proprietary and generic injectable and inhalation markets such as Pfizer, Inc., BPI Labs, Lupin Pharmaceuticals, Inc., Viartis Inc., Fresenius Kabi USA, Apotex Corp, American Regent Inc., Hikma Pharmaceuticals USA, Inc., Par Pharmaceuticals, Cipla USA Inc., Meitheal Pharmaceuticals, Dr. Reddy's Laboratories, Inc., Xeris Pharmaceuticals, Medefil Inc., Accord Healthcare, and Teva Pharmaceutical USA Inc. Competition in the generic pharmaceutical industry has increased as producers of branded products have entered the business by creating generic drug subsidiaries, purchasing generic drug companies, or licensing their products to generic manufacturers prior to patent expiration and/or as their patents expire. Therefore, our competitors also include the innovator companies of our generic drug products. The presence of these current and prospective competitive products may have an adverse effect on our market share, revenue and gross profit from our products.

Similarly, we will face significant competition for our proprietary product candidates. Our competitors vary depending upon product categories, and within each product category, upon dosage strengths and drug-delivery systems. Based on total assets, annual revenues and market capitalization, we are smaller than some of our competitors with respect to both our generic and proprietary products and product candidates. Some of our competitors have been in business for a longer period of time, have a greater number of products on the market and have greater financial and other resources than we do. It is also possible that developments by our competitors will make our generic or proprietary products and product candidates noncompetitive or obsolete.

For pharmaceutical companies, the most important competitive factors are scope of product line, ability to timely develop new products and relationships with group purchasing organizations, retailers, wholesalers and customers. Sales of generic pharmaceutical products tend to follow a pattern based on regulatory and competitive factors. As patents for brand-name products and related exclusivity periods expire, the first generic pharmaceutical manufacturer to receive regulatory approval for generic versions of products is typically able to achieve significant market penetration and higher margins. As competing generic manufacturers receive regulatory approval on the same products, market size, revenue and gross profit typically decline. The level of market share and price will be affected, which will in turn affect the revenue and gross profit attributable to a particular generic pharmaceutical product. This impact is normally related to the number of competitors in that product's market and the timing of that product's regulatory approval. We must develop and introduce new products in a timely and cost-effective manner and identify products with significant barriers to market entry in order to grow our business.

## **Government Regulation**

### *In the United States*

#### **General**

Our operations and many of the products manufactured or sold by the company are subject to extensive regulation by a number of government agencies, both within and outside the United States. In the United States, the federal agencies that regulate the company's facilities, operations, employees, products (including their manufacture, sale, import and export) and services include: the U.S. Food and Drug Administration, the Drug Enforcement Agency, the Environmental Protection Agency, the Occupational Health & Safety Administration, the Department of Agriculture, the Department of Labor, the Department of Defense, Customs and Border Protection, the Department of Commerce, the Department of Treasury and others. International government agencies also regulate public health, product registration, manufacturing, environmental conditions, exports, imports, and other aspects of the company's global operations and products.

Pharmaceutical companies and their prescription brand and generic pharmaceutical products are subject to extensive pre- and post-market regulation by the FDA under the Federal Food, Drug, and Cosmetic Act, or FFDC, the Public Health Service Act of 1944, or PHSA, and regulations implementing those statutes, with regard to the testing, manufacturing, safety, efficacy, labeling, storage, record-keeping, advertising and promotion of such products, and by comparable agencies and laws in foreign countries. For many drugs (drugs falling within the definition of "new drug" in the FFDC), FDA approval is required before the product can be marketed in the United States. All applications for FDA approval must contain, among other things, comprehensive and scientifically reliable information relating to pharmaceutical formulation, stability, manufacturing, processing, packaging, labeling and quality control. These applications must also contain data and information related to safety, effectiveness, bioavailability and/or bioequivalence.

Many of our activities are subject to the jurisdiction of other federal regulatory and enforcement departments and agencies, such as the Department of Health and Human Services, or HHS, Office of the Inspector General, or OIG, the Federal Trade Commission (which also has the authority to regulate the advertising of consumer healthcare products, including over-the-counter drugs), the Department of Justice, the Drug Enforcement Administration, or DEA, the Veterans Administration, the Centers for Medicare and Medicaid Services and the Securities and Exchange Commission, or SEC. Individual states, acting through their attorneys general, have become active as well, seeking to regulate the marketing of prescription drugs under state consumer protection and false advertising laws.

#### **FDA Approval and Regulatory Considerations**

Prescription generic and branded pharmaceutical products are subject to extensive regulation by the FDA under the FFDC and PHSA and regulations implementing those statutes, with regard to the testing, manufacturing, safety, efficacy, labeling, storage, record-keeping, advertising and promotion of such products, and regulation by other state, federal and foreign agencies under the laws that they enforce. For many drugs (drugs falling within the definition of "new drug" in the FFDC), including the drugs in our current drug portfolio, FDA approval is required before marketing in the U.S. Applications for FDA drug approval must generally contain, among other things, information relating to pharmaceutical formulation, stability, manufacturing, processing, packaging, labeling, quality control and either safety and effectiveness or bioequivalence. There are two drug approval processes under the FFDC — an ANDA approval process for generic drugs and an NDA approval process for new drugs that cannot be approved in ANDAs. For drugs that are "biological products" within the meaning of the PHSA, there are two different approval processes — a biological



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license application, or BLA, approval process for original biological products and a biosimilar application approval process for biosimilar products that are approved based on their similarity to biologicals that were previously approved in BLAs.

### *The ANDA Approval Process*

Our pipeline generic drug product candidates cannot be lawfully marketed unless we obtain FDA approval. The Drug Price Competition and Patent Term Restoration Act of 1984, commonly known as “the Hatch-Waxman Act,” established abbreviated FDA approval procedures for drugs that are shown to be bioequivalent to drugs previously approved by the FDA through its NDA process, which are commonly referred to as the “innovator” or “reference” drugs. Approval to market and to distribute these bioequivalent drugs is obtained by filing an ANDA with the FDA. An ANDA is a comprehensive submission that contains, among other things, data and information pertaining to the API, drug product formulation, specifications, stability, analytical methods, manufacturing process validation data, quality control procedures and bioequivalence. Rather than demonstrating safety and effectiveness, an ANDA applicant must demonstrate that its product is bioequivalent to an approved reference drug. In certain situations, an applicant may submit an ANDA for a product with a strength or dosage form that differs from a reference drug based upon FDA approval of an ANDA Suitability Petition. The FDA will approve an ANDA Suitability Petition if it finds that the product does not raise questions of safety and efficacy requiring new clinical data. ANDAs generally cannot be submitted for products that are not bioequivalent to the referenced drug or that are labeled for a use that is not approved for the reference drug. Applicants seeking to market such products can submit an NDA under Section 505(b)(2) of the FDCA with supportive data from clinical trials.

The Generic Drug User Fee Act, or GDUFA, was enacted by Congress in 2012 and was reauthorized as GDUFA II in 2017 and GDUFA III in 2022. GDUFA is designed to provide funding to the FDA to expedite timelines for the FDA’s review of ANDA applications. GDUFA funding is intended to increase the ability of the FDA to perform critical program functions and to reduce costs. Under the GDUFA, the FDA has specific goals for reviewing ANDA applications. For example, as part of GDUFA II and GDUFA III, the goal of the FDA is to complete the review of 90% of original ANDA applications within 10 months from filing of the ANDA. Under previous GDUFA authorizations, the average time for sponsors to obtain FDA approval of ANDAs was 32-34 months post-filing. As newer GDUFA reauthorizations occur in 5 year increments, it is expected that these ANDA timelines will also change.

Upon approval of an NDA or ANDA, the FDA lists the product in a publication entitled “Approved Drug Products with Therapeutic Equivalence Evaluations,” which is commonly known as the “Orange Book.” In the case of an NDA, the FDA also lists patents identified by the NDA applicant as claiming the drug or an approved method of using the drug. Any applicant who files an ANDA must certify to the FDA with regard to each relevant patent that (1) no patent information has been submitted to the FDA; (2) the patent has expired; (3) the listed patent has not expired, but will expire on a particular date and approval is sought after patent expiration; or (4) the patent is invalid or will not be infringed upon by the manufacture, use or sale of the drug product for which the ANDA is submitted. This last certification is known as a Paragraph IV certification. A notice of the Paragraph IV certification must be provided to each owner of the patent that is the subject of the certification and to the holder of the approved NDA to which the ANDA refers. If the NDA holder submits the patent information to the FDA prior to submission of the ANDA and the NDA holder or patent owner(s) sues the ANDA applicant for infringement within 45 days of its receipt of the certification notice, the FDA is prevented from approving that ANDA until the earlier of 30 months from the receipt of the notice of the Paragraph IV certification, the expiration of the patent or such shorter or longer period as may be ordered by a court. This prohibition is generally referred to as the 30-month stay. An ANDA applicant that is sued for infringement may file a counterclaim to challenge the listing of the patent or information submitted to the FDA about the patent.

Generally, the ANDA applicant that (1) files a substantially complete ANDA using a Paragraph IV certification on the first day prior to any other ANDA applicant filing an application with such a certification, based on the same reference drug and (2) provides appropriate notice to the NDA holder, and all patent owner(s) for a particular generic product, the applicant may be awarded a delay in the approval of other subsequently filed ANDAs with Paragraph IV certifications based on the same reference drug. This statutory delay is commonly referred to as 180-day exclusivity. A substantially complete ANDA is one that contains all the information required by the statute and the FDA’s regulations, including the results of any required bioequivalence studies. The FDA may refuse to accept the filing of an ANDA that is not substantially complete or may determine during substantive review of the ANDA that additional information, such as an additional bioequivalence study, is required to support approval. Such a determination may affect an applicant’s first to



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file status and eligibility for 180-day exclusivity. The Medicare Prescription Drug Improvement and Modernization Act of 2003, or the MMA, provides that the 180-day exclusivity delay ends 180 days after the first commercial marketing of the ANDA product. This exclusivity may be forfeited under a number of different circumstances, including: (1) failure to market within certain prescribed periods of time following certain events related to submission of the application, approval of the application, court decisions and settlements and patent withdrawals from the Orange Book; (2) an amendment or withdrawal of the Paragraph IV certification or certifications upon which the exclusivity was based; (3) failure to obtain tentative approval within certain prescribed time periods (30, 36, or 40 months after submission of the ANDA); (4) an agreement with the NDA holder, patent owner or another ANDA applicant that is determined by a court or the FTC to violate provisions of antitrust laws; (5) withdrawal of the ANDA; or (6) expiration of patent or patents upon which exclusivity is based. The 180-day exclusivity provisions described above were passed in the MMA, and do not apply where the first ANDA with a Paragraph IV certification submitted for the reference drug was filed before December 8, 2003.

ANDA approvals can be delayed by exclusivities awarded to the holder of the NDA for the reference drug. The FFDCA provides five-year exclusivity to the first applicant to gain approval of an NDA for a new chemical entity, or NCE, meaning that the FDA has not previously approved any other drug containing the same active moiety. This exclusivity generally prohibits the submission of an ANDA for any drug product containing the same active moiety during the five-year exclusivity period. However, submission of an ANDA with a Paragraph IV certification is permitted after four years, and if a patent infringement lawsuit is brought within 45 days after such certification, FDA approval of the ANDA is delayed until 7.5 years after the NCE approval date. The FFDCA also provides three-year exclusivity for the approval of new and supplemental NDAs for product changes that require new clinical investigations (other than bioavailability studies) that were conducted or sponsored by the applicant. These changes include, among other things, new indications, dosage forms, routes of administration or strengths of an existing drug and new uses.

ANDA approvals can also be delayed by orphan drug exclusivity, pediatric exclusivity and exclusivity for certain new antibiotic drugs. The FDA may grant orphan drug designation to a drug intended to treat a rare disease or condition, which is generally a disease or condition that affects fewer than 200,000 individuals in the U.S. or more than 200,000 individuals in the U.S. and for which there is no reasonable expectation that the cost of developing and making available in the U.S. a drug for this type of disease or condition will be recovered from sales in the U.S. for that drug. Seven-year orphan drug exclusivity is available to a product that has orphan drug designation and that receives the first FDA approval for the indication for which the drug has such designation. Orphan drug exclusivity prevents approval of another application for the same drug, for the same orphan indication, for a period of seven years, regardless of whether the application is a full NDA or an ANDA, except in limited circumstances, such as a showing of clinical superiority to the product with orphan exclusivity. Pediatric exclusivity, if granted, provides an additional six months to an existing exclusivity or statutory delay in approval resulting from a patent certification. This six-month exclusivity, which runs from the end of other exclusivity protection or patent delay, may be granted based on the voluntary completion of a pediatric study in accordance with an FDA-issued written request for such a study. The FFDCA also provides exclusivity for certain antibiotic drugs for serious or life-threatening infections that the FDA designates as “qualified infectious disease products.” This exclusivity extends other exclusivities for the same drug by five years, but does not extend patent-related delays in approval.

In 2017, the FDA Reauthorization Act of 2017, or FDARA, was passed, which created a new pathway to allow the FDA to expedite the development and review of an ANDA for a drug that is designated as a Competitive Generic Therapy, or CGT. To qualify for the designation, the FDA must confirm that the ANDA is for a generic drug in which there is inadequate generic competition. Inadequate generic competition is defined to mean, that there is not more than one approved drug in the active section of the Orange Book.

Once assigned CGT designation by the FDA, the FDA may take various actions to help expedite the development and review process. This includes priority granting and expediting review during Product Development and Pre-Submission Meetings, Mid-Review Cycle Meetings and providing for a more coordinated review of ANDA's with CGT.

As part of the FDARA, a new type of 180-day marketing exclusivity period for ANDA applicants with CGT designation has been created. Broadly, this exclusivity applies when the ANDA applicant is considered as the first approved applicant, and there is no other exclusivity period eligibility.

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Many of our ANDAs on file and many of the products that we are developing qualify for CGT. Having a generic product designated as CGT provides for certain actions which the FDA may take in order to expedite the development and review of an ANDA.

### *The NDA Approval Process*

The NDA approval process is generally far more demanding than the ANDA process, depending on whether the applicant is submitting a “full NDA” containing all of the data and information required for approval of a new drug or a “Section 505(b) (2) NDA” which is a more limited submission that is generally utilized for modifications to previously approved products.

The Prescription Drug User Fee Act, or PDUFA, was enacted by Congress in 1992. It authorizes the FDA to collect fees from companies that produce certain new human drug and biological products. The fees collected are designed to play an important role in expediting the new drug approval process. Like GDUFA, PDUFA must be reauthorized every 5 years. It is currently authorized as PDUFA VII through September of 2027. As part of the PDUFA, the FDA has specific goals for reviewing NDA/BLA applications. For example, as part of PDUFA VII, the goal of the FDA is to complete the review of 90% of original NDAs that are not new molecular entities within 10 months of the date of filing the NDA.

### The Full NDA

The approval process for a full NDA generally involves:

- completion of preclinical laboratory and animal testing to demonstrate safety, in compliance with the FDA’s good laboratory practice, or GLP, regulations;
- submission to the FDA of an investigational new drug application, or IND, for human clinical testing that must satisfy the FDA and become effective before human clinical trials may begin;
- performance of adequate and well-controlled human clinical trials to establish the efficacy of the proposed drug product for each intended use;
- satisfactory completion of an FDA pre-approval inspection of the facility or facilities at which the product is produced to assess compliance with the FDA’s cGMP regulations; and
- submission to and approval by the FDA of an NDA.

Before human clinical trials can begin on a new drug, the results of preclinical tests, together with manufacturing information and analytical data, must be submitted to the FDA as part of an IND and the FDA must permit the IND to become effective. Each clinical trial under an IND must be reviewed and approved by an independent Institutional Review Board, or IRB. Human clinical trials are typically conducted in three sequential phases that may overlap. These phases generally include:

- Phase 1, during which the drug is introduced into healthy human subjects, or on occasion, patients and is tested for safety, stability, dose tolerance and metabolism;
- Phase 2, during which the drug is introduced into a limited patient population to determine the efficacy of the product in specific targeted indications, to determine dosage tolerance and optimal dosage and to identify possible adverse effects and safety risks; and
- Phase 3, during which the clinical trial is expanded to a larger and more diverse patient group at geographically dispersed clinical trial sites to further evaluate the drug and ultimately to demonstrate effectiveness.

The IND sponsor, the FDA or the IRB may suspend a clinical trial at any time for various reasons, including failure to follow appropriate ethical trial protocols, failure to provide adequate protections for trial participants or a belief that the subjects are being exposed to an unacceptable health risk.

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The results of preclinical animal studies and human clinical studies, together with other detailed information (e.g., relating to pharmaceutical formulation, stability, manufacturing, processing, packaging, labeling, quality control) are submitted to the FDA in the NDA.

### The Section 505(b)(2) NDA

For modifications to products previously approved by the FDA, an applicant may file an NDA under Section 505(b)(2) of the FDCA. This section permits the filing of an NDA where some or all of the data required for approval comes from studies not conducted by or for the applicant and for which the applicant has not obtained a right of reference. Under this section, an applicant may rely on the approval of another NDA or on studies published in the scientific literature. The applicant may be required to conduct additional studies or provide additional information to fully demonstrate the safety and effectiveness of its modification to the approved product.

Where a Section 505(b)(2) applicant relies on the FDA's approval of another NDA, the applicant is required to submit the same types of patent certifications as are required for an ANDA. As in the case of an ANDA, a Paragraph IV certification challenging one or more of the patents listed for the reference drug will require notice to the patent owner(s) and NDA holder and will permit a patent infringement suit that may result in a 30-month stay in the approval of the Section 505(b)(2) NDA. The approval of a Section 505(b)(2) NDA may also be delayed by the NCE, three-year, orphan drug, pediatric and new antibiotic exclusivities that are applicable to ANDAs as discussed above.

### *The Biosimilar Application Approval Process*

The BPCIA, passed by Congress in 2010, amended the PHSa to create an abbreviated approval pathway for follow-on biologics. This approval pathway is available for "biosimilar" products, which are products that are highly similar to biologics that have been approved in BLAs under the PHSa notwithstanding minor differences in clinically inactive components. A biosimilar application must contain information demonstrating (1) biosimilarity to the reference product, (2) sameness of strength, dosage form, route of administration and mechanism(s) of action with the reference product (where known), (3) approval of the reference product for the indication(s) proposed for the biosimilar product and (4) appropriate manufacturing facilities. The FDA will approve the application based on a finding of biosimilarity or interchangeability with the reference product. A finding of biosimilarity must be based on (1) a demonstration that the products are "highly similar" notwithstanding minor differences in clinically inactive components, (2) animal studies, including an assessment of toxicity, and (3) a clinical study or studies (including an assessment of immunogenicity and pharmacokinetics or pharmacodynamics) sufficient to show the safety, purity and potency of the proposed product for one or more "appropriate" conditions of use for which licensure is sought and for which the reference product is licensed, unless the FDA waives a specific requirement. The definition of "biosimilar" requires that there be no clinically meaningful differences between the biosimilar and reference product with regard to safety, purity and potency.

An applicant with a pending or approved biosimilar application may seek an FDA determination that its product is interchangeable with the reference drug. In addition to demonstrating biosimilarity to the reference product, the biosimilar applicant must demonstrate that its product can be expected to yield the same clinical result as the reference product in any given patient. If the biosimilar product may be administered more than once to a patient, the applicant must demonstrate that the risk in terms of safety or diminished efficacy of alternating or switching between the biosimilar and reference products is not greater than the risk of continued administration of the reference product. The PHSa provides that a determination of interchangeability means that the biosimilar product may be substituted for the reference product without the intervention of the health care provider who prescribed the reference product. The first biosimilar determined to be interchangeable with a particular reference product for any condition of use is protected by an exclusivity that delays an FDA determination of interchangeability with regard to any other biosimilar application. The exclusivity delays the subsequent interchangeability determination until the earlier of: (1) one year after the first commercial marketing of the first interchangeable product; (2) 18 months after resolution of a patent infringement suit based on a final court decision regarding all of the patents in the litigation or dismissal of the litigation with or without prejudice; (3) 42 months after approval of the first interchangeable biosimilar biological product, if an expedited patent action was commenced against the applicant under section 351(l)(6) and the litigation is still pending; or (4) 18 months after approval of the first interchangeable product if the reference product sponsor did not sue the biosimilar applicant for infringement under the patent resolution provisions of the PHSa.

The PHSa provides a number of exclusivity protections for reference products that may delay submission and approval of biosimilar applications. The PHSa delays submission of a biosimilar application until four years after the date on

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which the reference product was first licensed and delays final approval of a biosimilar application until 12 years after the first licensure of the reference product. The first-licensure requirement precludes an additional period of exclusivity for a supplement to the original application for the reference product. It also precludes exclusivity for an entirely new BLA in certain circumstances. A new BLA submitted by a sponsor or manufacturer of a previously approved biologic would not be protected by exclusivity for (1) a non-structural change that results in a new indication, route of administration, dosing schedule, dosage form, delivery system, delivery device or strength or (2) a structural change that does not result in a change in safety, purity or potency. As in the case of NDAs approved under the FDCA, BLAs may be entitled to orphan exclusivity and to pediatric exclusivity.

The BPCIA amended the definition of biological product to include proteins (other than synthetic polypeptides). Applications for biological products, including proteins, must now be approved under the PHSA rather than under the FDCA. The BPCIA provides a grandfather exception for biologics falling within a product class for which the FDA has approved an application under the FDCA.

Under the PHSA, patents are not listed in the Orange Book and companies submitting biosimilar applications are not required to submit patent certifications. Patent disputes are resolved outside of the FDA regulatory process. The biosimilar applicant must share the contents of its biosimilar application and information on its manufacturing processes with counsel for the company holding the BLA for the reference drug. The biosimilar applicant and BLA holder must exchange information about relevant patents and seek agreement on patents to be litigated under an expedited litigation procedure.

### *The BLA Approval Process*

The BLA approval process is similar to the Full NDA approval process and generally involves:

- completion of preclinical laboratory and animal testing in compliance with the FDA's GLP regulations;
- submission to the FDA of an IND for human clinical testing, which must satisfy the FDA and become effective before human clinical trials may begin;
- performance of adequate and well-controlled human clinical trials to establish the efficacy of the proposed drug product for each intended use;
- satisfactory completion of an FDA pre-approval inspection of the facility or facilities at which the product is produced to assess compliance with the FDA's cGMP regulations; and
- submission to and approval by the FDA of a BLA.

### *Combination Products*

- A combination product is a product comprising of two or more regulated components (e.g., a drug and device) that are combined into a single product, co-packaged, or sold separately but intended for co-administration, as evidenced by the labeling for the products. A drug that is administered using an inhaler is an example of a combination drug/device product.
- The FDA is divided into various Centers, which each have authority over a specific type of product. NDAs are reviewed by personnel within the Center for Drug Evaluation and Research, or CDER, while device applications and premarket notifications are reviewed by the Center for Devices and Radiological Health, or CDRH. For biologic products, the BLAs are generally reviewed by personnel within the Center for the Biologic Evaluation and Research, or CBER. When reviewing a drug (biologic)/device combination product, the FDA must assign a lead Center to review the product, based on the combination product's primary mode of action, or PMOA, which is the single mode of a combination product that provides the most important therapeutic action of the combination product. The Center that regulates that portion of the product that generates the PMOA becomes the lead evaluator. If there are two independent modes of action, neither of which is subordinate to the other, the FDA makes a determination as to which Center to assign the product based on consistency with other combination products raising similar types of safety and effectiveness questions or to the Center with the most expertise in evaluating the most significant safety

and effectiveness questions raised by the combination product.

- When evaluating an application, a lead Center may consult other Centers and apply the standards that would be applicable but still retain complete reviewing authority, or it may collaborate with another Center, by which the Center assigns review of a specific section of the application to another Center, delegating its review authority for that section. Typically, the FDA requires a single marketing application submitted to the Center selected to be the lead evaluator, although the agency has the discretion to require separate applications to more than one Center. One reason to submit multiple applications is if the applicant wishes to receive some benefit that accrues only from approval under a particular type of application, like new drug product exclusivity. If multiple applications are submitted, each may be evaluated by a different lead Center.
- Our inhalers, intranasal delivery systems, and prefilled syringes, which deliver a specific drug or biologic, are regulated by the FDA as combination products. We believe the combination products will be regulated by the FDA as a drug or biologic (and not a device) because the primary mode of action of the combination will be a drug (or biological) action. As such, we will need to submit a marketing application to the CDER (or CBER) for our inhalers or prefilled syringes that deliver a specific drug. CDRH will provide input to CDER (or CBER) on the device aspects of the combination. We can provide no assurance that any of our combination products will be approved by the FDA in a timely fashion, if at all.
- Like their constituent products—e.g., drugs/biologics and devices—combination products are highly regulated and subject to a broad range of post marketing requirements including cGMPs, adverse event reporting, periodic reports, labeling and advertising and promotion requirements and restrictions, market withdrawal and recall.

#### **FDA Action on an Application for Approval**

If applicable statutory or regulatory requirements are not satisfied, the FDA may deny approval of an NDA, ANDA, BLA, or biosimilar application, or the FDA may require additional data or information. After approval of the application (or license), the FDA may suspend or withdraw the approval based on various criteria, including new information related to safety or effectiveness or failure to comply with post-approval requirements. In addition, the FDA may in some instances require post-marketing studies on approved products and may take actions to limit marketing of the product based on the results of those studies.

The new drug and biological product approval processes may take years, and the time may vary substantially based upon the type of application and the type, complexity and novelty of the product or disease. Government regulation may delay or prevent marketing of potential products for a considerable period of time and impose costly procedures upon a manufacturer's activities. Success in early stage clinical trials does not assure success in later stage clinical trials. Data obtained from clinical activities are not always conclusive and may be subject to varying interpretations that could delay, limit or prevent regulatory approval. Even if a product receives regulatory approval, later discovery of previously unknown problems with a product may result in restrictions on the product or complete withdrawal of the product from the market.

#### **Manufacturing (cGMP) Requirements**

We and our suppliers are required to comply with applicable FDA manufacturing requirements contained in the FDA's cGMP regulations. These cGMP regulations require among other things, quality control and quality assurance as well as the corresponding maintenance of records and documentation. The manufacturing facilities for our products must meet cGMP requirements to the satisfaction of the FDA before the FDA will approve our products and we must continue to meet these requirements after our products are approved. We and our suppliers are subject to periodic inspections of facilities by the FDA and other authorities to assess our compliance with applicable regulations.

#### **Other Regulatory Requirements**

Maintaining substantial compliance with appropriate federal, state and local statutes and regulations requires the expenditure of substantial time and financial resources. Drug and biologic manufacturers are required to register their

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establishments with the FDA and certain state agencies. After approval, the FDA and these state agencies conduct periodic unannounced inspections to ensure continued compliance with ongoing regulatory requirements.

In addition, after approval, some types of changes to the approved product, such as adding new indications, manufacturing changes and additional labeling claims, are subject to further FDA review and approval. The FDA may require post-approval testing and surveillance programs to monitor safety and effectiveness of approved products that have been commercialized. Any drug or biologic products manufactured or distributed pursuant to FDA approvals are subject to continuing regulation by the FDA, including:

- record-keeping requirements;
- reporting of adverse experiences with the drug;
- providing the FDA with updated safety and efficacy information;
- reporting on advertisements and promotional labeling;
- drug sampling and distribution requirements; and
- complying with electronic record and signature requirements.

In addition, the FDA strictly regulates labeling, advertising, promotion and other types of information on products that are placed on the market. There are numerous regulations and policies that govern various means for disseminating information to health-care professionals, as well as consumers, including industry sponsored scientific and educational activities, information provided to the media and information provided over the Internet. Drugs or biologics may be promoted only for the approved indications and in accordance with the provisions of the approved label.

### **FDA Enforcement Authority**

The FDA has very broad enforcement authority and the failure to comply with applicable regulatory requirements can result in administrative or judicial sanctions being imposed on us or on the manufacturers and distributors of our approved products, including warning letters, refusals of government contracts, clinical holds, civil penalties, injunctions (which may in some circumstances involve restitution, disgorgement or profits, recalls and/or total or partial suspension of production or distribution), seizure of products, withdrawal of approvals, refusal to approve pending applications and criminal prosecution of the company and company officials that may result in fines and incarceration. The FDA has authority to inspect manufacturing facilities as well as other facilities in which drug products are held, packaged or stored, to determine compliance with cGMP and other requirements under the FDCA. The FDA and other agencies actively enforce the laws and regulations prohibiting the promotion of off-label uses, and a company that is found to have improperly promoted off-label uses may be subject to significant liability. In addition, even after regulatory approval is obtained, later discovery of previously unknown problems with a product may result in restrictions on the product or even complete withdrawal of the product from the market.

We are also subject to various laws and regulations regarding laboratory practices, the experimental use of animals and the use and disposal of hazardous or potentially hazardous substances in connection with our research. In each of these areas, as above, the FDA has broad regulatory and enforcement powers, including the ability to levy fines and civil penalties, suspend or delay issuance of approvals, seize or recall products and withdraw approvals, any one or more of which could have a materially adverse effect on us.

### *Foreign Regulatory Requirements*

Outside the United States, our ability to market a product is contingent upon receiving marketing authorization from the appropriate regulatory authorities. The requirements governing marketing authorization, pricing and reimbursement vary widely from country to country. At present, foreign marketing authorizations are applied for at a national level, although within the European Union, or EU, registration procedures are available to companies wishing to market a product in more than one EU member state. The regulatory authority generally will grant marketing authorization if it is satisfied that we have presented it with adequate evidence of safety, quality and efficacy.



*USDA Animal and Plant Health Inspection Service*

USDA-APHIS regulates the importation of certain animals and animal-derived materials into the U.S. In particular, a USDA veterinary permit is required for importation of materials derived from animals or exposed to animal-source materials. Recently, USDA enhanced its African swine fever, or ASF, surveillance efforts, including restrictions on importation of pig-derived products from affected countries and testing for the ASF virus. While ASF does not affect human health, it is a highly contagious and deadly disease to local pig populations. ASF is currently widespread and endemic in various parts of Africa and Sardinia. In recent years, ASF has been reported in parts of the EU and in China, where the first cases of ASF were reported in August 2018. Complying with additional requirements, such as additional analytical data and documentation of processing flow, may be required for obtaining an import permit for certain materials from affected countries. Changes made to suppliers or sources of raw materials for drug products will require prior FDA approval, which would disrupt or delay the manufacturing of our products.

*Fraud and Abuse Laws*

Because of the significant federal funding involved in Medicare and Medicaid, Congress and the states have enacted, and actively enforce, a number of laws to eliminate fraud and abuse in federal health care programs. Our business is subject to compliance with these laws.

**Federal False Claims Act**

The False Claims Act, or FCA, imposes liability on any person or entity that, among other things, knowingly presents, or causes to be presented, a false or fraudulent claim for payment by a federal health care program. The *qui tam* provisions of the FCA allow a private individual to bring actions on behalf of the federal government alleging that the defendant has submitted a false claim to the federal government and to share in any monetary recovery. In recent years, the number of suits brought against health care providers by private individuals has increased dramatically. In addition, various states have enacted false claims laws analogous to the FCA, and many of these state laws apply where a claim is submitted to any third-party payer and not merely a federal or other governmental health care program.

When an entity is determined to have violated the FCA, it may be required to pay up to three times the actual damages sustained by the government, plus civil penalties of between \$13,946 and \$27,894 for each separate instance of a false claim, subject to adjustment for inflation. There are many potential bases for liability under the FCA. Liability arises, primarily, when an entity knowingly submits, or causes another to submit, a false claim for reimbursement to the federal government. The federal government has used the FCA to assert liability on the basis of inadequate care, kickbacks and other improper referrals, and improper use of Medicare numbers when detailing the provider of services, in addition to the more predictable allegations of misrepresentations with respect to the services rendered. In addition, the federal government has prosecuted companies under the FCA in connection with off-label promotion of products. Our current and future activities relating to the reporting of wholesale or estimated retail prices of our products, the reporting of discount and rebate information and other information affecting federal, state and third-party reimbursement of our products, and the sale and marketing of our products may be subject to scrutiny under these laws. While we are unaware of any current matters, we are unable to predict whether we will be subject to actions under the FCA or a similar state law, or the impact of such actions. However, the costs of defending such claims, as well as any sanctions imposed, could significantly affect our financial performance.

**The Open Payment Act**

The Physician Payment Sunshine Act, or the Open Payment Act, which was enacted as part of the Affordable Care Act, requires all pharmaceutical manufacturers that participate in Medicare, Medicaid or the Children's Health Insurance Program to report annually to the Secretary of the Department of Health and Human Services payments or other transfers of value made in the previous year by that entity, or by a third party as directed by that entity, to covered recipients, including physicians (defined to include doctors of medicine and osteopathy, dentists, podiatrists, optometrists, and licensed chiropractors), certain non-physician healthcare professionals (such as physician assistants and nurse practitioners, among others), and teaching hospitals, as defined by law, or to third parties on behalf of such covered recipients, as well as ownership and investment interests held by physicians and their immediate family members. The payments and transfer of value required to be reported include the cost of meals provided to a physician, travel reimbursements and other transfers of value provided as part of contracted services, including speaker programs, advisory boards, consultation services and clinical trial services. The statute requires the federal government to make

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reported information available to the public. Failure to comply with the reporting requirements can result in significant civil monetary penalties ranging from \$1,406 to \$14,067 for each payment or other transfer of value that is not reported (up to a maximum per annual report of \$211,008) and from \$14,067 to \$140,674 for each knowing failure to report (up to a maximum per annual report of \$1,406,728). Additionally, there are criminal penalties if an entity intentionally makes false statements in such reports. We are subject to the Open Payment Act and the information we disclose may lead to greater scrutiny, which may result in modifications to established practices and additional costs. Additionally, similar reporting requirements have also been enacted on the state level domestically, and an increasing number of countries worldwide either have adopted or are considering adopting similar laws requiring transparency of interactions with health care professionals.

### **The Anti-kickback Statute**

As a life sciences company, we are subject to the federal anti-kickback statute, or AKS. The AKS prohibits payments or providing anything of “value” (remuneration) for the purpose of inducing or rewarding the referral or generation of healthcare business. The intent is to protect the independence and clinical judgment of providers. There are numerous exceptions, or safe harbors, the most notable of which are that it is permissible to provide a discount or rebate to a healthcare provider based upon volume, and that manufacturers can pay administrative fees to GPOs or buying groups.

As a result of the AKS, the company pays particular attention to interactions with healthcare providers and how it structures sales. Any and all discounts that are offered are appropriately disclosed and documented to promote compliance with the AKS. At present, we employ our own salespeople and do not utilize a third-party sales force.

Both consulting relationships with healthcare providers and educational and research activities with healthcare providers and teaching hospitals receive considerable enforcement scrutiny. As a result, the company also pays particular attention to these relationships.

### **The Foreign Corrupt Practices Act**

The U.S. Foreign Corrupt Practices Act, or FCPA, prohibits U.S. corporations and their representatives from offering, promising, authorizing or making payments to any foreign government official, government staff member, political party or political candidate in an attempt to obtain or retain business abroad. The scope of the FCPA arguably includes interactions with certain healthcare professionals in many countries. Other countries have enacted similar anticorruption laws and/or regulations. Failure by our employees, agents, contractors, vendors, licensees, partners or collaborators to comply with the FCPA and other anticorruption laws and/or regulations could result in significant civil or criminal penalties.

### *Environmental Considerations*

We are subject to federal, state and local environmental laws and regulations, both U.S. and foreign, including those promulgated by the Occupational Safety and Health Administration, the Environmental Protection Agency, the Department of Health and Human Services and the Air Quality Management District, which govern activities and operations that may have adverse environmental effects such as discharges to air, soil and water, as well as handling and disposal practices for solid and hazardous wastes. Because we own and operate real property, these laws impose strict liability for the costs of cleaning up, and for damages resulting from, sites of past spills, disposals or other releases of hazardous substances and materials. These laws and regulations may also require us to pay for the investigation and remediation of environmental contamination at properties operated by us and at off-site locations where we have arranged for the disposal of hazardous substances. If it is determined that our operations or facilities are not in compliance with current environmental laws, we could be subject to fines and penalties, the amount of which could be material.

The costs of complying with various applicable environmental requirements, as they now exist or as may be altered in the future, could adversely affect our financial condition and results of operations. For example, as a result of environmental concerns about the use of CFCs, the FDA issued a final rule on January 16, 2009 that required the phase-out of the CFC version of our Primatene MIST<sup>®</sup> product by December 31, 2011. This phase out caused us to halt sales of the CFC version of our Primatene MIST<sup>®</sup> product subsequent to December 31, 2011 and write off our inventory for the product, which had an adverse effect on our financial results.

Similarly, on December 27, 2020, the American Innovation in Manufacturing Act of 2020, or AIM Act, was enacted. The AIM Act directs the United States Environmental Protection Agency to address usage of hydrofluorocarbons, or



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HFC, by reducing production and consumption of certain HFCs. One of our products, Primatene MIST<sup>®</sup>, utilizes HFCs subject to the AIM Act's reduction mandate. Moreover, many of our inhalation pipeline assets use HFCs subject to the AIM Act's reduction mandate. There can be no assurance that we will be able to acquire adequate supplies of HFCs for current and future commercialization of our products as a result of the AIM Act or other similar statutes and regulations. Moreover, changes to the ingredients of our proprietary and generic products requires FDA approval and there can be no assurance that we will be able to obtain such approval or the timing of such approval.

We have made and will continue to make expenditures to comply with current and future U.S. and foreign environmental laws and regulations. We anticipate that we will incur additional capital and operating costs in the future to comply with existing environmental laws and new requirements arising from new or amended statutes and regulations. We cannot accurately predict the impact and costs that future regulations will impose on our business.

### *Other Regulations*

We are subject to various national, regional and local laws of general applicability, such as laws regulating working conditions. We are also subject to country specific data protection laws and regulations relating to the collection and processing of personal data around the world. In addition, we are subject to various national, regional and local environmental protection laws and regulations, including those governing the emission of material into the environment. We are also subject to various national, regional and local laws regulating how we interact with healthcare professionals and representatives of government that impact our promotional and other commercial activities.

We also must comply with data protection and data privacy requirements such as HIPAA, GDPR, CCPA, and the upcoming CPRA. Compliance with these laws, rules and regulations regarding privacy, security and protection of employee data could result in higher compliance and technology costs for us, as well as significant fines, penalties and damage to our global reputation and our brand as a result of non-compliance.

In 2013, the federal Drug Supply Chain Security Act, or the DSCSA, became effective in the United States, mandating an industry-wide, national serialization system for pharmaceutical packaging with a ten-year phase-in process. By 2018, all manufacturers and re-packagers were required to mark each prescription drug package with a unique serialized code. Each of Amphastar and our U.S.-based subsidiaries is subject to or covered by DSCSA and is required to comply with such requirements. In addition, under the DSCSA, we are required to provide to downstream trading partners, serial number specific transaction details by May 2025, which has required additional modification to Amphastar and our U.S.-based subsidiaries' manufacturing sites. Additionally, should any subsidiary that is not subject to or covered by the DSCSA become subject to or covered by the DSCSA, we may be required to modify our manufacturing sites to comply with the rules and regulations.

### **Intellectual Property**

Our success depends on our ability to operate without infringing the patents and proprietary rights of third parties. However, we cannot determine with certainty whether patents or patent applications of other parties will have a materially adverse effect on our ability to make, use, or sell any products. A number of pharmaceutical companies, biotechnology companies, universities and research institutions may have filed patent applications or may have been granted patents that cover aspects of our, or our licensors' products, product candidates, or other technologies.

With respect to our existing generic products and generic product candidates, we primarily rely on trade secrets, unpatented proprietary know-how and continuing technological innovation to protect our products and technologies, especially where we do not believe patent protection is appropriate or obtainable. Although in some cases, we seek patent protection to preserve our competitive position, our current patent portfolio does not cover the majority of our existing products and product candidates. We own several U.S. and foreign patents covering processes and equipment used in the manufacture of a few of our products. The expiration dates of these patents range from 2025 to 2041. We also own several trademarks registered with the USPTO.

We currently own more than 100 issued patents globally, including several patents covering BAQSIMI<sup>®</sup>, U.S. Patent Number 10,213,487, which is listed in the U.S. FDA Orange Book, and we own a U.S. patent covering the HFA version of Primatene MIST<sup>®</sup>, U.S. Patent Number 8,367,734, which is listed in the U.S. FDA Orange Book. We have several patent applications that are currently pending. For our product candidates that are not intended to be generic products, we may seek to obtain patent rights or rely on trade secret protection. We may not be able to obtain patent or other forms of

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protection for inventions or other intellectual property developed by our officers, employees, or consultants because we might not have been the first to file or to invent the patentable technology or others may have independently developed similar or alternative technology.

The majority of our products and product candidates are not currently covered by any U.S. or foreign patents owned by us. Indeed, many of our products and product candidates are generic products, and therefore may not be eligible for patent protection. For example, our enoxaparin product is a generic product, and as such, our enoxaparin product is not covered by any U.S. or foreign patents. Other of our products, including Amphadase<sup>®</sup>, are based on compounds for which any applicable patents have expired, or which were not patented by Amphastar in the first instance because they are older compounds.

Despite our efforts to protect our proprietary information through the use of confidentiality and non-disclosure agreements, unauthorized parties may copy aspects of our products or obtain and use information that we regard as proprietary. Other parties may also independently develop know-how or obtain unauthorized access to our technologies.

Intellectual property protection is highly uncertain and involves complex legal and factual questions. Our patents and those for which we have or will license rights may be challenged, invalidated, infringed or circumvented, and the rights granted in those patents may not provide proprietary protection or competitive advantages to us. We and our licensors may not be able to develop patentable products. Even if a patent application is filed, some or all of the patent claims may not be allowed, the patent itself may not issue, or in the event of issuance, the issued claims may not be sufficient to protect the technology owned by or licensed to us.

Third-party patent applications and patents could reduce the coverage of the patents licensed, or that may be licensed to, or owned by us. If patents containing competitive or conflicting claims are issued to third parties, we may be enjoined from the commercialization of products or be required to obtain licenses to these patents or to develop or obtain alternative technology. In addition, other parties may duplicate, design around or independently develop similar or alternative technologies to ours or those of our licensors.

Litigation may be necessary to enforce patents issued or licensed to us or to determine the scope or validity of another party's proprietary rights. USPTO interference proceedings may be necessary if we and another party both claim to have invented the same subject matter. Even if we ultimately prevail, we could incur substantial costs and our management's attention would be diverted if:

- litigation is required to defend against patent suits brought by third parties;
- we participate in patent suits brought against or initiated by our licensors;
- we initiate suits against third parties who are infringing on our patents; or
- we participate in an interference or other similar USPTO proceeding.

However, even if we pursue litigation or other action to protect our intellectual property rights, we may not prevail in any of these actions or proceedings.

### **Human Capital**

As of December 31, 2024, we had 2,028 full-time employees in the United States, China, and France. Of these employees, approximately 150 employees hold post-graduate degrees. We consider our employees' intellectual capital an essential driver of our business and key to our future prospects. None of our U.S. employees are subject to a collective bargaining agreement or represented by a trade or labor union.

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The following table summarizes our employees by category and location:

	United States	China	France	Total
Manufacturing	1,049	93	98	1,240
QA/QC and Regulatory Affairs	187	75	33	295
Sales and Marketing	21	—	—	21
General and Administrative	107	20	23	150
Research and Development	269	48	5	322
Total employees	1,633	236	159	2,028

***Talent Acquisition and Retention***

We recognize that our employees largely contribute to our success. To this end, we support business growth by attracting and retaining best-in-class talent. Our talent acquisition team uses internal and external resources to recruit highly skilled candidates globally.

***Total Rewards***

Our total rewards philosophy recognizes the contributions of our workforce by offering competitive compensation and benefits packages. We provide employees with compensation packages that include base salary and annual incentive bonuses. Certain employees are also eligible for long-term equity awards. We also provide comprehensive employee benefits, which vary by country and region, such as life and health insurance, health savings accounts, paid time off, an Employee Stock Purchase Program, and a 401(k) plan.

***Health, Safety, and Wellness***

Our employees' health, safety, and wellness are a priority in which we have always invested and will continue to do so. We provide our employees and their families with access to various innovative, flexible, and convenient health and wellness programs. Program benefits are intended to provide protection and security, so employees can have peace of mind concerning events that may require time away from work or impact their financial well-being. These programs are highlighted regularly in our monthly human resources newsletters.

**Corporate Information**

We incorporated in California under the name Amphastar Pharmaceuticals, Inc. in 1996 and merged our California corporation into Amphastar Pharmaceuticals, Inc., a newly formed Delaware corporation, in 2004. Our corporate offices are located at 11570 6<sup>th</sup> Street, Rancho Cucamonga, CA 91730. Our telephone number is (909) 980-9484. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, are available free of charge as soon as reasonably practicable after we electronically file them with, or furnish them to, the SEC. You can access our filings with the SEC by visiting <http://www.amphastar.com>. The SEC also maintains an Internet website that contains reports, proxy statements and other information about issuers, like us, that file electronically with the SEC. The address of that website is <http://www.sec.gov>.

We use our website as a channel of distribution for important company information. Important information, including press releases, analyst presentations and financial information regarding us, as well as corporate governance information, is routinely posted and accessible on the "Investors" section of the website, which is accessible by clicking on the tab labeled "Investors" on our website home page. The contents of the websites provided above are not intended to be incorporated by reference into this Annual Report on Form 10-K or in any other report or document we file with the SEC. Further, our reference to the URLs for these websites are intended to be inactive textual references only.

## Item 1A. Risk Factors.

*Investing in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with all of the other information contained in this Annual Report on Form 10-K, including our consolidated financial statements and the related notes thereto. Our future operating results may vary substantially from anticipated results due to a number of risks and uncertainties, many of which are beyond our control. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that affect us. The following discussion highlights some of these risks and uncertainties and the possible impact of these risks on future results of operations. If any of the following risks occur, our business, financial condition or results of operations could be materially and adversely affected. In that case, the market value of our common stock could decline substantially and you could lose part or all of your investment.*

### Summary of Risk Factors

Our business is subject to numerous risks and uncertainties that you should consider before investing in our company, as more fully described below. The principal factors and uncertainties that make investing in our company risky include, among others:

- our success depends on our ability to develop and/or acquire and commercialize additional pharmaceutical products;
- our BAQSIMI<sup>®</sup>, Primatene MIST<sup>®</sup>, glucagon, epinephrine, lidocaine, phytonadione, and enoxaparin products collectively represent a significant portion of our net revenues; if the sales volume or pricing of these products decline, or if we are unable to satisfy market demand for these products, this could have a material adverse effect on our business, financial position and results of operations;
- our actual financial and operating results could differ materially from any expectations or guidance provided by us concerning future results;
- our success depends on the integrity of our supply chain, including multiple single source suppliers, the disruption of which could negatively impact our business;
- our ability to develop new products and additional revenue streams depends upon a variety of factors including being able to invest ongoing revenue and borrow funds or raise additional capital when needed;
- we face significant competition in the pharmaceutical industry with respect to both our proprietary and generic drugs, which may result in others developing or commercializing products before or more successfully than we do, which could significantly limit our growth and materially and adversely affect our financial results;
- health care providers may not be receptive to our products, particularly those that incorporate our proprietary drug delivery platforms;
- sales of our products may be adversely affected by the continuing consolidation of our customer base;
- we depend upon our key personnel, the loss of whom could adversely affect our operations. If we fail to attract and retain the talent required for our business, our business could be materially harmed;
- our business may be adversely affected by challenging macroeconomic conditions globally;
- because a portion of our manufacturing takes place in China, a significant disruption in the construction or operation of our manufacturing facility in China, political unrest in China, tariffs, impacts of outbreaks of health epidemics, or changes in social, political, trade, health, economic, environmental, or climate-related conditions or in laws, regulations and policies governing foreign trade could materially and adversely affect our business, financial condition and results of operations;
- we may be exposed to product liability claims and may not be able to obtain or maintain adequate

product liability insurance;

- we are exposed to risks related to our international operations and failure to manage these risks may adversely affect our operating results and financial condition;
- the FDA approval process is time-consuming and complicated, and we may not obtain the FDA approval required for a product within the timeline we desire, or at all; additionally, we may lose FDA approval and/or our products may become subject to foreign regulations;
- the novel use of particle engineering or synthetic APIs for any of our product candidates, may not receive regulatory approval, and without regulatory approval we will not be able to market our product candidates;
- if clinical studies for our product candidates are unsuccessful or significantly delayed, we will be unable to meet our anticipated development and commercialization timelines, which would have an adverse impact on our business;
- if branded pharmaceutical companies are successful in limiting the use of generics through their legislative, regulatory and/or other efforts, our sales of generic products may suffer; and
- our success depends on our ability to obtain, protect, and enforce our intellectual property.

### **Risks Relating to our Business and Industry**

#### ***Our success depends on our ability to develop and/or acquire and commercialize additional pharmaceutical products.***

Our financial results depend upon our ability to commercialize additional generic and proprietary pharmaceutical products, and whether our products are accepted by patients and physicians and are reimbursed by payers. Commercialization requires that we successfully and cost-effectively develop, test and manufacture or otherwise acquire both generic and proprietary products. All of our products must receive regulatory approval and meet (and continue to comply with) regulatory standards and requirements, including continued safety and efficacy standards. If health, safety, or environmental concerns arise with respect to a product, we may be forced to withdraw it from the market and be exposed to greater liability, including product liability lawsuits. For example, as a result of environmental concerns over the use of chlorofluorocarbons, or CFCs, the FDA, issued a final rule in 2009, that required the phase-out of the CFC formulation of our Primatene MIST<sup>®</sup> product by the end of 2011. As a result, in order to resume selling Primatene MIST<sup>®</sup> we had to develop a formulation of the product that uses hydrofluoroalkane, or HFA, as the propellant, and obtain FDA approval for the modified product, which took a significant amount of time and was not re-launched until December 2018. There can be no guarantee that our investment in research and development activities will result in FDA approval or produce commercially viable new products.

The development and commercialization process, particularly with respect to our proprietary products, is time-consuming, costly and involves a high degree of business risk. Our products currently under development, if and when fully developed and tested, may not perform as we expect. Necessary regulatory approvals may not be obtained in a timely manner, if at all, and we may not be able to produce and market such products successfully and profitably. For example, we filed an ANDA, for our enoxaparin product in March 2003, but FDA approval was not granted until September 2011 due to delays caused largely by the FDA's requirement that we perform immunogenicity studies and the receipt of an FDA warning letter and FDA Import Alert by the supplier of the starting material for our enoxaparin product. Following FDA approval, we became involved in litigation with Momenta Pharmaceuticals, Inc. and Sandoz Inc., which further delayed the commercial launch of our enoxaparin product until January 2012. Delays in any part of the process, or our inability to obtain regulatory approval of our products, including litigation with competitors and regulatory compliance of our suppliers and contractors, could adversely affect our operating results by restricting or delaying our introduction of new products, which could adversely impact our ability to market a prospective product. The FDA and similar regulatory agencies may change or impose new regulatory requirements on our products, which could require us to perform additional studies, expand additional resources on regulatory compliance, or delay our commercialization plan. To the extent that we expend significant resources on research and development efforts and are not able, ultimately, to introduce successful new products as a result of those efforts, our business, financial position and results of operations may be materially and adversely affected, and the market value of our common stock could decline.

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Our ability to introduce new generic products also depends upon our success in challenging patent rights held by third parties or in developing non-infringing products. Due to the emergence and development of competing products over time, our overall profitability depends on, among other things, our ability to introduce new products in a timely manner, to continue to manufacture products cost-effectively and to manage the life cycle of our product portfolio. If we are unable to cost-effectively maintain an adequate flow of successful generic and proprietary products and new indications and/or delivery methods for existing products sufficient to cover our substantial research and development costs and the decline in sales of older products that either become subject to generic competition, or are displaced by competing products or therapies, it could have a material adverse effect on our business, financial condition or results of operations.

***Our BAQSIMI<sup>®</sup>, Primatene MIST<sup>®</sup>, glucagon, epinephrine, lidocaine, phytonadione, and enoxaparin products collectively represent a significant portion of our net revenues. If the sales volume or pricing of these products decline, or if we are unable to satisfy market demand for these products, they could have a material adverse effect on our business, financial position and results of operations.***

Sales from our BAQSIMI<sup>®</sup> product that we acquired in June 2023 represented 20% and 8% of our total net revenues for the years ended December 31, 2024 and 2023, respectively. Sales from our Primatene MIST<sup>®</sup> product represented 14%, 14%, and 17% of our total net revenues for the years ended December 31, 2024, 2023, and 2022, respectively. Sales from our glucagon product, represented 15%, 18% and 11% of our total net revenues for the years ended December 31, 2024, 2023 and 2022, respectively. Sales from our epinephrine product represented 13%, 13%, and 15% of our total net revenues for the years ended December 31, 2024, 2023, and 2022, respectively. Sales from our lidocaine products represented 8%, 9%, and 11% of our total net revenues for the years ended December 31, 2024, 2023, and 2022, respectively. Sales from our phytonadione product represented 6%, 7%, and 10% of our total net revenues for the years ended December 31, 2024, 2023, and 2022, respectively, and sales of our enoxaparin product represented 3%, 5%, and 7% of our total net revenues for the years ended December 31, 2024, 2023, and 2022, respectively. We have experienced declining revenue from enoxaparin and some of our other existing products in the past. If the sales volume or pricing of enoxaparin continues to decline, or if the sales volume or pricing of lidocaine and phytonadione declines, or if we are unable to satisfy market demand for these products, our business, financial position and results of operations could be materially and adversely affected, and the market value of our common stock could decline. For example, our enoxaparin product continues to see increased competition in the market, which could result in declining per unit prices as well as lower market share due to intense pricing competition in the pharmaceutical industry. We have experienced significant declines in the per unit pricing and gross margins attributable to our enoxaparin product since its commercial launch. Our BAQSIMI<sup>®</sup>, Primatene MIST<sup>®</sup>, glucagon, epinephrine, lidocaine, phytonadione, and enoxaparin products could be rendered obsolete or negatively impacted by numerous factors, many of which are beyond our control, including:

- decreasing average sales prices;
- development by others of new pharmaceutical products that are more effective than ours;
- entrance of new competitors into our markets;
- loss of key relationships with suppliers, group purchasing organizations or end-user customers;
- manufacturing or supply interruptions;
- increase in material input costs;
- changes in the prescribing practices of physicians;
- changes in third-party reimbursement practices;
- implementation of prescription drug cost containment measures;
- changes in applicable FDA, health care, and environmental law;
- product liability claims; and
- product recalls or safety alerts.

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Any factor adversely affecting the sale of these products may cause our revenues to decline, and we may not be able to achieve and maintain profitability.

***Our ability to develop new products and additional revenue streams depends upon our ability to invest ongoing revenue, borrow funds or raise additional capital when needed.***

Developing a single product in the pharmaceutical industry is a very expensive proposition with no certainty of regulatory clearance or commercial success. Considerable amounts are invested into the research and development process. Our research and development expense was \$73.9 million, \$73.7 million, and \$74.8 million for the years ended December 31, 2024, 2023, and 2022, respectively. As noted elsewhere herein, ongoing revenue from current operations is a critical component of being able to adequately fund ongoing research and development efforts in our product pipeline. We may also fund our research and development using borrowed funds or funds raised through the capital markets. Our ability to obtain such funds on favorable terms, if at all, may be affected by market volatility, changes in the interest rate environment and general economic instability. If any one, or all, of these sources become unavailable, our research and development projects may become delayed or negatively impacted.

***Our success depends on the integrity of our supply chain, including multiple single source suppliers, the disruption of which could negatively impact our business.***

Some of our products are the result of complex manufacturing processes, and some require highly specialized raw materials, and BAQSIMI<sup>®</sup> relies on CMOs. Because our business requires outsourcing in some instances, we are subject to inherent uncertainties related to product safety, availability and security. For some of our key raw materials, components and APIs used in certain of our products, we have only a single, external source of supply, and alternate sources of supply may not be readily available.

For example, in 2009, we purchased heparin USP as the starting material for producing our enoxaparin product exclusively from a single source supplier and, in 2009, this supplier received a warning letter from the FDA and was the subject of an FDA Import Alert. The resulting shortage of heparin USP resulted in significant delays to the FDA approval process for our enoxaparin product. There are no guarantees our supplier will not receive warning letters in the future or that we will be able to replace this single source supplier with an alternate supplier on a commercially reasonable and timely basis, or at all, to prevent a shortage of heparin USP. Subsequently, we received FDA approval to make heparin USP from crude heparin using processes at our ANP and IMS facilities. In 2023, our API supplier for medroxyprogesterone discontinued making the active ingredient, which resulted in a halt in sales of the product after the third quarter of 2023. We were only able to relaunch this product in September 2024 following FDA qualification of our subsidiary ANP to manufacture this API. In the future, it is possible that our suppliers will receive warning letters from the FDA and be unsuccessful in their efforts to address the issues raised in such warning letters on a timely basis, or at all, or may discontinue production of raw materials, components or APIs used in our products or product candidates and would result in delays in commercialization and/or manufacturing of our products or product candidates if FDA approval for such products or product candidates is received. Furthermore, we may be unable to replace such supplier with an alternate supplier on a commercially reasonable and timely basis, or at all.

If we fail to maintain relationships with our current suppliers, including our CMOs, we may not be able to complete development, commercialization or marketing of our products, which would have a material and adverse effect on our business. Third-party suppliers may not perform as agreed, may discontinue production, or may terminate their agreements with us. For example, because these third parties provide materials to a number of other pharmaceutical companies, they may experience capacity constraints or choose to prioritize one or more of their other customers over us. Any significant problem that our suppliers experience could delay or interrupt our supply of materials until the supplier cures the problem or until we locate, negotiate for, validate and receive FDA approval for an alternative source of supply, if one is available. In the near term, we do not anticipate that the FDA will approve alternative sources to back up our primary suppliers. Therefore, if our primary suppliers become unable or unwilling to manufacture or deliver materials, we could experience protracted delays or interruptions in the supply of materials. This would ultimately delay our manufacture of products for commercial sale, which could materially and adversely affect our development programs, commercial activities, operating results and financial condition.

Additionally, any failure by us to forecast demand for, or to maintain an adequate supply of, the raw material and finished product could result in an interruption in the supply of certain products and a decline in sales of that product.



***Underutilization of our manufacturing capacity could negatively impact our gross margins.***

We have invested significantly in our manufacturing capacity in order to vertically integrate our business, contain the costs of raw materials and reduce the risks imposed by relying on third-party single source suppliers. We currently own and operate facilities that manufacture raw materials and APIs for our products and product candidates and those of our customers and partners, including insulin API for MannKind. However, if market demand decreases or if market supply surpasses demand, whether because of macroeconomic factors, pharmaceutical industry volatility, or deficiencies specific to our customers, we may not be able to reduce manufacturing expenses or overhead costs proportionately. For example, a significant portion of our manufacturing capacity in our facility in Éragny-sur-Epte, France is utilized for the manufacturing of insulin API for MannKind, and a significant portion of our manufacturing capacity in Rancho Cucamonga is utilized for the manufacture of enoxaparin. We have amended our supply agreement with MannKind, or the Supply Agreement and our option purchase agreement with MannKind, or the Option Agreement, multiple times to modify and extend the annual minimum purchase commitments under the Supply Agreement and the Option Agreement. This lowers the annual minimum quantities and lowers the production levels at AFP. Mannkind will not be purchasing RHI for the next two years as they are in the process of qualifying our upgraded RHI, which uses our internally produced inclusion bodies made at AFP.

If an increase in supply outpaces the increase in market demand, or if demand decreases, such as a further reduction in sales of insulin API for MannKind, the resulting oversupply could adversely impact our sales and result in the underutilization of our manufacturing capacity, high inventory levels, changes in revenue mix and rapid price erosion, which would lower our margins and adversely impact our financial results. In addition, in order to offset fixed manufacturing overhead costs and utilize our current facilities and personnel, it may at times be in our best interest to continue to produce and sell products that are not profitable in the near term, although this would negatively impact our gross margins.

***We face significant competition in the pharmaceutical industry with respect to both our proprietary and generic drugs, which may result in others developing or commercializing products before or more successfully than we do, which could significantly limit our growth and materially and adversely affect our financial results.***

We face and will face significant competition for our products and product candidates from pharmaceutical companies that focus on proprietary and generic injectable and inhalation markets such as Pfizer, Inc., BPI Labs, Lupin Pharmaceuticals, Inc., Viartis Inc., Fresenius Kabi USA, Apotex Corp., American Regent, Inc., Hikma Pharmaceuticals USA Inc., Par Pharmaceuticals, Cipla USA Inc., Meitheal Pharmaceuticals, Dr. Reddy's Laboratories, Inc., Xeris Pharmaceuticals, Medefil Inc., Accord Healthcare, and Teva Pharmaceuticals USA Inc. Competition in the generic pharmaceutical industry has increased as producers of branded products have entered the business by creating generic drug subsidiaries, purchasing generic drug companies, or licensing their products to generic manufacturers prior to patent expiration and/or as their patents expire.

We face similar competition with respect to our over-the-counter product. Our product competes with other products that are owned and marketed by companies with much greater financial resources to reach consumers and market their products to influence end-customer buying decisions. There can be no assurance that we will be able to profitably market our over-the-counter product and money spent on such marketing efforts may reduce our ability to focus on and develop our pharmaceutical products.

Our business operates in the pharmaceutical industry, which is an industry characterized by intense competition. Many of our competitors have longer operating histories and greater financial, research and development, marketing and other resources than we do. Consequently, many of our competitors may be able to develop products and/or processes competitive with, or superior to, our own. We are concentrating the majority of our efforts and resources on developing product candidates utilizing our proprietary technologies. The commercial success of products utilizing such technologies will depend, in large part, on the intensity of competition, labeling claims approved by the FDA for our products compared to claims approved for competitive products and the relative timing and sequence for commercial launch of new products by other companies that compete with our new products. If alternative technologies or other therapeutic approaches are adopted prior to our new product approvals, then the market for our new products may be substantially decreased, thus reducing our ability to generate future profits.

This intensely competitive environment requires an ongoing, extensive search for technological innovations and the ability to market products effectively, including the ability to communicate the effectiveness, safety and value of our products to healthcare professionals in private practice, group practices and managed care organizations. Our competitors



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vary depending upon product categories and, within each product category, upon dosage strengths and upon drug-delivery systems. Based on total assets, annual revenues and market capitalization, we are smaller than many of our national and international competitors with respect to both our generic and proprietary pharmaceutical products and product candidates. Many of our competitors have been in business for a longer period of time than us, have a greater number of products on the market and have greater financial and other resources than we do. Furthermore, recent trends in this industry are toward further market consolidation of large drug companies into a smaller number of very large entities, further concentrating financial, technical and market strength and increasing competitive pressure in the industry. If we directly compete with large entities for the same markets and/or products, their financial strength could prevent us from capturing a profitable share of those markets. Smaller companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. It is possible that developments by our competitors will make our products or technologies noncompetitive or obsolete.

### ***Our current and future indebtedness has and may continue to adversely affect our operating results and cash flows.***

The acquisition of BAQSIMI<sup>®</sup> was financed with proceeds of the senior secured term loan, or the Wells Fargo Term Loan, provided by the syndicated credit agreement, or the Credit Agreement, by and among the Company, certain subsidiaries of the Company, as guarantors, certain lenders, and Wells Fargo Bank, National Association, or Wells Fargo, as Administrative Agent (in such capacity, Agent), Swing line Lender and L/C Issuer. The material increase in our indebtedness as a result of the Credit Agreement and the 2.00% Convertible Senior Notes due 2029, or the 2029 Convertible Notes, has and may continue to adversely affect our operating results, cash-flows and our ability to use cash generated from operations as we satisfy our materially increased underlying interest and principal payment obligations under the Credit Agreement and the 2029 Convertible Notes, as applicable.

Specifically, our materially increased indebtedness could have important consequences to investors in our common stock, including any or all of the following:

- we could be subject to substantial variable interest rate risk because interest rates applicable to certain of our indebtedness are based on a fixed margin over an indexed rate or an adjusted base rate. If interest rates were to further increase substantially it could have a material adverse effect on our operating results and could affect our ability to service the indebtedness;
- our ability to obtain any necessary financing in the future for working capital, capital expenditures, debt service requirements, or other purposes may be limited or financing may be unavailable;
- a substantial portion of our cash flows must be dedicated to the payment of principal and interest on our indebtedness and other obligations and will not be available for use in our business;
- our level of indebtedness could limit our flexibility in planning for, or reacting to, changes in our business and the markets in which we operate or place us at a possible competitive disadvantage with competitors that are less leveraged than us or have better access to capital;
- our high degree of indebtedness will make us more vulnerable to changes in general economic conditions and/or a downturn in our business, thereby making it more difficult for us to satisfy our obligations; and
- any conversion of the 2029 Convertible Notes could dilute the interests of existing investors in our common stock.

Our ability to make scheduled payments of the principal and interest when due, or to refinance our borrowings under the Credit Agreement and/or the 2029 Convertible Notes, will depend on our future performance, which is subject to economic, financial, competitive and other factors beyond our control.

Our business may not continue to generate cash flow from operations in the future sufficient to satisfy our obligations under our indebtedness, and any future indebtedness we may incur and to make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as reducing or delaying investments or capital expenditures, selling assets, refinancing or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our existing or future indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these

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activities on desirable terms, which could result in a default under the Credit Agreement, the 2029 Convertible Notes or future indebtedness.

If we fail to make required payments under our existing or future indebtedness, we would be in default under the terms of these agreements. Subject to customary cure rights, any default would permit the holders of the indebtedness to accelerate repayment of this debt and could cause defaults under other indebtedness that we have, any of which could have a material adverse effect on the trading price of our common stock.

### ***Our outstanding loan agreements contain restrictive covenants that may limit our operating flexibility.***

Our loan agreements are collateralized by substantially all of our presently existing and subsequently acquired assets and subject us to certain affirmative and negative covenants, including limitations on our ability to transfer or dispose of assets, merge with or acquire other companies, make investments, pay dividends, incur additional indebtedness and liens and conduct transactions with affiliates. For example, the Credit Agreement contains financial and operational covenants that may adversely affect our operational freedom or ability to pursue strategic transactions that we would otherwise consider to be in the best interests of stockholders, including obtaining additional indebtedness to finance such transactions.

We are also subject to certain covenants that require us to maintain certain financial ratios and are required under certain conditions to make mandatory prepayments of outstanding principal. As a result of these covenants and ratios, we have certain limitations on the manner in which we can conduct our business, and we may be restricted from engaging in favorable business activities or financing future operations or capital needs until our current debt obligations are paid in full or we obtain the consent of our lenders, which we may not be able to obtain. For example, the Credit Agreement contains financial and operational covenants that may adversely affect our ability to engage in certain activities, including certain financing and acquisition transactions, stock repurchases, guarantees, and similar transactions, without obtaining the consent of the lenders, which may or may not be forthcoming including without limitation, covenants requiring compliance with a maximum consolidated net leverage ratio test and a minimum consolidated interest coverage ratio test.

We may not be able to generate sufficient cash flow or revenue to pay the principal and interest on our debt. In addition, upon the occurrence of an event of default, our lenders, among other things, can declare all indebtedness due and payable immediately, which would adversely impact our liquidity and reduce the availability of our cash flows to fund working capital needs, capital expenditures and other general corporate purposes. An event of default includes our failure to pay any amount due and payable under the loan agreements, the occurrence of a material adverse change in our business as defined in the loan agreements, our breach of any covenant in the loan agreements, subject to a grace period in some cases, or an involuntary insolvency proceeding. Additionally, a lender could exercise its lien on substantially all of our assets and our future working capital, borrowings or equity financing may not be available to repay or refinance any such debt.

### ***We may not have sufficient cash to settle conversions of the 2029 Convertible Notes in cash, to repurchase the 2029 Convertible Notes upon a fundamental change, or to repay the principal amount of the 2029 Convertible Notes in cash at their maturity, and our future debt may contain limitations on our ability to pay cash upon conversion or repurchase of the 2029 Convertible Notes.***

Holders of the 2029 Convertible Notes will have the right to require us to repurchase all or a portion of the 2029 Convertible Notes upon the occurrence of a fundamental change, as defined in the indenture governing the 2029 Convertible Notes, or the Indenture, before the applicable maturity date at a repurchase price equal to 100% of the principal amount of such 2029 Convertible Notes to be repurchased, plus accrued and unpaid interest or special interest, if any, as described in the Indenture. In addition, upon conversion of the 2029 Convertible Notes, we will be required to settle a portion or all of the conversion obligation in respect of the 2029 Convertible Notes being converted in cash, as described in the Indenture. Moreover, we will be required to repay the 2029 Convertible Notes in cash at their maturity unless earlier converted, redeemed or repurchased. However, we may not have enough available cash on hand or be able to obtain financing at the time we are required to make repurchases of the 2029 Convertible Notes surrendered therefor or pay cash with respect to the 2029 Convertible Notes being converted or at their respective maturity.

In addition, our ability to repurchase the 2029 Convertible Notes or to pay cash upon conversions of the 2029 Convertible Notes or at their maturity may be limited by law, regulatory authority or agreements governing our future

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indebtedness. Our failure to repurchase the 2029 Convertible Notes at a time when the repurchase is required by the Indenture or to pay cash upon the conversion of the 2029 Convertible Notes or at their maturity as required by the Indenture would constitute a default under the Indenture. A default under the Indenture or the fundamental change itself could also lead to a default under agreements governing our existing and future indebtedness. Moreover, the occurrence of a fundamental change under the Indenture could constitute an event of default under any such agreement. If the payment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness, which would have a material adverse effect on our business, results of operations and financial condition.

### ***The conditional conversion feature of the 2029 Convertible Notes, if triggered, may adversely affect our financial condition and operating results.***

In the event the conditional conversion feature of the 2029 Convertible Notes is triggered, holders of the 2029 Convertible Notes will be entitled under the Indenture to convert the 2029 Convertible Notes at any time during the specified periods at their option. Upon such event, if one or more holders elect to convert their 2029 Convertible Notes, we would be required to settle a portion or all of the conversion obligation in cash, which could adversely affect our liquidity. In addition, even if holders of the 2029 Convertible Notes do not elect to convert their 2029 Convertible Notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of such 2029 Convertible Notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

### ***If we fail to obtain exclusive marketing rights for our generic pharmaceutical products or fail to introduce these generic products on a timely basis, our revenues, gross margin and operating results may decline significantly.***

The Hatch-Waxman amendments to the Federal Food, Drug, and Cosmetic Act, or FDCA, provide for a period of 180 days of generic marketing exclusivity for any applicant that is first-to-file an ANDA containing a certification of invalidity, non-infringement or unenforceability related to a patent listed with respect to the corresponding brand drug, which we refer to as a Paragraph IV certification. The holder of an approved ANDA containing a Paragraph IV certification that is successful in challenging the applicable brand drug patent(s) is often able to price the applicable generic drug to yield relatively high gross margins during this 180-day marketing exclusivity period, however, there is no certainty that we will be the first-to-file and granted the 180-day marketing exclusivity period or, if we are granted the 180-day marketing exclusivity period, that we will not forfeit such period. In addition, ANDAs that contain Paragraph IV certifications challenging patents generally become the subject of patent litigation that can be both lengthy and costly and there are no certainty that we would prevail if there were any such litigation. Even where we are awarded marketing exclusivity, we may be required to share our exclusivity period with other ANDA applicants who submit Paragraph IV certifications. In addition, brand companies often authorize a generic version of the corresponding brand drug to be sold during any period of marketing exclusivity that is awarded, which reduces gross margins during the marketing exclusivity period. Brand companies may also reduce the price of their brand product to compete directly with generics entering the market, which similarly would have the effect of reducing gross margins. Furthermore, timely commencement of litigation by the patent owner imposes an automatic stay of ANDA approval by the FDA for 30 months, unless the case is decided in the ANDA applicant's favor during that period. Finally, if the court's decision is adverse to the ANDA applicant, the ANDA approval will be delayed until the challenged patent expires, and the applicant will not be granted the 180-day marketing exclusivity.

Accordingly, our revenues and future profitability are dependent, in large part, upon our ability or the ability of our development partners to file ANDAs with the FDA timely and effectively or to enter into contractual relationships with other parties that have obtained marketing exclusivity. We may not be able to develop and introduce successful products in the future within the time constraints necessary to be successful. If we or our development partners are unable to continue to timely and effectively file ANDAs with the FDA or to partner with other parties that have obtained marketing exclusivity, our revenues, gross margin and operating results may decline significantly, and our prospects and business may be materially adversely affected.

### ***Our generic products face, and our generic product candidates will face, additional competitive pressures that are specific to the generic pharmaceutical industry.***

With respect to our generic pharmaceutical business, revenues and gross profit derived from the sales of generic pharmaceutical products tend to follow a pattern based on certain regulatory and competitive factors. As patents and exclusivities protecting a brand name product expire, the first manufacturer to receive regulatory approval for a generic version of the product is generally able to achieve significant market penetration. Therefore, our ability to increase or

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maintain revenues and profitability in our generics business is largely dependent on our success in challenging patents and developing non-infringing formulations of proprietary products. As competing manufacturers receive regulatory approvals on generic products or as brand manufacturers launch generic versions of their products (for which no separate regulatory approval is required), market share, revenues and gross profit typically decline, often significantly and rapidly. Accordingly, the level of market share, revenue and gross profit attributable to a particular generic product normally is related to the number of competitors in that product's market and the timing of that product's regulatory approval and launch, in relation to competing approvals and launches. For example, enoxaparin is currently marketed by Sanofi, under the brand name Lovenox<sup>®</sup>. Sanofi also markets its authorized generic enoxaparin product through its subsidiary, Winthrop. Fresenius Kabi USA, Apotex Corp., Zydus Pharmaceuticals USA Inc., Sandoz, Meithael Pharmaceuticals, Inc., and others also either market or plan to market a generic version of enoxaparin. Other companies may have received FDA approval of enoxaparin but have not launched the product, while other companies have filed ANDAs for enoxaparin with the FDA. The presence of these current and prospective competitive products has had, and may continue to have, an adverse effect on our market share, revenue and gross profit from our enoxaparin product. Since the commercial launch of our enoxaparin product, we have experienced significant declines in sales volume, per unit pricing and gross margins attributable to this product. Consequently, we must continue to develop and introduce new generic products in a timely and cost-effective manner to maintain our revenues and gross margins. We may have fewer opportunities to launch significant generic products in the future, as the number and size of proprietary products that are subject to patent challenges is expected to decrease in the next several years compared to historical levels. Additionally, as new competitors enter the market, there may be increased pricing pressure on certain products, which may result in lower gross margins. In addition to our enoxaparin product, we have experienced pricing pressure on many of our other products, including naloxone, and we expect this trend to continue in the future.

Competition in the generic drug industry has also increased due to the proliferation of authorized generic pharmaceutical products. "Authorized generics" are generic pharmaceutical products that are introduced by brand companies, either directly or through partnering arrangements with other generic companies. Authorized generics are equivalent to the brand companies' brand name drugs, but are sold at relatively lower prices than the brand name drugs. An authorized generic product can be marketed during the 180-day exclusivity granted to the first manufacturer or manufacturers to submit an ANDA with a Paragraph IV certification for a generic version of the brand product. The sale of authorized generics adversely impacts the market share of a generic product that has been granted 180-day exclusivity. For example, as mentioned above, Sanofi currently markets an authorized generic enoxaparin product through its subsidiary, Winthrop. This is a significant source of competition for us because brand companies do not face any regulatory barriers to introducing authorized generics of their products. Because authorized generics may be sold during our exclusivity periods, if any, they can materially decrease the profits that we could otherwise receive as an exclusive marketer of a generic alternative. Such actions have the effect of reducing the potential market share and profitability of our generic products and may inhibit us from developing and introducing generic pharmaceutical products corresponding to certain brand name drugs.

Such competition can also result from the entry of generic versions of another product in the same therapeutic class as one of our drugs, or in another competing therapeutic class, or from the compulsory licensing of our products by governments, or from a general weakening of intellectual property laws in certain countries around the world.

In addition, the goals established under the Generic Drug User Fee Act, and increased funding of the FDA's Office of Generic Drugs, have led to more and faster generic approvals, and consequently increased competition for some of our products. The FDA has stated that it has established new steps to enhance competition, promote access and lower drug prices and is approving record-breaking numbers of generic applications. While these FDA improvements are expected to benefit our generic product pipeline, they will also benefit competitors that seek to launch products in established generic markets where we currently offer products.

***If the market for a reference brand product, such as Lovenox<sup>®</sup>, significantly declines, sales or potential sales of our generic and biosimilar products and product candidates may suffer and our business would be materially impacted.***

Proprietary products face competition on numerous fronts as technological advances are made or new products are introduced. As new products are approved that compete with the reference proprietary product to our generic products and generic or biosimilar product candidates, such as Lovenox<sup>®</sup>, which is the reference brand product for our enoxaparin product, sales of the reference brand products may be significantly and adversely impacted and may render the reference brand product obsolete. In addition, brand companies may pursue life cycle management strategies that also impact our generic products.

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If the market for a reference brand product is impacted, we in turn may lose significant market share or market potential for our generic or biosimilar products and product candidates, and the value for our generic or biosimilar pipeline could be negatively impacted. As a result, our business, including our financial results and our ability to fund future discovery and development programs, would suffer.

### ***Health care providers may not be receptive to our products, particularly those that incorporate our proprietary drug delivery platforms.***

The commercial success of our products will depend on acceptance by health care providers and others that such products are clinically effective, affordable and safe. Our products utilizing our proprietary drug delivery technologies may not be accepted by health care providers and others. Factors that may materially affect market acceptance of our products include but are not limited to:

- the relative therapeutic advantages and disadvantages of our products compared to competitive products;
- the relative timing of the commercial launch of our products compared to competitive products;
- the relative safety and efficacy of our products compared to competitive products;
- the product labeling approved by the FDA for our products and for competing products;
- the willingness of third-party payers to reimburse for our prescription products and the level of any reimbursement provided for our prescription products;
- the willingness of pharmacy chains to stock our new products;
- the willingness of consumers to pay for our products; and
- legislative and regulatory efforts implemented by federal, state, or foreign governments to contain health care costs and prescription drug pricing, including measures that increase our reporting obligations to regulatory authorities and that impact how our customers purchase our drug products.

Our products, if successfully developed and commercially launched, will compete with both currently marketed products and new products launched in the future by other companies. Health care providers may not accept or utilize some of our products. Physicians and other prescribers may not be inclined to prescribe our prescription products unless our products demonstrate commercially viable advantages over other products currently marketed for the same indications. Pharmacy chains may not be willing to stock certain of our new products, and pharmacists may not recommend such products to consumers. Further, consumers may not be willing to purchase some of our products. If our products do not achieve market acceptance, we may not be able to generate significant revenues or become profitable.

### ***If we are unable to maintain our group purchasing organization relationships, our revenues could decline and future profitability could be jeopardized.***

Many of the existing and potential customers for our products have combined to form group purchasing organizations in an effort to lower costs. Group purchasing organizations negotiate pricing arrangements with medical supply manufacturers and distributors, and these negotiated prices are made available to a group purchasing organization's affiliated hospitals and other members. Group purchasing organizations provide end-users access to a broad range of pharmaceutical products from multiple suppliers at competitive prices and, in certain cases, exercise considerable influence over the drug purchasing decisions of such end-users. Hospitals and other end-users contract with the group purchasing organization of their choice for their purchasing needs. We currently derive, and expect to continue to derive, our revenue from end-user customers that are members of group purchasing organizations. Maintaining our strong relationships with these group purchasing organizations will require us to continue to be a reliable supplier, offer a broad product line, remain price competitive, comply with FDA regulations and provide high-quality products. Although our group purchasing organization pricing agreements are typically multi-year in duration, most of them may be terminated by either party with 60 or 90 days' notice. The group purchasing organizations with which we have relationships may have relationships with manufacturers that sell competing products, and such group purchasing organizations may earn higher margins from these competing products or combinations of competing products or may prefer products other than ours for other reasons. If we are unable to maintain our group purchasing organization relationships, sales of our

products and revenue could decline.

***Consolidation in the health care industry could lead to demands for price concessions or for the exclusion of some suppliers from certain of our markets, which could have an adverse effect on our business, financial condition or results of operations.***

Because health care costs have risen significantly, numerous initiatives and reforms by legislatures, regulators and third-party payers to curb these cost increases have resulted in a trend in the health care industry to consolidate product suppliers and purchasers. As the health care industry consolidates, competition among suppliers to provide products to purchasers has become more intense. This in turn has resulted and will likely continue to result in greater pricing pressures and the exclusion of certain suppliers from important market segments as group purchasing organizations and large single accounts continue to use their market power to influence product pricing and purchasing decisions. As the U.S. payer market concentrates further and as more drugs become available in generic form, biopharmaceutical companies may face greater pricing pressure from private third-party payers, who will continue to drive more of their patients to use lower cost generic alternatives. This drive towards generic alternatives could adversely affect sales of our proprietary products and increase competition among generic manufacturers.

***Sales of our products may be adversely affected by the continuing consolidation of our customer base.***

A significant proportion of our sales are made to relatively few U.S. wholesalers and group purchasing organizations. These customers are continuing to undergo significant consolidation. Sales to three of these customers for the years ended December 31, 2024, 2023, and 2022, respectively, accounted for approximately 64%, 60%, and 62% of our total net revenues, respectively. Such consolidation has provided and may continue to provide them with additional purchasing leverage, and consequently may increase the pricing pressures that we face.

Moreover, we are exposed to a concentration of credit risk as a result of this concentration among our customers. If one or more of our major customers experienced financial difficulties, the effect on us would be substantial. This could have a material adverse effect on our business, financial condition and results of operations.

Our net sales and quarterly growth comparisons may also be affected by fluctuations in the buying patterns of retail chains, major distributors and other trade buyers, whether resulting from seasonality, pricing, wholesaler buying decisions or other factors. In addition, because a significant portion of our U.S. revenues is derived from relatively few customers, any financial difficulties experienced by a single customer, or any delay in receiving payments from a single customer, could have a material adverse effect on our business, financial condition and results of operations.

At the same time, the traditional model for distribution of pharmaceutical products is also undergoing disruption as a result of the entry or potential entry of new competitors and significant mergers among key industry participants. For example, in 2020 Amazon launched its pharmaceutical distribution business. In addition, several major hospital systems in the United States formed a nonprofit company that will provide U.S. hospitals with a number of generic drugs. These changes to the traditional supply chain could lead to our customers having increased negotiation leverage and to additional pricing pressure and price erosion.

***If our business partners do not fulfill their obligations with respect to our distribution or collaboration agreements, our revenues and our business will suffer.***

Pursuant to certain distribution or collaboration agreements, the success of some of our products or product candidates also depends on the success of the collaboration with our business partners, who are responsible for certain aspects of researching, developing, marketing, distributing or commercializing our products or product candidates. If any such agreement were to be terminated in accordance with its terms, including due to a party's failure to perform its obligations or responsibilities under the agreement, revenues could be delayed or diminished from these products and our revenues and/or profit share for these products could be adversely impacted.

***We depend upon our key personnel, the loss of whom could adversely affect our operations. If we fail to attract and retain the talent required for our business, our business could be materially harmed.***

We depend to a significant degree on our key management employees, including our Chief Executive Officer and Chief Science Officer, Jack Y. Zhang, and our Chief Operating Officer and Chief Scientist, Mary Z. Luo. The loss of services from any of these persons may significantly delay or prevent the achievement of our product development or business objectives. We do not carry key man life insurance on any key personnel. Competition among pharmaceutical companies



for qualified employees is intense, and the ability to attract and retain qualified individuals is critical to our success. We have experienced attrition among our executive officers in the past, and any future loss of key members of our organization or any inability to continue to attract high-quality employees may delay or prevent the achievement of major business objectives. Our productivity may be adversely affected if we do not integrate or train our new employees quickly and effectively.

Competition for highly-skilled personnel is often intense, especially in Southern California, where we have a substantial presence and need for highly-skilled personnel. We may not be successful in attracting, integrating or retaining qualified personnel to fulfill our current or future needs. Also, to the extent we hire personnel from competitors, we may be subject to allegations that we have improperly solicited, or that they have divulged proprietary or other confidential information, or that their former employers own their inventions or work product.

***Our business may be adversely affected by challenging macroeconomic conditions globally resulting from pandemics or other public health outbreaks.***

Pandemics or other extended public health outbreaks or emergencies could adversely affect economies and financial markets globally and nationally, including inflationary pressures and changes in interest rates, which could continue to decrease spending and adversely affect demand for our products and harm our business and results of operations. To the extent macroeconomic uncertainty persists or macroeconomic conditions worsen, we may experience a continuing adverse effect on the demand for some of our products. The degree of impact of any pandemic and the related challenging macroeconomic conditions on our business will depend on several factors, such as the duration and the extent of the pandemic, as well as actions taken by governments, businesses, and consumers in response to the pandemic and the challenging macroeconomic conditions globally. Macroeconomic conditions may continue to worsen leading to changes in monetary policy and other responses from governmental bodies, infections may resurge and cause closures or supply disruptions, each of which alone or in combination with others, would have a negative impact on our business, financial condition and operating results.

***We may be exposed to product liability claims and may not be able to obtain or maintain adequate product liability insurance.***

Our business exposes us to potential product liability risks, which are inherent in the testing, manufacturing, marketing and sale of pharmaceutical products. Product liability claims might be made by patients, health care providers or others who sell or consume our products. These claims may be made even with respect to those products that possess regulatory approval for commercial sale.

Our reputation is the foundation of our relationships with physicians, patients, group purchasing organizations and other customers. If we are unable to effectively manage real or perceived issues that could negatively impact sentiments toward us, our business could suffer. Our customers may have a number of concerns about the safety of our products whether or not such concerns have a basis in generally accepted science or peer-reviewed scientific research. These concerns may be increased by negative publicity, even if the publicity is inaccurate. Any negative publicity, whether accurate or inaccurate, about the efficacy, safety or side effects of our products or product categories, whether involving us, a competitor or a reference drug, could materially reduce market acceptance of our products, cause consumers to seek alternatives to our products, result in product withdrawals and cause our stock price to decline. Negative publicity could also result in an increased number of product liability claims, whether or not these claims have a basis in scientific fact.

We currently maintain a \$20.0 million product liability insurance policy, which covers Amphastar, IMS, Armstrong, and AFP, products, but our insurance coverage is subject to deductibles and may not reimburse us or may not be sufficient to reimburse us for all expenses or losses we may suffer from any product liability claims. Moreover, insurance coverage is becoming increasingly expensive and, in the future, we may not be able to maintain insurance coverage at a reasonable cost or in sufficient amounts to protect us against losses. Large judgments have been awarded in class action lawsuits based on drug products that had unanticipated side effects. A successful product liability claim or series of claims brought against us could cause our stock price to fall and, if judgments exceed our insurance coverage, could decrease our cash and adversely affect our business.

***If serious adverse events or deaths are identified relating to any of our products once they are on the market, we may be required to withdraw our products from the market, which would hinder or preclude our ability to generate revenues.***

We are required to report to relevant regulatory authorities adverse events or deaths associated with our product candidates or approved products. Based on such events, regulatory authorities may withdraw their approvals of such products or take enforcement actions. We may be required to reformulate our products, and/or we may have to recall the affected products from the market and may not be able to reintroduce them into the market. Furthermore, our reputation in the marketplace may suffer and we may become the target of lawsuits, including class actions suits. Any of these events could harm or prevent sales of the affected products and could have a material adverse effect upon our business and financial condition.

***Any acquisitions of technologies, products and businesses may be difficult to integrate, could adversely affect our relationships with key customers and/or could result in significant charges to earnings.***

We plan to regularly review potential acquisitions of technologies, products and businesses complementary to our business. For example, in 2023 we acquired BAQSIMI<sup>®</sup> from Lilly. Acquisitions typically entail many risks and could result in difficulties in integrating operations, personnel, technologies and products. If we are not able to successfully integrate our acquisitions, we may not obtain the advantages and synergies that the acquisitions were intended to create, which may have a material adverse effect on our business, results of operations, financial condition and cash flows, our ability to develop and introduce new products and the market price of our stock. In addition, some acquisitions may require regulatory approvals before products may be sold by us, which may not be obtained on a timely basis, or at all. It is possible that the integration of some acquired technologies, information systems and data could increase our risk of experiencing a data security or privacy incident. In addition, in connection with acquisitions, we could experience disruption in our business, technology and information systems, customer or employee base, including diversion of management's attention from our continuing operations. There is also a risk that key employees of companies that we acquire or key employees necessary to successfully commercialize technologies and products that we acquire may seek employment elsewhere, including with our competitors. Furthermore, there may be overlap between our products or customers and the companies that we acquire that may create conflicts in relationships or other commitments detrimental to the integrated businesses. If we are unable to successfully integrate technologies, products, businesses or personnel that we acquire, we could incur significant impairment charges or other adverse financial consequences.

Identifying, executing and realizing attractive returns on acquisitions is highly competitive and involves a high degree of uncertainty. We expect to encounter competition for potential target businesses from both strategic and financial buyers. Some of these competitors may be well established and have extensive experience in identifying and consummating business combinations. Some of these competitors may possess greater technical, human and other resources than us, and our financial resources may be relatively limited when contrasted with those of our competitors. We may lose acquisition opportunities if we do not match our competitors' pricing, terms and structure criteria for such acquisitions. If we are forced to match these criteria to make acquisitions, we may not be able to achieve acceptable returns on our acquisitions or may bear substantial risk of capital loss. In addition, target companies may not be willing to sell assets at valuations which are attractive to us. Furthermore, the terms of our existing or future indebtedness may hinder or prevent us from making additional acquisitions of technologies, products or businesses. Because of these factors, we may not be able to consummate an acquisition on attractive terms, if at all.

We intend to conduct an extensive due diligence investigation for any business we consider acquiring. Intensive due diligence is often time consuming and expensive due to the operations, finance and legal professionals who may be involved in the due diligence process. Even if we conduct extensive due diligence on a target business which we acquire, we may not identify all material issues that are present inside a particular target business. If our due diligence fails to discover or identify material issues relating to a target business, industry or the environment in which the target business operates, we may be forced to later write-down or write-off assets, restructure the target business' operations or incur impairment or other charges that could result in losses to us.

***We may engage in acquisitions or strategic partnerships that could disrupt our business, cause dilution to our stockholders, reduce our financial resources, cause or to incur debt or assume contingent liabilities, and subject us to other risks.***

In the future, we may enter into transactions to acquire other businesses, products or technologies or enter into strategic partnerships, including licensing. If we do identify suitable acquisition or partnership candidates, we may not be able to



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make such acquisitions or partnerships on favorable terms, or at all. Any acquisitions or partnerships we make may not strengthen our competitive position, and these transactions may be viewed negatively by customers or investors. We may decide to incur debt in connection with an acquisition or issue our common stock or other equity securities to the stockholders of the acquired company, which would reduce the percentage ownership of our existing stockholders. For example, our Term Loan may restrict our ability to pursue certain mergers, acquisitions or consolidations without obtaining the prior consent of a majority of lenders in our existing syndicate or repaying our outstanding loan amounts. We could incur losses resulting from undiscovered liabilities of the acquired business or partnership that are not covered by the indemnification we may obtain from the seller or our partner. In addition, we may not be able to successfully integrate any acquired personnel, technologies and operations into our existing business in an effective, timely and non-disruptive manner. Acquisitions or partnerships may also divert management attention from day-to-day responsibilities, lead to a loss of key personnel, increase our expenses and reduce our cash available for operations and other uses. We cannot predict the number, timing or size of future acquisitions or partnerships or the effect that any such transactions might have on our operating results.

***Charges to earnings resulting from acquisitions could have a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.***

Under U.S. generally accepted accounting principles, or GAAP, business combination accounting standards, we recognize the identifiable assets acquired, the liabilities assumed and any non-controlling interests in acquired companies generally at their acquisition date fair values and, in each case, separately from goodwill. Goodwill as of the acquisition date is measured as the excess amount of consideration transferred, which is also generally measured at fair value, and the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. Our estimates of fair value are based upon assumptions believed to be reasonable but which are inherently uncertain. After we complete an acquisition, the following factors could result in material charges and adversely affect our operating results and may adversely affect our cash flows:

- costs incurred to combine the operations of companies we acquire, such as transitional employee expenses and employee retention, redeployment or relocation expenses;
- impairment of goodwill or intangible assets, including acquired in-process research and development;
- amortization of intangible assets acquired;
- a reduction in the useful lives of intangible assets acquired;
- identification of or changes to assumed contingent liabilities, including, but not limited to, contingent purchase price consideration, income tax contingencies and other non-income tax contingencies, after our final determination of the amounts for these contingencies or the conclusion of the measurement period (generally up to one year from the acquisition date), whichever comes first;
- charges to our operating results to eliminate certain duplicative pre-acquisition activities, to restructure our operations or to reduce our cost structure; and
- charges to our operating results resulting from expenses incurred to effect the acquisition.

A significant portion of these adjustments could be accounted for as expenses that will decrease our net income and earnings per share for the periods in which those costs are incurred. Such charges could cause a material adverse effect on our business, financial position and results of operations and could cause the market value of the common stock to decline.

***We may evaluate asset dispositions and other transactions that may impact our results of operations, and we may not achieve the expected results from these transactions.***

From time to time, we may enter into agreements to dispose of certain assets. However, we cannot assure you that we will be able to dispose of any such assets at any anticipated prices, or at all, or that any such sale will occur during any anticipated time frame. In addition, we may engage in business combinations, purchases of assets or contractual arrangements or joint ventures. Subject to the agreements governing our existing debt or otherwise, some of these transactions may be financed with our additional borrowings. We may suffer a loss of key employees, customers or

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suppliers, loss of revenues, increases in costs or other difficulties in connection with these transactions. Other transactions may advance future cash flows from some of our businesses, thereby yielding increased short-term liquidity, but consequently resulting in lower cash flows from these operations over the longer term. The failure to realize the expected long-term benefits of any one or more of these transactions could have a material adverse effect on our financial condition or results of operations.

***Significant balances of intangible assets, including goodwill, are subject to impairment testing and may result in impairment charges, which may materially and adversely affect our results of operations and financial condition.***

A significant amount of our total assets is related to goodwill and intangible assets. As of December 31, 2024, the value of our goodwill and intangible assets net of accumulated amortization was \$590.7 million. Goodwill and other intangible assets are tested for impairment annually when events occur or circumstances change that could potentially reduce the fair value of the reporting unit or intangible asset. Impairment testing compares the fair value of the reporting unit or intangible asset to its carrying amount. Any future goodwill or other intangible asset impairment, if any, would be recorded in operating income and could have a material adverse effect on our results of operations and financial condition.

***Counterfeit versions of our products could harm our patients and reputation.***

Our industry has been increasingly challenged by the vulnerability of distribution channels to illegal counterfeiting and the presence of counterfeit products in a growing number of markets and over the Internet. Counterfeit products are frequently unsafe or ineffective, and can be potentially life-threatening. To distributors and patients, counterfeit products may be visually indistinguishable from the authentic version. Reports of adverse reactions to counterfeit drugs or increased levels of counterfeiting could materially affect patient confidence in the authentic product, and harm the business of companies such as ours. Additionally, it is possible that adverse events caused by unsafe counterfeit products would mistakenly be attributed to the authentic product. If a product of ours was the subject of counterfeits, we could incur substantial reputational and financial harm in the longer term.

***Our business and operations have been impacted in the past, and may be impacted in the future, in the event of system breach or failure.***

We, our collaborators, third-party providers, distributors, customers and other contractors utilize information technology systems and networks to transmit, store and otherwise process electronic data in connection with our business activities, including our supply chain processes, operations and communications including, in some cases, our clinical data and business proprietary information, and electronic data interchange, on purchase orders, invoices, chargebacks, among other things. We, and our collaborators, third-party providers, distributors and other contractors, also collect, transmit, store and otherwise process certain data relating to individuals, including about our personnel, business partners, and others, which may be subject to applicable data protection, security and privacy laws and regulations that require adoption of minimum information security standards. The cost of compliance with applicable data protection, security and privacy laws and regulations have increased and may increase in the future.

Despite our implementation of security measures to protect the confidentiality, integrity, and availability of the systems, networks and data within our control from various threats (e.g., cyber-attacks, system breaches, malware, viruses, hacking, fraudulent use, social engineering attacks, phishing attacks, ransomware attacks, credential-stuffing attacks, denial-of-service attacks, unauthorized access, insider threats, accidental disclosures, intellectual property theft and economic espionage, exploitable vulnerabilities, defects or bugs in our or our third-party providers' systems, natural disasters, war, terrorism, telecommunications and electrical outages, breakdowns, damage, interruptions), we have experienced and may continue to experience cyber-attacks of varying degrees from time to time. For example, in the first quarter of 2022, our Chinese subsidiary, ANP, was subject to a security incident that resulted in a temporary disruption to some of its internal computer systems. We worked with ANP to improve and implement additional security measures to its systems and networks. We incurred minimal costs to respond to the ANP incident. In addition, in the second quarter of 2020, we were subject to a security incident that resulted in a temporary disruption to some of our internal computer systems. In response to this incident, we engaged a third-party forensic expert to investigate, and determined that cyber criminals illegally obtained certain personal information of certain current and former employees. We notified affected individuals and regulators, as we deemed was required or appropriate. We incurred minimal cost to respond to this incident. Our systems and networks and the systems and networks of third parties that support us and our services may be breached or disrupted due to the threats described above or otherwise. The size and complexity of our systems may make them potentially vulnerable to breakdown or interruption, whether due to computer viruses or other causes,

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which may result in loss of data or the impairment of production and other supply chain processes, adversely affecting our business.

Techniques used to sabotage or obtain unauthorized access to systems and networks are constantly evolving and, in some instances, are not identified until or after they are launched against a target. We and our third-party service providers may be unable to anticipate these techniques, discover threats and react in a timely manner, or implement adequate preventative or mitigating measures. Further, system breaches, malware, ransomware, computer hacking, and insider threats have become more prevalent. For example, companies have experienced an increase in phishing and social engineering attacks from third parties in connection with the increase in employees working remotely in recent years. We and our third-party service providers who may be operating with personnel in remote work environments may have increased security risks, due to increased use of home Wi-Fi networks and virtual private networks, as well as increased disbursement of physical machines. Also, due to political uncertainty and military actions such as Russia's invasion of Ukraine or conflicts in the Middle East, we and our third-party providers are vulnerable to heightened risks of cyber threats and cyber-attacks from or affiliated with nation-state actors, including attacks that could materially disrupt our systems and operations, supply chain, and ability to produce, sell and distribute our products and services. While we implement security measures designed to reduce these risks, there is no guarantee that these measures will be adequate to safeguard all systems and networks. Any failure to maintain performance, reliability, security and availability of our systems and networks may result in accidental or unlawful destruction, damage, loss, unavailability, alteration, impairment, misuse, unauthorized disclosure of, or unauthorized access to our data, including personal information.

In addition, potential legal, regulatory, contractual, financial, operational, and reputational harm may arise from the accidental or unlawful destruction, damage, loss, unavailability, alteration, impairment, misuse, unauthorized disclosure of, or unauthorized access to our systems, networks, or data, including data which is transmitted, stored or otherwise processed by us or by collaborators, third-party providers, distributors and other contractors on our behalf. For example:

- The accidental or unlawful loss, unavailability or alteration of clinical trial data from completed or ongoing clinical trials for any of our product candidates could affect our ability to operate, result in delays in our development and regulatory approval efforts, and significantly increase our costs to recover or reproduce the data.
- Any security incident may require costly response and remediation efforts, trigger notification obligations under breach notification laws or contractual notification requirements, result in litigation or adverse regulatory action arising from or related to such an incident or event, damage our reputation, and result in significant additional expense to implement further data protection measures. Integrating the systems and data of any acquired entity may increase these risks due to unforeseen threats and vulnerabilities.
- Similarly, any security incident experienced by our collaborators, third-party providers, distributors and other contractors may hinder our product development, supply chain, other business operations, or our regulatory and contractual obligations to others and could also give rise to litigation or adverse regulatory action.

In an effort to ensure appropriate oversight of cyber security issues and risks, management updates the Board of Directors on cyber security matters on a quarterly basis, and the Board of Directors has assigned oversight of cyber security to the Audit Committee. Additionally, the Company has a security training and compliance program, which employees with access to information technology, must complete annually or more often, if deemed necessary or appropriate.

There can be no assurance that we will be successful in preventing security incidents nor that we will be successful in mitigating their effects, despite the implementation of security measures for systems, networks and data within our control. Similarly, there can be no assurance that our collaborators, third-party providers, distributors and other contractors will be successful in protecting our data on their systems or in protecting other systems upon which we may rely. Furthermore, breach notification laws are not consistent among jurisdictions, and compliance and other measures in the event of a security incident could result in a substantial cost and diversion of resources and distract management and technical personnel in efforts to investigate or correct the security incident, address and eliminate vulnerabilities and prevent future security incidents, and remediate the security incident, which repairing systems and responding to claims of damages for actual or asserted contract breaches. Any such security incident could have a material adverse effect on our business and prospects.

Although we maintain cyber insurance coverage that may cover certain of our losses in connection with a security

incident, we cannot be certain our insurance coverage will be adequate for losses actually incurred, that insurance will continue to be available to us on commercially reasonable terms (if at all) or that any insurer will not deny coverage as to any future claim. The successful assertion of one or more large claims against us that exceed available insurance coverage, the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, or denials of coverage, could have a material adverse effect on our business, including our financial condition, results of operations and reputation.

***We have incurred losses in the past and we may operate at a loss in future years while continuing to invest in developing and acquiring new products.***

Although we achieved net income in the years ended December 31, 2024, 2023, and 2022, we may incur operating and net losses and negative cash flow from operations in the future. Our business may generate operating losses if we do not successfully commercialize our product candidates, maintain sales of and profits from existing products, and generate sufficient revenues to support our level of operating expenses, especially as we continue our investments in developing and, to the extent applicable, acquiring new products. Because of the numerous risks and uncertainties associated with our commercialization efforts and future product development, we are unable to predict whether we will be able to maintain profitability.

### **Risks Relating to Regulatory Matters**

***The FDA approval process for changes to existing products (such as change of components or API supplier) is time-consuming and complicated, and we may not obtain the FDA approval required for such changes within the timeline we desire, or at all.***

The development, testing, manufacturing, marketing and sale of generic and proprietary pharmaceutical products and biological products are subject to extensive federal, state and local regulation in the U.S. and other countries. Satisfaction of all regulatory requirements, which typically takes years for drugs that require regulatory approval in ANDAs, NDAs, biological license applications, or BLAs, or biosimilar applications is dependent upon the type, complexity and novelty of the product candidate and requires the expenditure of substantial resources for research (including qualification of suppliers and their supplied materials), development, in vitro and in vivo (including nonclinical and clinical trials) studies, manufacturing process development and commercial scale up. Some of our products are drug-device combination products that are regulated as drug products by the FDA, with consultation from the FDA's Center for Device and Radiological Health. These combination products require the submission of drug applications to the FDA. All of our products are subject to compliance with the FDCA and/or the Public Health Service Act, or PHSA, and with the FDA's implementing regulations. Failure to adhere to applicable statutory or regulatory requirements by us or our business partners would have a material adverse effect on our operations and financial condition. In addition, in the event we are successful in developing product candidates for distribution and sale in other countries, we would become subject to regulation in such countries. Such foreign regulations and product approval requirements are expected to be time consuming and expensive as well.

We have in the past and may in the future encounter delays or agency rejections during any stage of the regulatory review and approval process based upon a variety of factors, including without limitation the failure to provide clinical data demonstrating compliance with the FDA's requirements for safety, efficacy and quality. Those requirements may become more stringent prior to submission of our applications for approval or during the review of our applications due to changes in the law or changes in FDA policy or the adoption of new regulations. After submission of an application, the FDA may refuse to file the application, deny approval of the application or require additional testing or data. The FDA can convene an Advisory Committee to assist the FDA in examining specific issues related to the application.

Under various user fee enactments, the FDA has committed to timelines for its review of NDAs, ANDAs, BLAs and biosimilar applications. However, the FDA's timelines described in its guidance on these statutes are flexible and subject to changes based on workload and other potential review issues that may delay the FDA's review of an application. Further, the terms of approval of any applications may be more restrictive than our expectations and could affect the marketability of our products.

The FDA also has the authority to revoke or suspend approvals of previously approved products for cause, to debar companies and individuals from participating in the approval process for ANDAs, to request recalls of allegedly violative products, to seize allegedly violative products, to obtain injunctions that may, among other things, close

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manufacturing plants that are not operating in conformity with cGMP and stop shipments of potentially violative products and to prosecute companies and individuals for violations of the FDCA.

One of our API suppliers discontinued manufacturing an API included in one of our commercial products. We qualified one of our subsidiaries to supply the necessary API, and obtained FDA approval of our new API supply. However, the approval process for the API supply was delayed, causing us to temporarily stop manufacturing and selling the product for several months. Similar situations could happen with other suppliers in the future. If we are forced to stop manufacturing any of our commercial products in the future, for any length of time, it could have a material effect on our operating results and financial condition.

FDA regulations and policies are subject to change, especially in view of changes under a new Presidential administration and new leadership at the agency, which can delay regulatory approval or have a material adverse effect on our operations. In June 2024, the U.S. Supreme Court overruled the *Chevron* doctrine, which gives deference to regulatory agencies' statutory interpretations in litigation against federal government agencies, such as the FDA, where the law is ambiguous. This landmark Supreme Court decision may invite various stakeholders to bring lawsuits against the FDA to challenge longstanding decisions and policies of the FDA, including the FDA's statutory interpretations of market exclusivities and the "substantial evidence" requirements for drug approvals, which could undermine the FDA's authority, lead to uncertainty in the industry, and disrupt the FDA's normal operations.

***Clinical failure can occur at any stage of clinical development. The results of earlier clinical trials are not necessarily predictive of future results and any product candidate we advance through clinical trials may not have favorable results in later clinical trials or receive regulatory approval.***

Clinical failure can occur at any stage of our clinical development. Clinical trials may produce negative or inconclusive results, and we may decide, or regulators may require us, to conduct additional clinical trials or preclinical studies. In addition, data obtained from trials and studies are susceptible to varying interpretations, and regulators may not interpret our data as favorably as we do, which may delay, limit or prevent regulatory approval. Success in preclinical studies and early clinical trials does not ensure that subsequent clinical trials will generate the same or similar results or otherwise provide adequate data to demonstrate the efficacy and safety of a product candidate. A number of companies in the pharmaceutical industry, including those with greater resources and experience than us, have suffered significant setbacks in Phase 3 clinical trials, even after seeing promising results in earlier clinical trials.

In addition, the design of a clinical trial can determine whether its results will support approval of a product and flaws in the design of a clinical trial may not become apparent until the clinical trial is well-advanced. Further, clinical trials of potential products often reveal that it is not practical or feasible to continue development efforts. If any of our product candidates are found to be unsafe or lack efficacy, we will not be able to obtain regulatory approval for them and our business would be harmed.

In some instances, there can be significant variability in safety and/or efficacy results between different trials of the same product candidate due to numerous factors, including changes in trial protocols, differences in composition of the patient populations, adherence to the dosing regimen and other trial protocols and the rate of dropout among clinical trial participants. Our clinical trials may not demonstrate consistent or adequate efficacy and safety to obtain regulatory approval to market our product candidates. If we are unable to bring any of our current or future product candidates to market, or to acquire any marketed, previously approved products, our ability to create long-term stockholder value will be limited.

***If clinical studies for our product candidates are unsuccessful or significantly delayed, we will be unable to meet our anticipated development and commercialization timelines, which would have an adverse impact on our business.***

Some of our new drug candidates must be approved in NDAs based on clinical studies demonstrating safety and/or effectiveness. For these types of studies, we rely on our investigational teams, who mainly are medical experts working in multicenter hospitals, to execute our study protocols with our product candidates. As a result, we have less control over our development program than if we were to perform the studies entirely on our own. Third parties may not perform their responsibilities according to our anticipated schedule. Delays in our development programs could significantly increase our product development costs and delay product commercialization.

The commencement of clinical trials on our product candidates may be delayed for several reasons, including but not limited to delays in demonstrating sufficient pre-clinical safety required to obtain regulatory clearance to commence a

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clinical trial, reaching agreements on acceptable terms with prospective contract research organizations, clinical trial sites and licensees, manufacturing and quality assurance release of a sufficient supply of a product candidate for use in our clinical trials, delays in recruiting sufficient subjects for a clinical trial and/or obtaining institutional review board approval to conduct a clinical trial at a prospective clinical site. Once a clinical trial has begun, it may be delayed, suspended or terminated by us or by regulatory authorities for a variety of reasons, including without limitation ongoing discussions with regulatory authorities regarding the scope or design of our clinical trials, a determination by us or regulatory authorities that continuing a trial presents an unreasonable health risk to participants, failure to conduct clinical trials in accordance with regulatory requirements, lower than anticipated recruitment or retention rate of patients in clinical trials, inspection of the clinical trial operations or trial sites by regulatory authorities, the imposition of a clinical hold by the FDA, lack of adequate funding to continue clinical trials and/or negative or unanticipated results of clinical trials.

Patient enrollment, a significant factor in the time required to complete a clinical study, is affected by many factors, including the size and nature of the study subject population, the proximity of patients to clinical sites, the eligibility criteria for the study, the design of the clinical study, competing clinical studies and clinicians' and patients' perceptions as to the potential advantages of the drug being studied in relation to available alternatives, including without limitation therapies being investigated by other companies. Further, completion of a clinical study and/or the results of a clinical study may be adversely affected by failure to retain subjects who enroll in a study but withdraw due to, among other things, adverse side effects, lack of efficacy, improvement in condition before treatment has been completed or for personal issues or who fail to return for or complete post-treatment follow-up.

Changes in governmental regulations and guidance relating to clinical studies may occur and we may need to amend study protocols to reflect these changes. Protocol amendments may require us to resubmit protocols to institutional review boards for reexamination or renegotiate terms with contract research organizations and study sites and investigators, all of which may adversely impact the costs or timing of or our ability to successfully complete a trial.

Clinical trials required by the FDA for approval of our products may not produce the results we need to move forward in product development or to submit or obtain approval of an NDA. Success in pre-clinical testing and early phase clinical trials does not assure that late phase clinical trials will be successful. Even if the results of any future Phase 3 clinical trials are positive, we may have to commit substantial time and additional resources to conduct further pre-clinical and clinical studies before we can submit NDAs or obtain FDA approval for our product candidates.

Clinical trials are expensive and at times difficult to design and implement, in part because they are subject to rigorous regulatory requirements. Further, if participating subjects or patients in clinical studies suffer drug-related adverse reactions during the course of such trials, or if we or the FDA believes that participating patients are being exposed to unacceptable health risks, we may suspend the clinical trials. Failure can occur at any stage of the trials, and we could encounter problems that would cause us to abandon clinical trials and/or require additional clinical studies relating to a product candidate.

***Even if our clinical trials and laboratory testing are completed as planned, their results may fail to provide support for approval of our products or for label claims that will make our products commercially viable.***

Positive results in nonclinical testing and early phase clinical studies do not ensure that late phase clinical studies will be successful or that our product candidates will be approved by the FDA. To obtain FDA approval of our proprietary product candidates, we must demonstrate through nonclinical testing and clinical studies that each product is safe and effective for each proposed indication. Further, clinical study results frequently are susceptible to varying interpretations. Medical professionals, investors and/or regulatory authorities may analyze or weigh study data differently than we do. In addition, determining the value of clinical data typically requires application of assumptions and extrapolations to raw data. Alternative methodologies may lead to differing conclusions, including with respect to the safety or efficacy of our product candidates.

In addition, if we license rights to third parties to develop our product candidates in other geographic areas or for other indications, we may have limited control over nonclinical testing or clinical studies that may be conducted by such third-party licensees in those territories or for those indications. If data from third-party testing identifies a safety or efficacy concern, such data could adversely affect our or another licensee's development of such product.

There is significant risk that our products could fail to show anticipated results in nonclinical testing and/or clinical studies and, as a result, we may elect to discontinue the development of a product for a particular indication or



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altogether. A failure to obtain requisite regulatory approvals or to obtain approvals of the scope requested may delay or preclude us from marketing our products or limit the commercial use of the products, and would have a material adverse effect on our business, financial condition and results of operations.

***The novel use of particle engineering or synthetic APIs for any of our product candidates, may not receive regulatory approval, and without regulatory approval we will not be able to market our product candidates.***

We are engaging in particle engineering for certain product candidates and there is no guarantee that we will obtain regulatory approval or, upon commercialization, market acceptance of these products.

The development of a product candidate and issues relating to its approval and marketing are subject to extensive regulations by the FDA in the U.S. and regulatory authorities in other countries, with regulations differing from country to country. We are not permitted to market our product candidates in the U.S. until we receive approval of an NDA from the FDA. NDA approvals may require extensive preclinical and clinical data and supporting information to establish the product candidate's safety and effectiveness for each desired indication. NDAs must include significant information regarding the chemistry, manufacturing and controls for the product. Obtaining approval of an NDA is a lengthy, expensive and uncertain process, and we may not be successful in obtaining approval. If we submit an NDA to the FDA, the FDA must decide whether to accept or reject the submission for filing. Any submissions may not be accepted for filing and review by the FDA. Even if a product is approved, the FDA may limit the indications for which the product may be marketed, require extensive warnings on the product labeling or require additional expensive and time-consuming post-approval clinical trials or reporting as conditions of approval. Regulators of other countries and jurisdictions have their own procedures for approval of product candidates with which we must comply prior to marketing in those countries or jurisdictions. Obtaining regulatory approval for marketing of a product candidate in one country does not necessarily ensure that we will be able to obtain regulatory approval in any other country.

In addition, delays in approvals or rejections of marketing applications in the U.S. or other countries may be based upon many factors, including regulatory requests for additional analyses, reports, data, preclinical studies and clinical trials, regulatory questions regarding different interpretations of data and results, changes in regulatory policy during the period of product development and the emergence of new information regarding our product candidates or other products. Also, regulatory approval for any of our product candidates may be withdrawn.

We also have plans to develop synthetic APIs. Our ongoing trials and studies may not be successful or regulators may not agree with our conclusions regarding the preclinical studies and clinical trials we have conducted to date or approve the use of such synthetic APIs.

If we are unable to obtain approval from the FDA or other regulatory agencies for our product candidates or synthetic APIs, we will not be able to market such product candidates and our ability to achieve profitability may be materially impaired.

***A fast track designation by the regulatory agencies, even if granted for any of our product candidates, may not lead to a faster development or regulatory review or approval process and does not increase the likelihood that our product candidates will receive marketing approval.***

We do not currently have fast track designation for any of our product candidates. If a drug is intended for the treatment of a serious or life-threatening condition and the drug demonstrates the potential to address unmet medical needs for this condition, the drug sponsor may apply for fast track designation. The FDA has broad discretion whether or not to grant this designation. Even if we believe a particular product candidate is eligible for this designation, we cannot assure you that the FDA would decide to grant it. Even if we do receive fast track designation, we may not experience a faster development process, review or approval compared to conventional procedures adopted by the FDA. In addition, the FDA may withdraw fast track designation if they believe that the designation is no longer supported by data from our clinical development program or if a competitor's product candidate is approved. For example, we were granted a fast track designation for our intranasal naloxone product, but this designation was withdrawn after a competitor's intranasal naloxone was approved. Many drugs that have received fast track designation have failed to obtain FDA approval.

***The commercial success of our NDA product candidates will depend in significant measure on the scope of the indication(s) and claims that the FDA approves for such products.***

The scientific foundation of our NDA product candidates will be based on our various proprietary technologies and the



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commercial success of these product candidates will depend in significant measure upon our ability to obtain FDA approval of labeling describing such products' indication(s) and expected features or benefits. Failure to achieve FDA approval of product labeling containing adequate information on features or benefits will prevent or substantially limit our advertising and promotion of such features in order to differentiate our proprietary technologies from those products that already exist in the market. This failure would have a material adverse impact on our business.

Our ANDA products are also subject to FDA approval of their labeling and the labeling of the referenced drug products.

***Even if we are able to obtain regulatory approval for our generic products, state pharmacy boards or state agencies may conclude that our products are not substitutable at the pharmacy level for the reference listed drug. If our generic products are not substitutable at the pharmacy level for their reference listed drugs, or if our drug products do not gain the acceptance of healthcare providers, payors, and patients, this could materially reduce sales of our products and our business would suffer.***

Although the FDA may determine that a generic product is therapeutically equivalent to a brand product and indicate this therapeutic equivalence by providing it with an "A" rating in the FDA's Orange Book, this designation is not binding on state pharmacy boards or state agencies. As a result, in states that do not deem our product candidates substitutable at the pharmacy level, physicians may be required to specifically prescribe our product or a generic product alternative in order for our product to be dispensed. Should this occur with respect to one of our generic product candidates, it could materially reduce sales in those states, which would substantially harm our business. Further, to the extent patients or their physicians are slow to adopt our generic products or do not consider our generic products as therapeutically equivalent, physicians may prescribe the branded products or otherwise instruct pharmacists to not substitute for our generic products, which would substantially harm our business.

***Our investments in biosimilar products may not result in products that are approved by the FDA or other foreign regulatory authorities and, even if approved by such authorities, may not result in commercially successful products.***

We plan to build on our existing platforms to produce biosimilar products in the future. In 2010, Congress amended the PHS Act to create an abbreviated approval pathway for follow-on biologics. This approval pathway is available for "biosimilar" products, which are products that are highly similar to previously approved biologics notwithstanding minor differences in inactive components. The process for bringing a biosimilar product to market is uncertain and may be drawn out for an extended period of time. Approval of biosimilar applications may be delayed by exclusivity on the BLA for the reference product for up to 12 years. Biosimilar applicants are also subjected to a patent resolution process that will require biosimilar applicants to share the contents of their application and information concerning its manufacturing processes with counsel for the company holding the BLA for the reference drug and to engage in a patent litigation process that could delay or prevent the commercial launch of a product for many years.

Biosimilar products are not presumed to be substitutable for the reference drug under the Biologics Price Competition and Innovation Act, or BPCIA. Biosimilar applicants must seek a separate FDA determination that they are "interchangeable" with the reference drug, meaning that they can be expected to produce the same clinical result in any given patient without an increase in risk due to switching from the brand product. The first interchangeable biosimilar product, an insulin glargine product, was approved in July 2021. The statutory standards for determining biosimilarity and interchangeability are broad and subject to change, and the FDA has broad discretion to determine the nature and extent of product characterization, nonclinical testing and clinical testing on a product-by-product basis.

Products approved based on biosimilarity without an FDA determination of interchangeability may not be substitutable at the retail pharmacy level. Some states have passed laws limiting pharmacy substitution to biosimilar products that the FDA has determined to be interchangeable, as well as restrictions on the substitution of interchangeable biosimilar products. These restrictions include, among other things, requirements for informing the patient and the prescribing physician of the substitution or proposed substitution, authority for the prescribing physician and the patient to preclude substitution and recordkeeping requirements. There is no certainty that other states will not impose similar restrictions or that states will not impose further restrictions or preclude substitution of interchangeable biosimilar products entirely.

Our competitive advantage in this area will depend on our success in demonstrating to the FDA that platform technology provides a level of scientific assurance that facilitates determinations of interchangeability, reduces the need for expensive clinical or other testing and raises the scientific quality requirements for our competitors to demonstrate that their products are highly similar to a brand product. Our ability to succeed will depend in part on our ability to invest in new programs and develop data in a timeframe that enables the FDA to consider our approach as the FDA begins to

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implement the new law. BLA holders will develop strategies and precedents for delaying or impeding approvals of biosimilar products and determinations of interchangeability. For example, the lengthy 12-year exclusivity protection provides the BLA holder for the reference drug with an opportunity to develop and replace its original product with a modified product that may avoid a determination of interchangeability and that may qualify for an additional 12-year marketing exclusivity period, reducing the potential opportunity for substitution at the retail pharmacy level for interchangeable biosimilars. As brand and biosimilar companies gain greater understanding of and experience with the new regulatory pathway, we expect to see new and unexpected company strategies, FDA decisions and court decisions that will pose unexpected challenges that will prevent, delay or make more difficult biosimilar approvals.

In addition, the BPCIA was passed as part of the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Affordability Reconciliation Act, or the Affordable Care Act. If the Affordable Care Act is amended or is repealed with respect to the biosimilar approval pathway, our opportunity to develop biosimilars (including interchangeable biologics) could be materially impaired and our business could be materially and adversely affected.

### ***Some of our products are used with drug delivery or companion diagnostic devices which have their own regulatory, manufacturing, reimbursement and other risks.***

Some of our products or product candidates may be used in combination with a drug delivery device, such as an injector, inhaler or other delivery system. Although the drug delivery devices we currently use in our products and product candidates are provided by third parties, we have entered into collaboration agreements with various medical device manufacturers to develop drug delivery systems to be used for our pipeline products. These drug-device combination products are particularly complex, expensive and time-consuming to develop due to the number of variables involved in the final product design, including ease of patient and doctor use, establishing clinical efficacy, reliability and cost of manufacturing, regulatory approval requirements and standards and other important factors. We will be responsible for any regulatory filings arising from this collaboration and, although we have significant in-house and external regulatory expertise, we have never prepared or submitted an NDA to the FDA for a drug-device combination product. Our product candidates intended for use with such drug delivery, or expanded indications that we may seek for our products used with such devices, may not be approved or may be substantially delayed in receiving approval if the devices do not gain and/or maintain their own regulatory approvals or clearances. Where approval of the drug product and device is sought under a single application, the increased complexity of the review process may delay approval.

Some of the drug delivery devices utilized in our products and product candidates are provided by single source unaffiliated third-party companies. We are dependent on the sustained cooperation and effort of those third-party companies both to supply the devices and to maintain regulatory compliance with the FDA quality system regulations applicable to medical device, and, in some cases, to conduct the studies required for approval or other regulatory clearance of the devices. We are also dependent on those third-party companies continuing to maintain such approvals or clearances once they have been received. Failure of third-party companies to supply the devices, to successfully complete studies on the devices in a timely manner, or to obtain or maintain required approvals or clearances of the devices could result in increased development costs, delays in or failure to obtain regulatory approval and delays in product candidates reaching the market or in gaining approval or clearance for expanded labels for new indications. In addition, loss of regulatory approval or clearance of a device that is used with our product may result in the removal of our product from the market.

The drug delivery devices used with our products are also subject to many of the same reimbursement risks and challenges to which our products are subject. A reduction in the availability of, or the coverage and/or reimbursement for, drug delivery devices used with our products could have a material adverse effect on our product sales, business and results of operations.

### ***Obtaining and maintaining regulatory approval of our product candidates in one jurisdiction does not mean that we will be successful in obtaining regulatory approval of our product candidates in other jurisdictions. Failure to obtain regulatory approval in foreign jurisdictions would prevent our product candidates from being marketed abroad.***

In addition to regulations in the United States, to market and sell our products in the EU and in many Asian countries and other jurisdictions, we must obtain separate regulatory approvals and comply with numerous and varying regulatory requirements, both from a clinical and manufacturing perspective. Approval by the FDA does not ensure approval by regulatory or payor authorities in other countries or jurisdictions, and approval by one regulatory or payor authority outside the United States does not ensure approval by regulatory authorities in other countries or jurisdictions or by the FDA. However, a failure or delay in obtaining regulatory approval in one jurisdiction may have a negative effect on the

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regulatory approval process in others. For example, even if the FDA grants marketing approval of a product candidate, comparable regulatory authorities in foreign jurisdictions must also approve the manufacturing, marketing and promotion of the product candidate in those countries. Approval procedures vary among jurisdictions and can involve requirements and administrative review periods different from, and greater than, those in the United States, including additional preclinical studies or clinical trials as clinical trials conducted in one jurisdiction may not be accepted by regulatory authorities in other jurisdictions. In many jurisdictions outside the United States, a product candidate must be approved for reimbursement before it can be approved for sale in that jurisdiction. In some cases, the price that we intend to charge for our products is also subject to approval. A product candidate that has been approved for sale in a particular country may not receive reimbursement approval in that country. We may not be able to obtain approvals from regulatory authorities or payor authorities outside the United States on a timely basis, if at all.

Regulatory authorities in jurisdictions outside of the United States have requirements for approval of product candidates with which we must comply prior to marketing in those jurisdictions. Obtaining foreign regulatory approvals and compliance with foreign regulatory requirements could result in significant delays, difficulties and costs for us and could delay or prevent the introduction of our products in certain countries. We do not have any product candidates approved for sale in any jurisdiction, including international markets, and we do not have experience in obtaining regulatory approval in international markets. If we are unable to obtain approval of any of our product candidates by regulatory or payor authorities in the EU, Asia or elsewhere, or if we fail to comply with the regulatory requirements in foreign jurisdictions, the commercial prospects of that product candidate may be significantly diminished, and our target market will be reduced and our ability to realize the full market potential of our product candidates will be harmed.

Clinical trials conducted in one country may not be accepted by regulatory authorities in other countries, and regulatory approval in one country does not mean that regulatory approval will be obtained in any other country. Approval procedures vary among countries and can involve additional product testing and validation and additional administrative review periods. Seeking foreign regulatory approvals could result in significant delays, difficulties and costs for us and may require additional preclinical studies or clinical trials, which would be costly and time consuming. Regulatory requirements can vary widely from country to country and could delay or prevent the introduction of our products in those countries.

Further, in Europe, the implementation of the Clinical Trials Regulation depends on confirmation of full functionality of the Clinical Trials Information System through an independent audit. This clinical trial portal and database is maintained by the EMA in collaboration with the European Commission and the EU Member States. Information on the conduct and results of each clinical trial carried out in the EU is made publicly available. In addition this database is complementary to the database established for pharmacovigilance (Regulation (EC) No 726/2004 with respect to centrally authorized medicinal products). The Commission Implementing Regulation (EU) No 520/2012 outlines the practical implications for marketing authorization holders, national competent authorities, and the EMA. Also, Commission Delegated Regulation (EU) No 357/2014 on post-authorization efficacy studies specifies the situations in which such studies may be required. Post-authorization efficacy studies may be required where concerns relating to some aspects of efficacy of the medicinal product are identified and can be resolved only after the medicinal product has been marketed, or where the understanding of the disease, the clinical methodology or the use of the medicinal product under real-life conditions indicate that previous efficacy evaluations might have to be revised significantly. Since Brexit, although the rules around GMP and pharmacovigilance in the UK currently remain similar to the EU requirements, UK-specific requirements or changes to current requirements could be implemented in the future, which could expose us to liability under UK-specific laws and regulations and increased costs associated with compliance with such new laws and regulations. Within the UK, requirements for clinical trials, marketing authorization, and post-approval compliance in Great Britain may differ from those of Northern Ireland, Scotland, and/or Wales. Satisfying these and other regulatory requirements can be costly, time consuming, uncertain and subject to unanticipated delays.

In addition, our failure to obtain regulatory approval in any country may delay or have negative effects on the process for regulatory approval in other countries. We do not have any product candidates approved for sale in any foreign jurisdiction, and we do not have experience in obtaining regulatory approval in such jurisdictions. If we fail to comply with regulatory requirements in international markets or fail to obtain and maintain required approvals, our ability to realize the full market potential of our products will be harmed.

Uncertainty in the regulatory framework and future legislation can lead to disruption in the execution of international multi-center clinical trials, the monitoring of adverse events through pharmacovigilance programs, the evaluation of the benefit-risk profiles of new medicinal products, and determination of marketing authorization across different jurisdictions. There could also be disruption to the supply and distribution as well as the import/export both of active

pharmaceutical ingredients and finished product. Such a disruption could create supply difficulties for ongoing clinical trials and may damage the integrity of the pharmacovigilance database for the safety of new products. The cumulative effects of the disruption to the regulatory framework, uncertainty in future regulation, and changes to existing regulations may add considerably to the development lead time to marketing authorization and commercialization of products in the EU and/or the United Kingdom and increase our costs. We cannot predict the impact of such changes and future regulation on our business or the results of our operations.

***If branded pharmaceutical companies are successful in limiting the use of generics through their legislative, regulatory and/or other efforts, our sales of generic products may suffer.***

Many pharmaceutical companies producing proprietary drugs have increasingly used state and federal legislative and regulatory means to delay, impede and/or prevent generic competition. These efforts have included but are not limited to the following:

- making changes to the formulation of their product and arguing that potential generic competitors must demonstrate bioequivalence and/or comparable abuse-resistance to the reformulated brand product;
- pursuing new patents for existing products which may be granted immediately prior to the expiration of earlier patents, which could extend patent protection for additional years or otherwise delay the launch of generics;
- selling the brand product as an authorized generic, either by the brand company directly, through an affiliate, or by a marketing partner;
- using the FDA's Citizen Petition process to request amendments to FDA standards or otherwise delay generic drug approvals;
- challenging FDA denials of Citizen Petitions in court and seeking injunctive relief to reverse approval of generic drug applications;
- seeking changes to standards in the U.S. Pharmacopeia/National Formulary, which are compendial drug standards that are recognized by industry and, in some instances, are enforceable under the FDCA;
- attempting to use the legislative and regulatory process to have drugs reclassified or rescheduled by the DEA;
- using the legislative and regulatory process to set standards and requirements for abuse deterrent formulations that are patented or that will otherwise impede or prevent generic competition;
- seeking special patent-term extensions through amendments to non-related federal legislation;
- engaging in initiatives to enact state legislation that would restrict the substitution of certain generic drugs, including products that we are developing;
- entering into agreements with pharmacy benefit management companies that block the dispensing of generic products;
- seeking patents on methods of manufacturing certain API;
- settling patent lawsuits with generic companies in a manner that leaves the patent as an obstacle for approval of other companies' generic drugs;
- settling patent litigation with generic companies in a manner that avoids forfeiture of or otherwise protects or extends the exclusivity period;
- providing medical education or other information to physicians, third-party payers and federal and state regulators that take the position that certain generic products are inappropriate for approval or for substitution after approval;

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- seeking state law restrictions on the substitution of generic and biosimilar products at the pharmacy level without the instruction or permission of a physician; and
- seeking federal or state regulatory restrictions on the use of the same non-proprietary name as the reference brand product for a biosimilar or interchangeable biologic.

If pharmaceutical companies or other third parties are successful in limiting the use of generic products through these or other means, our sales of generic products may decline. If we experience a material decline in generic product sales, our results of operations, financial condition and cash flows will suffer.

***Our revenues may be adversely affected if we fail to obtain insurance coverage or adequate reimbursement for our products from third-party payers and administrators.***

Our ability to successfully commercialize our products may depend in part on the availability of reimbursement for and insurance coverage of our prescription products from government health administration authorities, private health insurers and other third-party payers and administrators, including Medicaid and Medicare. Third-party payers and administrators, including state Medicaid programs and Medicare, have been challenging the prices charged for pharmaceutical products. Government and other third-party payers increasingly are limiting both coverage and the level of reimbursement for new drugs. Third-party insurance coverage may not be available to patients for some of our product candidates. The continuing efforts of government and third-party payers to contain or reduce the costs of health care may limit our commercial opportunity. If government and other third-party payers do not provide adequate coverage and reimbursement for certain of our products, health care providers may not prescribe them or patients may ask their health care providers to prescribe competing products with more favorable reimbursement.

Managed care organizations and other private insurers frequently adopt their own payment or reimbursement reductions. Consolidation among managed care organizations has increased the negotiating power of these entities. Private third-party payers, as well as governments, increasingly employ formularies to control costs by negotiating discounted prices in exchange for formulary inclusion. While these approaches generally favor generic products over brands, generic competition is stronger. Our existing products and our product candidates include proprietary products and generic products. Failure to obtain timely or adequate pricing or formulary placement for our products or obtaining such pricing or placement at unfavorable pricing could adversely impact revenue. In addition to formulary tier co-pay differentials, private health insurance companies and self-insured employers have been raising co-payments required from beneficiaries, particularly for proprietary pharmaceuticals and biotechnology products. Private health insurance companies also are increasingly imposing utilization management tools, such as requiring prior authorization for a proprietary product if a generic product is available or requiring the patient to first fail on one or more generic products before permitting access to a proprietary medicine. We currently have managed care organization agreements for BAQSIMI<sup>®</sup>.

***We must manufacture our drug products at our facilities in conformity with cGMP regulations; failure to maintain compliance with cGMP regulations may prevent or delay the manufacture or marketing of our products or product candidates and may prevent us from gaining approval of our products.***

All of our products and product candidates for use in clinical studies must be manufactured, packaged, labeled and stored in accordance with cGMP. For our approved products, modifications, enhancements, or changes in manufacturing processes and sites may require supplemental FDA approval, which may be subject to a lengthy application process or which we may be unable to obtain.

All facilities of Amphastar and our subsidiaries are periodically subject to inspection by the FDA and other governmental entities, and operations at these facilities could be interrupted or halted if the FDA or another governmental entity deems such inspections as unsatisfactory. For example, our facilities in Rancho Cucamonga, CA, Éragny Sur Epte, France, and Nanjing, China have previously been subject to FDA cGMP inspections since 2019 as well as pre-approval, routine and other inspections by the FDA, state, and other regulatory authorities and may be again in the future per applicable law. Products manufactured in our facilities must be made in a manner consistent with cGMP or similar standards in each territory in which we manufacture. Compliance with such standards requires substantial expenditures of time, money and effort in such areas as production and quality control to ensure full technical compliance. Failure to comply with cGMP or with other state, federal, or foreign requirements may result in unanticipated compliance expenditures, total or partial suspension of production or distribution, suspension of review of applications submitted for approval of our product candidates, termination of ongoing research, disqualification of data

derived from studies on our products and/or enforcement actions such as recall or seizure of products, injunctions, civil penalties and criminal prosecutions of the company and company officials. Any suspension of production or distribution would require us to engage contract manufacturing organizations to manufacture our products or to accept a hiatus in marketing our products. Any contract manufacturing organization we engage will require time to learn our methods of production and to scale up to full production of our products in accordance with cGMP requirements. Any delays caused by the transfer of manufacturing to a contract manufacturing organization may have a material adverse effect on our results of operations. Additionally, any contract manufacturing organization that we engage will be subject to the same cGMP regulations as us, and any failure on their part to comply with FDA or other governmental regulations will result in similar consequences.

***Our operations are subject to environmental, health and safety and other laws and regulations, with which compliance is costly and which exposes us to penalties for non-compliance.***

Our business, products and product candidates are subject to federal, state and local laws and regulations relating to the protection of the environment, natural resources and worker health and safety and the use, management, storage and disposal of hazardous substances, waste and other regulated materials. Because we own and operate real property, various environmental laws also may impose liability on us for the costs of cleaning up and responding to hazardous substances that may have been released on our property, including releases unknown to us. These environmental laws and regulations also could require us to pay for environmental remediation and response costs at third-party locations where we dispose of or recycle hazardous substances. The costs of complying with these various environmental requirements, as they now exist or as may be altered in the future, have in the past and could in the future adversely affect our financial condition and results of operations. For example, as a result of environmental concerns about the use of CFCs, the FDA issued a final rule in 2009 that required the phase-out of the CFC version of our Primatene MIST<sup>®</sup> product by the end of 2011. This phase out caused us to discontinue sales of the CFC version of our Primatene MIST<sup>®</sup> product subsequent to December 31, 2011 and write off our inventory for the product, which had an adverse effect on our financial results.

Similarly, on December 27, 2020, the American Innovation in Manufacturing Act of 2020, or AIM Act, was enacted. The AIM Act directs the United States Environmental Protection Agency to address usage of hydrofluorocarbons, or HFC, by reducing production and consumption of certain HFCs. Two of our products, Primatene MIST<sup>®</sup> and Albuterol, utilize HFCs subject to the AIM Act's reduction mandate. Moreover, many of our inhalation pipeline assets use HFCs subject to the AIM Act's reduction mandate. There can be no assurance that we will be able to acquire adequate supplies of HFCs for current and future commercialization of our products as a result of the AIM Act or other similar statutes and regulations. Moreover, changes to the ingredients of our proprietary and generic products requires FDA approval and there can be no assurance that we will be able to obtain such approval or the timing of such approval.

***The Affordable Care Act and certain legislation and regulatory proposals may increase our costs of compliance and negatively impact our profitability over time.***

In March 2010, former President Barack Obama signed the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Affordability Reconciliation Act, which we refer to collectively as the Affordable Care Act. The Affordable Care Act made extensive changes to the delivery of health care in the United States. We expect that the rebates, discounts, taxes and other costs resulting from the Affordable Care Act over time will have a negative effect on our expenses and profitability in the future. Furthermore, the Independent Payment Advisory Board created by the Affordable Care Act to reduce the per capita rate of growth in Medicare spending could potentially limit access to certain treatments or mandate price controls for our products. Moreover, expanded government investigative authority and increased disclosure obligations may increase the cost of compliance with new regulations and programs.

Since its enactment, there have been judicial and Congressional challenges to certain aspects of the Affordable Care Act, or ACA. In June 2021, the United States Supreme Court held that Texas and other challengers had no legal standing to challenge the ACA, dismissing the case without specifically ruling on the constitutionality of the ACA. Accordingly, the ACA remains in effect in its current form. It is unclear how this Supreme Court decision, future litigation, or healthcare measures promulgated by the current administration will impact our business, financial condition and results of operations. Complying with any new legislation or changes in healthcare regulation could be time-intensive and expensive, resulting in material adverse effect on our business.

In addition, there have been a number of other legislative and regulatory proposals aimed at changing the pharmaceutical industry. For example, in November 2013, Congress passed the Drug Quality and Security Act, or the DQSA. The



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DQSA establishes federal pedigree tracking standards requiring drugs to be labeled and tracked at the lot level, preempts state drug pedigree requirements, and, since November 27, 2024, requires all supply-chain stakeholders to participate in an electronic, interoperable prescription drug track and trace system. The DQSA also establishes new requirements for drug wholesale distributors and third-party logistics providers, including licensing requirements in states that had not previously licensed such entities. Recently, the FDA promulgated enhanced drug distribution security requirements under the Drug Supply Chain Security Act, including requiring trading partners to provide, receive and maintain documentation about products and ownership only electronically using interoperable systems and processes. If we or our partners fail to comply with these and other regulatory requirements that apply to our operations, our business may be materially impacted. As a result of these and other new requirements implemented by the government, we may determine to change our current manner of operation, provide additional benefits or change our contract arrangements, any of which could have a material adverse effect on our business, financial condition and results of operations.

Former President Barack Obama also signed into law the Food and Drug Administration Safety and Innovation Act. The law and related agreements make several significant changes to the FDCA and FDA's processes for reviewing marketing applications that could have a significant impact on the pharmaceutical industry, including, among other things, the following:

- reauthorizes the Prescription Drug User Fee Act, which increases the amount of associated user fees, and, for certain types of applications, increases the expected time frame for FDA review of NDAs;
- permanently reauthorizes and makes some revisions to the Best Pharmaceuticals for Children Act and the Pediatric Research Equity Act, which provide for pediatric exclusivity and mandated pediatric assessments for certain types of applications, respectively;
- revises certain standards and requirements for FDA inspections of manufacturing facilities and the importation of drug products from foreign countries;
- creates incentives for the development of certain antibiotic drug products;
- modifies the standards for accelerated approval of certain new medical treatments;
- expands the reporting requirements for potential and actual drug shortages;
- requires the FDA to issue a report on, among other things, ensuring the safety of prescription drugs that have the potential for abuse;
- requires the FDA to hold a public meeting regarding the potential rescheduling of drug products containing hydrocodone, which was held in October 2012; and
- requires electronic submission of certain marketing applications following the issuance of final FDA regulations.

The full impact of new laws and regulations and changes to any existing regulations by the current administration is uncertain. Some changes may have an adverse effect on our results of operations.

There has been heightened governmental scrutiny recently over the manner in which drug manufacturers set prices for their marketed products, which has resulted in several congressional inquiries and proposed and enacted federal and state legislation designed to, among other things, bring more transparency to product pricing, review the relationship between pricing and manufacturer patient programs, and reform government program reimbursement methodologies for drug products. For example, under the American Rescue Plan Act of 2021, effective January 1, 2024, the statutory cap on Medicaid Drug Rebate Program rebates that manufacturers pay to state Medicaid programs will be eliminated. Elimination of this cap may require pharmaceutical manufacturers to pay more in rebates than it receives on the sale of products, which could have a material impact on our business. In July 2021, the Biden administration released an executive order, "Promoting Competition in the American Economy," with multiple provisions aimed at increasing competition for prescription drugs. In August 2022, Congress passed the Inflation Reduction Act of 2022, which includes prescription drug provisions that have significant implications for the pharmaceutical industry and Medicare beneficiaries, including allowing the federal government to negotiate a maximum fair price for certain high-priced single source Medicare drugs, manufacturers are required to pay higher rebates on brand-name drugs once a patient reaches



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their out-of-pocket spending limit, imposing penalties and excise tax for manufacturers that fail to comply with the drug price negotiation requirements, requiring inflation rebates for all Medicare Part B and Part D drugs, with limited exceptions, if their drug prices increase faster than inflation, and redesigning Medicare Part D to reduce out-of-pocket prescription drug costs for beneficiaries, among other changes. Various industry stakeholders, including pharmaceutical companies and the Pharmaceutical Research and Manufactures of America, have initiated lawsuits against the federal government asserting that the price negotiation provision of the Inflation Reduction Act are unconstitutional. The impact of these judicial challenges, legislative, executive, and administrative actions, including future healthcare measures and agency rules implemented by the government on us and the pharmaceutical industry as a whole is unclear. The implementation of cost containment measures or other healthcare reforms may prevent us from being able to generate revenue, attain profitability, or commercialize our approved products.

At the state level, legislatures have increasingly passed legislation and implemented regulations designed to control pharmaceutical and biological product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures, and, in some cases, designed to encourage importation from other countries and bulk purchasing. For example, in September 2020, the Governor of California signed legislation that brings California one step closer to establishing its own generic drug label, which could have significant impact on the generic drug industry and generic drug pricing. A number of states are also considering or have recently enacted state drug price transparency and reporting laws that could substantially increase our compliance burdens and expose us to greater liability under such state laws.

Additionally, we encounter similar regulatory and legislative issues in most other countries. In the EU, and some other international markets, the government provides health care at low cost to consumers and regulates pharmaceutical prices, patient eligibility or reimbursement levels to control costs for the government-sponsored health care system. This international system of price regulations may lead to inconsistent prices.

If significant additional reforms are made to the U.S. health care system, or to the health care systems of other markets in which we operate, those reforms could have a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

***Complying with laws in the U.S., Europe, and other jurisdictions that impose restrictive regulations addressing the collection, use, and other processing of personal information may be expensive, and failure to comply with such laws and regulations could cause substantial harm to our business.***

We also must comply with data protection, security and privacy requirements. Compliance with laws, rules and regulations regarding privacy, security and protection of personal information, including about our personnel, business partners, and others, could result in higher compliance and technology costs for us. Significant fines, penalties, damages and harm to our global reputation and our brand could result from actual or perceived non-compliance.

We collect, process, use, store, transmit and transfer personal information from individuals located in the EU and the United Kingdom in connection with our business. The collection, storage, transmission, transfer, use, and other processing of personal information in the EU are governed by the provisions of the General Data Protection Regulation ((EU) 2016/679), or the GDPR. In the UK, the applicable legislation is the UK General Data Protection Regulation, or the UK GDPR. This legislation imposes requirements relating to having legal bases for processing personal information relating to identifiable individuals, transferring such information outside of the UK or the European Economic Area, to third countries that have not been found to provide adequate protection to such personal information, including to the U.S., providing details to those individuals regarding the processing of their personal information, keeping personal information secure, having data processing agreements with third parties who process personal information, responding to individuals' requests to exercise their rights in respect of their personal information, reporting security breaches involving personal information to the competent national data protection authority and affected individuals, appointing data protection officers, conducting data protection impact assessments and record-keeping. Failure to comply with the requirements of the GDPR, the UK GDPR and related national data protection laws of the UK and the member states of the EU may result in investigations, substantial fines up to the greater of €20 million or 4% of annual global turnover, civil claims, and damages being brought against us, which could have a material adverse effect on our business, financial condition and results of operations.

While the GDPR applies uniformly across the EU, each EU member state is permitted to issue nation-specific data protection legislation, which has created inconsistencies on a country-by country basis. The United Kingdom may introduce legislation reforming the UK GDPR in 2025, which could result in further inconsistencies requiring us to

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modify our compliance measures and incur costs.

The European Commission issued an adequacy decision to the United Kingdom under the GDPR on June 28, 2021, pursuant to which personal information generally may be transferred from the EU to the United Kingdom without restriction; however, this adequacy decision is subject to a four-year “sunset” period, meaning that the adequacy decision will last until June 27, 2025, unless the European Commission renews it. The European Commission may intervene at any time with respect to its adequacy decision. The United Kingdom’s adequacy determination therefore is subject to future uncertainty and may be subject to modification or revocation, with the United Kingdom potentially being considered an inadequate third country under the GDPR, meaning that transfers of personal information from the European Economic Area to the United Kingdom would require an alternative transfer mechanism. Furthermore, there will be increasing scope for divergence in application, interpretation and enforcement of the data protection law as between the United Kingdom and European Economic Area. The United Kingdom has introduced legislation that, if enacted, would result in its data protection and regulatory scheme diverging from the GDPR.

In addition, U.S. states are adopting new laws or amending existing laws, requiring attention to frequently changing regulatory requirements related to personal information. For example, California enacted the California Consumer Privacy Act, or the CCPA, which took effect on January 1, 2020. The CCPA gives California residents, among other things, expanded rights to access and require deletion of their personal information, opt out of certain personal information sharing, and receive detailed information about how their personal information is used. The CCPA also provides for civil penalties for violations, as well as a private right of action for certain data breaches that may increase data breach litigation. The CCPA was expanded substantially on January 1, 2023 when the California Privacy Rights Act of 2020, or the CPRA, which was approved by California voters in November 2020, became fully operative. The CPRA among other things, gives consumers the ability to limit use of information deemed to be sensitive and establishes the California Privacy Protection Agency to implement and enforce the CPRA and impose administrative fines. Aspects of the CCPA and CPRA, and their interpretation and enforcement remain uncertain. The potential effects of the CCPA and CPRA are far-reaching and may require us to modify our data processing practices and policies and to incur substantial costs and expenses in an effort to comply.

The CCPA and CPRA could mark the beginning of a trend toward more stringent data protection, security and privacy legislation in the U.S. The CCPA has prompted a number of proposals for federal and state privacy legislation. For example, Virginia, Colorado, Utah and Connecticut have each passed laws similar to but different from the CCPA and CPRA that took effect in 2023; Florida, Montana, Oregon and Texas have enacted similar laws that went into effect in 2024; Tennessee, Delaware and Iowa have enacted similar laws that go into effect in 2025; and Indiana has enacted a similar law that will go into effect in 2026. Similar laws have been proposed in other states and at the federal level, reflecting a trend toward more stringent data protection, security and privacy legislation in the U.S. The enactment of such laws could have potentially conflicting requirements that would make compliance challenging. Further, several states have enacted laws that provide additional protection to consumer health data, including Washington, which enacted the My Health, My Data Act, which, among other things, provides for a private right of action, and Nevada and Connecticut, which have enacted similar laws. Responsibilities and liabilities under, and other potential impacts of, the GDPR, the UK GDPR, the CCPA, and other U.S. state laws are significant, and we may be required to put in place additional measures designed to comply with these regimes.

We may also publicly post privacy policies and other documentation regarding our collection, use, storage, transmission, transfer, and other processing of personal information. Although we endeavor to comply with our public policies and documentation, we may at times fail to do so or be alleged to have failed to do so. Moreover, despite our efforts, we may not be successful in achieving compliance if our employees or contractors fail to comply with our published policies and documentation. Such failures can subject us to potential regulatory action if they are found to be deceptive, unfair, or misrepresentative of our actual practices.

Additionally, other jurisdictions are considering new or expanded laws or regulations relating to privacy, security and data protection. With laws, regulations and other obligations relating to privacy, security and data protection imposing new and relatively burdensome obligations, which may be inconsistent between jurisdictions or in conflict with each other due to differing applications and interpretations, and with substantial uncertainty over further interpretation and application of these and other obligations, we may face challenges in addressing their requirements, putting in place additional compliance mechanisms and making necessary changes to our policies, contracts and practices, and may incur significant costs and expenses in an effort to do so. Additionally, if we or third parties we work with, such as our third-party providers, violate applicable laws or regulations or our policies, such violations may also put our data at risk and could in turn have an adverse effect on our business. Any failure or perceived failure by us or our service providers to

comply with our applicable policies or notices relating to privacy, security or data protection, our contractual or other obligations to third parties, or any of our other legal obligations relating to privacy, security or data protection, may result in public criticism, governmental investigations or enforcement actions, litigation, claims and other proceedings, and could result in significant fines, penalties, and other liability. Additionally, defending against any claims, litigation, regulatory proceedings, or other proceedings can be costly, time-consuming and may require significant financial and personnel resources. Therefore, even if we are successful in defending against any such actions or proceedings that may be brought against us, our business may be impaired, and we may suffer reputational and other harm.

***Our products may be subject to federal and state laws and certain initiatives relating to cost control, which may decrease our profitability.***

In the U.S., we expect there may be federal and state proposals for cost controls. We expect that increasing emphasis on managed care in the U.S. will continue to put pressure on the pricing of pharmaceutical products. In addition, we are required to pay rebates to states, which are generally calculated based on the prices for our products that are paid by state Medicaid programs. Cost control initiatives could decrease the price that we charge, and increase the rebate amounts that we must provide, for any of our products in the future. Further, cost control initiatives could impair our ability to commercialize our products and our ability to earn significant revenues from commercialization. The continuing efforts of the government, insurance companies, managed care organizations, and other payors of healthcare services to contain or reduce costs of healthcare and/or impose price controls may adversely affect:

- the demand for our products, if we obtain regulatory approval;
- our ability to receive or set a price that we believe is fair for our products;
- our ability to generate revenue and achieve or maintain profitability;
- the level of taxes that we are required to pay; and
- the availability of capital.

In the U.S., all of our pharmaceutical products are subject to increasing pricing pressures. Such pressures have increased as a result of the Medicare Prescription Drug Improvement and Modernization Act of 2003, or the MMA, due to the enhanced purchasing power of the private sector plans that negotiate on behalf of Medicare beneficiaries. For example, in November 2021, the Biden administration also announced a prescription drug plan in Build Back Better framework, which proposes allowing Medicare to negotiate prescription drug prices, imposing a tax penalty if drug companies increase their prices faster than inflation, and directly lowering out-of-pocket costs for seniors. In August 2022, Congress passed the Inflation Reduction Act of 2022, which includes prescription drug provisions that have significant implications for the pharmaceutical industry and Medicare beneficiaries, including allowing the federal government to negotiate a maximum fair price for certain high-priced single source Medicare drugs, manufacturers are required to pay higher rebates on brand-name drugs once a patient reaches their out-of-pocket spending limits, imposing penalties and excise tax for manufacturers that fail to comply with the drug price negotiation requirements, requiring inflation rebates for all Medicare Part B and Part D drugs, with limited exceptions, if their drug prices increase faster than inflation, and redesigning Medicare Part D to reduce out-of-pocket prescription drug costs for beneficiaries, among other changes. With the transition to the current administration, including changes in the leadership of various federal government agencies, the impact of these legislative, executive, and administrative actions and future healthcare measures and agency rules implemented by the current administration on us and the pharmaceutical industry as a whole is unclear. The implementation of cost containment measures or other healthcare reforms may prevent us from being able to generate revenue, attain profitability, or commercialize our approved products.

***Our reporting and payment obligations under the Medicare and/or Medicaid drug rebate programs and other governmental purchasing and rebate programs are complex and may involve subjective decisions that could change as a result of new business circumstances, new regulatory guidance or advice of legal counsel. Any determination of failure to comply with those obligations could subject us to penalties and sanctions which could have a material adverse effect on our business, financial position and results of operations and the market value of our common stock could decline.***

The regulations regarding reporting and payment obligations with respect to Medicare and/or Medicaid reimbursement and rebates and other governmental programs are complex. Because our processes for these calculations and the judgments involved in making these calculations involve, and will continue to involve, subjective decisions and complex

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methodologies, these calculations are subject to the risk of errors. In addition, they are subject to review and challenge by the applicable governmental agencies, and it is possible that such reviews could result in material changes.

In January 2016, the Centers for Medicare and Medicaid Services, or CMS, issued a final rule that helped to clarify many of the changes made to the Medicaid Drug Rebate Program by the Affordable Care Act. The final rule attempts to provide drug manufacturers with the regulatory guidance necessary to ensure proper calculation and reporting of drug product and pricing information. Specifically, the final rule attempts to clarify the definition of what constitutes a manufacturer's "best price" and aligns it, where appropriate, to the definition of "Average Manufacturer Price", which is used to calculate drug rebates. Notwithstanding the final rule's guidance, a number of state and federal government agencies have continued to conduct investigations of manufacturers' reporting practices with respect to Average Wholesale Prices, or AWP, in which reports of inflated AWP may lead to excessive payments for prescription drugs. These investigations could have a material adverse effect on our business, financial position and results of operations. Under the American Rescue Plan Act of 2021, effective January 1, 2024, the statutory cap on Medicaid Drug Rebate Program rebates that manufacturers pay to state Medicaid programs will be eliminated. Elimination of this cap may require pharmaceutical manufacturers to pay more in rebates than it receives on the sale of products, which could have a material impact on our business. In August 2022, Congress passed the Inflation Reduction Act of 2022, which includes prescription drug provisions that have significant implications for the pharmaceutical industry and Medicare beneficiaries. The impact of these legislative, executive, and administrative actions and any future healthcare measures and agency rules implemented by the current administration on us and the pharmaceutical industry as a whole is unclear.

Any governmental agencies that have commenced, or may commence, an investigation of our business relating to the sales, marketing, pricing, quality or manufacturing of pharmaceutical products could seek to impose, based on a claim of violation of fraud and false claims laws or otherwise, civil and/or criminal sanctions, including fines, penalties and possible exclusion from federal health care programs including Medicare and/or Medicaid. Some of the applicable laws may impose liability even in the absence of specific intent to defraud. Furthermore, should there be ambiguity with regard to how to properly calculate and report payments — and even in the absence of any such ambiguity — a governmental authority may take a position contrary to a position we have taken, and may impose civil and/or criminal sanctions. Any such penalties or sanctions could have a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

***We may be subject to enforcement action if we engage in the off-label promotion of our products.***

Our promotional materials and training methods must comply with the FDCA and other applicable laws and regulations, including restraints and prohibitions on the promotion of off-label, or unapproved, use. Physicians may prescribe our products for off-label use without regard to these prohibitions, as the FDCA does not restrict or regulate a physician's choice of treatment within the practice of medicine. However, if the FDA determines that our promotional materials or training constitutes promotion of an off-label use, it could request that we modify our training or promotional materials or subject us to regulatory or enforcement actions, including but not limited to the issuance of an untitled letter or warning letter, and a judicial action seeking injunction, product seizure and civil or criminal penalties. It is also possible that other federal, state or non-U.S. enforcement authorities might take action if they consider our promotional or training materials to constitute promotion of an unapproved use, which could result in significant fines or penalties under other statutory authorities, such as laws prohibiting false claims for reimbursement. In that event, our reputation could be damaged and adoption of the products could be impaired. Although our policy is to refrain from statements that could be considered off-label promotion of our products, the FDA or another regulatory agency could disagree and conclude that we have engaged in off-label promotion. In addition, the off-label use of our products may increase the risk of product liability claims. Product liability claims are expensive to defend and could divert our management's attention, result in substantial damage awards against us and harm our reputation.

***The pharmaceutical industry is highly regulated and pharmaceutical companies are subject to various federal and state fraud and abuse laws, including, without limitation, the federal Anti-Kickback Statute and the federal False Claims Act.***

Healthcare fraud and abuse regulations are complex, and even minor irregularities can potentially give rise to claims that a statute or prohibition has been violated. The laws that may affect our ability to operate include:

- the federal Anti-kickback statute, which prohibits, among other things, persons from knowingly and willfully soliciting, receiving, offering or paying remuneration, directly or indirectly, in exchange for or to induce either the referral of an individual for, or the purchase, order or recommendation of, any good or

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service for which payment may be made under federal healthcare programs such as the Medicare and Medicaid programs;

- federal false claims laws which prohibit, among other things, individuals or entities from knowingly presenting, or causing to be presented, claims for payment from Medicare, Medicaid, or other third-party payers that are false or fraudulent;
- the federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, which created new federal criminal statutes that prohibit knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program or obtain, by means of false or fraudulent pretenses, representations, or promises, any of the money or property owned by, or under the custody or control of, any healthcare benefit program, regardless of the payor (e.g., public or private) and knowingly and willfully falsifying, concealing, or covering up by any trick or device a material fact or making any materially false statements in connection with the delivery of, or payment for, healthcare benefits, items or services relating to healthcare matters;
- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009, and their respective implementing regulations, impose requirements on certain covered healthcare providers, health plans, and healthcare clearinghouses as well as their respective business associates that perform services for them that involve the use, or disclosure of, individually identifiable health information, relating to the privacy, security, and transmission of individually identifiable health information;
- the FDCA and similar laws regulating advertisement and labeling;
- the federal Physician Payment Sunshine Act, created under the ACA, and its implementing regulations, require applicable manufacturers of drugs, devices, biologicals, and medical supplies for which payment is available under Medicare, Medicaid or the Children's Health Insurance Program to report annually to the U.S. Department of Health and Human Services under the Open Payments Program, information related to certain payments and other transfers of value made in the previous year to physicians (defined to include doctors of medicine and osteopathy, dentists, podiatrists, optometrists and licensed chiropractors), certain non-physician healthcare professionals (such as physician assistants and nurse practitioners, among others), and teaching hospitals, as well as information regarding ownership and investment interests held by physicians and their immediate family members;
- the U.S. Foreign Corrupt Practices Act, which prohibits corrupt payments, gifts or transfers of value to non-U.S. officials;
- non-U.S. and U.S. state law equivalents of each of the above federal laws, such as anti-kickback and false claims laws which may apply to items or services reimbursed by any third-party payer, including commercial insurers;
- state laws that require pharmaceutical companies to comply with the pharmaceutical industry's voluntary compliance guidelines, and the relevant compliance guidance promulgated by the federal government that otherwise restricts payments that may be made to healthcare providers and other potential referral sources;
- state and local laws that require drug manufacturers to file reports with states regarding pricing and marketing information, such as the tracking and reporting of gifts, compensations and other remuneration, and items of value provided to healthcare professionals and entities;
- state and local laws that require the registration of pharmaceutical sales representatives; and
- state and foreign laws also govern the privacy, protection and security of personal information (including health information) in certain circumstances, many of which differ from each other in significant ways and may not have the same effect, thus complicating compliance efforts.

The federal false claims laws have been interpreted to apply to arrangements between pharmaceutical manufacturers on the one hand and prescribers, purchasers or formulary managers on the other. Although there are several statutory exemptions and regulatory safe harbors protecting certain common activities from prosecution, the exemptions and safe

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harbors are drawn narrowly, and practices that involve remuneration intended to induce prescribing, purchasing or recommending may be subject to scrutiny if they do not qualify for an exemption or safe harbor. Most states also have statutes or regulations similar to the federal anti-kickback law and federal false claims laws, which apply to items and services covered by Medicaid and other state programs, or, in several states, apply regardless of the type of payer. Administrative, civil and criminal sanctions may be imposed under these federal and state laws. In addition, we are also subject to federal and state consumer protection and unfair competition laws that broadly regulate marketplace activities and activities that potentially harm consumers.

Further, the Affordable Care Act, among other things, amends the intent requirement of the federal anti-kickback and criminal healthcare fraud statutes. A person or entity can now be found guilty under the Affordable Care Act without actual knowledge of the statute or specific intent to violate it. In addition, the Affordable Care Act provides that the government may assert that a claim including items or services resulting from a violation of the federal anti-kickback statute constitutes a false or fraudulent claim for purposes of the false claims statutes. Possible sanctions for violation of these anti-kickback laws include monetary fines, civil and criminal penalties, imprisonment, exclusion from federal health care programs and forfeiture of amounts collected in violation of such prohibitions. Any violations of these laws, or any action against us for violation of these laws, even if we successfully defend against it, could result in a material adverse effect on our reputation, business, results of operations and financial condition.

To enforce compliance with the federal laws, the U.S. Department of Justice, or DOJ, has increased its scrutiny of interactions between healthcare companies and healthcare providers, which has led to a number of investigations, prosecutions, convictions and settlements in the healthcare industry. Dealing with investigations can be time- and resource-consuming and can divert management's attention from the business. Additionally, if a healthcare provider settles an investigation with the DOJ or other law enforcement agencies, we may be forced to agree to additional onerous compliance and reporting requirements as part of a consent decree or corporate integrity agreement. Any such investigation or settlement could increase our costs or otherwise have an adverse effect on our business.

Over the past few years, a number of pharmaceutical and other healthcare companies have been prosecuted under these laws for a variety of promotional and marketing activities, such as: providing free trips, free goods, sham consulting fees and grants and other monetary benefits to prescribers; reporting inflated average wholesale prices that were then used by federal programs to set reimbursement rates; engaging in off-label promotion; and submitting inflated best price information to the Medicaid Rebate Program to reduce liability for Medicaid rebates.

In addition, there has been a trend of increased federal and state regulation of payments made to physicians for marketing. Some states, such as California, Massachusetts and Vermont, mandate implementation of commercial compliance programs, along with the tracking and reporting of gifts, compensation and other remuneration to physicians. The shifting commercial compliance environment and the need to build and maintain robust and expandable systems to comply with different compliance and/or reporting requirements in multiple jurisdictions increase the possibility that a healthcare company may run afoul of one or more of the requirements.

If the activities of any of our business partners are found to be in violation of these laws or any other federal and state fraud and abuse laws, they may be subject to penalties, including civil and criminal penalties, damages, fines and the curtailment or restructuring of its activities with regard to the commercialization of our products, which could harm the commercial success of our products and materially affect our business, financial condition and results of operations. While we have implemented numerous risk mitigation measures to comply with such regulations in this complex operating environment, we cannot guarantee that we will be able to effectively mitigate all operational risks. While we have developed and instituted a corporate compliance program, we cannot guarantee that we, our employees, our consultants or our contractors are or will be in compliance with all potentially applicable U.S. federal and state regulations and/or laws, all potentially applicable foreign regulations and/or laws and/or all requirements of the corporate integrity agreement. Because of the far-reaching nature of these laws, we may be required to alter or discontinue one or more of our business practices to be in compliance with these laws. If we fail to adequately mitigate our operational risks or if we or our agents fail to comply with any of those regulations, laws and/or requirements, a range of actions could result, including, but not limited to, the termination of clinical trials, the failure to approve a product candidate, restrictions on our products or manufacturing processes, withdrawal of our products from the market, significant fines, exclusion from government healthcare programs or other sanctions or litigation. Such occurrences could have a material and adverse effect on our product sales, business and results of operations.

The scope and enforcement of these laws is uncertain and subject to rapid change in the current environment of healthcare reform, especially in light of the lack of applicable precedent and regulations. Federal or state regulatory



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authorities might challenge our current or future activities under these laws. Any such challenge could have a material adverse effect on our reputation, business, results of operations and financial condition. In addition, efforts to ensure that our business arrangements with third parties will comply with these laws and regulations and will involve substantial costs. Any state or federal regulatory review of us or the third parties with whom we contract, regardless of the outcome, would be costly and time-consuming.

***Our employees, independent contractors, consultants, commercial partners, and vendors may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements.***

We are exposed to the risk of fraud, misconduct, or other illegal activity by our employees, independent contractors, consultants, commercial partners, and vendors. Misconduct by these parties could include intentional, reckless, and negligent conduct that fails to:

- comply with the laws of the FDA, EMA, and other comparable foreign regulatory authorities;
- provide true, complete, and accurate information to the FDA, EMA, and other comparable foreign regulatory authorities;
- comply with manufacturing standards we have established;
- comply with healthcare fraud and abuse laws in the United States and similar foreign fraudulent misconduct laws; or
- report financial information or data accurately or to disclose unauthorized activities to us.

Our business operations, including research, sales, marketing, education, and other business arrangements, in the healthcare industry are subject to extensive laws designed to prevent fraud, kickbacks, self-dealing, and other abusive practices. These laws and regulations may restrict or prohibit a wide range of pricing, discounting, educating, marketing and promotion, sales and commission, certain customer incentive programs, and other business arrangements generally. Activities subject to these laws also involve the improper use of information obtained in the course of patient recruitment for clinical trials, which could result in regulatory sanctions and cause serious harm to our reputation. While we have a code of conduct and ethics, it is not always possible to identify and deter misconduct by employees and third parties, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, including the imposition of significant fines or other sanctions.

### **Risks Relating to our International Business**

***Because a portion of our manufacturing takes place in China, a significant disruption in the construction or operation of our manufacturing facility in China, political unrest in China, tariffs, impacts of outbreaks of health epidemics, or changes in social, political, trade, health, economic, environmental, or climate-related conditions or in laws, regulations and policies governing foreign trade could materially and adversely affect our business, financial condition and results of operations.***

We currently manufacture the starting material for Amphadase<sup>®</sup> and enoxaparin as well as the APIs for isoproterenol, nitroprusside, and medroxyprogesterone at our manufacturing facility in China, and we plan to use this facility to manufacture several of the APIs for products in our pipeline. Additionally, we intend to continue to invest in the expansion of this manufacturing facility. Our manufacturing facility and operations in China involve significant risks, including:

- disruptions in the construction of the manufacturing facility;
- interruptions to our operations in China or the inability of our manufacturing facility to produce adequate quantities of raw materials or APIs to meet our needs as a result of natural catastrophic events or other causes beyond our control such as power disruptions or widespread disease outbreaks, including the recent outbreaks that impact animal-derived products, such as the importation of pig-derived crude heparin from countries impacted by the African swine flu, and the COVID-19 pandemic, which resulted in import and export



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complications, and otherwise cause shortages in the supply of raw materials or cause disruptions in our manufacturing capability;

- product supply disruptions and increased costs as a result of heightened exposure to changes in the policies of the Chinese government, political unrest or unstable economic conditions in China;
- the imposition of additional tariffs, export controls or other trade barriers as a result of changes in social, political, and economic conditions or in laws, regulations, and policies governing foreign trade, including U.S. and foreign export controls such as U.S. controls, increasing controls impacting the ability to send certain products and technology, specifically related to semi-conductor manufacturing and supercomputing worldwide (including a prohibition on exports, reexports, and transfers to and within China without an export license, and the addition of new China-based entities to certain U.S. restricted party lists including the Entity List and Unverified List, trade sanctions and import laws and regulations, tariffs on various imports from China and by the Chinese government on certain U.S. goods including those previously implemented (including additional 10% tariffs levied on imports of Chinese-origin items into the United States as of February 4, 2025) and additional tariffs that have been proposed by the U.S. government (including additional 25% tariffs proposed on imports of pharmaceutical products into the United States, among other proposed tariffs), the implementation, scope, and duration of which remain uncertain;
- the imposition of retaliatory trade measures by China or other countries in response to new or escalated tariffs, export controls, or other trade measures by the United States, which may affect the availability and/or price of materials used in our supply chain, and the implementation, scope, and duration of which remain uncertain;
- the nationalization or other expropriation of private enterprises or intellectual property by the Chinese government, which could result in the total loss of our investment in China; and
- interruptions to our manufacturing or business operations resulting from geo-political actions, including war and terrorism, such as the war in Ukraine and the Middle East conflict, natural disasters including earthquakes, typhoons, floods, and fires, or outbreaks of health epidemics or outbreaks in livestock or animals that impact or restrict importation, use, or distribution of animal-derived products.

Any of these matters could materially and adversely affect our business and results of operations. These interruptions or failures could impair our ability to operate our business, impede the commercialization of our product candidates or delay the introduction of new products, impact our product quality, or impair our competitive position. Any material adverse effect on our employees, suppliers, and logistics providers could have a material adverse effect on our manufacturing operations in China or the supply of raw materials or APIs originating from China.

***We are exposed to risks related to our international operations and failure to manage these risks may adversely affect our operating results and financial condition.***

We have operations both inside and outside the U.S. For example, we have suppliers in Asia and Europe, and we own manufacturing facilities in Nanjing, China, and Éragny-sur-Epte, France. As a result, a significant portion of our operations is conducted by and/or rely on entities outside the markets in which our products are sold, and, accordingly, we import a substantial number of products into such markets. We may, therefore, be denied access to our customers or suppliers or denied the ability to ship products from any of our sites as a result of a closing of the borders of the countries in which we sell our products, or in which our operations are located, due to economic, legislative, political and military conditions in such countries.

International operations are subject to a number of other inherent risks, and our future results could be adversely affected by a number of factors, including:

- requirements or preferences for domestic products or solutions, which could reduce demand for our products;
- differing existing or future regulatory and certification requirements;
- management communication and integration problems resulting from cultural and geographic dispersion;

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- greater difficulty in collecting accounts receivable and longer collection periods;
- difficulties in enforcing contracts;
- difficulties and costs of staffing and managing non-U.S. operations;
- difficulty hiring and retaining appropriate personnel due to intense competition for such resources and resulting wage inflation in the cities where our operations are located;
- different labor regulations, especially in the European Union, where labor laws are generally more advantageous to employees as compared to the United States, including deemed hourly wage and overtime regulations in these locations;
- the uncertainty of protection for intellectual property rights in some countries and resulting exposure to misappropriation of intellectual property or information that is proprietary to us, our customers and other third parties;
- tariffs and trade barriers, export regulations and other regulatory and contractual limitations on our ability to sell our products;
- changes in social, political, and economic conditions or in laws, regulations and policies governing foreign trade, manufacturing, development and investment both domestically as well as in other countries and jurisdictions into which we manufacture or sell our products;
- exposure to liabilities under both U.S. and foreign laws, including export and antitrust regulations, anti-corruption and anti-money laundering laws, including the U.S. Foreign Corrupt Practices Act of 1977, as amended, and similar applicable laws and regulations in other jurisdictions, and any trade regulations ensuring fair trade practices;
- uneven electricity supply that can negatively impact manufacturing;
- heightened risk of unfair or corrupt business practices in certain geographies and of improper or fraudulent sales arrangements that may impact financial results and result in restatements of, or irregularities in, financial statements;
- fluctuations in currency exchange rates and regulatory compliance;
- delays, inefficiencies, and other challenges inherent to efficiently managing an increased number of employees over large geographic distances, including the need to implement appropriate systems, policies, benefits, and compliance programs;
- potentially adverse tax consequences, including multiple and possibly overlapping tax structures; and
- interruptions to our manufacturing or business operations resulting from trade restrictions, political and economic instability, political unrest, war, terrorism, natural disasters including earthquakes, typhoons, floods, and fires, or outbreaks of health epidemics such as the coronavirus and African swine flu outbreaks.

Furthermore, weak domestic or global economic conditions or fear or anticipation of such conditions could adversely affect our business, financial condition, results of operations and prospects in a number of ways, including lower prices for our products, reduced sales and lower or no growth. For example, the global macroeconomic environment could be negatively affected by, among other things, instability in global economic markets resulting from increased U.S. trade tariffs and trade disputes between the U.S. and other countries, instability in the global credit markets, the impact and uncertainty regarding global central bank monetary policy, high interest rates and inflation rates, instability in the geopolitical environment, economic challenges in China and ongoing U.S. and foreign governmental debt concerns. Such challenges have caused, and are likely to continue to cause, uncertainty and instability in local economies and in global financial markets, particularly if any future sovereign debt defaults or significant bank failures or defaults occur. Market uncertainty and instability in Europe or Asia could intensify or spread further, particularly if ongoing stabilization efforts prove insufficient. Continuing or worsening economic instability could adversely affect sales of our

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products. Continued turmoil in the geopolitical environment in many parts of the world may also affect the overall demand for our products. Although we do not believe that our business, financial condition, results of operations and prospects have been significantly adversely affected by economic and political uncertainty in Europe, Asia or other countries to date, deterioration of such conditions may harm our business, financial condition, results of operations and prospects in the future. A prolonged period of economic uncertainty or a downturn may also significantly affect financing markets, the availability of capital and the terms and conditions of financing arrangements, including the overall cost of financing. Circumstances may arise in which we need, or desire, to raise additional capital, and such capital may not be available on commercially reasonable terms, or at all.

In addition, any further expansion of our existing international operations or entry into additional international markets, would require significant management attention and financial resources. These and other factors could harm our ability to gain future revenues and, consequently, materially impact our business, results of operations and financial condition.

### ***Adverse changes to import restrictions relating to certain animal-derived products or raw materials we use from affected countries could disrupt our supply chain and result in delays in the manufacturing of our products.***

Some of our raw materials, such as certain animal-derived materials, sourced from foreign sources are subject to import regulations and permit requirements, including from the USDA. The APHIS within the USDA has regulatory oversight over certain animals and animal-derived products that could pose a risk to domestic agriculture. In 2020, USDA increased its African swine flu surveillance efforts, including additional testing and enhanced restrictions on importation of certain porcine products from affected countries, like China. If we are unable to import raw materials, rely upon existing supplies of raw materials or manufacture raw materials in sufficient amounts for our manufacturing needs, we may be required to find alternative suppliers or sources of such materials, which could disrupt or delay the manufacturing of our products. The success of our business operations and sales with respect to our heparin products will also depend on our continued efforts to maintain the proper product quality and safety profile of the crude heparin obtained either from China or an alternative source.

### ***Enhanced trade tariffs, import restrictions, export restrictions, Chinese regulations or other trade barriers may materially harm our business.***

We are continuing to expand our international operations as part of our growth strategy. There is currently significant uncertainty about the future relationship between the United States and various other countries, most significantly China, with respect to trade policies, treaties, government regulations and tariffs. There is a possibility that the United States could continue to impose greater restrictions on international trade and significant increases in tariffs on goods imported into the United States. In September 2018, the U.S. Trade Representative (the “USTR”) enacted a tariff on the import of other Chinese products, with a combined import value of approximately \$200 billion. Since that time USTR has modified these tariff rates and imposed tariffs on additional goods. As of February 4, 2025, the U.S. government has imposed an additional tariff of 10% on the import of almost all Chinese-origin items, and further tariffs have been proposed on additional products, including pharmaceutical products, in an amount of 25% or greater. Tariffs on imports of APIs and starting materials used in our products, or retaliatory trade measures taken by China or other countries, including restricted access to APIs or starting materials used in our products, causing us to raise prices or make changes to our products, could materially harm our business, financial condition and results of operations. Further, the continued threats of tariffs, trade restrictions, and trade barriers could have a generally disruptive impact on the global economy and, therefore, negatively impact our sales. Given the focus of the U.S. government on issues related to China, including the imposition of new restrictions on exports related to semi-conductor manufacturing and supercomputing, the imposition of outbound investment controls affecting U.S. persons’ ability to invest in certain enterprises in China, and the addition of entities based in China to various restricted party lists, along with uncertainty regarding how the U.S. or foreign governments will act with respect to tariffs, international trade agreements and policies, a trade war, further governmental action related to tariffs or international trade policies, or additional tax or other regulatory changes in the future could occur and could directly and adversely impact our financial results and results of operations.

### ***We are subject to various governmental export control and trade sanctions laws and regulations that could impair our ability to compete in international markets or subject us to liability if we violate these controls.***

In some cases, our products are subject to export control laws and regulations, including the Export Administration Regulations administered by the U.S. Department of Commerce, and our activities may be subject to trade and economic sanctions, including those administered by the United States Department of the Treasury’s Office of Foreign Assets Control, or OFAC (collectively, “Trade Controls”). As such, a license may be required to export or re-export our

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products, or provide related services, to certain countries and end-users, and for certain end-uses. The process for obtaining necessary licenses may be time-consuming or unsuccessful, potentially causing delays in sales or losses of sales opportunities and these licenses may not be issued.

Trade Controls are complex and dynamic regimes and monitoring and ensuring compliance can be challenging. Although we have procedures in place designed to ensure our compliance with Trade Controls, any failure to comply could subject us to both civil and criminal penalties, including substantial fines, possible incarceration of responsible individuals for willful violations, possible loss of our export or import privileges, and reputational harm. Although we have no knowledge that our activities have resulted in violations of Trade Controls, any failure by us or our partners to comply with applicable laws and regulations could have negative consequences for us, including reputational harm, government investigations, and penalties.

### ***The Chinese government may exert substantial influence over the manner in which we conduct our business operations in China.***

The Chinese government has exercised, and continues to exercise, substantial control over virtually every sector of the Chinese economy through regulation and state ownership. Our ability to conduct our proposed manufacturing operations in China may be harmed by changes in its laws and regulations, including those relating to taxation, import and export tariffs and other trade restrictions, environmental regulations, land use rights, property ownership and other matters. We believe that our operations in China are in material compliance with all applicable legal and regulatory requirements. However, the central or local governments of the jurisdictions in which we operate may impose new, stricter regulations or interpretations of existing regulations that would require additional expenditures and efforts on our part to ensure our compliance with such regulations or interpretations. Accordingly, government actions in the future, including any decision not to continue to support economic reforms and to return to a more centrally planned economy or regional or local variations in the implementation of economic policies, could have a significant effect on economic conditions in China or particular regions thereof and could require us to divest ourselves of any interest we then hold in Chinese properties or entities, including our Chinese operating subsidiary, ANP.

### ***The Chinese legal system can be uncertain and could limit the legal protections available to us.***

Unlike common law systems, such as the United States, the Chinese legal system is based on written statutes and decided legal cases have little precedential value. Our Chinese operating subsidiary, ANP, is subject to laws and regulations applicable to foreign investments in China in general and laws and regulations applicable to foreign invested enterprises in particular. ANP is also subject to laws and regulations governing the formation and conduct of domestic Chinese companies. Relevant Chinese laws, regulations and legal requirements may change frequently, and their interpretation and enforcement involve uncertainties. For example, we may have to resort to administrative and court proceedings to enforce the legal protections under law or contract. However, since Chinese administrative and court authorities have significant discretion in interpreting and implementing statutory and contract terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and our level of legal protection in China compared to other legal systems. Such uncertainties, including the inability to enforce our contracts and intellectual property rights, could materially and adversely affect our business and operations. In addition, confidentiality protections in China may not be as effective as in the U.S. or other countries. Accordingly, future developments in the Chinese legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the preemption of local requirements by national laws, could limit the legal protections available to us.

### ***Our financial performance is impacted by the financial performance of our Chinese operating subsidiary, ANP.***

Because we consolidate ANP's financial results in our results of operations, our financial performance is impacted by the financial performance of ANP. ANP's financial performance may be affected by a number of factors, including, but not limited to:

- ANP's ability to execute on its expansion plans;
- the commercial success of ANP's APIs, starting materials and finished pharmaceutical products;
- results of clinical trials of our product candidates or those of ANP's customers;
- pricing actions by competitors;

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- the timing of orders or any cancellation of orders from ANP's customers;
- manufacturing or supply interruptions;
- actions taken by current and potential business partners;
- actions by regulatory bodies, such as the FDA or the CFDA;
- changes or developments in laws or regulations;
- disputes or other developments relating to patents or other proprietary rights;
- litigation or investigations involving ANP, our industry, or both; and
- ANP's ability to control costs, including its operating expenses.

### ***Our business may be affected by increasing sanctions and export controls targeting Russia and other responses to Russia's invasion of Ukraine.***

As a result of Russia's invasion of Ukraine, the U.S., the U.K. and the EU governments, among others, developed coordinated sanctions and export-control measure packages that continue to include increasing controls.

Based on the public statements to date, these packages include:

- comprehensive financial sanctions against major Russian banks (including SWIFT cut off);
- designation of individuals and entities involved in Russian military activities;
- additional designations of Russian individuals including but not limited to those with significant business interests and government connections; and
- enhanced export controls and trade sanctions targeting Russia's imports of a wide range of goods and services as a whole, including potentially tighter controls on exports and reexports of items previously subject to only a low level of control, stricter licensing policy with respect to issuing export licenses, increased restrictions on services, and/or increased use of "end-use" controls to block or impose licensing requirements on exports.

Although we do not export any items to Russia, depending on the extent and breadth of any new sanctions or export controls, it is possible that our business, results of operations and financial condition could be adversely affected.

### **Risks Relating to our Intellectual Property**

#### ***Our success depends on our ability to obtain, protect, and enforce our intellectual property.***

In addition to obtaining FDA approval for our generic and proprietary drug candidates, our success also depends on our ability to obtain and maintain patent protection for new products developed utilizing our technologies, in the U.S. and in other countries, and to enforce these patents. The patent positions of pharmaceutical firms, including us, are generally uncertain and involve complex legal and factual issues. Any of our patent claims in our approved and pending non-provisional and provisional patent applications relating to our technologies may not be issued or, if issued, any of our existing and future patent claims may not be held valid and enforceable against third-party infringement. Moreover, any patent claims relating to our technologies may not be sufficiently broad to protect our products. In addition, issued patent claims may be challenged, potentially invalidated, or potentially circumvented. Our patent claims may not afford us protection against our competitors. We currently have a number of U.S. and foreign patents issued. However, issuance of a patent is not conclusive evidence of its validity or enforceability. We may not be granted patents for any of our pending patent applications or any patent applications that we may file in the future and our issued patents may not be upheld if challenged. Further, we may not be able to detect an unauthorized use of our intellectual property rights if a competitor

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uses our intellectual property confidentially, in-house, with no public disclosure.

The U.S. uses a first inventor to file system in which, assuming the other requirements for patentability are met, the first inventor to file a patent application is entitled to receive a patent (rather than the first to invent as was the case under prior U.S. law). Accordingly, it is possible that potentially invalidating prior art may become available in between the time that we develop an invention and file a patent application that covers the invention. In addition, we may be subject to a third-party pre-issuance submission of prior art to the U.S. Patent and Trademark Office, or USPTO, or become involved in opposition, derivation, reexamination, inter parties review or interference proceedings challenging our patent rights or the patent rights of others. An adverse determination in any such submission, proceeding or litigation could reduce the scope of, or invalidate our patent rights, allow third parties to commercialize our technology or products and compete directly with us, without payment to us, or result in our inability to manufacture or commercialize products without infringing third party patent rights.

Past enforcement of intellectual property rights in countries outside the U.S., including China in particular, has been limited or non-existent. Future enforcement of patents and proprietary rights in many other countries will likely be problematic or unpredictable, particularly in other countries where intellectual property rights are not highly developed or protected. Moreover, the issuance of a patent in one country does not assure the issuance of a similar patent in another country. Patent claim interpretation and infringement laws vary by nation, so the extent of any patent protection is uncertain and may vary in different jurisdictions.

Enforcement of our intellectual property rights may not be pursued in some situations in which an alleged infringer may have a more dominant intellectual property position or for other business reasons.

We also rely on, or intend to rely on, our trademarks, trade names and brand names to distinguish our products from the products of our competitors and have registered or applied to register our own trademarks. However, our trademark applications may not be granted. Third parties may also oppose our trademark applications or otherwise challenge our use of the trademarks. In the event that our trademarks are successfully challenged, we could be forced to rebrand our product, which could result in loss of brand recognition and could require us to devote significant resources to advertising and marketing these new brands. Further, our competitors may infringe our trademarks or we may not have adequate resources to enforce our trademarks.

***We have in the past and in the future may become involved in patent litigations or other intellectual property proceedings relating to our future product approvals, which could result in liability for damages or delay or stop our development and commercialization efforts.***

The pharmaceutical industry has been characterized by significant litigation and other proceedings regarding patents, patent applications and other intellectual property rights. The situations in which we may become parties to such litigation or proceedings may include any third parties initiating litigation claiming that our products infringe their patent or other intellectual property rights; in such case, we will need to defend against such proceedings. For example, the field of generic pharmaceuticals is characterized by frequent litigation that occurs in connection with generic pharmaceutical companies filing ANDAs, Paragraph IV certifications and attempting to invalidate the patents of the proprietary reference drug. Any non-generic products that we successfully develop may be subject to such challenge by third parties. As a generic pharmaceutical company, we also expect to file ANDAs and Paragraph IV certifications and to attempt to invalidate patents of third party reference drugs for which we seek to develop generic versions.

The costs of resolving any patent litigation or other intellectual property proceeding, even if resolved in our favor, could be substantial. Many of our potential competitors will be able to sustain the cost of such litigation and proceedings more effectively than we can because of their substantially greater resources. Uncertainties resulting from the initiation and continuation of patent litigation or other intellectual property proceedings could have a material adverse effect on our ability to compete in the marketplace. Patent litigation and other intellectual property proceedings may also consume significant management time.

In the event that a competitor infringes upon our patent or other intellectual property rights, enforcing those rights may be costly, difficult and time-consuming. Even if successful, litigation to enforce our intellectual property rights or to defend our patents against challenge could be expensive and time-consuming and could divert our management's attention. We may not have sufficient resources to enforce our intellectual property rights or to defend our patent or other intellectual property rights against a challenge. If we are unsuccessful in enforcing and protecting our intellectual property rights and protecting our products, it could materially harm our business.



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For example, we have been involved in patent litigation and antitrust litigation related to our sales of enoxaparin and other products, including albuterol. For further details, see the section titled Litigation in Note 20 in the accompanying “Notes to Consolidated Financial Statements” in this Annual Report on Form 10-K. The protracted litigations involved, and may continue to involve, large legal expenses and the diversion of management’s time and effort away from the business. Any future adverse determinations in a judicial or administrative proceeding or failure to obtain necessary licenses, whether in these litigations or in other litigations, could result in substantial monetary damage awards and could prevent us from manufacturing and selling our products, which could have a material and adverse effect on our financial condition.

There may also be situations where we use our business judgment and decide to market and sell products, notwithstanding the fact that allegations of patent infringement(s) have not been finally resolved by the courts, which situation is commonly referred to as an at-risk launch. The risk involved in doing so can be substantial because the remedies available to the owner of a patent for infringement may include, among other things, damages measured by the profits lost by the patent owner and not necessarily by the profits earned by the infringer as well as injunctive relief, which would halt our ability to market and sell such products altogether. In the case of a willful infringement, the definition of which is subjective, such damages may be increased up to three times. Moreover, because of the discount pricing typically involved with generic products, patented proprietary products generally realize a substantially higher profit margin than generic products. An adverse decision in a case such as this or in other similar litigation could have a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

***With respect to our proprietary products, if we fail to adequately protect or enforce our intellectual property rights, we could lose sales to generic versions of our proprietary products which could cause a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.***

The success of our proprietary products depends in part on our ability to obtain, maintain and enforce patents and trademarks, and to protect trade secrets, know-how and other proprietary information and technologies. Our ability to commercialize any proprietary product successfully will largely depend upon our ability to obtain and maintain patents of sufficient scope to prevent third parties from developing substantially equivalent products. In the absence of patent and trade secret protection, competitors may adversely affect our proprietary products business by independently developing and marketing substantially equivalent products. It is also possible that we could incur substantial costs if we are required to initiate litigation against others to protect or enforce our intellectual property rights.

We have filed patent applications covering compositions of, methods of making and/or methods of using, our proprietary products and proprietary product candidates. We may not be issued patents based on patent applications already filed or that we may file in the future, and if patents are issued, they may be insufficient in scope to cover our proprietary products. The issuance of a patent in one country does not ensure the issuance of a similar patent in any other country, or that we will even seek patent protection in all countries worldwide. Furthermore, the patent position of companies in the pharmaceutical industry generally involves complex legal and factual questions and has been and remains the subject of much litigation. Legal standards relating to scope and validity of patent claims are evolving and may differ in various countries. Any patents we have obtained, or will obtain in the future, may be challenged, invalidated or circumvented. Moreover, the USPTO or any other governmental agency, as well as third parties, may commence interference, opposition or other related third-party proceedings involving our patents or patent applications. Any challenge to, or invalidation or circumvention of, our patents or patent applications would be costly, would require significant time and attention of our management, could cause a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

***Our unpatented trade secrets, know-how, confidential and proprietary information and technology may be inadequately protected.***

We rely on unpatented trade secrets, know-how and technology. This intellectual property is difficult to protect, especially in the pharmaceutical industry, where much of the information about a product must be submitted to regulatory authorities during the regulatory approval process. We seek to protect trade secrets, know-how, confidential or proprietary information and technologies, in part, by entering into confidentiality and invention assignment agreements with employees, consultants and others. These parties may breach or terminate these agreements, and we may not have adequate remedies for such breaches. Furthermore, these agreements may not provide meaningful protection for our trade secrets, know-how, or other confidential or proprietary information and technologies or result in the effective



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assignment to us of intellectual property, and may not provide an adequate remedy in the event of unauthorized use or disclosure of confidential information or other breaches of the agreements. Despite our efforts to protect our trade secrets, know-how, and our other confidential and proprietary information and technologies, we or our collaboration partners, board members, employees, consultants, contractors, or scientific and other advisors may unintentionally or willfully disclose our proprietary information to competitors. In addition, we may not be able to detect any unauthorized disclosure of our trade secrets, know-how and our other confidential and proprietary information and technologies if such disclosure was conducted confidentially without public disclosure.

There is a risk that our trade secrets, know-how, and other confidential and proprietary information and technologies could have been, or could, in the future, be shared by any of our former employees with, and be used to the benefit of, any company that competes with us.

If we fail to maintain trade secret protection or fail to protect the confidentiality of our know-how, and other confidential and proprietary information and technologies, our competitive position may be adversely affected. Enforcement of claims that a third party has illegally obtained and is using trade secrets, know-how, and other confidential and proprietary information and technologies, is expensive, time consuming and uncertain. If our competitors independently develop equivalent knowledge, methods, know-how and trade secrets, we may not be able to prevail in an intellectual property litigation against them, which could have a material adverse effect on our business.

***There can be no assurance of timely patent and trademark review and approval to minimize competition and generate sufficient revenues.***

There can be no assurance that the USPTO will have sufficient resources to review and grant our patent and trademark applications in a timely manner. Consequently, our patent and trademark applications may be delayed for many years (if they issue at all), which would prevent intellectual property protection for our products. If we fail to successfully commercialize our products due to the lack of intellectual property protection, we may be unable to generate sufficient revenues to meet or grow our business according to our expected goals and this may have a materially adverse effect on our profitability, financial condition and operations.

***We may be subject to claims that we, our board members, employees or consultants have used or disclosed alleged trade secrets or other proprietary information belonging to third parties and any such individuals who are currently affiliated with one of our competitors may disclose our proprietary technology or information.***

As is commonplace in the biotechnology and pharmaceutical industries, some of our board members, employees and consultants are or have been employed at, or associated with, other biotechnology or pharmaceutical companies that compete with us. While employed at or associated with these companies, these individuals may become exposed to or involved in research and technology similar to the areas of research and technology in which we are engaged. We may be subject to claims that we, or our employees, board members or consultants have inadvertently, willfully or otherwise used or disclosed alleged trade secrets or other proprietary information of those companies. Litigation may be necessary to defend against such claims.

We have entered into confidentiality agreements with our executives and key consultants. However, we do not have, and are not planning to enter into, any confidentiality agreements with our non-executive directors because they have a fiduciary duty of confidentiality as directors. Our former board members, employees or consultants who are currently employed at, or associated with, one of our competitors may unintentionally or willfully disclose our proprietary technology or information.

### **Risks Related to Ownership of our Common Stock**

***Sales of substantial amounts of our common stock, or indications of an intent to sell, may cause our stock price to decline.***

If we or our existing stockholders sell, or indicate an intent to sell, substantial amounts of our common stock in the public market, the trading price of our common stock could decline. We may also issue shares of common stock or securities convertible into our common stock from time to time in connection with financings, acquisitions, investments or otherwise. Any such issuances would result in dilution to our existing stockholders and could cause our stock price to fall.

In addition, we have registered approximately 16.0 million shares subject to options and RSUs outstanding or reserved

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for future issuance under our equity compensation plans. If these additional shares are sold, or if it is perceived that they will be sold, in the public market, the trading price of our common stock could decline.

***Jack Y. Zhang and Mary Z. Luo, each of whom serves as a director and an executive officer, own a significant percentage of our stock and will be able to exert significant control over matters subject to stockholder approval.***

As of December 31, 2024, Jack Y. Zhang and Mary Z. Luo, or Drs. Zhang and Luo, each of whom serves as one of our directors and executive officers, and their affiliates beneficially own approximately 25.1% of our outstanding common stock, including shares of common stock subject to options exercisable within 60 days of December 31, 2024. Our directors, executive officers and each of our stockholders who own greater than 5% of our outstanding common stock and their affiliates, in the aggregate, own approximately 27.3% of the outstanding, including shares of our common stock, based on the number of shares outstanding and shares of our common stock subject to options exercisable within 60 days of December 31, 2024. As a result, these stockholders, if acting together, will be able to influence or control matters requiring approval by our stockholders, including the election of directors and the approval of mergers, acquisitions or other extraordinary transactions. They may also have interests that differ from yours and may vote in a way with which you disagree and which may be adverse to your interests. This concentration of ownership may have the effect of delaying, preventing or deterring a change of control of our company, depriving our stockholders of an opportunity to receive a premium for their common stock as part of a sale of the Company and might ultimately affect the market price of our common stock.

***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.***

Jack Y. Zhang and Mary Z. Luo have each pledged shares of our common stock to secure funds borrowed under existing credit lines by UBS Group and its affiliates, or UBS, East West Bank, or East West, and Cathay Bank. As of December 31, 2024, UBS had extended combined credit lines of \$11.9 million to Applied Physics & Chemistry Laboratories, Inc., or APCL, which is controlled by Dr. Zhang and Dr. Luo, East West had agreed to a loan of up to \$8.0 million to Drs. Zhang and Luo, and Cathay Bank had agreed to a loan of up to \$20.0 million to APCL and Dr. Luo. The UBS credit lines are secured by a pledge of 400,000 shares of our common stock currently held by APCL, the East West loan is secured by a pledge of 500,000 shares of our common stock held by Dr. Zhang and the Cathay Bank loan is secured by a pledge of 1,000,000 shares of our common stock held by APCL and Dr. Luo. Interest on each of these loans accrues at market rates. UBS has an unlimited and unilateral right to call each of the credit lines for any reason whatsoever, and each of East West and Cathay Bank has acceleration rights to protect itself in the event of a default.

We have a pledging policy to restrict the pledging of shares by our executive officers and directors, which was created in 2021 and most recently amended in 2024. 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-five (25) 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.

While 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, 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.

***We do not intend to pay dividends for the foreseeable future.***

The continued operation and expansion of our business will require substantial funding. Accordingly, we do not anticipate that we will pay any cash dividends on shares of our common stock for the foreseeable future. Any determination to pay dividends in the future will be at the discretion of our Board of Directors and will depend upon results of operations, financial condition, contractual restrictions, restrictions imposed by applicable law and other factors our Board of Directors deems relevant. In addition, our existing loan agreements restrict, and any future indebtedness may restrict, our ability to pay dividends. Investors seeking cash dividends should not purchase our common stock. Accordingly, realization of a gain on your investment will depend on the appreciation of the price of our common stock, which may never occur.

***While we have engaged in repurchases of our common stock, any future decisions to reduce or discontinue repurchasing our common stock pursuant to our previously announced repurchase program could cause the market price for our common stock to decline.***

Although our Board has authorized a share repurchase program, and we repurchased approximately 1.9 million of our shares during 2024 for \$85.5 million, any determination to continue to execute our stock repurchase program as planned will be subject to, among other things, our financial position and results of operations, available cash and cash flow, capital requirements, and other factors, as well as our Board's continuing determination that the repurchase program is in the best interests of our shareholders and is in compliance with all laws and agreements applicable to the repurchase program. Our stock repurchase program does not obligate us to acquire any specific number of shares. If we fail to meet any expectations related to stock repurchases, the market price of our stock could decline significantly, and could have a material adverse impact on investor confidence. Additionally, price volatility of our stock over a given period may cause the average price at which we repurchase our own stock to exceed the stock market price at a given point in time.

We may further increase or decrease the amount of repurchases of our common stock in the future. Any reduction or discontinuance by us of repurchases of our common stock pursuant to our current share repurchase authorization program could cause the market price of our common stock to decline. Moreover, in the event repurchases of our common stock are reduced or discontinued, our failure or inability to resume repurchasing common stock at historical levels could result in a lower market valuation of our common stock.

***Some provisions of our charter documents and Delaware law may have anti-takeover effects that could discourage an acquisition of us by others, even if an acquisition would be beneficial to our stockholders, and may prevent attempts by our stockholders to replace or remove our current management.***

Provisions in our amended and restated certificate of incorporation and our amended and restated bylaws, as well as provisions of the Delaware General Corporation Law, or the DGCL, could depress the trading price of our common stock by making it more difficult for a third party to acquire us or increase the cost of acquiring us, even if doing so would benefit our stockholders, including transactions in which stockholders might otherwise receive a premium for their shares. These provisions include:

- authorizing the issuance of undesignated preferred stock, the terms of which may be established and shares of which may be issued without stockholder approval;
- prohibiting stockholder action by written consent, thereby requiring all stockholder actions to be taken at a meeting of our stockholders;
- eliminating the ability of stockholders to call a special meeting of stockholders;
- establishing a classified Board of Directors, whereby only one-third of the members of our Board of Directors are elected at one time;
- providing that vacancies on our board of directors may be filled only by a majority of directors then in office; and
- establishing advance notice procedures and requirements for stockholders to nominate candidates for election as directors or to bring matters before meetings of stockholders.

These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current

management by making it more difficult for stockholders to replace members of our Board of Directors, which is responsible for appointing the members of our management. Furthermore, our amended and restated certificate of incorporation provides that unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for: (i) any derivative action or proceeding brought on our behalf; (ii) any action asserting a breach of fiduciary duty owed by any of our current or former directors, officers or other employees to us or our stockholders; (iii) any action asserting a claim arising pursuant to any provision of the DGCL, our amended and restated certificate of incorporation, or our amended and restated bylaws; or (iv) any action asserting a claim against us that is governed by the internal affairs doctrine. This provision is not intended to apply to actions arising under the Securities Act of 1933, as amended, or the Securities Act, or the Exchange Act, or any claim for which the federal courts have exclusive jurisdiction. In addition, our amended and restated bylaws provide that, unless the Company consents in writing to the selection of an alternative forum, the federal district courts of the United States of America will be the sole and exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act against any person in connection with any offering of the Company's securities, including, without limitation, any auditor, underwriter, expert, control person or other defendant. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock shall be deemed to have notice of and consented to these provisions. These exclusive-forum provisions may discourage lawsuits against us or our directors, officers, and employees. In addition, we are subject to Section 203 of the DGCL, which generally prohibits a Delaware corporation from engaging in any of a broad range of business combinations with an interested stockholder for a period of three years following the date on which the stockholder became an interested stockholder, unless such transactions are approved by our Board of Directors. This provision could delay or prevent a change of control, whether or not it is desired by or beneficial to our stockholders, which could also affect the price that some investors are willing to pay for our common stock.

## **General Risk Factors**

***Global macroeconomic conditions may negatively affect us and may magnify certain risks that affect our business.***

Our business is sensitive to general economic conditions, both inside and outside the U.S. Slower global economic growth, credit market crises, high levels of unemployment, reduced levels of capital expenditures, government deficit reduction, changes in inflation and interest rate environments, sequestration and other austerity measures and other challenges affecting the global economy adversely affects us and our distributors, customers and suppliers. It is uncertain how long these effects will last or whether economic and financial trends will worsen or improve. Changes in economic conditions and supply chain constraints and steps taken by governments and central banks could lead to higher inflation than previously experienced or expected, which could, in turn, lead to an increase in costs. In an inflationary environment, we may be unable to raise the prices of our products sufficiently to keep up with the rate of inflation. Such uncertain economic times may have a material adverse effect on our revenues, results of operations, financial condition and, if circumstances worsen, our ability to raise capital at reasonable rates. If slower growth in the global economy or in any of the markets we serve continues for a significant period, if there is significant deterioration in the global economy or such markets or if improvements in the global economy do not benefit the markets we serve, our business and financial statements could be adversely affected.

Additionally, as a result of any future global economic downturn, our third-party payers may delay or be unable to satisfy their reimbursement obligations. Sales of our principal products are dependent, in part, on the availability and extent of reimbursement from third-party payers, including government programs such as Medicare and Medicaid and private payer healthcare and insurance programs. A reduction in the availability or extent of reimbursement from government and/or private payer healthcare programs could have a material adverse effect on the sales of our products, our business and results of operations.

Current economic conditions may adversely affect the ability of our distributors, customers, suppliers and service providers to obtain the liquidity required to pay for our products or to buy necessary inventory or raw materials and to perform their obligations under agreements with us, which could disrupt our operations, and could negatively impact our business and cash flow. Although we make efforts to monitor these third parties' financial condition and their liquidity, our ability to do so is limited, and some of them may become unable to pay their bills in a timely manner, or may even become insolvent, which could negatively impact our business and results of operations. These risks may be elevated with respect to our interactions with third parties with substantial operations in countries where current economic conditions are the most severe, particularly where such third parties are themselves exposed to sovereign risk from business interactions directly with fiscally-challenged government payers.

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At the same time, significant changes and volatility in the financial markets, in the consumer and business environment, in the competitive landscape and in the global political and security landscape make it increasingly difficult for us to predict our revenues and earnings into the future. As a result, any revenue or earnings guidance or outlook which we have given or might give may be overtaken by events, or may otherwise turn out to be inaccurate. Though we endeavor to give reasonable estimates of future revenues and earnings at the time we give such guidance, based on then-current conditions, there is a significant risk that such guidance or outlook will turn out to be, or to have been, incorrect.

***We could be materially and adversely affected by violations of the U.S. Foreign Corrupt Practices Act and similar worldwide anti-bribery laws.***

The U.S. Foreign Corrupt Practices Act of 1977, as amended and similar applicable laws and regulations in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to non-U.S. officials for the purpose of obtaining or retaining business. Our policies mandate compliance with these anti-bribery laws, which often carry substantial penalties. We are currently expanding our operations abroad, including expanding our facilities in China, a country which has experienced governmental and private sector corruption to some degree, and in certain circumstances, strict compliance with anti-bribery laws may conflict with certain local customs and practices. Our internal control policies and procedures may not always protect us from acts committed by our affiliates, employees or agents which may violate these laws and regulations. Violations of foreign and U.S. laws and regulations could result in fines and penalties, criminal sanctions against us, our officers or our employees, prohibitions on the conduct of our business and on our ability to offer our products in one or more countries, and could also materially affect our brand, our international growth efforts, our ability to attract and retain employees, our business, and our operating results. There can be no assurance that our partners, our employees, contractors, or agents will not subject us to potential claims or penalties. Any violations of these laws, or allegations of such violations, could have a material adverse effect on our business, financial position, and results of operations and could cause the market value of our common stock to decline.

***Movements in foreign currency exchange rates could have a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.***

A portion of our revenues, indebtedness and other liabilities and our costs are denominated in foreign currencies, including the Chinese yuan and the euro. We report our financial results in U.S. dollars. Our results of operations and, in some cases, cash flows may in the future be adversely affected by certain movements in exchange rates. We also expect that certain exchange rates may be more volatile than normal as a result of the Russian invasion of Ukraine and related events, the Middle East conflict, and uncertain macroeconomic conditions. From time to time, we may implement currency hedges intended to reduce our exposure to changes in foreign currency exchange rates. However, any such hedging strategies may not be successful, and any of our unhedged foreign exchange exposures will continue to be subject to market fluctuations. These risks could cause a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

***Our results of operations can be adversely affected by labor shortages, turnover and labor cost increases.***

Labor is a primary component of operating our business. A number of factors may adversely affect the labor force available to us or increase labor costs, including high employment levels and government regulations. A sustained labor shortage or increased turnover rates within our employee base could lead to increased costs, such as increased overtime to meet demand and increased wage rates to attract and retain employees, and could negatively affect our ability to efficiently operate our manufacturing and distribution facilities and overall business. If we are unable to hire and retain employees capable of performing at a high-level, or if mitigation measures we may take to respond to a decrease in labor availability, such as overtime and third-party outsourcing, have negative effects, our business could be adversely affected. An overall labor shortage, lack of skilled labor, increased turnover or labor inflation could have a material adverse impact on our business, financial condition or operating results.

***Failure to maintain adequate internal controls or to implement new or improved controls could have a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.***

Ensuring that we have adequate internal financial and accounting controls and procedures in place so that we can produce accurate financial statements on a timely basis is a costly and time-consuming effort. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP. We may not be able to complete our evaluation, testing

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and any required remediation in a timely fashion. During the evaluation and testing process, if we identify one or more material weaknesses in our internal control over financial reporting, we will be unable to assert that our internal controls are effective. We have in the past, identified a material weakness in our internal control over financial reporting, which was remediated; however, our remediation efforts may not enable us to avoid a material weakness in the future. Ensuring that we have adequate internal financial and accounting controls and procedures in place to help produce accurate financial statements on a timely basis is a costly and time-consuming effort that needs to be evaluated frequently.

We are required to disclose certain changes made in our internal control and procedures on a quarterly basis. Our independent registered public accounting firm is required to report on the effectiveness of our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act. Our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our controls are documented, designed or operating. In addition, we may encounter problems or delays in completing the implementation of any requested improvements and receiving a favorable attestation by our independent registered public accounting firm.

In the event that our Chief Executive Officer, Chief Financial Officer, or independent registered public accounting firm determines that our internal control over financial reporting is not effective as defined under Section 404, we could be subject to one or more investigations or enforcement actions by state or federal regulatory agencies, stockholder lawsuits, breaches of the covenants under our credit facilities, or other adverse actions requiring us to incur defense costs, pay fines, make settlements or seek judgments, which may adversely affect investor perceptions and potentially result in a decline in our stock price.

***There are inherent uncertainties involved in estimates, judgments and assumptions used in the preparation of financial statements in accordance with GAAP. Any future changes in estimates, judgments and assumptions used or necessary revisions to prior estimates, judgments or assumptions or changes in accounting standards could lead to a restatement or revision to previously consolidated financial statements, which could have a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as discussed in greater detail in “Part II – Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.” the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Our operating results may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our operating results to fall below the expectations of securities analysts and investors, resulting in a decline in our stock price. Significant assumptions and estimates used in preparing our consolidated financial statements include those related to revenue recognition, provision for chargebacks and rebates, accruals for product returns, valuation of inventory, impairment of intangibles and long-lived assets, accounting for income taxes and share-based compensation. Furthermore, although we have recorded reserves for litigation related contingencies based on estimates of probable future costs, such litigation related contingencies could result in substantial further costs. Also, any new or revised accounting standards may require adjustments to previously issued financial statements. Any such changes could result in corresponding changes to the amounts of liabilities, revenues, expenses and income. Any such changes could have a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

Changes in financial accounting standards or practices can have a significant effect on our reported results and may even affect our reporting of transactions completed before the change is effective. New accounting pronouncements and varying interpretations of accounting pronouncements have occurred and may occur in the future. Changes to existing rules or the questioning of current practices may adversely affect our business and financial results.

***Changes in tax laws, tax rulings and other factors may have a significantly adverse impact on our effective tax rate and tax expense, which could have a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.***

Changes in tax laws, tax rulings, or the way in which such laws and rulings are interpreted or implemented, could adversely affect our effective tax rate and tax expense. For example, in 2022 the U.S. government enacted the Inflation Reduction Act of 2022, which imposes a 1% excise tax on certain stock repurchases (including potentially pursuant to



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our stock repurchase program) and a 15% alternative minimum tax on adjusted financial statement income. In addition, beginning in 2022, the Tax Cuts and Jobs Act of 2017 eliminated the option to deduct research and development expenditures currently and requires taxpayers to capitalize and amortize them over five or fifteen years, and this requirement may impact our effective tax rate and our cash tax liability in future years. Further, many countries, and organizations such as the Organization for Economic Cooperation and Development have proposed implementing changes to existing tax laws, including a proposed 15% global minimum tax that has been and is being adopted by several countries, with implementation beginning in 2024.

In addition to income taxes in the United States, we are subject to income taxes in many foreign jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes. In the ordinary course of business, there are many transactions and calculations where the ultimate tax determination is uncertain. The final determination of any tax audits or related litigation could be materially different from our historical income tax provisions and accruals.

In addition, tax laws are dynamic and subject to change. As new laws are passed and new interpretations of the law are issued or applied, our provision for income taxes may be affected. Changes to U.S. tax laws now or in the future could impact the tax treatment of our earnings, as well as cash and cash equivalent balances we currently maintain. Furthermore, due to shifting economic and political conditions, tax policies or rates in various jurisdictions may be subject to significant change.

Additionally, increases in our effective tax rate as a result of a change in the mix of earnings in countries with differing statutory tax rates, changes in our overall profitability, changes in the valuation of deferred tax assets and liabilities, the results of audits and the examination of previously filed tax returns by various taxing authorities and continuing assessments of our tax exposures could impact our tax liabilities and affect our income tax expense, which could have a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

***We or the third parties upon whom we depend may be adversely affected by earthquakes or other natural disasters and our business continuity and disaster recovery plans may not adequately protect us from a serious disaster.***

The facilities we use for our headquarters, laboratory and research and development activities are located in earthquake-prone areas of California. A significant percentage of the facilities we use for our manufacturing, packaging, warehousing, distribution and administration offices are also located in these areas. Earthquakes or other natural disasters could severely disrupt our operations, and have a material adverse effect on our business, results of operations, financial condition and prospects. Additionally, we currently rely on third parties whose operations may be disrupted by natural disasters. For example, in the aftermath of Hurricane Helene we experienced delays in shipments of certain products.

If a natural disaster, power outage or other event occurred that prevented us or the third parties upon whom we depend from using all or a significant portion of our facilities, that damaged critical infrastructure, such as our or third parties' manufacturing facilities, or that otherwise disrupted operations of ours or those of third parties, it may be difficult or, in certain cases, impossible for us to continue our business for a substantial period of time. The disaster recovery and business continuity plans we have in place currently are limited and are unlikely to prove adequate in the event of a serious disaster or similar event. We may incur substantial expenses as a result of the limited nature of our disaster recovery and business continuity plans.

***Our quarterly and annual operating results may fluctuate significantly or may fall below the expectations of investors or securities analysts, each of which may cause our stock price to fluctuate or decline.***

Our operating results may be subject to quarterly and annual fluctuations as a result of a number of factors, including the following:

- the commercial success of our key products and those of our customers;
- results of clinical trials of our product candidates or those of our competitors;
- pricing actions by competitors;
- the timing of orders or any cancellation of orders from our customers;
- manufacturing or supply interruptions;

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- actions by regulatory bodies, such as the FDA, that have the effect of delaying or rejecting approvals of our product candidates;
- changes in the prescription practices of physicians;
- changes or developments in laws or regulations applicable to our product candidates;
- introduction of competitive products or technologies;
- failure to meet or exceed financial projections we provide to the public;
- actual or anticipated variations in quarterly operating results;
- failure to meet or exceed the estimates and projections of securities analysts or investors;
- the perception of the pharmaceutical industry by the public, legislatures, regulators and the investment community;
- announcements by us or our competitors of significant acquisitions, strategic partnerships, joint ventures, capital commitments or achievement of significant milestones;
- changes in, or termination of our agreements with our business partners;
- developments concerning our sources of manufacturing supply;
- disputes or other developments relating to patents or other proprietary rights;
- litigation or investigations involving us, our industry, or both;
- additions or departures of key scientific or management personnel;
- announcements or issuances of debt, equity or convertible securities;
- sales of our common stock by our stockholders;
- changes in the market valuations of similar companies;
- major catastrophic events;
- major changes in our Board of Directors or management or departures of key personnel;
- our overall effective tax rate, including impacts caused by any reorganization in our corporate structure, and any new legislation or regulatory developments, including the Tax Act;
- changes in accounting principles;
- general economic and market conditions and overall fluctuations in U.S. equity markets; or
- the other factors described in this “Item 1A, Risk Factors” section.

Any one of the factors above, or the cumulative effect of some of the factors referred to above, may result in significant fluctuations in our quarterly or annual operating results. This variability and unpredictability could result in our failing to meet our revenue, billings or operating results expectations or those of securities analysts or investors for any period. In addition, a significant percentage of our operating expenses are fixed in nature and based on forecasted revenue trends. Accordingly, in the event of revenue shortfalls, we are generally unable to mitigate the negative impact on operating results in the short term. If we fail to meet or exceed such expectations for these or any other reasons, our business could be materially adversely affected and our stock price could fluctuate or decline substantially.

In addition, if the market for pharmaceutical company stocks or the stock market in general, experiences a loss of

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investor confidence, the trading price of our common stock could decline for reasons unrelated to our business, operating results or financial condition. The trading price of our common stock might also decline in reaction to events that affect other companies in our industry even if these events do not directly affect us. Our stock price may also be affected by sales of large blocks of our stock or an interruption or change in our stock buyback program.

In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been brought against that company. If our stock price is volatile, we may become the target of securities litigation. Securities litigation could result in substantial costs and divert our management's attention and resources from our business, and this could have a material adverse effect on our business, operating results and financial condition.

***The requirements of being a public company may strain our resources, divert management's attention and affect our ability to attract and retain executive management and qualified board members.***

As a public company, we are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act, the Dodd-Frank Act, the listing requirements of the Nasdaq Stock Market LLC and other applicable securities rules and regulations. Compliance with these rules and regulations imposes significant legal and financial compliance costs and may divert management's attention from other business concerns, which could adversely affect our business and operating results.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices, including increased general and administrative expenses and a diversion of management's time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to their application and practice, regulatory authorities may initiate legal proceedings against us and our business may be adversely affected.

Failure to comply with these requirements could also subject us to enforcement actions by the SEC, further increase costs and divert management's attention, damage our reputation and adversely affect our business, operating results or financial condition.

We also believe that being a public company and these rules and regulations make it more expensive for us to obtain director and officer liability insurance.

***We may become involved in securities class action litigation that could divert management's attention from our business and adversely affect our business and could subject us to significant liabilities.***

The stock markets have from time to time experienced significant price and volume fluctuations that have affected the market prices for the common stock of pharmaceutical companies. These broad market fluctuations as well as a broad range of other factors, including the realization of any of the risks described in this section, may cause the market price of our common stock to decline. In the past, securities class action litigation has often been brought against a company following a decline in the market price of its securities. This risk is especially relevant for us because pharmaceutical companies generally experience significant stock price volatility. We may become involved in this type of litigation in the future. Litigation is often expensive and could divert management's attention and resources from our primary business, which could adversely affect our business. Any adverse determination in any such litigation or any amounts paid to settle any such actual or threatened litigation could require that we make significant payments.

***We may become involved in litigation that may materially adversely affect us.***

From time to time, we may be involved in a variety of claims, lawsuits, investigations and proceedings relating to securities laws, product liability, patent infringement, contract disputes and other matters relating to various claims that arise in the normal course of our business in addition to governmental and other regulatory investigations and proceedings. For example, former employees have filed claims against us under California's Private Attorneys General Act, or PAGA. PAGA allows an aggrieved staff member to bring a lawsuit on behalf of other current and former staff members for labor code violations. In addition, third parties may, from time to time, assert claims against us in the form

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of letters and other communications. Such matters can be time-consuming, divert management's attention and resources, cause us to incur significant expenses or liability and/or require us to change our business practices. Because of the potential risks, expenses and uncertainties of litigation, we may, from time to time, settle disputes, even where we have meritorious claims or defenses, by agreeing to settlement agreements. Because litigation is inherently unpredictable, we cannot assure you that the results of any of these actions will not have a material adverse effect on our business, financial condition, results of operations and prospects.

As a result of disclosure of information in this Annual Report on Form 10-K and in filings required of a public company, our business and financial condition are more visible, which we believe may result in threatened or actual litigation by competitors and other third parties. If such claims are successful, our business and operating results could be adversely affected. Even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and adversely affect our business and operating results.

### **Item 1B. Unresolved Staff Comments.**

None.

### **Item 1C. Cybersecurity**

#### *Risk Management and Strategy*

We have established policies and processes for assessing, identifying, and managing material risk from cybersecurity threats, and have integrated these processes into our overall risk management systems and processes. We routinely assess material risks from cybersecurity threats, including any potential unauthorized occurrence on or conducted through our information systems that may result in adverse effects on the confidentiality, integrity, or availability of our information systems or any information residing therein.

We conduct periodic risk assessments to identify cybersecurity threats, as well as assessments in the event of a material change in our business practices that may affect information systems that are vulnerable to such cybersecurity threats. These risk assessments include identification of reasonably foreseeable internal and external risks, the likelihood and potential damage that could result from such risks, and the sufficiency of existing policies, procedures, systems, and safeguards in place to manage such risks.

Following these risk assessments, we re-design, implement, and maintain reasonable safeguards to minimize identified risks; reasonably address any identified gaps in existing safeguards; and regularly monitor the effectiveness of our safeguards. We devote significant resources and designate high-level personnel, including our Head of the Information Technology Systems, or ITS, department who reports to our Chief Executive Officer, to manage the risk assessment and mitigation process. As part of our overall risk management system, we monitor and test our safeguards and train our employees on these safeguards, in collaboration with human resources, IT, and management. Personnel at all levels and departments are made aware of our cybersecurity policies through training.

We engage consultants in connection with our risk assessment processes. These service providers assist us in designing and implementing our cybersecurity policies and procedures, as well as to monitor and test our safeguards. We require each third-party service provider to certify that it has the ability to implement and maintain appropriate security measures, consistent with all applicable laws, to implement and maintain reasonable security measures in connection with their work with us, and to promptly report any suspected breach of its security measures that may affect our business.

For additional information regarding whether any risks from cybersecurity threats, including as a result of any previous cybersecurity incidents, have materially affected or are reasonably likely to materially affect our company, including our business strategy, results of operations, or financial condition, please refer to Item 1A, "Risk Factors," in this annual report on Form 10-K, including the risk factors entitled "Our business and operations have been impacted in the past, and may be impacted in the future, in the event of system breach or failure" and "Complying with laws in the U.S., Europe, and other jurisdictions that impose restrictive regulations addressing the collection, use, and other processing of personal information may be expensive, and failure to comply with such laws and regulations could cause substantial harm to our company."

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*Governance*

One of the key functions of our board of directors is informed oversight of our risk management process, including risks from cybersecurity threats. Our board of directors is responsible for monitoring and assessing strategic risk exposure, and our executive officers are responsible for the day-to-day management of the material risks we face. Our board of directors administers its cybersecurity risk oversight function through the audit committee. The chairperson of our audit committee has received a certificate in Cybersecurity Oversight from Carnegie Mellon University.

Our head of the ITS Department and our executive management are primarily responsible for assessing and managing our material risks from cybersecurity threats.

Our head of the ITS Department oversees our cybersecurity policies and processes, including those described in “Risk Management and Strategy” above. We have set up processes by which our executive management are informed about and monitor the prevention, detection, mitigation, and remediation of cybersecurity incidents.

Our head of the ITS Department and our executive management provide quarterly briefings to the audit committee of the board regarding our company’s cybersecurity risks and activities, including any recent cybersecurity incidents and related responses, cybersecurity systems testing, activities of third parties, and the like. Our audit committee provides regular updates to the board of directors on such reports. In addition, our head of the ITS Department provides periodic briefings to the board of directors on cybersecurity risks and activities.

**Item 2. Properties.**

Our manufacturing facilities are located in Rancho Cucamonga and South El Monte, California; Canton, Massachusetts; Éragny-sur-Epte, France; and Nanjing, China. We own or lease a total of 68 buildings at six locations in the U.S., France and China, that comprise 2.4 million square feet of manufacturing, research and development, distribution, packaging, laboratory, office and warehouse space. Our facilities are regularly inspected by the FDA in connection with our product approvals, and we believe that all of our facilities are being operated in material compliance with the FDA’s cGMP regulations.

We continue to expand our facility in Nanjing, China and expect further significant investment.

The following table provides a summary of our owned properties as of December 31, 2024:

<b>Location</b>	<b>Aggregate Facility Size (in square feet)</b>	<b>Primary Use</b>
Rancho Cucamonga, CA	267,674	Headquarters, research and development, laboratories, manufacturing, packaging, warehousing and administrative offices
Éragny-sur-Epte, France	251,983	Manufacturing, laboratories, warehousing and administrative offices
Canton, MA	216,590	Manufacturing, packaging, warehousing, distribution and administrative offices
Nanjing, China	1,084,078	Manufacturing, procurement, research and development, warehousing, and administrative offices
Chino, CA	57,968	Research and development, and laboratories
South El Monte, CA	21,200	Manufacturing

The properties leased by us have expiration dates ranging from 2025 to 2034 (including certain renewal options). The following table provides a summary of our leased properties:

<b>Location</b>	<b>Aggregate Facility Size (in square feet)</b>	<b>Primary Use</b>
Rancho Cucamonga, CA	191,180	Warehousing, distribution and administrative offices
South El Monte, CA	343,413	Manufacturing, packaging, warehousing, distribution and administrative offices

We believe that our current manufacturing capacity is adequate for the near term. However, we are planning to increase capacity at our plant in Rancho Cucamonga, CA which should allow us to eventually quadruple the number of units produced at this facility. We are also increasing the capacity of our inhalation facility in Canton, MA and our insulin API production facility at ANP. We have in the past approached capacity at one of our facilities largely as a result of the

FDA's request that we reintroduce certain previously discontinued products to help cope with a nationwide shortage of these products. We believe that these capacity issues have been ameliorated as a result of certain other manufacturers re-entering the market and increasing the production of the products that were subject to the shortage.

**Item 3. Legal Proceedings.**

From time to time, we may also be involved in a variety of other claims, lawsuits, investigations, and proceedings related to securities laws, product liability, patent infringement, contract disputes, employment, and other matters that arise in the normal course of our business. In addition, third parties may, from time to time, assert claims against us in the form of letters and other communications.

The results of any litigation cannot be predicted with certainty, and an unfavorable resolution in any legal proceedings could materially affect our future business, results of operations, or financial condition. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources, and other factors.

For information on legal proceedings, see "Part II – Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Note. 20 Litigation."

**Item 4. Mine Safety Disclosures.**

Not applicable.



## PART II

### **Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.**

Our common stock is listed on the Nasdaq Global Select Market and has traded under the symbol “AMPH” since our initial public offering on June 25, 2014. Prior to this date, there was no public market for our common stock.

#### **Dividend Policy**

We have not declared or paid any dividends on our common stock since our initial public offering. We currently anticipate that we will retain future earnings, if any, for the development, operation and expansion of our business and do not anticipate declaring or paying any dividends in the foreseeable future. Additionally, our ability to pay dividends on our common stock is limited by restrictions under the terms of our existing credit facilities. Any future determinations related to dividend policy will be made at the discretion of our Board of Directors.

#### **Holders of Record**

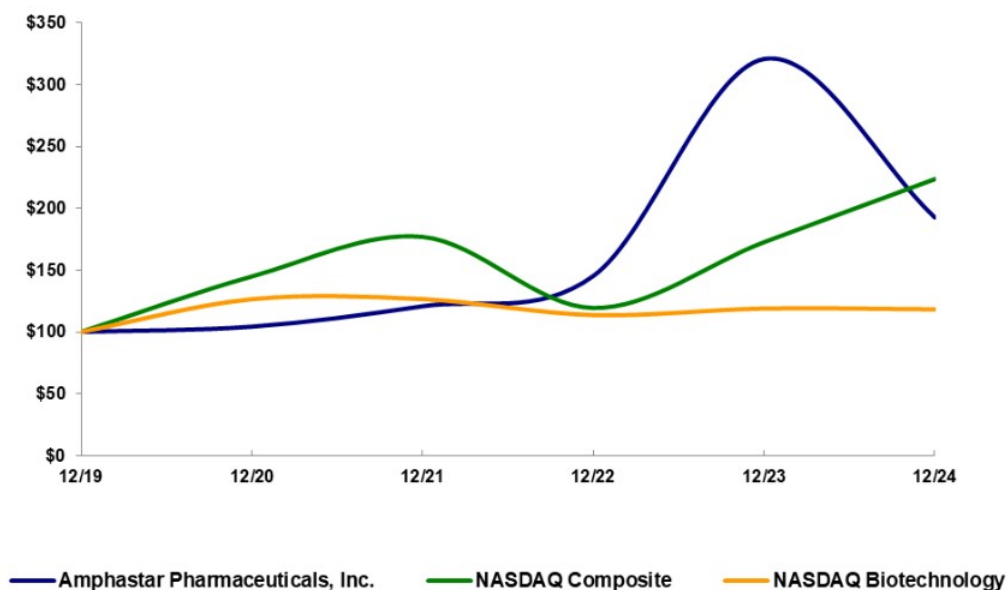
At February 25, 2025, we had 47,650,121 shares of common stock outstanding held by approximately 116 stockholders of record of our common stock. We believe the actual number of stockholders is greater than this number of record holders, including stockholders who are beneficial owners but whose shares are held in “street” name by brokers and other nominees. This number of holders of record also does not include stockholders whose shares may be held in trust by other entities.

#### **Stock Performance Graph**

*This graph shall not be deemed “soliciting material” or to be “filed” with the Securities and Exchange Commission for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any filing of Amphastar Pharmaceuticals, Inc. under the Securities Act or the Exchange Act.*

The following graph illustrates a comparison of the total cumulative stockholder return on our common stock since December 31, 2019, with the cumulative stockholder return since December 31, 2019, on two indices: the Nasdaq Composite Index and the Nasdaq Biotechnology Index. The graph assumes an initial investment of \$100 on December 31, 2019, both in our common stock and each index. It also assumes reinvestment of dividends, if any. Historical stockholder return shown is not necessarily indicative of future performance, and we do not make or endorse any predictions as to future stockholder returns.

**COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN\***  
Among Amphastar Pharmaceuticals, Inc., the NASDAQ Composite Index  
and the NASDAQ Biotechnology Index



\*\$100 invested on 12/31/19 in stock or index, including reinvestment of dividends.  
Fiscal year ending December 31.

**Issuer Purchases of Equity Securities During the Quarter Ended December 31, 2024**

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

Period	Total Number of Shares Purchased <sup>(1)</sup>	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
October 1 - October 31, 2024	312,673	\$ 48.46	312,673	—
November 1 - November 30, 2024	291,557	46.27	291,557	—
December 1 - December 31, 2024	311,114	42.88	311,114	—

<sup>(1)</sup> On November 4, 2024, we announced that our Board of Directors authorized an increase of \$50.0 million to our share buyback program. As of December 31, 2024, \$50.0 million remained available for repurchase under such program. The share buyback program does not have an expiration date.

**Recent Sales of Unregistered Securities**

None.

**Item 6. [Reserved]**

## **Item 7. 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 audited consolidated financial statements and the related notes thereto included in Item 8 under the heading “Financial Statements and Supplementary Data.” 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 Annual Report on Form 10-K, particularly in Item 1A, “Risk Factors.”*

*In this section, we generally discuss the results of our operations for the year ended December 31, 2024, compared to the year ended December 31, 2023. For a discussion of the year ended December 31, 2023, to the year ended December 31, 2022, please refer to Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on February 29, 2024, which discussion is hereby incorporated herein by reference.*

### **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<sup>®</sup>, glucagon, Primatene MIST<sup>®</sup>, epinephrine, lidocaine, and phytonadione.

In May 2024, the FDA approved our Albuterol Sulfate Inhalation Aerosol, which we launched in August 2024.

We are currently developing a portfolio of generic abbreviated new drug applications, or ANDAs, biologics license applications, or BLAs, including biosimilar insulin product candidates, and proprietary product candidates, which are in various stages of development and target a variety of indications. Four 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 core injectable and inhalation 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 worldwide events and macroeconomic factors, such as international trade relations, new legislation and regulations, changes in administration, taxation or monetary policy changes, public sector budgetary cycles and funding authorization in the United States, political and civil unrest, global conflicts such as the Russia-Ukraine and Middle East conflicts, supply chain disruptions, heightened inflationary pressures, tariffs and fluctuating interest rates, as well as rising healthcare costs among other factors, also increase volatility in the global economy and continue to pose challenges to our business. For example, the United States has recently experienced historically high levels of inflation. The existence of inflation in the United States, and global economy has and may continue to result in higher interest rates and capital costs, increased costs of labor, weakening exchange rates and other similar effects.

See “Part I – Item 1A, Risk Factors” for further discussion of the potential adverse impacts of unfavorable global and geopolitical economic conditions on our business, results of operations and financial conditions.

## Recent Developments

### BAQSIMI® Acquisition

In connection with the acquisition of BAQSIMI® in June 2023, we entered into a Transition Service Agreement, or TSA, with 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®.

Throughout 2024, we assumed distribution responsibilities from Lilly on a country-by-country basis and once the marketing authorizations for each territory were transferred to us, we entered into distribution agreements, and obtained sufficient quantities of Amphastar labeled inventory. As we assumed distribution responsibilities in each country, we started recognizing gross revenues and cost of revenues from the sales of BAQSIMI®, which is classified as product revenue, net and cost of revenue, respectively on the consolidated statement of operations. As of January 1, 2025, the TSA has been completed and we distribute and manage the BAQSIMI® supply chain in all countries where it is available.

In connection with the acquisition, we also entered into a Manufacturing Service Agreement, or MSA, with Lilly, pursuant to which Lilly agreed, for a period of time not to exceed 18 months, to provide certain manufacturing, packaging, labeling, and supply services for BAQSIMI® directly through third-party contractors to us in connection with our operation of the development, manufacture, and commercialization of BAQSIMI®. The MSA expired in December 2024 and as part of the agreement, we were obligated to purchase all API, components, and finished goods from Lilly at prices agreed upon in the MSA.

During the fourth quarter of 2024, we executed new agreements with CMOs, for the supply and packaging of BAQSIMI®, and entered into an agreement to purchase approximately \$34.0 million of API, components and finished goods inventories on hand from Lilly.

For more information regarding our acquisition of BAQSIMI®, see “Part II – Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Note 3. BAQSIMI® Acquisition.”

### Business Segments

As of December 31, 2024, our performance is assessed and resources are allocated based on one reportable segment, pharmaceutical products.

We previously operated as two reportable segments, Finished pharmaceutical products and APIs. However, as a result of the BAQSIMI® acquisition, including the expiration of the MSA, and TSA in the fourth quarter of 2024, the level of detail at which our chief operating decision maker, or CODM, regularly reviews and manages the business has changed, resulting in a change from two reportable segments to one segment, pharmaceutical products.

Information reported herein is consistent with how it is reviewed and evaluated by our CODM.

For more information regarding our segments, see “Part II – Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Note 6. – Segment Reporting.”

## Results of Operations

Year ended December 31, 2024 compared to year ended December 31, 2023

### Net revenues

	Year Ended December 31,		Change	
	2024	2023 (in thousands)	Dollars	%
Net revenues				
Product revenues, net	\$ 712,814	\$ 593,238	\$ 119,576	20 %
Other revenues	19,153	51,157	(32,004)	(63)%
Total net revenues	<u>\$ 731,967</u>	<u>\$ 644,395</u>	<u>\$ 87,572</u>	<u>14 %</u>
Cost of revenues	\$ 358,112	\$ 293,274	\$ 64,838	22 %
Gross profit	<u>\$ 373,855</u>	<u>\$ 351,121</u>	<u>\$ 22,734</u>	<u>6 %</u>
as % of net revenues	51 %	54 %		

The increase in net revenues for 2024 was primarily due to the following changes:

	Year Ended December 31,		Change	
	2024	2023 (in thousands)	Dollars	%
Product revenues, net:				
BAQSIMI®	\$ 126,898	\$ —	\$ 126,898	N/A
Glucagon	108,319	113,684	(5,365)	(5)%
Primatene MIST®	102,012	89,321	12,691	14 %
Epinephrine	94,090	81,650	12,440	15 %
Lidocaine	55,854	58,162	(2,308)	(4)%
Phytonadione	43,169	44,939	(1,770)	(4)%
Enoxaparin	21,715	31,533	(9,818)	(31)%
Naloxone	15,728	19,004	(3,276)	(17)%
Other products	145,029	154,945	(9,916)	(6)%
Total product revenues, net	<u>\$ 712,814</u>	<u>\$ 593,238</u>	<u>\$ 119,576</u>	<u>20 %</u>

### Product Revenues, net

Throughout 2024, we assumed distribution responsibilities for BAQSIMI® from Lilly to our customers in the United States, and certain other countries. As a result, \$126.9 million of our BAQSIMI® sales for the year ended December 31, 2024, were recognized as product revenues, net, similar to our other products.

For more information, see “Part II – Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Note 4. Revenue Recognition.”

Primatene MIST® sales increased primarily due to an increase in unit volumes. The increase in sales of epinephrine was primarily due to an increase in unit volumes as we began selling our epinephrine pre-filled syringes in Canada starting in the third quarter of 2024. The decrease in sales of glucagon was primarily due to a decrease in unit volumes, as a result of competition and a move to ready to use glucagon products such as BAQSIMI®. The decrease in sales of enoxaparin and naloxone was primarily due to a decrease in unit volumes. The decrease in other products was primarily due to lower unit sales of atropine and calcium chloride, as a result of other suppliers returning to their historical distribution levels, as well as lower unit sales of medroxyprogesterone, as our API supplier discontinued making the active ingredient, which resulted in a halt of sales of medroxyprogesterone after the third quarter of 2023. Subsequently, we qualified our subsidiary, ANP, to manufacture this API, and in September 2024, we re-launched the product. 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, as well as the launch of albuterol in August 2024.

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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 products will continue to fluctuate depending on the ability of our competitors to supply market demands.

*Other Revenues*

Other revenues include the portion of BAQSIMI<sup>®</sup> sales made by Lilly on our behalf under the TSA which amounted to \$19.2 million and \$51.2 million during the years ended December 31, 2024 and 2023, respectively, based on total BAQSIMI<sup>®</sup> sales of \$37.6 million and \$86.3 million, respectively, as reported to us by Lilly, which was recognized on a net basis, similar to a royalty arrangement. The BAQSIMI<sup>®</sup> sales made by Lilly on our behalf under the TSA have decreased throughout 2024, due to our assumption of distribution responsibilities for BAQSIMI<sup>®</sup> from Lilly to our customers in the United States, and certain other countries. We recognized these sales within product net revenues.

*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. We had no significant backlog as of December 31, 2024. 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 decrease in gross margins during the year ended December 31, 2024, is primarily a result of the TSA with Lilly. The portion of revenues relating to BAQSIMI<sup>®</sup> 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. Therefore, in the prior year, BAQSIMI<sup>®</sup> sales did not have any associated cost of revenues, which increased the gross margins. Additional factors contributing to the decrease in gross margins during the year include an increase in depreciation and amortization expenses related to the acquired BAQSIMI<sup>®</sup> assets, as well as increases in labor costs and the cost for certain APIs and purchased components.

The decrease in gross margins was partially offset by the increase in sales of Primatene MIST<sup>®</sup> and epinephrine, which are higher-margin products.

**Selling, distribution, and marketing, and general and administrative**

	Year Ended December 31,		Change	
	2024	2023	Dollars	%
	(in thousands)			
Selling, distribution, and marketing	\$ 37,802	\$ 28,853	\$ 8,949	31 %
General and administrative	56,720	51,540	5,180	10 %

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<sup>®</sup>. The increase in general and administrative expense was primarily due to an increase in salary and personnel-related expenses and expenses related to BAQSIMI<sup>®</sup>.

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



## Research and development

	Year Ended December 31,		Change	
	2024	2023	Dollars	%
	(in thousands)			
Salaries and personnel-related expenses	\$ 31,634	\$ 29,092	\$ 2,542	9 %
Pre-launch inventory	483	422	61	14 %
Clinical trials	594	5,216	(4,622)	(89)%
FDA fees	1,715	409	1,306	319 %
Materials and supplies	16,813	19,499	(2,686)	(14)%
Depreciation	12,486	9,853	2,633	27 %
Other expenses	10,189	9,250	939	10 %
Total research and development expenses	<u>\$ 73,914</u>	<u>\$ 73,741</u>	<u>\$ 173</u>	<u>0 %</u>

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.

Research and development expenses remained flat during the year. There was an increase in salary and personnel-related expenses, as well as an increase in FDA filing fees as we filed the ANDA for AMP-018 in 2024. These increases were offset by a decrease in clinical trials expense, as well as a decrease in materials and supplies expense, as a result of a ramp-up of expenses in 2023 for our insulin and inhalation pipeline products.

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.

## Non-operating income (expenses), net

	Year Ended December 31,		Change	
	2024	2023	Dollars	%
	(in thousands)			
Non-operating income (expenses)				
Interest income	\$ 10,612	\$ 5,459	\$ 5,153	94 %
Interest expense	(30,343)	(27,158)	(3,185)	12 %
Other income (expenses), net	4,076	(3,929)	8,005	204 %
Total non-operating income (expenses), net	<u>\$ (15,655)</u>	<u>\$ (25,628)</u>	<u>\$ 9,973</u>	<u>(39)%</u>

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<sup>®</sup>, as well as the 2029 Convertible Notes, which we entered into in the second half of 2023. For more information regarding our debt, see “Part II – Item 8. Financial Statements and Supplementary Data – Notes to 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 year ended December 31, 2024.

## Income tax provision

	Year Ended December 31,		Change	
	2024	2023	Dollars	%
Income tax provision	\$ 29,672	\$ 31,833	\$ (2,161)	(7)%
<i>Effective tax rate</i>	(in thousands)		16 %	19 %

Our effective tax rate for the year ended December 31, 2024 decreased in comparison to the year ended December 31, 2023, primarily due to excess tax benefit from share-based compensation and lower state income tax expense. For more information regarding our income taxes, see “Part II – Item 8. Financial Statements and Supplementary Data – Notes to 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 make milestone payments for our BAQSIMI<sup>®</sup> acquisition of up to an aggregate of \$575 million contingent upon certain net sales milestones related to the BAQSIMI<sup>®</sup> acquisition, 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 with cash flows from operations. Our cash obligations include the principal and interest payments due on our existing loans and lease payments, as described below and throughout this Annual Report on Form 10-K.

As of December 31, 2024, our foreign subsidiaries collectively held \$9.2 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 filing of this Annual Report on Form 10-K. 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.

Working capital increased \$96.1 million to \$360.3 million at December 31, 2024, compared to \$264.2 million at December 31, 2023.

### Cash Flows from Operations

The following table summarizes our cash flows from operating, investing, and financing activities for the years ended December 31, 2024 and 2023.

	Year Ended December 31,	
	2024	2023
(in thousands)		
<b>Statement of Cash Flow Data:</b>		
Net cash provided by (used in)		
Operating activities	\$ 213,386	\$ 183,503
Investing activities	(124,930)	(649,116)
Financing activities	(80,953)	454,093
Effect of exchange rate changes on cash	(190)	(282)
Net increase (decrease) in cash, cash equivalents, and restricted cash	\$ 7,313	\$ (11,802)

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### *Sources and Use of Cash*

#### Operating Activities

Net cash provided by operating activities was \$213.4 million for the year ended December 31, 2024, which included net income of \$159.5 million. Non-cash items comprised primarily of \$63.2 million of depreciation and amortization, which includes \$28.2 million related to depreciation of property, plant and equipment; \$24.7 million related to amortization of intangible assets; \$4.2 million related to amortization of operating lease right-of-use assets; \$6.0 million related to amortization of discounts, premiums, and debt issuance costs; and share-based compensation expense of \$24.4 million.

Additionally, for the year ended December 31, 2024, there was a net cash outflow from changes in operating assets and liabilities of \$14.5 million, which resulted primarily from an increase in accounts receivables, an increase in inventories, as well as an increase in prepaid expenses and other assets, which was partially offset by an increase in accounts payable and accrued liabilities. 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 finished product, raw materials and components for BAQSIMI<sup>®</sup>. Accounts payable and accrued liabilities increased primarily due to the increase in accrued customer fees and rebates associated with BAQSIMI<sup>®</sup> sales, as we continued to assume distribution responsibilities for BAQSIMI<sup>®</sup> from Lilly to our customers in the United States and certain other countries throughout 2024.

Net cash provided by operating activities was \$183.5 million for the year ended December 31, 2023, which included net income of \$137.5 million. Non-cash items comprised primarily of \$53.2 million of depreciation and amortization, which includes \$25.2 million related to depreciation of property, plant and equipment, \$12.8 million related to amortization of intangible assets, \$11.4 million related to amortization of discounts, premiums, and debt issuance costs. Additionally, non-cash items included share-based compensation expense of \$20.2 million, and an impairment charge of \$2.7 million relating to the impairment of the IMS (UK) international product rights. Additionally, for the year ended December 31, 2023, there was a net cash outflow from changes in operating assets and liabilities of \$24.2 million, which resulted from an increase in accounts receivables, an increase in inventories, which was partially offset by an increase in accounts payable and accrued liabilities. Accounts payable and accrued liabilities increased primarily due to the deferred acquisition payment for BAQSIMI<sup>®</sup> of \$129.0 million. The increase in accounts receivables was primarily due to the timing of the payment from Lilly for BAQSIMI<sup>®</sup> revenues during the fourth quarter, which was received subsequent to the year end.

#### Investing Activities

Net cash used in investing activities was \$124.9 million for the year ended December 31, 2024, primarily due to the payment of \$129.0 million relating to the BAQSIMI<sup>®</sup> acquisition, \$41.0 million in purchases of property, plant, and equipment, which included \$16.6 million incurred in the United States, \$2.9 million in France, and \$21.5 million in China. This was partially offset by a net cash inflow of \$49.2 million from sales and purchases of investments during the period.

Net cash used in investing activities was \$649.1 million for the year ended December 31, 2023, primarily as a result of \$506.4 million relating to the BAQSIMI<sup>®</sup> acquisition, \$38.2 million in purchases of property, plant, and equipment, which included \$24.7 million incurred in the United States, \$1.9 million in France, and \$11.6 million in China. Additionally, net cash outflows from purchases and sales of investments during the period was \$105.9 million.

#### Financing Activities

Net cash used in financing activities was \$81.0 million for the year ended December 31, 2024, primarily as a result of \$85.5 million used to purchase treasury stock and \$4.9 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. Additionally, we made \$8.3 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 \$18.4 million of net proceeds from borrowings on our line of credit in China.

Net cash provided by financing activities was \$454.1 million for the year ended December 31, 2023, primarily as a result of proceeds of \$500.0 million from the Credit Agreement with Wells Fargo and \$345.0 million from the 2029 Convertible Notes, which were partially offset by \$318.7 million in principal payments of our long-term debt and \$25.1 million in debt issuance cost. Additionally, we received \$11.0 million in net proceeds from the settlement of share-based

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compensation awards under our equity plan, which was offset by the \$58.1 million used to purchase treasury stock.

### ***Debt and Borrowing Capacity***

Our outstanding debt obligations are summarized as follows:

	December 31,		
	2024	2023	Change
	(in thousands)		
Short-term debt and current portion of long-term debt	\$ 234	\$ 436	\$ (202)
Long-term debt	601,630	589,579	12,051
Total debt	<u>\$ 601,864</u>	<u>\$ 590,015</u>	<u>\$ 11,849</u>

As of December 31, 2024, we had \$224.5 million in unused borrowing capacity under revolving lines of credit with Wells Fargo Bank, China Merchant Bank, and Industrial and Commercial Bank of China Limited.

The weighted average interest rates on lines of credit as of December 31, 2024 and 2023 were 4.0% and 7.0%, respectively. For our loans with Wells Fargo Bank and East West Bank, we have entered into fixed interest rate swap contracts to exchange the variable interest rates for fixed interest rates.

For more information regarding our outstanding indebtedness, see “Part II – Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Note 14. – Debt.”

### ***Contractual Obligations and Commitments***

#### *Operating Lease Obligations*

As of December 31, 2024 we had a total of \$59.3 million of minimum rental payments due under operating leases. Of that amount, \$9.6 million is due within 12 months as of December 31, 2024. For more information regarding our operating lease obligations see “Part II – Item 8. Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – Note. 18 – Commitments and Contingencies.”

#### *Milestone Obligations*

The terms of our Purchase Agreement with Lilly require us to make future sales-based milestone payments aggregating up to \$575.0 million based on achievement of specified net sales amounts. As of December 31, 2024, we have not triggered any milestones and therefore no amounts have been recognized or paid. The amount and timing of such future obligations are unknown and uncertain.

#### *Purchase Obligations*

We have certain purchase obligations under which we are required to make minimum payments for items including, but not limited to, inventory and pharmaceutical manufacturing and laboratory equipment. As of December 31, 2024, we had an aggregate amount of approximately \$135.5 million of purchase obligations.

### **Critical Accounting Policies**

We prepare our consolidated financial statements in accordance with accounting principles generally accepted in the United States, or GAAP. The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. In some cases, changes in the accounting estimates are reasonably likely to occur from period to period. Accordingly, actual results could differ materially from our estimates. To the extent that there are material differences between these estimates and actual results, our financial condition and results of operations will be affected. We base our estimates on past experience and other assumptions that we believe are reasonable under the circumstances, and we evaluate these estimates on an ongoing basis. We refer to accounting estimates of this type as critical accounting policies, which we discuss further below. While our significant accounting policies are more fully described in Part II – Item 8. Financial Statements and Supplementary Data – Notes to

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Consolidated Financial Statements – Note 2. – Summary of Significant Accounting Policies”, we believe that the following accounting policies are critical to the process of making significant judgments and estimates in the preparation of our audited consolidated financial statements.

### *Revenue Recognition*

#### *Product revenues, net*

Our net revenues consist principally of revenues generated from the sale of our pharmaceutical products. We also generate a small amount of revenues from contract manufacturing services. Generally, we recognize revenues at the time of product delivery to our customers in accordance with ASC, 606 *Revenue from Contracts with Customers*. In some cases, revenues are recognized at the time of shipment when stipulated by the terms of the sale agreements. Revenues derived from contract manufacturing services are recognized when third-party products are shipped to customers, after the customer has accepted test samples of the products to be shipped.

The consideration we receive in exchange for our goods or services is only recognized when it is probable that a significant reversal will not occur. The consideration to which we expect to be entitled includes a stated list price, less various forms of variable consideration. We make significant estimates for related variable consideration at the point of sale, including chargebacks, rebates, product returns, other discounts and allowances.

Provision for estimated chargebacks, rebates, discounts, product returns and credit losses is made at the time of sale and is analyzed and adjusted, if necessary, at each balance sheet date.

If actual future payments for the discounts, returns, fees, rebates and chargebacks exceed the estimates we made at the time of sale, our financial position, results of operations and cash flows would be negatively impacted. We are generally obligated to accept from our customers the return of pharmaceuticals that have reached or will soon reach their expiration dates. We establish reserves for such amounts based on historical experience and other information available at the time of sale, but the actual returns will not occur until several years after the sale. Although we believe that our estimates and assumptions are reasonable as of the date when made, actual results may differ significantly from these estimates. Our financial position, results of operations and cash flows may be materially and negatively impacted if actual returns exceed our estimated allowances for returns.

We establish allowances for estimated chargebacks, rebates and product returns based on a number of qualitative and quantitative factors, including:

- contract pricing and return terms of our agreements with customers;
- wholesaler inventory levels and turnover;
- historical chargeback and product return rates;
- shelf lives of our products, which is generally two years, as is the case with enoxaparin;
- direct communication with customers;
- anticipated introduction of competitive products or authorized generics; and
- anticipated pricing strategy changes by us and/or our competitors.

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The following table summarizes activity in each of our product revenue provision and allowance categories for the years ended December 31, 2024 and 2023:

	Chargebacks and Rebates <sup>(1)</sup>	Product Returns <sup>(2)</sup> (in thousands)	Management fees and Incentives <sup>(3)</sup>
Balance as of December 31, 2022	\$ 26,606	\$ 19,451	\$ 11,749
Provisions	257,219	4,275	46,213
Credits and payments issued to third parties	(255,905)	(6,547)	(43,479)
Balance as of December 31, 2023	<u>\$ 27,920</u>	<u>\$ 17,179</u>	<u>\$ 14,483</u>
Provisions	298,230	9,597	62,939
Credits and payments issued to third parties	(260,361)	(6,917)	(60,166)
Balance as of December 31, 2024	<u>\$ 65,789</u>	<u>\$ 19,859</u>	<u>\$ 17,256</u>

- (1) Chargeback and Rebates include chargebacks, managed care rebates, GPO rebates, government rebates, and co-pay program incentives. Chargeback and rebates were deducted from gross revenue at the time revenues were recognized and were recorded as a reduction to accounts receivables, net and accounts payable and accrued liabilities on our consolidated balance sheets.
- (2) Estimated provisions for product returns were deducted from gross revenues at the time revenues were recognized and are included in accounts payable and accrued liabilities and other long-term liabilities on our consolidated balance sheets.
- (3) Management fees and incentives include management and GPO fees and sales incentives and allowances, which were deducted from gross revenues at the time revenues were recognized and were recorded as accounts payable and accrued liabilities on our consolidated balance sheets.

#### *Other revenues*

Revenues related to sales of BAQSIMI<sup>®</sup>, which was acquired on June 30, 2023 and was manufactured and sold by Lilly under the TSA during the years ended December 31, 2024 and 2023, were recorded on a net basis, similar to a royalty arrangement.

#### *Inventories*

Inventories consist of currently marketed products and products manufactured under contract. Inventories are stated using the first-in, first-out method, on a consistent basis. Inventory is stated at the lower of cost or net realizable value. We adjust inventories to their net realizable value: (i) if a launch of a new product is delayed and inventory may not be fully utilized and could be subject to impairment, (ii) when a product is close to expiration and not expected to be sold, (iii) when a product has reached its expiration date, (iv) when a product is not expected to be sellable, and (v) when the estimated net realizable value is below cost. In determining the estimated net realizable value of an inventory item, we consider factors such as the forecasted average net selling price, the amount of inventory on hand, its remaining shelf life, its regulatory approval status, and current and expected market conditions, including management forecasts and levels of competition.

The largest adjustment to the net realizable value of our inventory has historically been related to enoxaparin. The adjustment of enoxaparin inventory to its net realizable value has been driven primarily by increases in the prices of heparin, the starting material for the production of the API in our enoxaparin product. Other cost increases relate to labor and overhead also impacted the cost of producing enoxaparin. Additionally, fluctuations in the forecasted average net selling price impact this estimate. The average net selling price has fluctuated due to competitor entries and exits from the market.

#### *Impairment of Intangible and Long-Lived Assets*

We review long-lived assets and definite-lived identifiable intangible assets or asset groups for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Such events and circumstances include decisions by the FDA regarding evidence of effectiveness of proprietary drug candidates or bioequivalence (sameness) of our generic product candidates as compared to the reference drug, communication with the regulatory agencies regarding the safety and efficacy of our products under review, the use of the asset in current research and development projects, any potential alternative uses of the asset in other research and development projects in the short-to-medium term, clinical trial results and research and development portfolio management options. Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset or asset groups and its eventual disposition. If the sum of the expected future undiscounted cash flows is less than



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the carrying amount of the asset or asset groups, further impairment analysis is performed. An impairment loss is measured as the amount by which the carrying amount exceeds the fair value of the asset or asset groups (assets to be held and used) or fair value less cost to sell (assets to be disposed of). All of our impairments relate primarily to the isolated write-off of certain manufacturing equipment related to abandoned projects. Since we periodically assess our product candidates and make changes to product development plans, we incur impairment charges from time to time which can fluctuate significantly from period to period.

The indefinite-lived intangible asset, the Primatene<sup>®</sup> trademark acquired in June 2008, and goodwill are tested for impairment annually, in the fourth quarter, or more frequently if indicators of impairment are present. An impairment loss is recorded if the asset's fair value is less than its carrying value. We also periodically review the Primatene<sup>®</sup> trademark to determine if events and circumstances continue to support an indefinite useful life. When we choose to perform a qualitative assessment, we evaluate economic, industry and company-specific factors as an initial step. If we determine it is more likely than not that the Primatene<sup>®</sup> trademark is impaired or the fair value of a reporting unit is less than its carrying amount, further quantitative impairment process is then performed; otherwise, no further testing is required. If the life is no longer indefinite, the asset is tested for impairment, and the carrying value, after recognition of any impairment loss, is amortized over its remaining useful life.

We acquired the BAQSIMI<sup>®</sup> product rights in June 2023. BAQSIMI<sup>®</sup> is an emergency nasal spray used to treat severe hypoglycemia. The BAQSIMI<sup>®</sup> product rights intangible asset is amortized over its estimated useful life of 24 years. In determining the BAQSIMI<sup>®</sup> product rights' useful life, we considered the following: the expected use of the intangible asset; the longevity of the brand; the legal, regulatory and contractual provisions that affect their maximum useful life; our ability to renew or extend the asset's legal or contractual life without substantial costs; effects of the regulatory environment; expected changes in distribution channels; maintenance expenditures required to obtain the expected future cash flows from the asset; and considerations for obsolescence, demand, competition and other economic factors.

No impairment of indefinite-lived intangible asset and goodwill was recorded during the years ended December 31, 2024 and 2022. For the year ended December 31, 2023, we recorded an impairment charge of \$2.7 million related to our IMS (UK) international product rights, as we decided to delay the launch of the IMS UK products indefinitely. We recorded the impairment in the cost of revenue line in our consolidated statement of operations.

### *Deferred Income Taxes*

We utilize 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.

A number of years may elapse before an uncertain tax position for which we have established a tax reserve is audited and finally resolved. The number of years for which we can be subject to audit varies depending on the tax jurisdiction. While it is often difficult to predict the final outcome or the timing of the resolution of an audit, we believe that our reserves for uncertain tax benefits reflect the outcome of tax positions that is more likely than not to occur. The resolution of a matter could be recognized as an adjustment to our provision for income taxes and our effective tax rate in the period of resolution, and may also require a use of cash.

### *Share-Based Compensation*

Options issued under our amended and restated 2015 Equity Incentive Award Plan, or the Amended 2015 Plan, 2015 Equity Incentive Award Plan, or the Original 2015 Plan, and our amended and restated 2005 Equity Incentive Award Plan, or 2005 Plan, are granted at exercise prices equal to or greater than the fair value of the underlying common shares on the date of grant and vest based on continuous service. There have been no awards with performance conditions and no awards with market conditions. The options have a contractual term of five to ten years and generally vest over a three- to five-year period.

We use the Black-Scholes option pricing model to determine the fair value of options awards. The Black-Scholes option pricing model has various inputs such as the common share price on the date of grant, exercise price, the risk-free interest rate, volatility, expected life and dividend yield, all of which are estimates. We used the risk-free rate on U.S. Treasury securities at the time of grant for instruments with maturities commensurate with the expected term of the stock option. Our volatility estimate was based on the weighted average historical volatility of our stock price since IPO. Our

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dividend yield was assumed to be 0%, because we have no plans to pay dividends. We estimate the expected term of options with consideration of vesting date, contractual term, and historical experience for employee exercise and post-vesting employment termination behavior after our common stock has been publicly traded. The expected term of “plain vanilla” options is estimated based on the midpoint between the vesting date and the end of the contractual term under the simplified method.

The fair value of each share-based compensation award is amortized into compensation expense on a straight-line basis between the grant date for the option and the vesting date net of expected forfeitures. We estimate forfeitures at the time of grant and revise those estimates in subsequent periods if actual numbers differ from such estimates. The change of any of these inputs could significantly impact the determination of the fair value of our options as well as significantly impact our results of operations.

### **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 adoption of this guidance did not have a material impact on our consolidated financial statements and related disclosures.

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. We are currently evaluating the disclosure requirements related to the new standard.

In November 2024, the FASB issued ASU 2024-03, *Income Statement Reporting-Comprehensive Income-Expense Disaggregation Disclosures (Subtopic 220-40), Disaggregation of Income Statement Expenses*. The standard update improves the disclosures about a public business entity’s expenses by requiring more detailed information about the types of expenses (including purchases of inventory, employee compensation, depreciation and amortization) included within income statement expense captions. The guidance will be effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Early adoption is permitted. The standard updates are to be applied prospectively with the option for retrospective application. We are currently evaluating the impact of disclosure requirements related to the new standard on our financial statements.

### **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.

Our manufacturing facilities as well as our CMOs are subject to periodic inspection by the FDA to ensure that they are operating in compliance with cGMP requirements. As of December 31, 2024, all of our manufacturing facilities and our CMOs are in compliance with all federal and state governmental agencies, including all FDA and DEA regulations. In 2024, we have had inspections conducted by the FDA in our various manufacturing facilities, which resulted in several observations on Form 483. We have responded to those observations and have satisfied the requirements of the FDA.

## **Item 7A. Quantitative and Qualitative Disclosures about Market Risk.**

*The following discussion provides forward-looking quantitative and qualitative information about our potential exposure to market risk. 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).*

### ***Investment Risk***

We regularly review the carrying value of our investments and identify and recognize losses, for income statement purposes, when events and circumstances indicate that any declines in the fair values of such investments below our accounting basis are other than temporary. As of December 31, 2024, none of our investments experienced any declines in fair value that we believe are other than temporary. We do not enter into investments for trading or speculative purposes.

As of December 31, 2024, we had \$6.7 million deposited in six banks located in China, \$1.8 million deposited in one bank located in France, and \$0.7 million deposited in one bank located in the United Kingdom. We also maintained \$102.1 million in cash equivalents that include money market accounts as of December 31, 2024. Additionally, we maintain approximately \$54.4 million in investment grade corporate and municipal bonds as of December 31, 2024. The remaining amounts of our cash equivalents as of December 31, 2024, are in non-interest bearing accounts.

As of December 31, 2023, we had \$5.9 million deposited in four banks located in China, \$5.0 million deposited in one bank located in France, and \$0.3 million deposited in one bank located in the United Kingdom. We also maintained \$116.4 million in cash equivalents that include money market accounts as of December 31, 2023. Additionally, we maintain approximately \$90.1 million in investment grade corporate and municipal bonds as of December 31, 2023. The remaining amounts of our cash equivalents as of December 31, 2023, are in non-interest bearing accounts.

We maintain significant amounts of cash and cash equivalents at one or more financial institutions that are in excess of federally insured limits. Interest bearing and non-interest bearing accounts we hold at banking institutions are guaranteed by the Federal Deposit Insurance Corporation, or FDIC, up to \$250,000. Substantially all of our cash balances held at banking institutions are in excess of FDIC coverage. We consider this to be a normal business risk.

### ***Interest Rate Risk***

Our primary exposure to market risk is interest rate sensitive investments and credit facilities, which are affected by changes in the general level of U.S. interest rates. Due to the nature of our short-term investments, we believe that we are not subject to any material interest rate risk with respect to our short-term investments.

As of December 31, 2024, we had \$601.9 million in long-term debt and finance leases outstanding, all of which have either a fixed interest rate or are locked-in fixed interest rates through swap contracts.

As of December 31, 2023, we had \$590.0 million in long-term debt and finance leases outstanding, all of which have either a fixed interest rate or are locked-in fixed interest rates through swap contracts.

### ***Foreign Currency Exchange Risk***

Our products are primarily sold in the U.S. domestic market, and have little exposure to foreign currency price fluctuations. Our API manufacturing business in France is exposed to market risk related to changes in foreign currency exchange rates, because our insulin sales contracts are frequently denominated in euros, which are subject to fluctuations relative to the USD.

Our Chinese subsidiary, 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 exchange gains and losses are reflected in our consolidated statement of operations.

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Our French subsidiary, AFP, maintains its books of record in euros. AUK's subsidiary, IMS UK, maintains its books 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 accumulated 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).

We are also exposed to the potential earnings effects from intercompany foreign currency assets and liabilities that arise from normal trade receivables and payables and other intercompany loans.

As of December 31, 2024, a theoretical 10% unfavorable change in the exchange rate of the U.S. dollar strengthening against the foreign currencies to which we have exposure would result in approximately \$1.2 million reduction of foreign currency gains, and approximately \$3.1 million reduction in other comprehensive income.

As of December 31, 2023, a theoretical 10% unfavorable change in the exchange rate of the U.S. dollar strengthening against the foreign currencies to which we have exposure would result in approximately \$2.2 million reduction of foreign currency gains, and approximately \$1.6 million reduction in other comprehensive income.

As of December 31, 2024 and 2023, our foreign subsidiaries had cash balances denominated in foreign currencies in the amount of \$6.6 million and \$8.9 million, respectively.

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**Item 8. Financial Statements and Supplementary Data.**

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## Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Amphastar Pharmaceuticals, Inc.

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Amphastar Pharmaceuticals, Inc. (the Company) as of December 31, 2024 and 2023, the related consolidated statements of operations, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2024, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2024, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2024, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated March 3, 2025 expressed an unqualified opinion thereon.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

#### *Provision for chargebacks estimate*

##### *Description of the Matter*

The Company's provision for chargebacks estimate totaled \$26.3 million at December 31, 2024. As described in Note 4 to the consolidated financial statements, the Company estimates the provision for chargebacks using the expected value method at the time of sale to wholesalers.

Auditing the provision for chargebacks estimate was especially challenging because of the subjectivity of management assumptions about future wholesale customer mix and related contract pricing, which impact the rates at which future chargebacks on current sales will be paid. The estimated provision for chargebacks is based on wholesaler inventory levels, historic chargeback rates, and current contract pricing and wholesaler customer mix.

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*How We Addressed the Matter in Our Audit* We tested the Company's controls addressing the identified risks of material misstatement related to the valuation of the provision for chargebacks. This included testing controls over management's review of significant assumptions discussed above. This testing also included management's control to compare subsequent actual activity to estimated activity and controls to ensure the data used to evaluate the significant assumptions was complete and accurate.

To test the provision for chargebacks estimate, we obtained management's calculations and performed the following procedures, among others. We evaluated the appropriateness of the Company's models and methodology, including recalculating the estimate using those models, and testing the completeness and accuracy of the inputs by comparing to internal and external data. We evaluated the reasonableness of significant assumptions (e.g., estimated future wholesale customer mix and related contract pricing) by comparing rates at different time periods, including historical and subsequent periods, obtaining an understanding of the facts supporting the selected rates, and performing sensitivity analyses over those rates. We evaluated subsequent events to assess whether there was any new information that would require adjustment to the initial provision.

***Estimated selling price impacting the Enoxaparin inventory lower of cost or net realizable value***

*Description of the Matter* The Company's inventories totaled \$153.7 million as of December 31, 2024 which is net of, amongst other things, provisions to reduce the value of Enoxaparin inventory to the lower of its cost and net realizable value. Total charges of \$7.4 million related to Enoxaparin inventory and related purchase commitments were included in cost of revenues in the Company's consolidated statement of operations for the year ended December 31, 2024. As explained in Note 2 to the consolidated financial statements, the Company states inventory at the lower of cost or net realizable value. Net realizable value is determined using the estimated selling price, in the ordinary course of business, less estimated costs to complete and dispose of the inventory.

Auditing management's estimate in determining the net realizable value of Enoxaparin inventory involved subjective auditor judgment because the estimated selling price relies on a number of factors that are affected by market conditions outside the Company's control. In particular, the estimated selling price forecast is sensitive to changes in significant assumptions, including demand for the Company's products, customer mix, expected competition, and planned price changes.

*How We Addressed the Matter in Our Audit* We obtained an understanding, evaluated the design, and tested the operating effectiveness of internal controls over the Company's estimated selling price impacting the Enoxaparin inventory lower of cost or net realizable value. This included controls over management's assessment of assumptions such as future demand, customer mix, expected competition, and planned price changes.

Our substantive audit procedures included, among others, evaluating the significant assumptions stated above and the accuracy and completeness of the underlying data management used to develop the estimated selling price. We evaluated adjustments to the estimated selling price for specific considerations, such as demand for the Company's products, new significant customers, competitors, or planned price changes. We evaluated the reasonableness of management's estimated selling price and whether expected changes in demand, competition, customer mix, or planned price changes were appropriate by comparing with the Company's historical data and market conditions. We also performed sensitivity analyses over the estimated selling price assumptions and assessed the historical accuracy of management's estimates by performing retrospective reviews over prior periods' estimated selling prices.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1998.

Irvine, California

March 3, 2025





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

	December 31, 2024	December 31, 2023
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 151,609	\$ 144,296
Restricted cash	235	235
Short-term investments	70,036	112,510
Restricted short-term investments	2,200	2,200
Accounts receivable, net	136,289	114,943
Inventories	153,741	105,833
Income tax refunds and deposits	1,747	526
Prepaid expenses and other assets	18,214	9,057
Total current assets	<u>534,071</u>	<u>489,600</u>
Property, plant, and equipment, net	297,345	282,746
Finance lease right-of-use assets	383	564
Operating lease right-of-use assets	46,899	32,333
Investment in unconsolidated affiliate	—	527
Goodwill and intangible assets, net	590,660	613,295
Long-term investments	10,996	14,685
Other assets	25,992	25,910
Deferred tax assets	71,124	53,252
Total assets	<u>\$ 1,577,470</u>	<u>\$ 1,512,912</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 157,057	\$ 93,366
Accrued payments for BAQSIMI <sup>®</sup> (see Note 3)	—	126,090
Income taxes payable	9,664	1,609
Current portion of long-term debt	234	436
Current portion of operating lease liabilities	6,804	3,906
Total current liabilities	<u>173,759</u>	<u>225,407</u>
Long-term reserve for income tax liabilities	6,957	6,066
Long-term debt, net of current portion and unamortized debt issuance costs	601,630	589,579
Long-term operating lease liabilities, net of current portion	41,881	29,721
Other long-term liabilities	20,945	22,718
Total liabilities	<u>845,172</u>	<u>873,491</u>
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; 60,847,124 and 47,617,691 shares issued and outstanding, respectively, as of December 31, 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	505,400	486,056
Retained earnings	568,787	409,268
Accumulated other comprehensive loss	(9,181)	(8,478)
Treasury stock	(332,714)	(247,431)
Total equity	<u>732,298</u>	<u>639,421</u>
Total liabilities and stockholders' equity	<u>\$ 1,577,470</u>	<u>\$ 1,512,912</u>

*See accompanying notes to consolidated financial statements.*

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

	Year Ended December 31,		
	2024	2023	2022
<b>Net revenues:</b>			
Product revenues, net	\$ 712,814	\$ 593,238	\$ 498,987
Other revenues	19,153	51,157	—
Total net revenues	<u>731,967</u>	<u>644,395</u>	<u>498,987</u>
Cost of revenues	358,112	293,274	250,127
Gross profit	<u>373,855</u>	<u>351,121</u>	<u>248,860</u>
<b>Operating expenses:</b>			
Selling, distribution, and marketing	37,802	28,853	21,531
General and administrative	56,720	51,540	45,061
Research and development	73,914	73,741	74,771
Total operating expenses	<u>168,436</u>	<u>154,134</u>	<u>141,363</u>
Income from operations	205,419	196,987	107,497
<b>Non-operating income (expenses):</b>			
Interest income	10,612	5,459	1,321
Interest expense	(30,343)	(27,158)	(1,846)
Other income (expenses), net	4,076	(3,929)	9,068
Total non-operating income (expenses), net	<u>(15,655)</u>	<u>(25,628)</u>	<u>8,543</u>
Income before income taxes	189,764	171,359	116,040
Income tax provision	29,672	31,833	23,477
Income before equity in losses of unconsolidated affiliate	<u>160,092</u>	<u>139,526</u>	<u>92,563</u>
Equity in losses of unconsolidated affiliate	(573)	(1,981)	(1,177)
Net income	<u>\$ 159,519</u>	<u>\$ 137,545</u>	<u>\$ 91,386</u>
<b>Net income per share:</b>			
Basic	\$ 3.29	\$ 2.85	\$ 1.88
Diluted	\$ 3.06	\$ 2.60	\$ 1.74
<b>Weighted-average shares used to compute net income per share:</b>			
Basic	48,429	48,265	48,551
Diluted	52,058	53,001	52,427

*See accompanying notes to consolidated financial statements.*

**AMPHASTAR PHARMACEUTICALS, INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(in thousands)**

	<u>Year Ended December 31,</u>		
	<u>2024</u>	<u>2023</u>	<u>2022</u>
Net income	\$ 159,519	\$ 137,545	\$ 91,386
Other comprehensive income (loss), net of income taxes			
Foreign currency translation adjustment	(695)	298	(2,335)
Change in pension obligations	(8)	(152)	476
Total other comprehensive income (loss)	(703)	146	(1,859)
Total comprehensive income	<u>\$ 158,816</u>	<u>\$ 137,691</u>	<u>\$ 89,527</u>

*See accompanying notes to consolidated financial statements.*

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

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive loss	Treasury Stock		Total
	Shares	Amount				Shares	Amount	
Balance as of December 31, 2021	56,440,202	\$ 6	\$ 422,423	\$ 180,337	\$ (6,765)	(8,725,290)	\$ (150,479)	\$ 445,522
Net income	—	—	—	91,386	—	—	—	91,386
Other comprehensive loss	—	—	—	—	(1,859)	—	—	(1,859)
Purchase of treasury stock	—	—	—	—	—	(1,335,528)	(39,909)	(39,909)
Issuance of treasury stock in connection with the Company's equity plans	—	—	(864)	—	—	62,656	864	—
Issuance of common stock in connection with the Company's equity plans	1,670,029	—	15,658	—	—	—	—	15,658
Share-based compensation expense	—	—	17,860	—	—	—	—	17,860
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	—	—	—	137,545	—	—	—	137,545
Other comprehensive income	—	—	—	—	146	—	—	146
Purchase of treasury stock	—	—	—	—	—	(1,338,757)	(58,144)	(58,144)
Issuance of treasury stock in connection with the Company's equity plans	—	—	(237)	—	—	15,606	237	—
Issuance of common stock in connection with the Company's equity plans	1,279,963	—	10,974	—	—	—	—	10,974
Share-based compensation expense	—	—	20,242	—	—	—	—	20,242
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	—	—	—	159,519	—	—	—	159,519
Other comprehensive loss	—	—	—	—	(703)	—	—	(703)
Purchase of treasury stock	—	—	—	—	—	(1,919,670)	(85,458)	(85,458)
Issuance of treasury stock in connection with the Company's equity plans	—	—	(175)	—	—	11,550	175	—
Issuance of common stock in connection with the Company's equity plans	1,456,930	—	(4,849)	—	—	—	—	(4,849)
Share-based compensation expense	—	—	24,368	—	—	—	—	24,368
Balance as of December 31, 2024	60,847,124	\$ 6	\$ 505,400	\$ 568,787	\$ (9,181)	(13,229,433)	\$ (332,714)	\$ 732,298

*See accompanying notes to consolidated financial statements.*

**AMPHASTAR PHARMACEUTICALS, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)

	Year Ended December 31,		
	2024	2023	2022
<b>Cash Flows From Operating Activities:</b>			
Net income	\$ 159,519	\$ 137,545	\$ 91,386
Reconciliation to net cash provided by operating activities:			
Loss on disposal of assets	9	475	141
Impairment of long-lived assets	—	2,700	—
Loss (gain) on interest rate swaps and foreign currency transactions, net	(2,792)	5,330	(2,196)
Depreciation of property, plant, and equipment	28,249	25,205	23,815
Amortization of intangible assets	24,718	12,830	954
Operating lease right-of-use asset amortization	4,238	3,742	3,506
Amortization of discounts, premiums, and debt issuance costs	6,032	11,399	466
Equity in losses of unconsolidated affiliate	573	1,981	1,177
Share-based compensation expense	24,368	20,242	17,860
Changes in reserve for uncertain tax positions	891	(1,159)	694
Changes in deferred taxes, net	(17,872)	(12,578)	(16,445)
Changes in operating assets and liabilities:			
Accounts receivable, net	(21,671)	(26,086)	(10,132)
Inventories	(48,797)	(1,724)	(11,746)
Prepaid expenses and other assets	(10,726)	(2,728)	(1,854)
Income tax refunds, deposits, and payable, net	6,834	(3,319)	(4,555)
Operating lease liabilities	(3,750)	(3,589)	(3,154)
Accounts payable and accrued liabilities	63,563	13,237	(736)
Net cash provided by operating activities	<u>213,386</u>	<u>183,503</u>	<u>89,181</u>
<b>Cash Flows From Investing Activities:</b>			
BAQSIMI® acquisition (see Note 3)	(129,000)	(506,406)	—
Purchases and construction of property, plant, and equipment	(41,041)	(38,166)	(24,034)
Proceeds from the sale of property, plant and equipment	—	—	421
Purchase of investments	(76,792)	(144,556)	(35,761)
Maturity of investments	126,022	38,622	27,969
Deposits and other assets	(4,119)	1,390	(1,372)
Net cash used in investing activities	<u>(124,930)</u>	<u>(649,116)</u>	<u>(32,777)</u>
<b>Cash Flows From Financing Activities:</b>			
Proceeds from equity plans, net of withholding tax payments	(4,849)	10,974	15,658
Purchase of treasury stock	(85,458)	(58,144)	(39,909)
Debt issuance costs	(816)	(25,079)	(407)
Proceeds from borrowing under lines of credit	18,433	—	—
Proceeds from issuance of long-term debt	—	845,000	—
Principal payments on long-term debt	(8,263)	(318,658)	(1,781)
Net cash provided by (used in) financing activities	<u>(80,953)</u>	<u>454,093</u>	<u>(26,439)</u>
Effect of exchange rate changes on cash	(190)	(282)	(220)
Net increase (decrease) in cash, cash equivalents, and restricted cash	7,313	(11,802)	29,745
Cash, cash equivalents, and restricted cash at beginning of period	144,531	156,333	126,588
Cash, cash equivalents, and restricted cash at end of period	<u>\$ 151,844</u>	<u>\$ 144,531</u>	<u>\$ 156,333</u>
<b>Noncash Investing and Financing Activities:</b>			
Deferred payment for BAQSIMI® acquisition	\$ —	\$ 121,699	\$ —
Capital expenditures included in accounts payable	\$ 5,622	\$ 4,454	\$ 5,256
Operating lease right-of-use assets in exchange for operating lease liabilities	\$ 18,804	\$ 10,521	\$ 2,166
Equipment acquired under finance leases	\$ —	\$ —	\$ 642
<b>Supplemental Disclosures of Cash Flow Information:</b>			
Interest paid, net of capitalized interest	\$ 26,811	\$ 17,573	\$ 3,023
Income taxes paid	\$ 40,104	\$ 49,001	\$ 44,442

*See accompanying notes to consolidated financial statements*

**AMPHASTAR PHARMACEUTICALS, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1. Business**

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 over-the-counter inhalation product, Primatene MIST<sup>®</sup>, is primarily distributed through drug retailers.

**Note 2. Summary of Significant Accounting Policies**

*Basis of Presentation*

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries, and are prepared in accordance with United States generally accepted accounting principles, or GAAP. All intercompany activity has been eliminated in the preparation of the consolidated financial statements. In the opinion of management, the accompanying 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 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.

The carrying value of equity method investments is reported as “Investment in unconsolidated affiliate” in the accompanying 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 the consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. The principal accounting estimates include: 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, litigation reserves, stock price volatility for share-based compensation expense, valuation allowances for deferred tax assets, and liabilities for uncertain income tax positions.



**AMPHASTAR PHARMACEUTICALS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*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 accompanying consolidated statements of operations.

The Company's French subsidiary, AFP, maintains its books of record in euros. AUK's subsidiary, IMS UK, maintains its books 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. 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.

The unrealized gains and losses of intercompany foreign currency transactions that are of a long-term investment nature for the years ended December 31, 2024, 2023, and 2022 were a \$1.9 million loss, a \$1.1 million gain, and a \$1.8 million loss, respectively.

*Comprehensive Income*

The Company's comprehensive income includes its foreign currency translation gains and losses, changes in pension obligations 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.

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

**AMPHASTAR PHARMACEUTICALS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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.

*Shipping and Handling Costs*

For the years ended December 31, 2024, 2023, and 2022, the Company included shipping and handling costs of approximately \$8.0 million, \$7.0 million and \$7.4 million, respectively, in selling, distribution and marketing expenses in the accompanying consolidated statements of operations.

*Advertising Expense*

Advertising expenses, primarily associated with Primatene MIST<sup>®</sup>, 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 consolidated statements of operations. For the years ended December 31, 2024, 2023, and 2022, advertising expenses were \$10.5 million, \$10.4 million, and \$8.7 million, respectively.

*Research and Development Costs*

Research and development costs are charged to expense as incurred and consist of costs incurred to further the Company's research and development activities. These include salaries and related employee benefits, costs associated with clinical trials, nonclinical research and development activities, regulatory activities, research-related overhead expenses and fees paid to external service providers.

The Company may produce or purchase inventories prior to or with the expectation of receiving regulatory approval in the near term, based on operational decisions about the most effective use of existing resources. This inventory is referred to as pre-launch inventory. It is the Company's accounting policy that the pre-launch inventory is capitalized if it has a probable future economic benefit at the time it is purchased or manufactured. If regulatory approval is received and previously expensed pre-launch inventory is sold, such sales may contribute up to a 100% margin to the Company's operating results. Pre-launch inventory costs include cost of work in process, materials, and finished drug products. For the years ended December 31, 2024, 2023, and 2022, the Company did not have material capitalized pre-launch inventory.

*Financial Instruments*

The Company's accompanying 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 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. 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 CONSOLIDATED FINANCIAL STATEMENTS**

*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 December 31, 2024 and 2023 consisted of certificates of deposit and investment grade corporate, agency, and municipal bonds with original maturity dates between three and nineteen months.

*Restricted Cash*

Restricted cash is collateral required for the Company to guarantee certain vendor payments in France. As of December 31, 2024 and 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 December 31, 2024 and 2023, the balance of restricted short-term investments was \$2.2 million.

*Accounts receivable and Allowance for Credit Losses*

The Company evaluates the collectability of accounts receivable based on a combination of factors. When the Company is aware of circumstances that may impair a customer's ability to pay subsequent to the original sale, the Company records a specific allowance to reduce the amounts receivable to the amount that the Company reasonably believes to be collectable. For all other customers, the Company recognizes an allowance for credit losses based on factors that include the length of time the receivables are past due, industry and geographic concentrations, the current economic conditions and historical collection experience. As of December 31, 2024 and 2023, the Company's allowance for credit losses was \$3.5 million and \$2.8 million, respectively.

*Inventories*

Inventories consist of currently marketed products and products manufactured under contract. Inventories are stated using the first-in, first-out method, on a consistent basis. The Company states inventory at the lower of cost or net realizable value. Provisions are made for slow moving, unsellable, or obsolete items. Net realizable value is determined using the estimated selling price, in the ordinary course of business, less estimated costs to complete and dispose.

*Property, Plant and Equipment*

Property, plant and equipment are stated at cost or, in the case of assets acquired in a business combination, at fair value on the purchase date. Depreciation and amortization expense is computed using the straight-line method over the estimated useful lives of the related assets as follows:

Buildings	20 - 31 years
Machinery and equipment	3 - 12 years
Furniture and fixtures	3 - 7 years
Automobiles	4 - 5 years
Leasehold improvements	Lesser of remaining lease term or useful life

**AMPHASTAR PHARMACEUTICALS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*Intangible Assets*

Intangible assets with finite lives are amortized using the straight-line method over the period the asset is expected to contribute directly or indirectly to the future cash flows of the Company as follows:

Product rights	10 - 24 years
Land-use rights	37 - 50 years
Other intangibles	6 - 20 years

*Impairment of Long-Lived Assets, including Identifiable Definite-Lived Intangible Assets*

The Company assesses long-term and identifiable definite-lived intangible assets or asset groups for impairment when events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the asset or asset group, further impairment analysis is performed. An impairment loss is measured as the amount by which the carrying amount of the asset or asset groups exceeds the fair value (assets to be held and used) or fair value less cost to sell (assets to be disposed of). The Company also assesses the useful lives of its assets periodically to determine whether events and circumstances warrant a revision to the remaining useful life. Changes in the useful life are adjusted prospectively by revising the remaining period over which the asset is amortized.

*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 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 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 account, 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.

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 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

**AMPHASTAR PHARMACEUTICALS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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.

*Impairment of Indefinite-Lived Intangible Asset and Goodwill*

The Company assesses indefinite lived intangible asset and goodwill for impairment in the fourth quarter of each year or more frequently if indicators of impairment are present. When the Company chooses to perform a qualitative assessment, it evaluates economic, industry and company-specific factors as an initial step. If the Company determines it is more likely than not that the indefinite-lived intangible asset is impaired or the fair value of a reporting unit is less than its carrying amount, further quantitative impairment testing is then performed; otherwise, no further testing is required. An impairment loss is recorded if the asset's fair value is less than its carrying value. The Company also periodically assesses its indefinite-lived intangible asset to determine if events and circumstances continue to support an indefinite useful life. If the life is no longer indefinite, the asset is tested for impairment. The carrying value, after recognition of any impairment loss, is amortized over its remaining useful life.

*Self-Insured Claims*

The Company is self-insured, up to certain limits, for workers' compensation claims. The Company has purchased stop-loss insurance, which will reimburse the Company for individual claims in excess of \$350,000 or aggregate minimum attachment of \$5.3 million annually. The cost of claims reported and an estimate of claims incurred but not reported are charged to operating expenses. A liability for unpaid claims and the associated claim expenses, including incurred but not reported losses, is actuarially determined and reflected in accrued liabilities in the accompanying consolidated balance sheets. Total expense under the program was approximately \$2.0 million, \$1.7 million, and \$0.3 million, for the years ended December 31, 2024, 2023 and 2022, respectively. The self-insured claims liability was \$5.2 million and \$4.3 million at December 31, 2024 and 2023, respectively. The determination of such claims and expenses and the appropriateness of the related liability is reviewed periodically and updated, as necessary. Changes in estimates are recorded in the period identified.

*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 adoption of this guidance did not have a material impact on the Company's consolidated financial statements and related disclosures.

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

**AMPHASTAR PHARMACEUTICALS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

requirements related to the new standard.

In November 2024, the FASB issued ASU 2024-03, *Income Statement Reporting-Comprehensive Income-Expense Disaggregation Disclosures (Subtopic 220-40), Disaggregation of Income Statement Expenses*. The standard update improves the disclosures about a public business entity's expenses by requiring more detailed information about the types of expenses (including purchases of inventory, employee compensation, depreciation and amortization) included within income statement expense captions. The guidance will be effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Early adoption is permitted. The standard updates are to be applied prospectively with the option for retrospective application. The Company is currently evaluating the impact of disclosure requirements related to the new standard on its financial statements.

**Note 3. BAQSIMI<sup>®</sup> Acquisition**

On June 30, 2023, the Company completed its acquisition of BAQSIMI<sup>®</sup> glucagon nasal powder, or BAQSIMI<sup>®</sup> pursuant to an asset purchase agreement, or the Purchase Agreement, with Eli Lilly & Company, or Lilly, dated April 21, 2023. In connection with the closing of the transaction, or the Closing, the Company paid Lilly \$500.0 million in cash. In addition, the Company paid to Lilly a \$125.0 million guaranteed payment on the first anniversary of the Closing. The Company also paid Lilly \$4.0 million upon the assignment of certain contracts to the Company. The Company may also be required to pay additional contingent consideration of up to \$450.0 million to Lilly based on the achievement of certain milestones. The Purchase Agreement provides that the contingent consideration that may become payable to Lilly would be achieved as follows: (i) a one-time payment of \$100.0 million if the Company achieves annual net sales of \$175.0 million or more of BAQSIMI<sup>®</sup> and certain related products, or the Milestone Products, in any one contract year during the first five years after the Closing; (ii) up to two payments of \$100.0 million each if the Company achieves annual net sales of \$200.0 million or more of Milestone Products in any one contract year during the first five years after the Closing; and (iii) a one-time payment of \$150.0 million if the Company achieves total cumulative net sales of \$950.0 million or more of the Milestone Products for the first five years after the Closing.

In addition, the Company assumed certain contingent consideration of Lilly, which would require the Company to pay up to an aggregate of \$125.0 million based on the achievement of annual net sales milestones of \$350.0 million, \$400.0 million and \$600.0 million. Through December 31, 2024, the Company has not triggered any milestones and therefore no amounts have been recognized or paid.

The Company has accounted for the BAQSIMI<sup>®</sup> acquisition as an asset acquisition in accordance with ASC 805, *Business Combinations*, as substantially all the fair value of the assets acquired is concentrated in a single identifiable asset, BAQSIMI<sup>®</sup> product rights. The BAQSIMI<sup>®</sup> product rights include the license for the BAQSIMI<sup>®</sup> intellectual property, regulatory documentation, marketing authorizations, and domain names, which are considered a single asset as they are inextricably linked. As an asset acquisition, the cost to acquire the group of assets, including transaction costs, is allocated to the individual assets acquired based on their relative fair values, with the exception of non-qualifying assets.

The relative fair values of identifiable assets from the acquisition of BAQSIMI<sup>®</sup> are based on estimates of fair value using assumptions that the Company believes are reasonable.

The following table summarizes the aggregate amount paid for the assets acquired by the Company in connection with the acquisition of BAQSIMI<sup>®</sup>:

	<b>Fair Value</b> <b>(in thousands)</b>
Cash payment	\$ 500,000
Fair value of deferred cash payments	121,699
Transaction costs	6,406
Total purchase price	<u>\$ 628,105</u>

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

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

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

The fair value of the deferred cash payment was accreted to the full \$129.0 million amount over a one-year period through interest expense. During the years ended December 31, 2024 and 2023, \$3.6 million and \$3.7 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.

*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 agreed, for a period of time not to exceed 18 months, to provide certain manufacturing, packaging, labeling and supply services for BAQSIMI<sup>®</sup> directly or through third-party contractors to the Company in connection with its operation of the development, manufacture, and commercialization of BAQSIMI<sup>®</sup>. Upon termination of the MSA, the Company was obligated to purchase all API, components, and finished goods on hand at prices agreed upon in the MSA.

In December 2024, as the MSA expired, the Company entered into a commercial supply agreement with a third party contract manufacturing organization, or CMO, pursuant to which the CMO will provide manufacturing services for BAQSIMI<sup>®</sup>.

*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 agreed, for a period of time not to exceed 18 months, to provide certain services to the Company to support the transition of BAQSIMI<sup>®</sup> operations to the Company, including with respect to the conduct of certain clinical, regulatory, medical affairs, and commercial sales channel activities.

Throughout 2024, the Company assumed distribution responsibilities, from Lilly, to its customers in the United States, and certain other countries. As a result, the Company has recorded the sales and related cost of BAQSIMI<sup>®</sup> to its customers in these countries as product revenue, net and cost of revenues, respectively. The assumption of distribution of BAQSIMI<sup>®</sup> for the final two countries occurred on January 1, 2025.

*Credit Agreement*

On June 30, 2023, in conjunction with the Company's acquisition of BAQSIMI<sup>®</sup>, the Company entered into a \$700.0 million syndicated credit agreement, or the Credit Agreement, by and among the Company, certain subsidiaries of the Company, as guarantors, certain lenders, and Wells Fargo Bank, National Association, or Wells Fargo, as Administrative Agent (in such capacity, Agent), Swing line Lender and L/C Issuer.

The Credit Agreement provides for a senior secured term loan, or the Wells Fargo Term Loan, in an aggregate principal amount of \$500.0 million. The Wells Fargo Term Loan matures on June 30, 2028. In 2023, the Company repaid \$250.0 million of the Wells Fargo Term Loan. Proceeds from the Term Loan were used to finance the acquisition of



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The Credit Agreement also provides a senior secured revolving credit facility, or the Revolving Credit Facility, in an aggregate principal amount of \$200.0 million. The Revolving Credit Facility matures on June 30, 2028. As of December 31, 2024, the Company had no borrowings outstanding under the Revolving Credit Facility.

**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 and we satisfy our performance obligations, which is generally at the time of product delivery to the Company's customers. In some cases, our performance obligation is satisfied, and 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 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, group purchasing organizations and pharmacy benefit managers in the United States. Rebates include primarily amounts paid to retailers, payers, and providers in the United States, including those paid to Medicare and 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 customers based on 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:

	<u>Year Ended December 31,</u>	
	<u>2024</u>	<u>2023</u>
	(in thousands)	
Beginning balance	\$ 27,920	\$ 26,606
Provision for chargebacks and rebates	289,332	257,219
Credits and payments issued to third parties	(256,921)	(255,905)
Ending balance	<u>\$ 60,331</u>	<u>\$ 27,920</u>

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

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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. 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.

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

	December 31,	
	2024	2023
	(in thousands)	
Reduction to accounts receivable, net	\$ 26,258	\$ 21,861
Accounts payable and accrued liabilities	34,073	6,059
<b>Total</b>	<b>\$ 60,331</b>	<b>\$ 27,920</b>

*Accrual for Product Returns:* The Company offers certain customers the right to return qualified excess or expired inventory for full or partial credit. 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.

The provision for product returns is reflected as a component of net revenues. The following table is an analysis of the product return liability:

	Year Ended December 31,	
	2024	2023
	(in thousands)	
Beginning balance	\$ 17,179	\$ 19,451
Provision for product returns	9,597	4,275
Credits issued to third parties	(6,917)	(6,547)
<b>Ending balance</b>	<b>\$ 19,859</b>	<b>\$ 17,179</b>

The provision for product returns is included in the following balance sheet accounts:

	December 31,	
	2024	2023
	(in thousands)	
Accounts payable and accrued liabilities	\$ 14,559	\$ 12,263
Other long-term liabilities	5,300	4,916
<b>Total</b>	<b>\$ 19,859</b>	<b>\$ 17,179</b>

*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 generally expects that its customers will earn such 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

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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 account. Revenues are recognized for each unit of account 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. Revenue from research and development services at ANP was \$4.2 million, \$4.5 million, and \$4.3 million for the years ended December 31, 2024, 2023 and 2022, respectively.

*Other revenues*

Revenues related to BAQSIMI<sup>®</sup> sales made by Lilly under the TSA during the years ended December 31, 2024 and 2023, were recorded on a net basis, similar to a royalty arrangement.

**Note 5. 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 year ended December 31, 2024, options to purchase 618,973 shares of stock with a weighted-average exercise price of \$46.63 per share 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 year ended December 31, 2023, the Company did not have any options that were excluded in the computation of diluted net income per share because the 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 year ended December 31, 2022, options to purchase 704,483 shares of stock with a weighted-average exercise price of \$34.79 per share were excluded from the computation of diluted net income per share attributable to Amphastar Pharmaceuticals, Inc. stockholders because their effect would be anti-dilutive.

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The following table provides the calculation of basic and diluted net income per share attributable to Amphastar Pharmaceuticals, Inc. stockholders for each of the periods presented:

	Year Ended December 31,		
	2024	2023	2022
	(in thousands, except per share data)		
<b>Basic and dilutive numerator:</b>			
Net income	\$ 159,519	\$ 137,545	\$ 91,386
<b>Denominator:</b>			
Weighted-average shares outstanding — basic	48,429	48,265	48,551
<b>Net effect of dilutive securities:</b>			
Incremental shares from equity awards	3,629	4,736	3,876
Weighted-average shares outstanding — diluted	52,058	53,001	52,427
Net income per share — basic	\$ 3.29	\$ 2.85	\$ 1.88
Net income per share — diluted	\$ 3.06	\$ 2.60	\$ 1.74

**Note 6. Segment Reporting**

The Company's business is the development, manufacture, and marketing of pharmaceutical products (See note 1). The Company's Chief Executive Officer, is the Chief Operating Decision Maker, or CODM.

The Company has previously disclosed two reporting segments: Finished pharmaceutical products and APIs.; however, the BAQSIMI<sup>®</sup> acquisition that was completed in 2023 as well as the decline in API revenues resulted in a change to information provided to and used regularly by the CODM to assess the Company's performance. The CODM currently uses consolidated information to assess the Company's performance. As a result, in the fourth quarter of 2024, the Company combined both of its reportable segments into one segment, pharmaceutical products.

The measure of segment assets is reported on the consolidated balance sheets as total assets.

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Selected segment financial information is presented below. The Company has recast the corresponding items of segment information for the periods presented:

	Year Ended December 31,		
	2024	2023	2022
	(in thousands)		
Net revenues:	\$ 731,967	\$ 644,395	\$ 498,987
Less:			
Payroll expense	191,274	173,818	155,784
Materials and supplies	46,111	46,134	50,129
Clinical trials expense	594	5,216	5,689
Depreciation and amortization expense	52,967	38,035	24,769
Stock-based compensation expense	24,368	20,242	17,860
Consulting and outside services expense	27,772	17,698	12,011
Advertising and promotional expense	11,559	11,123	8,698
Other segment items <sup>(1)</sup>	167,827	139,071	107,482
Interest income	(10,612)	(5,459)	(1,321)
Interest expense	30,343	27,158	1,846
Income tax provision	29,672	31,833	23,477
Equity in losses of unconsolidated affiliate	573	1,981	1,177
<b>Net income</b>	<b>\$ 159,519</b>	<b>\$ 137,545</b>	<b>\$ 91,386</b>

<sup>(1)</sup> Other segment items includes maintenance and repairs expense, travel expense, professional services expense, legal expense, rent expense, manufacturing amounts capitalized on the balance sheet, certain overhead expenses, miscellaneous expenses, and foreign currency exchange gains and losses.

Net revenues by product are presented below:

	Year Ended December 31,		
	2024	2023	2022
	(in thousands)		
<b>Product revenues, net:</b>			
BAQSIMI <sup>®</sup>	\$ 126,898	\$ —	\$ —
Glucagon	108,319	113,684	55,322
Primatene MIST <sup>®</sup>	102,012	89,321	84,309
Epinephrine	94,090	81,650	74,204
Lidocaine	55,854	58,162	52,539
Phytonadione	43,169	44,939	49,500
Enoxaparin	21,715	31,533	34,950
Naloxone	15,728	19,004	26,269
Other products	145,029	154,945	121,894
<b>Total product revenues, net</b>	<b>712,814</b>	<b>593,238</b>	<b>498,987</b>
Other revenues	19,153	51,157	—
<b>Total net revenues</b>	<b>\$ 731,967</b>	<b>\$ 644,395</b>	<b>\$ 498,987</b>

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Net revenues and carrying values of long-lived assets, which includes property, plant and equipment, as well as finance and operating lease right-of-use assets, by geographic regions, based on where the Company conducts its operations, are as follows:

	Net Revenue Year Ended December 31,			Long-Lived Assets December 31,	
	2024	2023	2022	2024	2023
	(in thousands)				
United States <sup>(1)</sup>	\$ 707,681	\$ 635,192	\$ 486,833	\$ 202,328	\$ 186,083
China	4,339	4,505	4,697	107,887	91,913
France <sup>(1)</sup>	19,947	4,698	7,457	34,412	37,647
Total	<u>\$ 731,967</u>	<u>\$ 644,395</u>	<u>\$ 498,987</u>	<u>\$ 344,627</u>	<u>\$ 315,643</u>

<sup>(1)</sup> Includes revenue from the sales of BAQSIMI®.

**Note 7. Customer and Supplier Concentration**

*Customer Concentrations*

The following table provides accounts receivable and net revenue information for the Company's four major customers:

	% of Total Accounts Receivable		% of Net Revenue		
	December 31, 2024	December 31, 2023	Year Ended December 31,		
			2024	2023	2022
McKesson	34 %	26 %	25 %	25 %	22 %
Cencora	23 %	16 %	20 %	20 %	23 %
Cardinal Health	16 %	13 %	19 %	15 %	17 %
Lilly <sup>(1)</sup>	1 %	20 %	3 %	8 %	—

<sup>(1)</sup> Net revenues from BAQSIMI® sales made under the TSA agreement.

*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;

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- *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.

As of December 31, 2024 and 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 nineteen months. The certificates of deposit are carried at amortized cost in the Company’s 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 December 31, 2024 and 2023, are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
	(in thousands)			
Cash equivalents	\$ 102,059	\$ 102,059	\$ —	\$ —
Restricted cash	235	235	—	—
Short-term investments	26,629	—	26,629	—
Restricted short-term investments	2,200	—	2,200	—
Interest rate swaps related to variable rate loans	(234)	—	(234)	—
Total assets and liabilities measured at fair value as of December 31, 2024	<u>\$ 130,889</u>	<u>\$ 102,294</u>	<u>\$ 28,595</u>	<u>\$ —</u>
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
	(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	<u>\$ 150,775</u>	<u>\$ 116,676</u>	<u>\$ 34,099</u>	<u>\$ —</u>

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 December 31, 2024 and 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.



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**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)	\$ 42,907	\$ 34	\$ (25)	\$ 42,916
Corporate and agency bonds (due within 1 to 3 years)	10,867	—	(6)	10,861
Municipal bonds (due within 1 year)	199	—	(1)	198
Total investments as of December 31, 2024	<u>\$ 53,973</u>	<u>\$ 34</u>	<u>\$ (32)</u>	<u>\$ 53,975</u>
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	<u>\$ 89,517</u>	<u>\$ 64</u>	<u>\$ (22)</u>	<u>\$ 89,559</u>

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 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)		
<i>Definite-lived intangible assets</i>				
BAQSIMI® product rights <sup>(1)</sup>	24	\$ 591,338	\$ 36,958	\$ 554,380
Land-use rights	39	2,540	881	1,659
Other intangibles	7	2,443	96	2,347
Subtotal	24	<u>596,321</u>	<u>37,935</u>	<u>558,386</u>
<i>Indefinite-lived intangible assets</i>				
Trademark	*	29,225	—	29,225
Goodwill	*	3,049	—	3,049
Subtotal	*	<u>32,274</u>	<u>—</u>	<u>32,274</u>
As of December 31, 2024	*	<u>\$ 628,595</u>	<u>\$ 37,935</u>	<u>\$ 590,660</u>

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	Weighted-Average Life (Years)	Original Cost	Accumulated Amortization	Net Book Value
		(in thousands)		
<i>Definite-lived intangible assets</i>				
BAQSIMI <sup>®</sup> product rights <sup>(1)</sup>	24	\$ 591,338	\$ 12,319	\$ 579,019
Land-use rights	39	2,540	815	1,725
Other intangibles	12	486	376	110
Subtotal	24	594,364	13,510	580,854
<i>Indefinite-lived intangible assets</i>				
Trademark	*	29,225	—	29,225
Goodwill	*	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.

In 2023, the Company recorded an impairment related to its IMS (UK) international product rights in the amount of \$2.7 million. The Company recorded the impairment in the cost of revenues in its consolidated statement of operations for the year ended December 31, 2023.

*Goodwill*

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

	December 31,	
	2024	2023
	(in thousands)	
Beginning balance	\$ 3,216	\$ 3,126
Currency translation	(167)	90
Ending balance	\$ 3,049	\$ 3,216

*Primatene<sup>®</sup> Trademark*

In January 2009, the Company acquired the exclusive rights to the trademark, domain name, website and domestic marketing, distribution and selling rights related to Primatene MIST<sup>®</sup>, an over-the-counter bronchodilator product, recorded at the allocated fair value of \$29.2 million, which is its carrying value as of December 31, 2024.

The trademark was determined to have an indefinite life. In determining its indefinite life, the Company considered the following: the expected use of the intangible; the longevity of the brand; the legal, regulatory and contractual provisions that affect their maximum useful life; the Company's ability to renew or extend the asset's legal or contractual life without substantial costs; effects of the regulatory environment; expected changes in distribution channels; maintenance expenditures required to obtain the expected future cash flows from the asset; and considerations for obsolescence, demand, competition and other economic factors.

*BAQSIMI<sup>®</sup> Product Rights*

As discussed in Note 3, in June 2023, the Company acquired the BAQSIMI<sup>®</sup> product rights. The BAQSIMI<sup>®</sup> product rights intangible asset is amortized over its estimated useful life of 24 years. In determining the BAQSIMI<sup>®</sup> product rights' useful life, the Company considered the following: the expected use of the intangible asset; the longevity of the brand; the legal, regulatory and contractual provisions that affect their maximum useful life; the Company's ability to renew or extend the asset's legal or contractual life without substantial costs; effects of the regulatory environment;

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expected changes in distribution channels; maintenance expenditures required to obtain the expected future cash flows from the asset; and considerations for obsolescence, demand, competition and other economic factors.

**Amortization**

Included in cost of revenues for the years ended December 31, 2024, 2023 and 2022 is product rights amortization expense of \$24.7 million, \$15.5 million, and \$0.9 million, respectively.

As of December 31, 2024, the expected amortization expense for all amortizable intangible assets during the next five fiscal years ending December 31 and thereafter is as follows:

	<u>(in thousands)</u>
2025	\$ 25,078
2026	25,078
2027	25,078
2028	25,078
2029	25,078
Thereafter	432,996
Total amortizable intangible assets	558,386
Indefinite-lived intangibles	32,274
Total intangibles (net of accumulated amortization)	<u>\$ 590,660</u>

**Note 11. Inventories**

Inventories consist of the following:

	<u>December 31,</u>	
	<u>2024</u>	<u>2023</u>
	<u>(in thousands)</u>	
Raw materials and supplies	\$ 81,511	\$ 50,082
Work in process	32,807	30,822
Finished goods	39,423	24,929
Total inventories	<u>\$ 153,741</u>	<u>\$ 105,833</u>

Charges of \$14.0 million, \$18.8 million, and \$17.2 million were included in the cost of revenues in the Company's consolidated statements of operations for the years ended December 31, 2024, 2023, and 2022, respectively, to adjust the Company's inventory and related firm purchase commitments to their net realizable value. For the year ended December 31, 2024, these charges included \$7.4 million in the cost of revenues to adjust the Company's enoxaparin inventory and related firm purchase commitments to their net realizable value. For the year ended December 31, 2023, these charges included \$9.1 million in the cost of revenues to adjust the Company's enoxaparin inventory and related firm purchase commitments to their net realizable value. Additionally, as a result of amending the MannKind RHI Supply Agreement in December 2023, the Company booked a \$3.6 million adjustment to reduce RHI inventory to its net realizable value. For the year ended December 31, 2022, the charge included \$14.9 million in the cost of revenues to adjust the Company's enoxaparin inventory and related firm purchase commitments to their net realizable value.

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**Note 12. Property, Plant, and Equipment**

Property, plant, and equipment consist of the following:

	December 31,	
	2024	2023
	(in thousands)	
Buildings	\$ 169,429	\$ 168,771
Leasehold improvements	42,012	41,686
Land	7,422	7,484
Machinery and equipment	277,408	259,484
Furniture, fixtures, and automobiles	35,976	31,943
Construction in progress	36,685	18,676
Total property, plant, and equipment	568,932	528,044
Less accumulated depreciation	(271,587)	(245,298)
Total property, plant, and equipment, net	<u>\$ 297,345</u>	<u>\$ 282,746</u>

The Company incurred depreciation expense of \$28.2 million, \$25.2 million, and \$23.8 million for the years ended December 31, 2024, 2023, and 2022, respectively.

Interest expense capitalized was approximately \$0.8 million, \$2.0 million, and \$1.4 million, for the years ended December 31, 2024, 2023, and 2022, respectively.

**Note 13. Accounts Payable and Accrued Liabilities**

Accounts payable and accrued liabilities consisted of the following:

	December 31,	
	2024	2023
	(in thousands)	
Accrued customer fees and rebates	\$ 53,993	\$ 16,702
Accrued payroll and related benefits	26,010	25,203
Accrued product returns, current portion	14,559	12,263
Accrued loss on firm purchase commitments	413	918
Other accrued liabilities	31,568	12,842
Total accrued liabilities	126,543	67,928
Accounts payable	30,514	25,438
Total accounts payable and accrued liabilities	<u>\$ 157,057</u>	<u>\$ 93,366</u>

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**Note 14. Debt**

Debt consists of the following:

	December 31,	
	2024	2023
	(in thousands)	
<b><i>Convertible Debt</i></b>		
2029 Convertible Notes	\$ 345,000	\$ 345,000
<b><i>Term Loan</i></b>		
Wells Fargo Term Loan due June 2028	250,000	250,000
<b><i>Mortgage Loans</i></b>		
Mortgage payable with East West Bank paid off June 2024	—	8,016
<b><i>Other Loans and Payment Obligations</i></b>		
French government loans due December 2026	99	158
<b><i>Line of Credit Facilities</i></b>		
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	18,433	—
<b><i>Equipment under Finance Leases</i></b>		
	432	616
Total debt	613,964	603,790
Less current portion of long-term debt	234	436
Less: Loan issuance costs	12,100	13,775
Long-term debt, net of current portion and unamortized debt issuance costs	\$ 601,630	\$ 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 \$8.3 million and \$10.3 million as of December 31, 2024 and 2023, respectively. The fair value of the 2029 convertible notes was approximately \$320.9 million as of December 31, 2024 based on level 2 inputs.

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For the years ended December 31, 2024 and 2023, the total interest expense related to the 2029 Convertible Notes was \$8.9 million and \$2.6 million, with coupon interest expense of \$6.9 million and \$2.0 million, and the amortization of debt issuance cost of \$2.0 million and \$0.6 million, respectively.

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 41<sup>st</sup> 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.

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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 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 Credit Agreement with Wells Fargo Bank, National Association - Due June 2028*

In June 2023, in connection with the BAQSIMI® acquisition, the Company entered into a syndicated credit agreement with Wells Fargo, or the Credit Agreement. Under the terms of the Credit Agreement, the Company borrowed \$500.0 million in the form of a term loan, or the Wells Fargo Term Loan. Proceeds from the Wells Fargo Term Loan were used to finance the acquisition of BAQSIMI®, repay certain of the Company's and its subsidiaries' existing third-party indebtedness, and pay fees and expenses incurred in connection with each of the foregoing. Outstanding borrowings with respect to the Wells Fargo Term Loan initially accrue interest, at the Company's option, at a per annum rate equal to either (i) a base rate equal to the highest of (x) the federal funds rate, plus 0.50%, (y) the prime rate then in effect and (z) an adjusted daily one-month Secured Overnight Financing Rate, or SOFR, rate determined on the basis of a one-month interest period plus 1.00%, in each case, plus an applicable margin of 1.25%, or (ii) an adjusted Term SOFR rate, subject to a floor of 0.00%, plus an applicable margin of 2.25%. Following delivery of financial statements for the Company's first fiscal quarter following payment in full of a \$125.0 million guaranteed payment owed to Lilly on June 30, 2024, the applicable margin for outstanding borrowings with respect to the Wells Fargo Term Loan will range from 0.50% to 1.50% in the case of base rate loans and 1.50% to 2.50% in the case of Term SOFR rate loans, in each case, depending on the Company's consolidated net leverage ratio as of the most recently ended fiscal quarter. The Wells Fargo Term Loan matures in June 2028.

The Wells Fargo Term Loan requires principal payments of \$12.5 million for the first year, which increases to \$25.0 million during the second year, and \$37.5 million during the third, fourth and fifth years, with the remaining balance due at maturity. The loan is secured by substantially all of the Company's and certain of its subsidiaries' assets, subject to certain exceptions and limitations. In the third quarter of 2023, the Company repaid approximately \$200.0 million of the borrowings under the Wells Fargo term Loan with the proceeds from the 2029 Convertible Notes, thereby satisfying all of the current and future loan amortization payments required by the Wells Fargo Term Loan until maturity. In the fourth quarter of 2023, the Company made a principal payment of \$50.0 million, reducing the balance to \$250.0 million.

The Credit Agreement also provides for a \$200.0 million Revolving Credit Facility and bears the same interest rate as the Wells Fargo Term Loan.

In conjunction with the Credit Agreement, the Company entered into an interest rate swap agreement with Wells Fargo, with a notional amount of \$250.0 million to exchange the variable rate on the Wells Fargo Term Loan for a fixed rate of 4.04%. The interest swap agreement had a fair value of \$0.2 million liability as of December 31, 2024.

For lenders that were part of the previous credit agreement with Capital One N.A. as well as the new Credit Agreement, the transaction was accounted for as a modification under ASC 470-50, *Debt Modifications and Extinguishments*, based on a comparison of the present value of the cash flows for each lender under the terms of the debt immediately before and after the transaction, which resulted in a change of less than 10%.



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The Company incurred approximately \$14.3 million in issuance costs in connection with the Credit Agreement, of which \$3.0 million represented debt modification costs and were charged to interest expense in the Company's consolidated statement of operations for year ended December 31, 2023.

Debt issuance costs associated with the Credit Agreement (other than its Revolving Credit Facility component) are presented as a reduction to the carrying value of the related debt, while debt issuance costs associated with the Revolving Credit Facility are capitalized within other long-term assets on the consolidated balance sheets. Unamortized debt issuance costs related to the Credit Agreement as of December 31, 2024 and 2023 were \$6.0 million and \$7.8 million, respectively, which are being amortized over the term of the Credit Agreement using the effective interest rate method.

As a result of the \$250.0 million repayment of the principal balance of the Wells Fargo Term Loan, approximately \$3.8 million of unamortized debt issuance costs were written off during the year ended December 31, 2023.

**Mortgage Loans**

*Mortgage Payable with East West Bank — Paid off June 2024*

In May 2017, the Company entered into a mortgage term loan with East West Bank in the principal amount of \$9.0 million, which would have matured in June 2027. The loan was payable in monthly installments with a final balloon payment of \$7.4 million plus interest. The loan was secured by one of the buildings at the Company's Rancho Cucamonga, California, headquarters complex and two buildings at the Company's Chino, California, facility. The loan had a variable interest rate at the one-month SOFR rate plus 2.6%. The Company entered into a fixed interest rate swap contract on this loan to exchange the variable interest rate for a fixed interest rate of 4.79% until June 2024. In June 2024, the Company repaid all outstanding amounts due under this loan.

**Line of Credit Facilities**

*Line of Credit Facility with China Merchant Bank – Due October 2026*

In March 2020, the Company entered into a credit agreement with China Merchant Bank. The credit agreement allows the Company to borrow up to \$14.6 million secured by buildings and land use rights held by 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 period was for 36 months and expired in March 2023.

In October 2023, the Company renewed the credit agreement with China Merchant Bank, and allows the Company to borrow up to \$4.1 million. The credit period is for 36 months and expires in October 2026.

*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.

As of December 31, 2024, the Company borrowed approximately \$18.4 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 December 31, 2024, the Company had \$18.4 million of principal outstanding under this loan, which is recorded net of loan issuance costs of \$1.1 million.

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**Interest Rate Swap Contract**

As of December 31, 2024, the fair value of the loans listed above approximated their carrying amount based on Level 2 inputs, with the exception of the 2029 Convertible Notes. 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 consolidated balance sheets. Changes in the fair values of interest rate swaps were \$5.0 million and \$5.9 million for the years ended December 31, 2024 and 2023, respectively.

**Covenants**

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

**Long-Term Debt Maturities**

As of December 31, 2024, the principal amounts of long-term debt maturities during each of the next five fiscal years ending December 31 are as follows:

	<b>Long-term Debt</b>
	<b>(in thousands)</b>
2025	\$ 50
2026	1,438
2027	5,553
2028	255,553
2029	350,938
	<u>\$ 613,532</u>

**Note 15. Income Taxes**

The Company's income (loss) before income taxes generated from its operations were:

	<b>Year Ended December 31,</b>		
	<b>2024</b>	<b>2023</b>	<b>2022</b>
		<b>(in thousands)</b>	
<b>Income (loss) before income taxes:</b>			
United States	\$ 195,178	\$ 181,922	\$ 127,204
Foreign	(5,414)	(10,563)	(11,164)
Total income before income taxes	<u>\$ 189,764</u>	<u>\$ 171,359</u>	<u>\$ 116,040</u>

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The Company's provision for income taxes consisted of the following:

	Year Ended December 31,		
	2024	2023	2022
	(in thousands)		
<b>Current provision:</b>			
Federal	\$ 44,251	\$ 42,689	\$ 37,626
State	589	1,912	732
Foreign	1,974	1,089	998
Total current provision	<u>46,814</u>	<u>45,690</u>	<u>39,356</u>
<b>Deferred provision (benefit):</b>			
Federal	(17,126)	(13,134)	(16,119)
State	363	1,537	816
Foreign	(379)	(2,260)	(576)
Total deferred provision	<u>(17,142)</u>	<u>(13,857)</u>	<u>(15,879)</u>
<b>Total provision for income taxes</b>	<u>\$ 29,672</u>	<u>\$ 31,833</u>	<u>\$ 23,477</u>

For tax years beginning after December 31, 2021, certain research and development costs are required to be capitalized and amortized over a five or fifteen-year period under the Tax Cuts and Jobs Act of 2017. The Company has reviewed and incorporated this change, which increases the current U.S. federal and state tax expense and cash taxes to be paid for the tax year ending December 31, 2024.

A reconciliation of the statutory federal income tax rate to the Company's effective tax rate is as follows:

	Year Ended December 31,		
	2024	2023	2022
Statutory federal income tax	21.0 %	21.0 %	21.0 %
State tax expense, net of federal tax benefit	0.4	1.6	1.1
Foreign tax rate differences	—	(0.1)	(0.3)
Foreign valuation allowance	1.4	0.1	2.6
Research and development credits	(3.7)	(4.2)	(3.1)
Share-based compensation	(5.1)	(3.2)	(3.5)
Executive compensation	1.7	2.4	2.3
Employee-related expenses	—	—	0.2
Intercompany transfer of assets other than inventory	—	0.6	—
Other	(0.1)	0.4	(0.1)
<b>Effective tax rate</b>	<u>15.6 %</u>	<u>18.6 %</u>	<u>20.2 %</u>

The Company's effective tax rate for 2024 decreased in comparison to 2023 primarily due to excess tax benefit from share-based compensation and lower state income tax expense.

**Deferred Tax Assets and Liabilities**

Deferred income taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, tax credit carryforwards, and the tax effects of net operating loss carryforwards.

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The significant components of the Company's deferred tax assets and liabilities are as follows:

	December 31,	
	2024	2023
	(in thousands)	
<b>Deferred tax assets:</b>		
Research and development credits	\$ 12,300	\$ 12,759
Net operating loss carryforward	22,047	20,156
Inventory capitalization and reserve	16,523	12,381
Share-based compensation	5,067	5,464
Operating leases	11,996	8,360
Accrued expenses	6,969	5,970
Accrued chargebacks and rebates	9,080	5,441
Product return allowance	5,749	4,927
Intangibles	2,124	2,124
Research and development capitalization	48,411	34,036
<b>Total deferred tax assets</b>	<b>140,266</b>	<b>111,618</b>
<b>Deferred tax liabilities:</b>		
Depreciation/amortization	22,771	21,630
Intangibles	7,849	4,367
Operating leases	11,622	8,037
Federal impact of state deferred taxes	3,522	3,577
Other	984	260
<b>Total deferred tax liabilities</b>	<b>46,748</b>	<b>37,871</b>
Valuation allowance	(22,394)	(20,495)
<b>Net deferred tax assets</b>	<b>\$ 71,124</b>	<b>\$ 53,252</b>

*Net Operating Loss Carryforwards and Tax Credits*

At December 31, 2024, the Company had no material U.S. federal or state net operating loss carryforwards, or NOL carryforwards. The Company had France and United Kingdom foreign NOL carryforwards of approximately \$83.6 million and \$2.8 million, respectively. The France and United Kingdom NOL carryforwards can be used annually with certain limitations and have an indefinite carryforward.

At December 31, 2024, the Company had California research and development tax credit carryforwards of approximately \$20.3 million. The California research and development tax credit has an indefinite carryforward period.

*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 French subsidiary, AFP, and its U.K. subsidiaries, AUK and IMS UK and will continue to do so until the subsidiaries generate sufficient taxable income to realize their respective deferred income tax assets. As of December 31, 2024 and 2023, the Company had a full valuation allowance against the net deferred tax assets of AFP, which totaled \$20.7 million and \$19.0 million, respectively, and a full valuation allowance against the net deferred tax assets of its UK subsidiaries of immaterial amounts.

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The Company also 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.

*Undistributed Earnings from Foreign Operations*

As of December 31, 2024 and 2023, deferred income taxes have not been provided for any undistributed earnings from foreign operations. The foreign subsidiaries have significant accumulated losses, and as such there are no earnings in which to provide taxes. It is the Company's plan not to repatriate future foreign earnings to the U.S. and indefinitely reinvest such earnings in the foreign jurisdiction.

**Uncertain Income Tax Positions**

A reconciliation of the beginning and ending balances of unrecognized tax benefits is as follows:

	December 31,		
	2024	2023 (in thousands)	2022
Balance at the beginning of the year	\$ 12,493	\$ 12,895	\$ 11,796
Deductions based on tax positions related to prior year	—	—	(41)
Additions based on tax positions related to the current year	2,659	2,074	1,643
Deductions based on statute of limitations	(1,414)	(2,476)	(503)
Balance at the end of the year	<u>\$ 13,738</u>	<u>\$ 12,493</u>	<u>\$ 12,895</u>

Included in the balance of unrecognized tax benefits as of December 31, 2024 and 2023, was \$12.7 million and \$11.7 million, respectively that represents the portion that would impact the effective income tax rate if recognized.

The Company recognizes interest and penalties related to unrecognized tax benefits in its income tax provision. For the years ended December 31, 2024, 2023 and 2022, the Company accrued interest of approximately \$1.3 million, \$1.0 million and \$0.8 million, respectively, related to its uncertain tax positions.

The Company and/or one or more of its subsidiaries files income tax returns in the U.S. federal jurisdiction and various U.S. states and foreign jurisdictions. As of December 31, 2024, the Company is under U.S. federal examination for the 2022 tax year and in California for the 2019-2021 tax years. The Company does not have a tax examination in progress for Massachusetts, other states, or foreign jurisdictions. The Company is subject to income tax audit by tax authorities for tax years 2021 to 2023 for federal, 2019 to 2023 for states, and 2014 to 2023 for foreign.

**Note 16. Stockholders' Equity**

*Equity Plans*

As of December 31, 2024, the Company has two equity plans: the Amended and Restated 2015 Equity Incentive Plan, or the Amended 2015 Plan, and the 2014 Employee Stock Purchase Plan or ESPP. Prior to the adoption of these plans, the Company granted options pursuant to the Amended and Restated 2005 Equity Incentive Award Plan. Upon termination of the predecessor plans, the shares available for grant at the time of termination, and shares subsequently returned to the plans upon forfeiture or option termination, were transferred to the successor plan in effect at the time of share return. The Company issues new shares of common stock upon exercise of stock options, vesting of restricted stock units, or RSU, and settlement of ESPP, with the exception of the awards granted to employees at AFP, which are settled through re-issuance of the Company's treasury shares.

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*Amended and Restated 2015 Equity Incentive Plan*

In March 2015, the Board of Directors adopted the Company's 2015 Equity Incentive Plan, or the Original 2015 Plan, which was approved by the Company's stockholders in May 2015 and was set to expire in March 2025. The Original 2015 Plan was designed to meet the needs of a publicly traded company, including the requirements for granting "performance based compensation" under Section 162(m) of the Internal Revenue Code. The Original 2015 Plan provides for the grant of incentive stock options, nonstatutory stock options, restricted stock, restricted stock units, stock appreciation rights, performance units, performance shares, and other stock or cash awards to employees of the Company and its subsidiaries, members of the Board of Directors and consultants.

In November 2020, the Board of Directors approved the Amendment and Restated 2015 Equity Incentive Plan to provide that at least 95% of the shares awarded under the plan will be subject to a minimum vesting requirement of at least one year.

The Company initially reserved 5,000,000 shares of common stock for issuance under the Original 2015 Plan and also contained an "evergreen provision" that allowed for an annual increase in the number of shares available for issuance on January 1 of each year during the 10 year term of the 2015 Plan.

In February 2024, the Board of Directors approved the Company's 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, among other things, extended the term of the Original 2015 Plan, increased the number of shares available for issuance under the Original 2015 Plan, and removed the evergreen provision. 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 December 31, 2024, the Company reserved an aggregate of 7,818,314 shares of common stock for future issuance under the Amended 2015 Plan.

*Amended and Restated 2005 Equity Incentive Award Plan*

The Amended and Restated 2005 Equity Incentive Award Plan, or 2005 Plan, provided for the grant of incentive stock options, or ISOs, nonqualified stock options, or NQSOs, restricted stock awards, restricted stock unit awards, stock appreciation rights, or SARs, dividend equivalents and stock payments to the Company's employees, members of the Board of Directors and consultants. Stock options under the 2005 Plan were granted with a term of up to ten years and at prices no less than the fair market value of the Company's common stock on the date of grant. To date, stock options granted to existing employees generally vest over three to five years and stock options granted to new employees vest over four years. Stock options granted to Board of Directors and consultants generally vested over one year.

*2014 Employee Stock Purchase Plan*

In June 2014, the Company adopted the ESPP in connection with its initial public offering. A total of 2,000,000 shares of common stock are reserved for issuance under this plan. The Company's ESPP permits eligible employees to purchase common stock at a discount through payroll deductions during defined offering periods. Under the ESPP, the Company may specify offerings with durations of not more than 27 months, and may specify shorter purchase periods within each offering. Each offering will have one or more purchase dates on which shares of its common stock will be purchased for employees participating in the offering. An offering may be terminated under certain circumstances. The price at which the stock is purchased is equal to 85% of the lower of the fair market value of the common stock at the beginning of an offering period or on the date of purchase.

As of December 31, 2024, the Company has issued 1,289,452 shares of common stock under the ESPP and 710,548 shares of its common stock remains available for issuance under the ESPP.

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For the years ended December 31, 2024, 2023, and 2022, the Company recorded ESPP expense of \$1.2 million, \$1.1 million, and \$0.9 million, respectively.

*Share Buyback Program*

As of December 31, 2024, the Company's Board of Directors have authorized a total of \$385.0 million in the share buyback program. The primary goal of the program is to offset dilution created by the Company's equity compensation programs. The Company's share buyback program is expected to continue for an indefinite period of time.

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 consolidated balance sheets.

Pursuant to the Company's existing share buyback program, the Company purchased 1,919,670 shares, 1,338,757 shares, and 1,335,528 shares of its common stock during the years ended December 31, 2024, 2023 and 2022, for total consideration of \$85.5 million, \$58.1 million, and \$39.9 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.

Options issued under the Company's Amended 2015 Plan, Original 2015 Plan, and 2005 Plan are granted at exercise prices equal to or greater than the fair value of the underlying common shares on the date of grant and vest based on continuous service. There have been no awards with performance conditions and no awards with market conditions. The options have a contractual term of five to ten years and generally vest over a three- to five-year period. The Black-Scholes option pricing model has various inputs such as the common share price on the date of grant, exercise price, the risk-free interest rate, volatility, expected term and dividend yield, all of which are estimates. The Company records share-based compensation expense net of expected forfeitures. The change of any of these inputs could significantly impact the determination of the fair value of the Company's options as well as significantly impact its results of operations.

The significant assumptions used in the Black-Scholes option-pricing are as follows:

- *Determination of Fair Value of the Underlying Common Stock.* For options and ESPP awards granted, the fair value for its underlying common stock is determined using the closing price on the date of grant as reported on the Nasdaq Global Select Market, or Nasdaq, with consideration of whether there is material nonpublic information that could impact that estimated fair value when it is released.
- *Expected Volatility.* The Company estimates its volatility based on the historical volatility of its stock price.
- *Expected Term.* The expected term represents the period of time in which the options granted are expected to be outstanding. The Company estimates the expected term of options with consideration of



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vesting date, contractual term, and historical experience for exercise and post-vesting employment or contractual termination behavior after its common stock has been publicly traded. The expected term of “plain vanilla” options is estimated (using the simplified method as outlined in SAB Topic 14 due to a lack of sufficient historical exercise data) based on the midpoint between the vesting date and the end of the contractual term under the simplified method permitted by the SEC implementation guidance.

- *Risk-Free Rate.* The risk-free interest rate is selected based upon the implied yields in effect at the time of the option grant on U.S. Treasury zero-coupon issues with a term approximately equal to the expected life of the option being valued.
- *Dividends.* The Company does not anticipate paying cash dividends in the foreseeable future. Consequently, the Company uses an expected dividend yield rate of zero.

The Company estimates forfeitures at the time of grant and revises those estimates in subsequent periods if actual experience differs from those estimates. For each of the years ended December 31, 2024, 2023 and 2022, the Company estimated an average overall forfeiture rate of approximately 7% based on historical experience. Forfeiture rates are separately estimated for its (1) directors and officers, (2) management personnel and (3) other employees. Share-based compensation is recorded net of expected forfeitures. The Company periodically assesses the forfeiture rate and the amount of expense recognized based on estimated historical forfeitures as compared to actual forfeitures. Changes in estimates are recorded in the period they are identified.

Tax benefits resulting from tax deductions in excess of the share-based compensation cost recognized (excess tax benefits) are recorded in the statements of cash flows as financing activities.

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

	<u>Year Ended December 31,</u>		
	<u>2024</u>	<u>2023</u>	<u>2022</u>
Average volatility	41.3 %	41.4 %	41.0 %
Average risk-free interest rate	4.2 %	4.1 %	2.3 %
Weighted-average expected life in years	6.2	6.2	6.1
Dividend yield rate	— %	— %	— %

Stock Options

A summary of option activity under all plans for the year ended December 31, 2024, is presented below:

	<u>Options</u>	<u>Weighted-Average Exercise Price</u>	<u>Weighted-Average Remaining Contractual Term (Years)</u>	<u>Aggregate Intrinsic Value<sup>(1)</sup></u>
				<u>(in thousands)</u>
Outstanding as of December 31, 2023	7,762,298	\$ 19.70		
Options granted	644,034	46.27		
Options exercised	(1,728,293)	13.81		
Options forfeited	(22,814)	35.72		
Options expired	—	—		
Outstanding as of December 31, 2024	<u>6,655,225</u>	\$ 23.75	4.90	\$ 95,286
Exercisable as of December 31, 2024	<u>4,851,541</u>	19.10	3.73	\$ 87,869
Vested and expected to vest as of December 31, 2024	<u>6,527,332</u>	23.43	4.83	\$ 95,069

<sup>(1)</sup> 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 December 31, 2024.

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During the years ended December 31, 2024, 2023, and 2022, the Company recorded expense of \$11.6 million, \$9.6 million, and \$8.5 million, respectively, related to stock options granted under all plans.

Information relating to option grants and exercises is as follows:

	Year Ended December 31,		
	2024	2023	2022
	(in thousands, except per share data)		
Weighted-average grant date fair value per share	\$ 21.89	\$ 16.76	\$ 14.75
Intrinsic value of options exercised	52,068	29,918	21,279
Cash received from options exercised	12,239	14,172	19,202
Total fair value of the options vested during the period	9,818	8,890	8,174

A summary of the status of the Company's non-vested options as of December 31, 2024, and changes during the year ended December 31, 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	644,034	21.89
Options vested	(893,891)	10.98
Options forfeited	(22,814)	16.52
Non-vested as of December 31, 2024	<u>1,803,684</u>	16.76

As of December 31, 2024, there was \$19.1 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 2.4 years and will be adjusted for future changes in estimated forfeitures.

**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. During the years ended December 31, 2024, 2023, and 2022, the Company recorded expenses of \$11.5 million, \$9.5 million, and \$8.4 million, respectively, related to RSU awards granted under all plans.

As of December 31, 2024, there was \$20.3 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 2.4 years and will be adjusted for future changes in estimated forfeitures.

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Information relating to RSU grants and deliveries is as follows:

	<b>Total RSUs Issued</b>	<b>Total Fair Market Value of RSUs Issued<sup>(1)</sup> (in thousands)</b>
RSUs outstanding at December 31, 2023	920,376	
RSUs granted	304,271	\$ 14,082
RSUs forfeited	(10,410)	
RSUs vested <sup>(2)</sup>	(388,816)	
RSUs outstanding at December 31, 2024	<u>825,421</u>	

<sup>(1)</sup> The total FMV is derived from the number of RSUs granted times the current stock price on the date of grant.

<sup>(2)</sup> Of the vested RSUs, 148,020 shares of common stock were surrendered to fulfill tax withholding obligations.

Share-based Compensation Expense

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

	<b>Year Ended December 31,</b>		
	<b>2024</b>	<b>2023</b>	<b>2022</b>
	<b>(in thousands)</b>		
Cost of revenues	\$ 5,742	\$ 4,891	\$ 4,179
Operating expenses:			
Selling, distribution, and marketing	1,063	870	726
General and administrative	14,921	12,269	11,180
Research and development	2,642	2,212	1,775
Total share-based compensation	<u>\$ 24,368</u>	<u>\$ 20,242</u>	<u>\$ 17,860</u>

**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 years ended December 31, 2024, 2023, and 2022 were approximately \$2.6 million, \$2.3 million, and \$2.2 million, 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 3.40% and 3.25% as of December 31, 2024 and 2023, respectively. The liability is included in other long-term liabilities in the accompanying consolidated balance sheets. The plan is currently unfunded, and the benefit obligation under the plan was \$2.6 million and \$2.6 million at December 31, 2024 and 2023, respectively. The Company recorded an immaterial amount of expense under the plan for each of the

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years ended December 31, 2024, 2023 and 2022. Gain or loss due to change in actuarial valuation of the Company's defined benefit pension plan is recorded in other comprehensive income.

*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 \$10.3 million and \$6.8 million as of December 31, 2024 and 2023, respectively. The plan liabilities were valued at approximately \$10.7 million and \$7.1 million as of December 31, 2024 and 2023, respectively. The plan assets and liabilities are included in other long-term assets and other long-term liabilities, respectively, on the Company's consolidated balance sheets.

**Note 18. Commitments and Contingencies**

*Lease Liabilities*

Right-of-Use, or ROU, assets represent the Company's right to control an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. Lease terms are generally based on their initial non-cancelable terms, unless there is a renewal option that is reasonably certain to be exercised. Various factors, including economic incentives, intent, past history, and business needs are considered to determine if a renewal option is reasonably certain to be exercised. As most of its leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at the commencement date in determining the discount rate used to present value the lease payments. The Company has lease agreements with both lease and non-lease components, which are accounted for as a single component for all asset classes. The Company leases real and personal property, in the normal course of business, under various non-cancelable operating leases. The Company, at its option, can renew a substantial portion of its leases, at the market rate, for various renewal periods ranging from one to six years.

In connection with entry into one of the agreements with our CMOs, the Company identified an embedded lease and as a result recorded a ROU asset and a related operating lease liability of approximately \$16.4 million in December 2024.

The components of lease costs were as follows:

	Year Ended December 31,		
	2024	2023	2022
	(in thousands)		
Operating lease costs	\$ 6,135	\$ 5,267	\$ 4,709
Short-term lease costs	400	332	300
Finance lease costs			
Amortization of right-of-use assets	181	189	237
Interest on lease liabilities	34	45	26
Total finance lease costs	<u>\$ 215</u>	<u>\$ 234</u>	<u>\$ 263</u>
Total lease costs	<u>\$ 6,750</u>	<u>\$ 5,833</u>	<u>\$ 5,272</u>

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Other information pertaining to leases is as follows:

	Year Ended December 31,		
	2024	2023	2022
(in thousands, except lease term and discount rate)			
<b>Cash paid for amounts included in the measurement of lease liabilities</b>			
Operating cash flows paid for operating leases	\$ 5,647	\$ 5,106	\$ 4,329
Operating cash flows paid for finance leases	32	40	18
Financing cash flows paid for finance leases	161	154	233
<b>Right-of use assets obtained in exchange for lease liabilities</b>			
Operating leases	18,804	10,521	2,166
Finance leases	—	—	642
<b>Weighted-average remaining lease term (years)</b>			
Operating leases	6.6	7.7	8.7
Finance leases	2.5	3.4	4.3
<b>Weighted-average discount rate</b>			
Operating leases	6.3 %	5.5 %	4.4 %
Finance leases	6.7 %	6.7 %	6.7 %

Future minimum rental payments under leases that have initial or remaining non-cancelable lease terms in excess of 12 months as of December 31, 2024, are as follows:

	Operating Leases	Finance Leases (in thousands)	Total
2025	\$ 9,583	\$ 207	\$ 9,790
2026	9,402	158	9,560
2027	9,218	104	9,322
2028	8,481	—	8,481
2029	8,206	—	8,206
Thereafter	14,425	—	14,425
Total lease payments	\$ 59,315	\$ 469	\$ 59,784
Less: interest	10,630	37	10,667
Total	\$ 48,685	\$ 432	\$ 49,117

*Purchase Commitments*

As of December 31, 2024, the Company has entered into commitments to purchase equipment and raw materials for an aggregate amount of approximately \$135.5 million.

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**Note 19. Related-Party Transactions**

*Hanxin Pharmaceutical Technology, Co., Ltd.*

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 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 Agreements with Hanxin*

The Company has various contract manufacturing agreements with Hanxin and its subsidiaries, whereby Hanxin will develop several active pharmaceutical ingredients and finished products for the Chinese market and will engage the Company to manufacture the products on a cost-plus basis.

During the years ended December 31, 2024, 2023 and 2022, the Company recognized \$0.5 million, \$0.1 million and \$0.4 million of revenue from manufacturing services provided to Hanxin, respectively. As of December 31, 2024, the Company had an immaterial amount of receivables from Hanxin under these agreements.

*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. Hanxin will also perform scale-up manufacturing process development using the RCBs for the Company.

During the years ended December 31, 2024, 2023 and 2022, the Company paid \$0.2 million, \$1.6 million and \$0.6 million, respectively, under this agreement. As of December 31, 2024, the Company had an immaterial amount of payable to Hanxin under this agreement.

*Supply Agreement with Letop*

In November 2022, the Company 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 the Company on a cost-plus basis. The agreement is effective for three years and the total cost of the agreement shall not exceed \$1.5 million, with payments adjusted based on the then current exchange rates.

During the year ended December 31, 2024, the Company paid an immaterial amount under this agreement. During the years ended December 31, 2023 and 2022, the Company paid \$0.7 million and \$0.2 million, respectively, under this agreement. As of December 31, 2024, the Company did not have any additional accruals payable to Letop.

*Primatene MIST® Distribution Agreement with Hong Kong Genreach Limited*

In August 2024, the Company entered into a distribution agreement with Hong Kong Genreach Limited, or Genreach, a wholly owned subsidiary of Hanxin, a related party. Per the terms of the agreement, the Company has appointed Genreach as the exclusive distributor to market and sell Primatene MIST® in Mainland China, Taiwan, Hong Kong, and Macau in the Greater China region. Genreach will be responsible for obtaining any and all regulatory approvals in the region for Primatene MIST®.

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The term of the agreement is ten years, with both parties having termination rights without cause after the completion of the second contract year.

During the year ended December 31, 2024, the Company recognized \$1.1 million of revenue from the distribution agreement with Genreach. As of December 31, 2024, the Company did not have any receivables from Genreach.

**Note 20. Litigation**

*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 (“Delaware Court”) 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<sup>®</sup> HFA (albuterol sulfate) Inhalation Aerosol. On October 21, 2024, Plaintiff amended its complaint against the Company to include additional claims for infringement of U.S. Patent No. 9,808,587 and 10,561,808, with regard to Amphastar’s ANDA No. 212447, for approval to manufacture and sell generic version of ProAir<sup>®</sup> HFA (albuterol sulfate) Inhalation Aerosol. This lawsuit was subsequently settled in January 2025. As part of the settlement, the Company agreed to pay the Plaintiff \$2.0 million in exchange for a license to use their Patent. The settlement amount was recorded as an intangible asset and is being amortized over its useful life of six years.

*Employee Litigations*

On April 15, 2024, a former employee initiated an employment litigation against Amphastar and IMS by filing a complaint, as amended, having individual and class action claims for alleged violations of the California Labor Code pertaining to California’s Private Attorneys General Act, or PAGA, wage and hour, and other state laws. This complaint was filed in the Superior Court of California for the County of Los Angeles. 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. In November 2024, the court ordered the plaintiff to dismiss the individual and class claims, with only the PAGA claim remaining. The Company intends to vigorously defend itself against the complaint.

On June 20, 2024, a former employee initiated an employment litigation against Amphastar, IMS and Roth Staffing Companies L.P. 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. 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 complaint.

*Other Litigation*

The Company is also subject to various other 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. Currently, the Company is subject to a lawsuit for a property and casualty claim, for which it has recorded an estimated liability of \$6.0 million within accounts payable and other accrued liabilities on the balance sheet as of December 31, 2024. This estimated liability is fully covered by the Company’s insurance policies. The \$6.0 million insurance recovery related to this claim is recorded within prepaid expenses and other current assets on the consolidated balance sheet as of December 31, 2024.

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



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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 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.**

None.

**Item 9A. 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 Securities Exchange Act of 1934, as amended, or the Exchange Act, as of the end of the period covered by this Annual Report on Form 10-K. 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.

***Management's Report on Internal Control Over Financial Reporting***

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act. Under the supervision and with the participation of senior management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of our internal control over financial reporting based on the framework in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. Based on the evaluation under that framework and applicable SEC rules, our management concluded that our internal control over financial reporting was effective as of December 31, 2024.

Our internal control over financial reporting as of December 31, 2024 has been audited by Ernst & Young, LLP, an independent registered public accounting firm, as stated in their report appearing below.

***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 December 31, 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 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.

## **Report of Independent Registered Public Accounting Firm**

To the Stockholders and the Board of Directors of Amphastar Pharmaceuticals, Inc.

### **Opinion on Internal Control Over Financial Reporting**

We have audited Amphastar Pharmaceuticals, Inc.'s internal control over financial reporting as of December 31, 2024, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Amphastar Pharmaceuticals, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2024, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2024 and 2023, the related consolidated statements of operations, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2024, and the related notes and our report dated March 3, 2025 expressed an unqualified opinion thereon.

### **Basis for Opinion**

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### **Definition and Limitations of Internal Control Over Financial Reporting**

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Irvine, California

March 3, 2025

**Item 9B. Other Information.**

*Securities Trading Plans of Directors and Executive Officers*

During our last fiscal quarter, the following director, as defined in Rule 16a-1(f), adopted a Rule 10b5-1 trading arrangement, as defined in Regulation S-K Item 408, as follows:

On November 26, 2024, Floyd Petersen, a member of our Board of Directors, adopted a Rule 10b5-1 trading arrangement providing for the sale from time to time of an aggregate of up to 6,000 shares of our common stock. The trading arrangement is intended to satisfy the affirmative defense in Rule 10b5-1(c). The duration of the trading arrangement is until January 3, 2026, or earlier if all transactions under the trading arrangement are completed.

No other 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 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.**

None.

**PART III**

**Item 10. Directors, Executive Officers and Corporate Governance.**

Information required by this item will be included in our Proxy Statement for our 2025 Annual Meeting of Stockholders to be filed within 120 days after our fiscal year end of December 31, 2024, or 2025 Proxy Statement, and is incorporated by reference into this Annual Report on Form 10-K.

**Item 11. Executive Compensation.**

Information required by this item will be included in our 2025 Proxy Statement and is incorporated by reference into this Annual Report on Form 10-K.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.**

Information required by this item will be included in our 2025 Proxy Statement and is incorporated by reference into this Annual Report on Form 10-K.

**Item 13. Certain Relationships and Related Transactions, and Director Independence.**

Information required by this item will be included in our 2025 Proxy Statement and is incorporated by reference into this Annual Report on Form 10-K.

**Item 14. Principal Accountant Fees and Services.**

Information required by this item will be included in our 2025 Proxy Statement and is incorporated by reference into this Annual Report on Form 10-K.

**PART IV**

**Item 15. Exhibits and Financial Statement Schedules.**

- (a) (1) Financial Statements filed as part of this report are listed in Part II, Item 8 of this report.
- (2) No other financial schedules have been included because they are not applicable, not required or because required information is included in the consolidated financial statements or notes thereto.
- (b) The following exhibits are filed as part of, or incorporated by reference into, this Annual Report on Form 10-K, in each case as indicated below.

<u>Exhibit No.</u>	<u>Description</u>
3.1	<a href="#">Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on July 1, 2014)</a>
3.2	<a href="#">Amended and Restated Bylaws (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on February 24, 2023)</a>
4.1	<a href="#">Specimen common stock certificate (incorporated by reference to Exhibit 4.1 to Amendment No. 1 to the Company's Registration Statement on Form S-1 filed with the SEC on June 5, 2014)</a>
4.2	<a href="#">Description of Securities Registered Under Section 12 of the Exchange Act (incorporated by reference to Exhibit 4.2 to the Company's Annual Report on Form 10-K filed with the SEC on March 15, 2021)</a>
4.3	<a href="#">Indenture, dated September 15, 2023, between Amphastar Pharmaceuticals, Inc. and U.S. Bank Trust Company, National Association, as trustee (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K filed with the SEC on September 15, 2023)</a>
4.4	<a href="#">Form of 2.00% Convertible Notes due 2029 (incorporated by reference to Exhibit 4.2 (included in Exhibit 4.1) of the Company's Current Report on Form 8-K filed with the SEC on September 15, 2023)</a>
10.1+	<a href="#">Amended and Restated 2005 Equity Incentive Award Plan (incorporated by reference to Exhibit 10.4 to the Company's Registration Statement on Form S-1 filed with the SEC on May 20, 2014)</a>
10.2+	<a href="#">Form of Stock Option Grant Notice and Stock Option Agreement under the Amended and Restated 2005 Equity Incentive Award Plan (incorporated by reference to Exhibit 10.5 to the Company's Registration Statement on Form S-1 filed with the SEC on May 20, 2014)</a>
10.30	<a href="#">Transfer Contract for the Right to the Use of State-owned Land, dated December 29, 2009, between Amphastar Nanjing Pharmaceuticals Co., Ltd. and Nanjing Xingang Hi-Tech Company Limited (incorporated by reference to Exhibit 10.13 to the Company's Registration Statement on Form S-1 filed with the SEC on May 20, 2014)</a>
10.40	<a href="#">Investment Agreement, dated July 5, 2010, between Amphastar Nanjing Pharmaceuticals Co., Ltd. and the Management Committee of the Nanjing Economic and Technological Development Zone (incorporated by reference to Exhibit 10.14 to the Company's Registration Statement on Form S-1 filed with the SEC on May 20, 2014)</a>
10.50	<a href="#">Transfer Contract for the Right to the Use of State-owned Land, dated December 31, 2010, between Amphastar Nanjing Pharmaceuticals Co., Ltd. and Nanjing Xingang Hi-Tech Company Limited. (incorporated by reference to Exhibit 10.15 to the Company's Registration Statement on Form S-1 filed with the SEC on May 20, 2014)</a>
10.6+	<a href="#">2014 Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.17 to the Company's Registration Statement on Form S-1 filed with the SEC on May 20, 2014)</a>
10.7+	<a href="#">Employment Agreement, dated May 19, 2014, between Amphastar Pharmaceuticals, Inc. and Jack Zhang (incorporated by reference to Exhibit 10.21 to the Company's Registration Statement on Form S-1 filed with the SEC on May 20, 2014)</a>
10.8+	<a href="#">Employment Agreement, dated May 19, 2014, between Amphastar Pharmaceuticals, Inc. and Mary Luo (incorporated by reference to Exhibit 10.22 to the Company's Registration Statement on Form S-1 filed with the SEC on May 20, 2014)</a>

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- 10.9+ [Employment Agreement, dated March 11, 2014, between Amphastar Pharmaceuticals, Inc. and William Peters \(incorporated by reference to Exhibit 10.25 to the Company's Registration Statement on Form S-1 filed with the SEC on May 20, 2014\)](#)
- 10.10† [Supply Agreement, dated July 31, 2014, between MannKind Corporation and Amphastar France Pharmaceuticals, S.A.S. \(incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the SEC on November 13, 2014\)](#)
- 10.11 [First Amendment to Supply Agreement, dated October 31, 2014, by and between MannKind Corporation, Amphastar France Pharmaceuticals, S.A.S., and Amphastar Pharmaceuticals, Inc. \(incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed with the SEC on November 13, 2014\)](#)
- 10.12† [Second Amendment to Supply Agreement, dated November 9, 2016, by and between MannKind Corporation, Amphastar France Pharmaceuticals, S.A.S., and Amphastar Pharmaceuticals, Inc. \(incorporated by reference to Exhibit 10.34 to the Company's Annual Report on Form 10-K filed with the SEC on March 15, 2017\)](#)
- 10.13 [Business Loan Agreement, dated May 18, 2017, between Amphastar Pharmaceuticals, Inc. and East West Bank in the original principal sum of \\$9,000,000 \(incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 9, 2017\)](#)
- 10.14 [Partnership Agreement by and between Zhang Chongqing, Bill Zhang and Applied Physics & Chemistry Laboratories, Inc. dated July 27, 2018 \(incorporated by reference to Exhibit 10.9 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 9, 2018\)](#)
- 10.15 [Fourth Amendment to Supply Agreement, dated December 24, 2018, by and between MannKind Corporation and Amphastar Pharmaceuticals, Inc. \(incorporated by reference to Exhibit 10.45 to the Company's Annual Report on Form 10-K filed with the SEC on March 15, 2018\)](#)
- 10.16\* [Fifth Amendment to the Supply Agreement by and between MannKind Corporation and Amphastar Pharmaceuticals, Inc., dated August 2, 2019 \(incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 9, 2019\)](#)
- 10.17 [Amphastar Pharmaceuticals, Inc. Employee Deferred Compensation Plan, effective December 1, 2019 \(incorporated by reference to Exhibit 10.39 to the Company's Annual Report on Form 10-K filed with the SEC on March 16, 2020\)](#)
- 10.18+ [Amphastar Pharmaceuticals, Inc. 2015 Equity Incentive Plan, as amended and restated effective as of November 3, 2020 \(incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed with the SEC on November 6, 2020\)](#)
- 10.19\* [Sixth Amendment to the Supply Agreement by and between MannKind Corporation and Amphastar Pharmaceuticals, Inc., dated May 24, 2021 \(incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 9, 2021\)](#)
- 10.20\* [Share Purchase Agreement by and between Amphastar Pharmaceuticals, Inc., Nanjing Zhongpan Enterprise Management Consulting Center \(LLP\), Nanjing Zhanrun Enterprise Management Consulting Center \(LLP\), and Listening Dragon Investment Company Limited, dated May 6, 2021 \(incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 9, 2021\)](#)
- 10.21\* [Share Repurchase Agreement by and between Amphastar Pharmaceuticals, Inc., Nanjing Qianqia Enterprise Management Consulting \(LLP\), Nanjing Zhongpan Enterprise Management Consulting Center \(LLP\), and Nanjing Zhanrun Enterprise Management Consulting Center \(LLP\), dated May 6, 2021 \(incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 9, 2021\)](#)
- 10.22 [Credit Agreement dated August 4, 2021, between Amphastar Pharmaceuticals, Inc. and Capital One N.A. in the original sum of \\$140,000,000 \(incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the SEC on November 9, 2021\)](#)



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- 10.23\* [Share Purchase Agreement by and between Amphastar Pharmaceuticals, Inc. and Nanjing Quanqia Enterprise Management Consulting, LLP, dated August 19, 2021 \(incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed with the SEC on November 9, 2021\)](#)
- 10.24\* [Contract Manufacturing Agreement by and between Amphastar Nanjing Pharmaceutical, Co. Ltd. and Nanjing Hanxin Pharmaceutical Technology Co., Ltd., dated April 19, 2022 \(incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 9, 2022\)](#)
- 10.25\* [Contract Research Agreement by and between Amphastar Pharmaceuticals, Inc. and Nanjing Hanxin Pharmaceutical Technology Co., Ltd., dated July 5, 2022 \(incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the SEC on November 8, 2022\)](#)
- 10.26\* [Supply Agreement by and between Amphastar Nanjing Pharmaceuticals, Inc. and Nanjing Letop Biotechnology Co. Ltd. dated November 15, 2022 \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on November 18, 2022\)](#)
- 10.27\* [Amendment to Contract Research Agreement by and between Amphastar Pharmaceuticals, Inc. and Nanjing Hanxin Pharmaceutical Technology Co., Ltd., dated March 8, 2023 \(incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the SEC on May 9, 2023\)](#)
- 10.28\* [Asset Purchase Agreement by and among Amphastar Pharmaceuticals, Inc., Amphastar Medication Co., LLC, and Eli Lilly and Company, dated April 21, 2023 \(incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 9, 2023\)](#)
- 10.29\* [Manufacturing Service Agreement by and between Amphastar Pharmaceuticals, Inc., and Eli Lilly and Company, dated June 30, 2023 \(incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 9, 2023\)](#)
- 10.30\* [Transition Service Agreement by and between Amphastar Pharmaceuticals, Inc., and Eli Lilly and Company, dated June 30, 2023 \(incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 9, 2023\)](#)
- 10.31 [Credit Agreement dated June 30, 2023, by and between Amphastar Pharmaceuticals, Inc. and Wells Fargo Bank, National Association in the original sum of \\$700,000,000 \(incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 9, 2023\)](#)
- 10.32 [Purchase Agreement, dated September 12, 2023, among Amphastar Pharmaceuticals, Inc. and Jefferies LLC, J.P. Morgan Securities LLC, Wells Fargo Securities LLC and BofA Securities Inc. \(incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the SEC on September 15, 2023\)](#)
- 10.33\* [Seventh Amendment to the Supply Agreement by and between MannKind Corporation and Amphastar Pharmaceuticals, Inc., dated December 22, 2023 \(incorporated by reference to Exhibit 10.33 to the Company's Annual Report on Form 10-K filed with the SEC on February 29, 2024\)](#)
- 10.34\* [Syndicated Loan Agreement dated January 17, 2024, by and between Amphastar Nanjing Pharmaceuticals, Co., Ltd. and Commercial Bank of China Limited in the original sum of approximately \\$40,000,000 \(incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the SEC on May 10, 2024\)](#)
- 10.35 [2015 Equity Incentive Plan of Amphastar Pharmaceuticals, Inc. \(as amended and restated\) \(incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the SEC on June 4, 2024\)](#)
- 10.36\* [Distribution Agreement by and between Armstrong Pharmaceuticals, Inc. and Hong Kong Genreach Limited, dated August 28, 2024 \(incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the SEC on November 7, 2024\)](#)
- 19.1 [Amphastar Pharmaceuticals, Inc. Insider Trading Policy, adopted on December 31, 2024](#)
- 21.1 [Subsidiaries of the Company](#)
- 23.1 [Consent of Independent Registered Public Accounting Firm](#)
- 24.1 [Power of Attorney \(included in signature pages hereto\)](#)

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31.1	<a href="#">Certification of the Principal Executive Officer 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</a>
31.2	<a href="#">Certification of the Principal Financial Officer 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</a>
32.1#	<a href="#">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</a>
32.2#	<a href="#">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</a>
97.1	<a href="#">Compensation Recovery Policy of the Company (incorporated by reference to Exhibit 97.1 to the Company's Annual Report on Form 10-K filed with the SEC on February 29, 2024)</a>
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)

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# The information in Exhibits 32.1 and 32.2 shall not be deemed “filed” for purposes of Section 18 of 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 or the Exchange Act (including this Report), unless the registrant specifically incorporates the foregoing information into those documents by reference.

\* Portions of this exhibit (indicated by asterisks) have been redacted in compliance with Regulation S-K Item 601(b)(10).

+ Indicates a management contract or compensatory plan or arrangement.

◇ English translation of original Chinese document.

† Confidential treatment requested as to portions of the exhibit. Confidential materials omitted and file separately with the SEC.

**Item 16. Form 10-K Summary.**

None.

**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: March 3, 2025

**AMPHASTAR PHARMACEUTICALS, INC.**

(Registrant)

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

Date: March 3, 2025

## POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints Jack Y. Zhang and William J. Peters, and each of them, as his or her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitutes, may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated:

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ JACK Y. ZHANG</u> Jack Yongfeng Zhang	Chief Executive Officer, President, and Director (Principal Executive Officer)	March 3, 2025
<u>/s/ MARY Z. LUO</u> Mary Z. Luo	Chairman, Chief Operating Officer and Director	March 3, 2025
<u>/s/ WILLIAM J. PETERS</u> William J. Peters	Chief Financial Officer and Director (Principal Financial and Accounting Officer)	March 3, 2025
<u>/s/ JACOB LIAWATIDEWI</u> Jacob Liawatidewi	Executive Vice President of Sales and Marketing, Corporate Administration Center, and Director	March 3, 2025
<u>/s/ GAYLE M. DEFLIN</u> Gayle M. Deflin	Director	March 3, 2025
<u>/s/ DIANE G. GERST</u> Diane G. Gerst	Director	March 3, 2025
<u>/s/ HOWARD LEE</u> Howard Lee	Director	March 3, 2025
<u>/s/ FLOYD PETERSEN</u> Floyd Petersen	Director	March 3, 2025
<u>/s/ RICHARD PRINS</u> Richard Prins	Director	March 3, 2025
<u>/s/ MICHAEL A. ZASLOFF</u> Michael A. Zasloff	Director	March 3, 2025

## AMPHASTAR PHARMACEUTICALS, INC.

## INSIDER TRADING POLICY

(Adopted on December 31, 2024)

**A. POLICY OVERVIEW**

Amphastar Pharmaceuticals, Inc. (together with any subsidiaries, collectively the “**Company**”) has adopted this Insider Trading Policy (the “**Policy**”) to help you comply with the federal and state securities laws and regulations that govern trading in securities and to help the Company minimize its own legal and reputational risk.

It is your responsibility to understand and follow this Policy. Insider trading is illegal and a violation of this Policy. In addition to your own liability for insider trading, the Company, as well as individual directors, officers and other supervisory personnel, could face liability. Even the appearance of insider trading can lead to government investigations or lawsuits that are time-consuming, expensive and can lead to criminal and civil liability, including damages and fines, imprisonment and bars on serving as an officer or director of a public company, not to mention irreparable damage to both your and the Company’s reputation.

For purposes of this Policy, the Company’s Chief Financial Officer, General Counsel, and EVP Corporate Administration Center collectively referred to as the “**Insider Trading Compliance Officers**” with each serving as the “**Compliance Officer**” for purposes of this Policy. The Compliance Officer may designate others, from time to time, to assist with the execution of his or her duties under this Policy.

**B. POLICY STATEMENT**

1. No Trading on Material Nonpublic Information. It is illegal for anyone to trade in securities on the basis of material nonpublic information. If you are in possession of material nonpublic information about the Company, you are prohibited from:

- a. using it to transact in securities of the Company;
- b. disclosing it to other directors, officers, employees, consultants, contractors, or advisors whose roles do not require them to have the information;
- c. disclosing it to anyone outside of the Company, including family, friends, business associates, investors or consulting firms, without prior written authorization from the Compliance Officer; or
- d. using it to express an opinion or make a recommendation about trading in the Company’s securities.

In addition, if you learn of material nonpublic information through your service with the Company that could be expected to affect the trading price of the securities of another company, you cannot (x) use that information to trade, directly or indirectly through others, or (y) provide that information to another person in order to trade, in the securities of that other company. Any such action will be deemed a violation of this Policy.

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2. No Disclosure of Confidential Information. You may not at any time disclose material nonpublic information about the Company or about another company that you obtained in connection with your service with the Company to friends, family members or any other person or entity that the Company has not authorized to know such information. In addition, you must handle the confidential information of others in accordance with any related non-disclosure agreements and other obligations that the Company has with them and limit your use of the confidential information to the purpose for which it was disclosed.

If you receive an inquiry for information from someone outside of the Company, such as a stock analyst, or a request for sensitive information outside the ordinary course of business from someone outside of the Company, such as a business partner, vendor, supplier or salesperson, then you should refer the inquiry to the Chief Financial Officer. Responding to a request yourself may violate this Policy and, in some circumstances, the law. Please consult the Company's External Communications Policy for more details.

3. Definition of Material Nonpublic Information. "**Material information**" means information that a reasonable investor would be substantially likely to consider important in deciding whether to buy, hold or sell securities or would view as significantly altering the total mix of information available in the marketplace about the issuer of the securities. In general, any information that could reasonably be expected to affect the market price of a security is likely to be material. Either positive or negative information may be material.

It is not possible to define all categories of "material" information. However, some examples of information that could be regarded as material include, but are not limited to:

- a. financial results, key metrics, financial condition, earnings pre-announcements, guidance, projections or forecasts, particularly if inconsistent with the Company's guidance or the expectations of the investment community;
- b. restatements of financial results, or material impairments, write-offs or restructurings;
- c. changes in independent auditors, or notification that the Company may no longer rely on an audit report;
- d. business plans or budgets;
- e. creation of significant financial obligations, or any significant default under or acceleration of any financial obligation;
- f. impending bankruptcy or financial liquidity problems;
- g. significant developments involving business relationships, including execution, modification or termination of significant agreements or orders with customers, suppliers, distributors, manufacturers or other business partners;
- h. significant information relating to the operation of product or service, such as new products or services, major modifications or performance issues, defects or recalls, significant pricing changes or other announcements of a significant nature;
- i. significant developments in research and development, relating to the Company's clinical studies, including, without limitation, status, results and communications with regulatory agencies, or relating to intellectual property;

- j. significant legal or regulatory developments, whether positive or negative, actual or threatened, including litigation or resolving litigation;
- k. major events involving the Company's securities, including calls of securities for redemption, adoption of stock repurchase programs, option repricings, stock splits, changes in dividend policies, public or private securities offerings, modification to the rights of security holders or notice of delisting;
- l. significant corporate events, such as a pending or proposed merger, joint venture or tender offer, a significant investment, the acquisition or disposition of a significant business or asset or a change in control of the Company;
- m. major personnel changes, such as changes in senior management or employee lay-offs;
- n. data breaches or other cybersecurity events;
- o. updates regarding any prior material disclosure that has materially changed; and
- p. the existence of a special blackout period.

**"Material nonpublic information"** means material information that is not generally known or made available to the public. Even if information is widely known throughout the Company, it may still be nonpublic. Generally, in order for information to be considered public, it must be made generally available through media outlets or SEC filings.

After the release of information, a reasonable period of time must elapse in order to provide the public an opportunity to absorb and evaluate the information provided. As a general rule, at least two full trading days must pass after the dissemination of information before such information is considered public.

As a rule of thumb, if you think something might be material nonpublic information, it probably is. You can always reach out to the Compliance Officer if you have questions.

#### **C. PERSONS COVERED BY THIS POLICY**

This Policy applies to you if you are a director, officer, employee, consultant, contractor or advisor of the Company, both inside and outside of the United States. To the extent applicable to you, this Policy also covers your immediate family members, persons with whom you share a household, persons who are your economic dependents and any entity whose transactions in securities you influence, direct or control. You are responsible for making sure that these other individuals and entities comply with this Policy.

This Policy continues to apply even if you leave the Company or are otherwise no longer affiliated with or providing services to the Company, for as long as you remain in possession of material nonpublic information. In addition, if you are subject to a trading blackout under this Policy at the time you leave the Company, you must abide by the applicable trading restrictions until at least the end of the relevant blackout period.

#### **D. TRADING COVERED BY THIS POLICY**

Except as discussed in Section H (*Exceptions to Trading Restrictions*), this Policy applies to all transactions involving the Company's securities or other companies' securities for which you possess



material nonpublic information obtained in connection with your service with the Company. This Policy therefore applies to:

1. any purchase, sale, loan or other transfer or disposition of any equity securities (including common stock, options, restricted stock units, warrants and preferred stock) and debt securities (including debentures, bonds and notes) of the Company and such other companies, whether direct or indirect (including transactions made on your behalf by money managers), and any offer to engage in the foregoing transactions;
2. any disposition in the form of a gift of any securities of the Company;
3. any distribution to holders of interests in an entity if the entity is subject to this Policy; and
4. any other arrangement that generates gains or losses from or based on changes in the prices of such securities including derivative securities (for example, exchange-traded put or call options, swaps, caps and collars), hedging and pledging transactions, short sales and certain arrangements regarding participation in benefit plans, and any offer to engage in the foregoing transactions.

There are no exceptions from insider trading laws or this Policy based on the size of the transaction or the type of consideration received.

#### **E. TRADING RESTRICTIONS**

Subject to the exceptions set forth below, this Policy restricts trading during certain periods and by certain people as follows:

1. Quarterly Blackout Periods. Except as discussed in Section H (*Exceptions to Trading Restrictions*), all directors and officers of the Company, and those employees identified by the Company, must refrain from conducting transactions involving the Company's securities during quarterly blackout periods. Individuals subject to quarterly blackout periods will be informed by the Compliance Officer that they are listed on the covered persons list maintained by the Compliance Officer (the "**Covered Persons List**"). To the extent applicable to you, quarterly blackout periods also cover your immediate family members, persons with whom you share a household, persons who are your economic dependents, and any entity whose transactions in securities you influence, direct or control. Even if you are not specifically identified as being subject to quarterly blackout periods, you should exercise caution when engaging in transactions during quarterly blackout periods because of the heightened risk of insider trading exposure.

Quarterly blackout periods will begin at the end of the last trading day two (2) calendar weeks prior to the last business day of the quarter and continue up through and including two (2) full trading days following the date of public disclosure of the financial results for that fiscal quarter (i.e., the blackout period ends and is over at the start of the third full trading day following the date of public disclosure of the financial results for that fiscal quarter).

The prohibition against trading during the blackout period also means that brokers cannot fulfill open orders on your behalf or on behalf of your immediate family members, persons with whom you share a household, persons who are your economic dependents, or any entity whose transactions in securities you influence, direct or control, during the blackout period, including "limit orders" to buy or sell stock at a specific price or better and "stop orders" to buy or sell stock once the price of the stock reaches a specified price. If you are subject to blackout periods or pre-clearance requirements, you should so inform any broker with whom such an open order is placed at the time it is placed.

From time to time, the Company may identify other persons who should be subject to quarterly blackout periods, and the Compliance Officer may update and revise the Covered Persons List as appropriate.

2. Special Blackout Periods. The Company always retains the right to impose additional or longer trading blackout periods at any time on any or all of its directors, officers, employees, consultants, contractors and advisors. The Compliance Officer will notify you if you are subject to a special blackout period by providing to you a notice in writing or via email. If you are notified that you are subject to a special blackout period, you may not engage in any transaction involving the Company's securities until the special blackout period has ended other than the transactions that are covered by the exceptions below. You also may not disclose to anyone else that the Company has imposed a special blackout period. To the extent applicable to you, special blackout periods also cover your immediate family members, persons with whom you share a household, persons who are your economic dependents, and any entity whose transactions in securities you influence, direct or control.

3. Regulation BTR Blackouts. Directors and officers may also be subject to trading blackouts pursuant to Regulation Blackout Trading Restriction, or Regulation BTR, under U.S. federal securities laws. In general, Regulation BTR prohibits any director or officer from engaging in certain transactions involving Company securities during periods when 401(k) plan participants are prevented from purchasing, selling or otherwise acquiring or transferring an interest in certain securities held in individual account plans. Any profits realized from a transaction that violates Regulation BTR are recoverable by the Company, regardless of the intentions of the director or officer effecting the transaction. In addition, individuals who engage in such transactions are subject to sanction by the SEC as well as potential criminal liability. The Company will notify directors and officers if they are subject to a blackout trading restriction under Regulation BTR. Failure to comply with an applicable trading blackout in accordance with Regulation BTR is a violation of law and this Policy.

## **F. PROHIBITED TRANSACTIONS**

You may not engage in any of the following types of transactions other than as noted below, regardless of whether you have material nonpublic information or not.

1. Short Sales. You may not engage in short sales (meaning the sale of a security that must be borrowed to make delivery) or "sell short against the box" (meaning the sale of a security with a delayed delivery) if such sales involve the Company's securities.

2. Derivative Securities and Hedging Transactions. You may not, directly or indirectly, (a) trade in publicly-traded options, such as puts and calls, and other derivative securities with respect to the Company's securities (other than stock options, restricted stock units and other compensatory awards issued to you by the Company) or (b) purchase financial instruments (including prepaid variable forward contracts, equity swaps, collars and exchange funds), or otherwise engage in transactions, that hedge or offset, or are designed to hedge or offset, any decrease in the market value of Company equity securities either (i) granted to you by the Company as part of your compensation or (ii) held, directly or indirectly, by you.

3. Pledging Transactions. Executive officers and directors of the Company will not enter into any transaction whereby the executive officer or director, directly or indirectly, pledges, hypothecates, or otherwise encumbers more than 25% of shares held by such individual of the Company's common stock or more than 5% of the total Company's outstanding shares, whichever is lower, as collateral for indebtedness. This restriction extends to any hedging or similar transaction designed to decrease the risks associated with holding Company securities. This restriction includes, but is not limited to, holding such shares in a margin account or any other account that could cause the Company's common stock to be subject to a margin call

or otherwise be available as collateral for a margin loan. This restriction applies to the Company's common stock that (i) an executive officer or director owns directly or indirectly, or (ii) are granted by the Company as part of an executive officer or director's compensation.

Stock options, stock appreciation rights and other securities issued pursuant to Company benefit plans or other compensatory arrangements with the Company are not subject to this prohibition.

4. Margin Accounts. In accordance with Section F.3 above, you may not hold the Company's common stock in margin accounts.

#### **G. PRE-CLEARANCE OF TRADES**

The Company's directors and officers and any other persons identified on the Covered Persons List of this Policy as being subject to pre-clearance requirements must obtain pre-clearance prior to trading the Company's securities. If you are subject to pre-clearance requirements, you should submit a pre-clearance request to the Compliance Officer prior to your desired trade date. The pre-clearance request must be made on the form provided by the Compliance Officer. The person requesting pre-clearance will be asked to certify that he or she is not in possession of material nonpublic information about the Company. The Compliance Officer is under no obligation to approve a transaction submitted for pre-clearance and may determine not to permit the transaction.

If the Compliance Officer is the requester, then another Compliance Officer, or their delegate, must pre-clear or deny any trade. All trades must be executed within two business days of any pre-clearance.

Even after preclearance, a person may not trade the Company's securities if they become subject to a blackout period or aware of material nonpublic information prior to the trade being executed.

From time to time, the Company may identify other persons who should be subject to the pre-clearance requirements set forth above, and the Compliance Officer may update and revise the Covered Persons List as appropriate.

#### **H. EXCEPTIONS TO TRADING RESTRICTIONS**

There are no unconditional "safe harbors" for trades made at particular times, and all persons subject to this Policy should exercise good judgment at all times. Even when a quarterly blackout period is not in effect, you may be prohibited from engaging in transactions involving the Company's securities because you possess material nonpublic information, are subject to a special blackout period or are otherwise restricted under this Policy.

Other than the limited exceptions set forth below, any other exceptions to this Policy must be approved by the Compliance Officer, in consultation with the Company's board of directors of the Company (the "Board") or an independent committee of the Board.

The following are certain limited exceptions to the quarterly and special blackout period restrictions and pre-clearance requirements imposed by the Company under this Policy:

1. stock option exercises where the purchase price of such stock options is paid in cash and there is no other associated market activity;
2. purchases pursuant to the employee stock purchase plan; however, this exception does not apply to subsequent sales of the shares;

3. receipt and vesting of stock options, restricted stock units, restricted stock or other equity compensation awards from the Company;

4. net share withholding with respect to equity awards where shares are withheld by the Company in order to satisfy tax withholding requirements, (x) as required by either the Board (or a committee thereof) or the award agreement governing such equity award or (y) as you elect, if permitted by the Company, so long as the election is irrevocable and made in writing at a time when a trading blackout is not in place and you are not in possession of material nonpublic information;

5. sell to cover transactions where shares are sold on your behalf upon vesting of equity awards and sold in order to satisfy tax withholding requirements, (x) as required by either the Board (or a committee thereof) or the award agreement governing such equity award or (y) as you elect, if permitted by the Company, so long as the election is irrevocable and made in writing at a time when a trading blackout is not in place and you are not in possession of material nonpublic information; however, this exception does not apply to any other market sale for the purposes of paying required withholding; upon vesting of equity awards and sold in order to satisfy tax withholding requirements; however, this exception does not apply to any other market sale for the purposes of paying required withholding;

6. transactions made pursuant to a valid 10b5-1 trading plan approved by the Company (see Section I (*10b5-1 Trading Plans*) below);

7. purchases of the Company's stock in the 401(k) plan resulting from periodic contributions to the plan based on your payroll contribution election; *provided, however*, that the blackout period restrictions and pre-clearance requirements do apply to elections you make under the 401(k) plan to (a) increase or decrease the amount of your contributions under the 401(k) plan if such increase or decrease will increase or decrease the amount of your contributions that will be allocated to a Company stock fund, (b) increase or decrease the percentage of your contributions that will be allocated to a Company stock fund, (c) move balances into or out of a Company stock fund, (d) borrow money against your 401(k) plan account if the loan will result in liquidation of some or all of your Company stock fund balance and (e) prepay a plan loan if the pre-payment will result in the allocation of loan proceeds to a Company stock fund;

8. transfers by will or the laws of descent or distribution and, provided that prior written notice is provided to the Compliance Officer, distributions or transfers (such as certain tax planning or estate planning transfers) that effect only a change in the form of beneficial interest without changing your pecuniary interest in the Company's securities; and

9. changes in the number of the Company's securities you hold due to a stock split or a stock dividend that applies equally to all securities of a class, or similar transactions.

If there is a Regulation BTR blackout (and no quarterly or special blackout period), then the limited exceptions set forth in Regulation BTR will apply. Please be aware that even if a transaction is subject to an exception to this Policy, you will need to separately assess whether the transaction complies with applicable law.

## **I. 10B5-1 TRADING PLANS**

The Company permits its directors, officers and employees to adopt written 10b5-1 trading plans in order to mitigate the risk of trading on material nonpublic information. These plans allow for individuals to enter into a prearranged trading plan as long as the plan is not established or modified during a blackout period or when the individual is otherwise in possession of material nonpublic information. To be approved by the Company and qualify for the exception to this Policy, any 10b5-1 trading plan adopted by a director,

officer or employee must be submitted to the Compliance Officer for approval and comply with the requirements set forth in the Requirements for Trading Plans attached as Exhibit A. If the Compliance Officer is the requester, then the other Compliance Officer or their delegate, must approve the written 10b5-1 trading plan.

#### **J. SECTION 16 COMPLIANCE**

All of the Company's officers and directors and certain other individuals are required to comply with Section 16 of the Securities and Exchange Act of 1934 and related rules and regulations which set forth reporting obligations, limitations on "short swing" transactions, which are certain matching purchases and sales of the Company's securities within a six-month period, and limitations on short sales.

To ensure transactions subject to Section 16 requirements are reported on time, each person subject to these requirements must provide the Company with detailed information (for example, trade date, number of shares, exact price, *etc.*) about his or her transactions involving the Company's securities.

The Company is available to assist in filing Section 16 reports, but the obligation to comply with Section 16 is personal. If you have any questions, you should check with the Compliance Officer.

#### **K. VIOLATIONS OF THIS POLICY**

Company directors, officers, employees, consultants, contractors and advisors who violate this Policy will be subject to disciplinary action by the Company, including ineligibility for future Company equity or incentive programs or termination of employment or an ongoing relationship with the Company. The Company has full discretion to determine whether this Policy has been violated based on the information available.

There are also serious legal consequences for individuals who violate insider trading laws, including large criminal and civil fines, significant imprisonment terms and disgorgement of any profits gained or losses avoided. You may also be liable for improper securities trading by any person (commonly referred to as a "tippee") to whom you have disclosed material nonpublic information that you have learned through your position at the Company or made recommendations or expressed opinions about securities trading on the basis of such information.

Please consult with your personal legal and financial advisors as needed. Note that the Company's legal counsel, both internal and external, represent the Company and not you personally. There may be instances where you suffer financial harm or other hardship or are otherwise required to forego a planned transaction because of the restrictions imposed by this Policy or under securities laws. If you were aware of the material nonpublic information at the time of the trade, it is not a defense that you did not "use" the information for the trade. Personal financial emergency or other personal circumstances are not mitigating factors under securities laws and will not excuse your failure to comply with this Policy. In addition, a blackout or trading-restricted period will not extend the term of your options. As a consequence, you may be prevented from exercising your options by this Policy or as a result of a blackout or other restriction on your trading, and as a result your options may expire by their term. In such instances, the Company cannot extend the term of your options and has no obligation or liability to replace the economic value or lost benefit to you. It is your responsibility to manage your economic interests and to consider potential trading restrictions when determining whether to exercise your options.

**L. PROTECTED ACTIVITY NOT PROHIBITED**

Nothing in this Policy, or any related guidelines or other documents or information provided in connection with this Policy, shall in any way limit or prohibit you from engaging in any of the protected activities set forth in the Company's Whistleblower Policy, as amended from time to time.

**M. REPORTING**

If you believe someone is violating this Policy or otherwise using material nonpublic information that they learned through their position at the Company to trade securities, you should report it to the Compliance Officer, or if the Compliance Officer is implicated in your report, then you should report it in accordance with the Company's Whistleblower Policy.

**N. AMENDMENTS**

The Company reserves the right to amend this Policy at any time, for any reason, subject to applicable laws, rules and regulations, and with or without notice, although it will attempt to provide notice in advance of any change. Unless otherwise permitted by this Policy, any amendments must be approved by the Board.

## EXHIBIT A

### REQUIREMENTS FOR TRADING PLANS

For transactions under a trading plan to be exempt from (A) the prohibitions in the Company's Insider Trading Policy (the "**Policy**") of Amphastar Pharmaceuticals, Inc. (together with any subsidiaries, collectively the "**Company**") with respect to transactions made while aware of material nonpublic information and (B) the pre-clearance procedures and blackout periods established under the Policy, the trading plan must comply with the affirmative defense set forth in Exchange Act Rule 10b5-1 and must meet the following requirements (collectively, the "**Trading Plan Requirements**"):

1. The trading plan must be in writing and signed by the person adopting the trading plan.
  2. The trading plan must be adopted at a time when:
    - a. the person adopting the trading plan is not aware of any material nonpublic information; and
    - b. there is no quarterly, special or other trading blackout in effect with respect to the person adopting the plan.
  3. The trading plan must be entered in good faith and not as part of a plan or scheme to evade the prohibitions of Rule 10b5-1, and the person adopting the trading plan must act in good faith with respect to the trading plan.
  4. The trading plan must include representations that, on the date of adoption of the trading plan, the person adopting the trading plan:
    - a. is not aware of material nonpublic information about the securities or the Company; and
    - b. is adopting the trading plan in good faith and not as part of a plan or scheme to evade the prohibitions of Rule 10b5-1
  5. The person adopting the trading plan may not have entered into or altered a corresponding or hedging transaction or position with respect to the securities subject to the trading plan and must agree not to enter into any such transaction while the trading plan is in effect.
  6. The first trade under the trading plan may not occur until the expiration of a cooling-off period consisting of the later of (a) 90 calendar days after the adoption of the trading plan and (b) two business days after the filing by the Company of its financial results in a Form 10-Q or Form 10-K for the completed fiscal quarter in which the trading plan was adopted (but, in any event, this required cooling-off period is subject to a maximum of 120 days after adoption of the trading plan).
  7. The trading plan must have a minimum term of one year (starting from the date of adoption of the trading plan).
  8. No transactions may occur during the term of the trading plan (except for the "Exceptions to Trading Restrictions" identified in the Policy and *bona fide* gifts) except for those transactions specified in the trading plan. In addition, the person adopting the trading plan may not have an outstanding (and may not subsequently enter into any additional) trading plan except as permitted by Rule 10b5-1. For example, as contemplated by Rule 10b5-1, a person may adopt a new trading plan before the scheduled termination date of an existing trading plan, so long as the first scheduled trade under the new trading plan does not occur prior to the last scheduled trade(s) of the existing trading plan and otherwise complies with these guidelines. Termination of the existing trading plan prior to its scheduled termination date may impact the timing of the first trade or the availability of the affirmative defense for the new trading plan; therefore,
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persons adopting a new trading plan are advised to exercise caution and consult with the Compliance Officer prior to the early termination of an existing trading plan.

9. Any modification or change to the amount, price or timing of transactions under the trading plan is deemed the termination of the trading plan, and the adoption of a new trading plan (“**Modification**”). Therefore, a Modification must be submitted to the Insider Trading Compliance Officers for approval in accordance with Section I of the Policy and is subject to the same conditions as a new trading plan as set forth in Sections 1 through 8 herein.

10. Within the one year preceding the adoption or a Modification of a trading plan, a person may not have otherwise adopted or made a Modification to a plan more than once.

11. A person may adopt a trading plan designed to cover a single trade only once in any consecutive 12-month period except as permitted by Rule 10b5-1.

12. If the person that adopted the trading plan terminates the plan prior to its stated duration, he or she may not trade in the Company’s securities until after the expiration of 30 calendar days following termination, and then only in accordance with the Policy.

13. The Company must be promptly notified of any Modification or termination of the trading plan, including any suspension of trading under the trading plan.

14. The Company must have authority to require the suspension of the trading plan if there are legal, regulatory or contractual restrictions applicable to the Company or the person that adopted the trading plan, or to require the cancellation of the trading plan at any time, subject to any reasonable broker notice requirements as may be set forth in the trading plan.

15. If the trading plan grants discretion to a stockbroker or other person with respect to the execution of trades under the trading plan:

- a. the person adopting the trading plan may not exercise any subsequent influence over how, when or whether to effect purchases or sales under the plan;
- b. the person adopting the trading plan may not confer with the person administering the trading plan regarding the Company or its securities; and
- c. the person administering the trading plan must provide prompt notice to the Company of the execution of a transaction pursuant to the plan.

16. All transactions under the trading plan must be in accordance with applicable law.

17. Any exceptions to the Trading Plan Requirements must be approved by the Insider Trading Compliance Officers or, in the case of directors and officers who are subject Section 16 of the Securities Exchange Act of 1934, by the Insider Trading Compliance Officers, in consultation with the Board or an independent committee of the Board.

18. The trading plan (including any Modification) must meet such other requirements as the Insider Trading Compliance Officers may determine.

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## SUBSIDIARIES OF THE COMPANY

<b>Company Name</b>	<b>State of Incorporation/ Organization</b>	<b>Country of Incorporation/ Organization</b>
International Medication Systems, Limited	California	United States of America
Amphastar Medication Co., LLC	California	United States of America
Armstrong Pharmaceuticals, Inc.	Massachusetts	United States of America
Amphastar Nanjing Pharmaceuticals, Inc.		China
Amphastar France Pharmaceuticals, S.A.S.		France
Amphastar UK Limited		United Kingdom
International Medication Systems (UK) Limited		United Kingdom

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**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-8 No. 333-197054) pertaining to the 1999-2002 Stock Option/Stock Issuance Plans, the Amended and Restated 2005 Equity Incentive Award Plan and the 2014 Employee Stock Purchase Plan of Amphastar Pharmaceuticals, Inc.,
- (2) Registration Statement (Form S-8 No. 333-203017) pertaining to the Amended and Restated 2005 Equity Incentive Award Plan of Amphastar Pharmaceuticals, Inc.,
- (3) Registration Statement (Form S-8 No. 333-205470) pertaining to the 2015 Equity Incentive Plan of Amphastar Pharmaceuticals, Inc.,
- (4) Registration Statement (Form S-8 No. 333-210213) pertaining to the 2015 Equity Incentive Plan of Amphastar Pharmaceuticals, Inc.,
- (5) Registration Statement (Form S-8 No. 333-216700) pertaining to the 2015 Equity Incentive Plan of Amphastar Pharmaceuticals, Inc.,
- (6) Registration Statement (Form S-8 No. 333-223651) pertaining to the 2015 Equity Incentive Plan of Amphastar Pharmaceuticals, Inc.,
- (7) Registration Statement (Form S-8 No. 333-230330) pertaining to the 2015 Equity Incentive Plan of Amphastar Pharmaceuticals, Inc.,
- (8) Registration Statement (Form S-8 No. 333-237223) pertaining to the 2015 Equity Incentive Plan of Amphastar Pharmaceuticals, Inc.,
- (9) Registration Statement (Form S-8 No. 333-254293) pertaining to the 2015 Amended and Restated Equity Incentive Plan of Amphastar Pharmaceuticals, Inc.,
- (10) Registration Statement (Form S-3 No. 333-260916) of Amphastar Pharmaceuticals, Inc.,
- (11) Registration Statement (Form S-8 No. 333-263491) pertaining to the Amended and Restated 2015 Equity Incentive Plan of Amphastar Pharmaceuticals, Inc.;
- (12) Registration Statement (Form S-8 No. 333-270180) pertaining to the Amended and Restated 2015 Equity Incentive Plan of Amphastar Pharmaceuticals, Inc; and
- (13) Registration Statement (Form S-8 No. 333-277537) pertaining to the Amended and Restated 2015 Equity Incentive Plan of Amphastar Pharmaceuticals, Inc.

of our reports dated March 3, 2025, with respect to the consolidated financial statements of Amphastar Pharmaceuticals, Inc. and the effectiveness of internal control over financial reporting of Amphastar Pharmaceuticals, Inc. included in this Annual Report (Form 10-K) of Amphastar Pharmaceuticals, Inc. for the year ended December 31, 2024.

/s/ Ernst & Young LLP

Irvine, California

March 3, 2025

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**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 Annual Report on Form 10-K of the Company for the year ended December 31, 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: March 3, 2025

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

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