



Cipher Pharmaceuticals Inc.

Condensed interim consolidated financial statements
Unaudited

For the three and six months ended
June 30, 2025

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the **condensed** interim consolidated financial statements have not been reviewed by an auditor. The accompanying unaudited condensed interim consolidated financial statements of Cipher Pharmaceuticals Inc. (the “Company”) have been prepared by and are the responsibility of the Company’s management. The Company’s independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada (CPA Canada) for a review of interim financial statements by an entity’s auditor.

Cipher Pharmaceuticals Inc.

Condensed Interim Consolidated Statements of Financial Position (Unaudited)

(in thousands of United States dollars)

	As at June 30, 2025 \$	As at December 31, 2024 \$
Assets		
Current assets		
Cash and cash equivalents	11,339	17,837
Accounts receivable	11,868	13,860
Inventory (Note 3)	5,576	5,792
Prepaid expenses and other assets	1,766	995
Total current assets	30,549	38,484
Property and equipment	522	680
Intangible assets (Note 4)	75,287	78,754
Deferred financing costs (Note 6)	311	386
Goodwill	17,447	17,447
Deferred tax assets (Note 12)	28,278	26,761
Total assets	152,394	162,512
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	4,846	5,873
Income taxes payable	9	54
Interest payable (Note 6)	82	358
Contract liabilities (Note 5)	12,564	13,306
Current portion of lease obligation	262	283
Total current liabilities	17,763	19,874
Lease obligation	193	295
Long-term debt (Note 6)	25,000	40,000
Total liabilities	42,956	60,169
Shareholders' equity		
Share capital (Note 7)	27,556	27,680
Contributed surplus (Note 7)	7,149	6,525
Accumulated other comprehensive loss	(9,514)	(9,514)
Retained earnings	84,247	77,652
Total shareholders' equity	109,438	102,343
Total liabilities and shareholders' equity	152,394	162,512

Commitments and contingencies (Note 13)

The accompanying notes are an integral part of these condensed interim consolidated financial statements

Approved on behalf of the Board:

(Signed) "Craig Mull"

Craig Mull
Chairman

(Signed) "Harold Wolkin"

Harold Wolkin
Director

Cipher Pharmaceuticals Inc.

Condensed Interim Consolidated Statements of Income and Comprehensive Income (Unaudited)

(in thousands of United States dollars, except per share amounts)

	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
	\$	\$	\$	\$
Revenue				
Licensing revenue (Note 8)	1,478	1,618	2,213	4,218
Product revenue	11,903	3,686	23,187	6,953
Net revenue	13,381	5,304	25,400	11,171
Operating expenses				
Cost of products sold (Note 3)	2,498	1,106	5,377	2,161
Research and development	—	—	21	—
Depreciation and amortization (Note 4)	1,807	292	3,629	581
Selling, general and administrative (Notes 9 & 10)	4,085	1,601	9,036	3,069
Total operating expenses	8,390	2,999	18,063	5,811
Other (income) expenses				
Interest expense (income) (Note 6)	345	(611)	815	(1,166)
Unrealized foreign exchange (gain) loss	(1,759)	401	(1,770)	1,043
Total other (income) expenses	(1,414)	(210)	(955)	(123)
Income before income taxes	6,405	2,515	8,292	5,483
Current income tax expense	—	—	—	—
Deferred income tax expense (recovery) (Note 12)	512	(480)	(225)	(2,435)
Total income tax expense (recovery)	512	(480)	(225)	(2,435)
Net income and comprehensive income for the period	5,893	2,995	8,517	7,918
Income per share (Note 11)				
Basic	0.23	0.12	0.33	0.33
Diluted	0.22	0.12	0.32	0.32

The accompanying notes are an integral part of these condensed interim consolidated financial statements

Cipher Pharmaceuticals Inc.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(Unaudited)

(in thousands of United States dollars)

	Share Capital		Contributed Surplus	Accumulated other comprehensive loss	Retained earnings	Total shareholders' equity
	(000s)	\$	\$	\$	\$	\$
Balance, January 1, 2025	25,598	27,680	6,525	(9,514)	77,652	102,343
Net income for the period	—	—	—	—	8,517	8,517
Shares issued under the share purchase plan (Note 7)	2	20	—	—	—	20
Shares issued under the restricted share unit plan (Note 7)	15	38	(38)	—	—	—
Exercise of stock options (Note 7)	8	39	(18)	—	—	21
Share-based compensation expense (Note 7)	—	—	680	—	—	680
Purchase of common shares under common share repurchase plan (Note 7)	(230)	(221)	—	—	(1,922)	(2,143)
Balance, June 30, 2025	25,393	27,556	7,149	(9,514)	84,247	109,438
Balance, January 1, 2024	23,988	18,012	5,755	(9,514)	66,267	80,520
Net income for the period	—	—	—	—	7,918	7,918
Shares issued under the share purchase plan (Note 7)	4	20	—	—	—	20
Shares issued under the restricted share unit plan (Note 7)	118	200	(200)	—	—	—
Exercise of stock options (Note 7)	30	207	(100)	—	—	107
Share-based compensation expense (Note 7)	—	—	407	—	—	407
Purchase of common shares under common share repurchase plan (Note 7)	(26)	(16)	—	—	(160)	(176)
Balance, June 30, 2024	24,114	18,423	5,862	(9,514)	74,025	88,796

The accompanying notes are an integral part of these condensed interim consolidated financial statements

Cipher Pharmaceuticals Inc.

Condensed Interim Consolidated Statements of Cash Flows (Unaudited)

(in thousands of United States dollars)

	Six months ended June 30,	
	2025	2024
	\$	\$
Operating activities		
Net income for the period	8,517	7,918
Add (deduct) items not affecting cash:		
Depreciation and amortization (Note 4)	3,629	581
Share-based compensation	680	407
Unrealized foreign exchange (gain) loss	(1,770)	1,043
Non-cash interest expense	18	12
Amortization of deferred financing costs (Note 6)	75	—
Deferred income taxes (Note 12)	(225)	(2,435)
	10,924	7,526
Changes in working capital balances related to operations:		
Accounts receivable	1,992	1,312
Inventory	216	84
Prepaid expenses and other assets	(771)	77
Accounts payable and accrued liabilities	(1,027)	(331)
Income taxes payable	(45)	—
Interest payable	(276)	—
Contract liabilities (Note 5)	(773)	(9)
Cash provided by operating activities	10,240	8,659
Investing Activities		
Purchase of property and equipment	(2)	(17)
Cash used in investing activities	(2)	(17)
Financing activities		
Payment of lease obligations	(154)	(57)
Repayment of revolving credit facility (Note 6)	(15,000)	—
Proceeds from shares issued under the share purchase plan	20	20
Purchase of common shares under a common share repurchase plan	(2,143)	(176)
Exercise of stock options	21	107
Cash used in financing activities	(17,256)	(106)
Net (decrease) increase in cash during the period	(7,018)	8,536
Impact of foreign exchange on cash and cash equivalents	520	(377)
Cash and cash equivalents, beginning of period	17,837	39,825
Cash and cash equivalents, end of period	11,339	47,984

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Cipher Pharmaceuticals Inc.

Notes to Condensed Interim Consolidated Financial Statements (Unaudited)

(in thousands of United States dollars, except per share amounts)

1. Nature of operations

Cipher Pharmaceuticals Inc. ("Cipher") and its subsidiaries (together the "Company") is a specialty pharmaceutical company with a diversified portfolio of commercial and early to late-stage products. The Company acquires products that fulfill unmet medical needs, manages the required regulatory approval process, and markets those products either directly or indirectly in Canada and the United States ("U.S."). The Company is building its business through product acquisitions, out-licensing and in-licensing arrangements. Cipher was incorporated under the *Business Corporations Act* (Ontario) on January 9, 2004 and the Company's corporate office is located at 5750 Explorer Drive, Suite 404, Mississauga, Ontario. The address of the Company's registered office is 40 King Street West, Suite 2400, Toronto, Ontario.

2. Basis of preparation

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*. The disclosures contained in these condensed interim consolidated financial statements do not include all of the requirements of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board for annual financial statements. The condensed interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2024, which have been prepared in accordance with IFRS, and are available on SEDAR+ at www.sedarplus.ca. The condensed interim consolidated financial statements are based on accounting policies as described in the Company's annual consolidated financial statements for the year ended December 31, 2024, except for the adoption of new standards effective as of January 1, 2025.

The condensed interim consolidated financial statements include the accounts of the Company and its wholly owned legal subsidiaries: Cipher US Holdings Inc., Cipher US Holdco LLC and Cipher Pharmaceuticals US LLC. All significant inter-company balances and transactions have been eliminated upon consolidation.

The Board of Directors approved these condensed interim consolidated financial statements on August 7, 2025.

Fair value of financial instruments

Fair value is defined as the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is quoted bid or ask prices in an active market. Quoted prices are not always available for over-the-counter transactions, as well as transactions in inactive or illiquid markets. In these instances, pricing models, normally with observable market-based inputs, are used to estimate fair value. Financial instruments traded in a less active market have been valued using indicative market prices, present value or other valuation techniques. Where financial instruments trade in inactive markets or when using models where observable parameters do not exist, greater management judgment is required for valuation purposes. In addition, the calculation of estimated fair value is based on market conditions at a specific point in time and, therefore, may not be reflective of future fair values.

As at June 30, 2025, the Company's financial instruments consisted of cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities, lease obligations and long-term debt. Cash and cash equivalents, accounts receivable, and accounts payable, accrued liabilities, lease obligations, and long-term debt are measured at amortized cost and their fair values approximate carrying values.

Cipher Pharmaceuticals Inc.

Notes to Condensed Interim Consolidated Financial Statements (Unaudited)

(in thousands of United States dollars, except per share amounts)

3. Inventory

	June 30, 2025	December 31, 2024
	\$	\$
Finished goods	4,511	5,599
Raw materials	1,237	369
Obsolescence provision	(172)	(176)
	5,576	5,792

Inventory amounts recorded in cost of products sold for the three and six months ended June 30, 2025, were \$1,848 and \$4,111, respectively (three and six months ended June 30, 2024 – \$736 and \$1,449, respectively).

Included within the inventory amounts recorded in costs of products sold for the three and six months ended June 30, 2025 are fair value adjustments to acquired finished goods inventory of \$131 and \$777, respectively (three and six months ended June 30, 2024 – \$nil and \$nil, respectively), recorded in connection with the acquisition method of accounting for business combinations. The fair value adjustments arise from the Company's acquisition of the global product rights for Natroba™ and its authorized generic Spinosad, as well as the commercial sales team in the United States (the "Natroba Acquisition") on July 26, 2024 (refer to Note 6 "Acquisition" of the Company's annual consolidated financial statements for the year ended December 31, 2024 for further information on the Natroba Acquisition).

4. Intangible assets

Intangible assets consist of intellectual property, licensing rights, and intellectual product rights of the Company's portfolio:

	Licensing Rights \$	Product Rights \$	Total \$
Cost			
Balance, January 1, 2025	6,202	80,800	87,002
Additions	—	—	—
Balance, June 30, 2025	6,202	80,800	87,002
Accumulated amortization			
Balance, January 1, 2025	5,448	2,800	8,248
Amortization	108	3,360	3,468
Foreign exchange	(1)	—	(1)
Balance, June 30, 2025	5,555	6,160	11,715
Net book value			
As at June 30, 2025	647	74,640	75,287
As at December 31, 2024	754	78,000	78,754

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Notes to Condensed Interim Consolidated Financial Statements (Unaudited)

(in thousands of United States dollars, except per share amounts)

5. Contract liabilities

The following table is the continuity of the contract liabilities for the six months ended June 30, 2025:

	Chargebacks/ Rebates \$	Returns \$	Inventory Management \$	Discounts \$	Total \$
Balance, January 1, 2025	10,397	875	1,973	61	13,306
Additions	12,527	623	2,869	822	16,841
Payments	(13,006)	(378)	(3,391)	(839)	(17,614)
Foreign exchange	—	28	—	3	31
Balance, June 30, 2025	9,918	1,148	1,451	47	12,564

The contract liabilities balances relate to estimates of liabilities arising from chargebacks, rebates, returns, inventory management and discounts recorded as a reduction of revenue.

6. Long-term debt

Effective July 25, 2024, the Company terminated its credit facility (the "Credit Facility") with Royal Bank of Canada. Under the terms of the Credit Facility, the Company had up to \$35,000 of financing available, structured as a \$15,000 Senior Secured Revolving Term Loan (the "Term Loan") with an additional accordion option to be increased by \$10,000, combined with a \$10,000 Senior Secured Revolving Credit Facility (the "Revolving Loan"). The initial term of the Term Loan was three years and the Revolving Loan was payable on demand. Prior to and on the termination date of July 25, 2024, there were no amounts drawn on the Credit Facility.

On July 26, 2024, the Company entered into a credit facility with National Bank of Canada ("National Bank"), as lead arranger and sole bookrunner of a syndicated credit facility (the "New Credit Facility"). Under the terms of the New Credit Facility, National Bank provided the Company with access to up to \$65,000 through a revolving credit facility. In addition, the New Credit Facility contains an optional \$25,000 accordion which may be drawn subject to the approval of National Bank. The New Credit Facility has an effective date of July 26, 2024 and a maturity of three years from the effective date, with an optional annual extension clause. The New Credit Facility bears interest at market prevailing rates once drawn upon.

On July 26, 2024, the New Credit Facility was drawn upon by the Company for \$40,000, to partially fund the Natroba Acquisition.

On May 8, 2025, the Company repaid \$15,000 of the outstanding balance on its New Credit Facility.

Interest rates for the amount drawn on the New Credit Facility are calculated based on adjusted term Secured Overnight Financing Rate ("SOFR"), plus a tiered applicable margin determined quarterly based on the Company's leverage ratio. The Company also pays a customary tiered standby fee on available but undrawn amounts under the New Credit Facility. Interest expense on the New Credit Facility for the three and six months ended June 30, 2025 was \$455 and \$1,028, respectively (three and six months ended June 30, 2024 – \$nil and \$nil, respectively), which has been recognized in the condensed interim consolidated statements of income and comprehensive income. As at June 30, 2025, the outstanding balance on the New Credit Facility was subject to an interest rate of 5.66%.

The New Credit Facility is secured by the Company's assets and contains covenants that limit, among other things, the ability of the Company to incur additional indebtedness, make distributions in certain circumstances and sell material assets. The New Credit Facility also requires the Company to maintain a total net debt to earnings before interest, taxes, depreciation and amortization ("EBITDA") ratio below a specified maximum value and an interest

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coverage ratio above a specified minimum value. The Company was in compliance with all covenants contained in the New Credit Facility throughout the six months ended and as at June 30, 2025.

Costs associated with entering into the New Credit Facility of \$447 were deferred and recognized in the condensed interim consolidated statements of financial position and are subject to amortization on a straight-line basis over three years, consistent with the maturity of the New Credit Facility. Due to the revolving nature of the New Credit Facility, these costs are not included in the carrying value of long-term debt. Amortization of deferred financing costs for the three and six months ended June 30, 2025 of \$37 and \$75, respectively (three and six months ended June 30, 2024 – \$nil and \$nil, respectively) has been recognized in the condensed interim consolidated statements of income and comprehensive income. The outstanding balance of financing costs that were deferred and not yet amortized is \$311 at June 30, 2025 (December 31, 2024 – \$386), which is included as deferred financing costs in the condensed interim consolidated statements of financial position.

The following table describes movements in the Company's long-term debt balance:

	\$
Balance, January 1, 2025	40,000
Draw on long-term debt	—
Repayment	(15,000)
Balance, June 30, 2025	25,000

7. Share capital

Authorized share capital

The authorized share capital consists of an unlimited number of preference shares, issuable in series, and an unlimited number of voting common shares, with no par value.

The Company has the following share-based compensation plans: The Stock Option Plan ("SOP"), the Employee and Director Share Purchase Plan, and the Restricted Share Units ("RSUs") and Performance Share Units ("PSUs") Plan. Full descriptions of the share-based compensation plans are included in Note 13 "Share Capital" to the Company's annual consolidated financial statements as at and for the year ended December 31, 2024.

Normal course issuer bid

On November 15, 2023, the Company announced that the Toronto Stock Exchange had approved the Company's Notice of Intention to Make a Normal Course Issuer Bid ("NCIB") under which the Company may, if considered advisable, purchase for cancellation, from time to time up to November 19, 2024, up to an aggregate of 1,337,195 of its issued and outstanding common shares, being 10% of its public float of 13,371,956 common shares as of November 10, 2023. The NCIB expired on November 19, 2024.

On May 1, 2025, the Company announced that the Toronto Stock Exchange had approved the Company's Notice of Intention to Make a Normal Course Issuer Bid under which the Company may, if considered advisable, purchase for cancellation, from time to time up to May 4, 2026, up to an aggregate of 1,485,260 of its issued and outstanding common shares, being 10% of its public float of 14,852,604 common shares as of April 22, 2025.

During the six months ended June 30, 2025, the Company purchased for cancellation 230,278 common shares (six months ended June 30, 2024 – 25,685) at an average price of CDN\$12.74 per common share (six months ended June 30, 2024 – CDN\$9.21). The total cash consideration paid exceeded the weighted average carrying value of the shares repurchased by \$1,922 (six months ended June 30, 2024 – \$160), which was recorded in retained earnings.

Cipher Pharmaceuticals Inc.

Notes to Condensed Interim Consolidated Financial Statements (Unaudited)

(in thousands of United States dollars, except per share amounts)

Stock option plan

The following is a summary of the changes in the stock options outstanding from January 1, 2025 to June 30, 2025:

	Number of options (000s)	Weighted average exercise price (CDN\$)
Balance, January 1, 2025	1,318	6.53
Granted during the period	293	12.70
Exercised during the period	(8)	3.94
Forfeited/expired during the period	—	—
Balance, June 30, 2025	1,603	7.67

As at June 30, 2025, 526,422 options were fully vested and exercisable (December 31, 2024 – 352,417).

During the six months ended June 30, 2025, the Company granted 292,688 stock options under the SOP (six months ended June 30, 2024 – 202,575). The stock options vest over a four-year period from the grant date, at a rate of 25% per year and expire seven years from the day of grant. The expected volatility is based on the Company's historical volatility over a comparable period based on expected life. There is no expected dividend. The exercise price and Black-Scholes assumptions are as follows:

Grant date	Number granted	Exercise price (CDN\$)	Black-Scholes value (CDN\$)	Risk-free interest rate	Expected life	Expected volatility
May 26, 2025	60,000	12.42	4.65	2.61%	3.4 years	48.6%
June 23, 2025	212,688	12.76	4.80	2.78%	3.4 years	48.6%
June 25, 2025	20,000	12.90	4.86	2.78%	3.4 years	48.6%

The total stock option expense for the three months ended June 30, 2025 is \$415 (three months ended June 30, 2024 – \$134). The total stock option expense for the six months ended June 30, 2025 is \$625 (six months ended June 30, 2024 – \$276).

The following information relates to stock options that were outstanding as at June 30, 2025:

Range of exercise prices (CDN\$)	Number of options (000s)	Weighted average remaining contractual life	Weighted average exercise price (CDN\$)
0.72 – 1.48	80	1.70 years	0.89
2.17 – 3.75	657	4.37 years	2.99
6.19 – 8.15	263	5.33 years	7.72
12.42 – 14.53	603	6.60 years	13.64
	1,603	5.23 years	7.67

During the three months ended June 30, 2025, no stock options were exercised (three months ended June 30, 2024 – 5,000) for gross proceeds of \$nil (three months ended June 30, 2024 – \$14).

Cipher Pharmaceuticals Inc.

Notes to Condensed Interim Consolidated Financial Statements (Unaudited)

(in thousands of United States dollars, except per share amounts)

During the six months ended June 30, 2025, 8,173 stock options were exercised (six months ended June 30, 2024 – 29,753) for gross proceeds of \$21 (six months ended June 30, 2024 – \$107).

The Company's SOP provides that an option holder may elect to receive a number of shares equivalent to the growth value of vested options, which is the difference between the market price and the exercise price of the options. The fair value of grants with these market conditions are estimated based on the expected payout as of the grant date, or at the start of the service period to the extent the service period commences prior to the grant dates.

Restricted Share Unit and Performance Share Unit Plan

On May 13, 2015, the Company adopted an RSU and PSU Plan. RSUs and PSUs are notional share units exchangeable for common shares of the Company. RSUs are granted to all employees and directors of the Company and PSUs are granted to certain executives. RSUs granted to employees vest annually over three or four years and RSUs granted to directors vest over a one-year period. The fair value of RSUs granted is defined as the Company's share price on the date of the grant. There are no PSUs outstanding as at June 30, 2025.

A summary of the RSUs granted and outstanding as at June 30, 2025 is as follows:

	Number of RSUs (000s)
Balance, January 1, 2025	233
Granted during the period	30
Vested and settled during the period	(15)
Forfeited/cancelled during the period	—
Balance, June 30, 2025	248

The total expense for RSUs for the three months ended June 30, 2025 is \$19 (three months ended June 30, 2024 – \$48). The total expense for the six months ended June 30, 2025 is \$52 (six months ended June 30, 2024 – \$128).

8. Licensing Revenue

The Company earns licensing revenue from both royalties on products sold by its commercial partners and product sales to its commercial partners. The breakdown is as follows:

	Three months ended June 30, 2025	Three months ended June 30, 2024	Six months ended June 30, 2025	Six months ended June 30, 2024
	\$	\$	\$	\$
Royalty revenue	592	1,147	1,046	2,399
Licensing product sales	886	471	1,167	1,819
	1,478	1,618	2,213	4,218

Cipher Pharmaceuticals Inc.

Notes to Condensed Interim Consolidated Financial Statements (Unaudited)

(in thousands of United States dollars, except per share amounts)

9. Expenses by nature

Selling, general and administrative expenses in the condensed interim consolidated statements of income and comprehensive income include the following categories of expenses by nature and function:

	Three months ended June 30, 2025	Three months ended June 30, 2024	Six months ended June 30, 2025	Six months ended June 30, 2024
	\$	\$	\$	\$
Salaries and benefits compensation	1,658	355	3,611	774
Share-based compensation	436	183	680	407
Professional fees	839	499	2,331	1,002
Sales and marketing	690	47	1,341	92
Regulatory and pharmacovigilance	144	109	305	261
Insurance	81	37	166	71
Acquisition, restructuring and other costs	—	284	128	284
Other administrative costs	237	87	474	178
	4,085	1,601	9,036	3,069

10. Compensation of key management

Key management includes directors and executives of the Company. The compensation paid or payable to key management for services is shown below:

	Three months ended June 30, 2025	Three months ended June 30, 2024	Six months ended June 30, 2025	Six months ended June 30, 2024
	\$	\$	\$	\$
Salaries, directors' fees, bonuses, and benefits	276	148	584	318
Share-based compensation	192	149	427	290
Termination benefits	—	—	—	—
	468	297	1,011	608

The interim Chief Executive Officer of the Company did not receive cash compensation in the capacity as an executive, rather he received share-based compensation, and received cash-paid directors' fees in the capacity as Chairman of the Board.

11. Net income per common share

Net income per share is calculated using the weighted average number of common shares outstanding. The weighted average number of common shares outstanding for the three months ended June 30, 2025 was 25,869,112 (three months ended June 30, 2024 – 24,112,979). The weighted average number of common shares outstanding for the six months ended June 30, 2025 was 25,598,564 (six months ended June 30, 2024 – 24,053,902).

Diluted net income per common share is calculated using the weighted average number of common shares outstanding taking into consideration the weighted average impact of dilutive securities. The dilutive weighted average for the three months ended June 30, 2025 was 26,507,100 (three months ended June 30, 2024 –

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24,568,461). The dilutive weighted average for the six months ended June 30, 2025 was 26,238,810 (six months ended June 30, 2024 – 24,498,986).

12. Income taxes

Income tax expense (recovery) is recognized based on domestic and international statutory income tax rates in the jurisdictions in which the Company operates. These rates are then adjusted to effective tax rates based on management's estimate of the weighted average annual income tax rate expected for the full year in each jurisdiction, taking into account taxable income or loss in each jurisdiction and available utilization of deferred tax assets. Deferred tax assets are recognized to the extent that it is probable that the asset can be recovered. The income tax expense for the three months ended June 30, 2025 was \$512 (three months ended June 30, 2024 – \$480 income tax recovery). The income tax recovery for the six months ended June 30, 2025 was \$225 (six months ended June 30, 2024 – \$2,435).

As at June 30, 2025, the Company has recognized deferred tax assets in the condensed interim consolidated statements of financial position of \$28,278 (December 31, 2024 – \$26,761).

13. Commitments and contingencies

Directors and officers are indemnified by the Company for various items including, but not limited to, costs to settle lawsuits or actions due to their association with the Company, subject to certain restrictions. The Company has purchased directors and officers liability insurance to mitigate the cost of any potential future lawsuits or actions. The term of the indemnification covers the period during which the indemnified party served as a director or officer of the Company.

Certain executive employment agreements allow for additional payments if a change of control occurs or for termination with or without cause.

In the normal course of business, the Company has entered into agreements that include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, leasing contracts, license agreements, information technology agreements and various product, service, data hosting and network access agreements. These indemnification arrangements may require the applicable entity to compensate counterparties for losses incurred by the counterparties as a result of breaches in representations, covenants and warranties provided by the Company or as a result of litigation or other third-party claims or statutory sanctions that may be suffered by the counterparties as a consequence of the relevant transaction. In some instances, the terms of these indemnities are not explicitly defined.

In the normal course of business, the Company may be the subject of litigation or other potential claims. While management assesses the merits of each lawsuit and defends itself accordingly, the Company may be required to incur significant expenses or devote significant resources to defending itself against litigation.

Development milestones

The Company has development and regulatory milestone payments of CDN\$1,000 related to its near-term pipeline product, CF-101 Piclidenoson in the treatment of moderate to severe psoriasis, that become payable upon achievement of certain clinical trial and regulatory approval metrics.

Lease obligations

The Company has an office lease for its corporate operations head office in Mississauga, Ontario. The term of the lease is five years and commenced on June 1, 2022. The undiscounted commitment for the remaining lease term as of June 30, 2025 is \$227 (December 31, 2024 – \$270)

The Company has leases for vehicles used in its U.S. operations. The terms of the vehicle leases range from three to five years, with various lease commencement dates. The Company acquired the leases in connection with the Natroba Acquisition on July 26, 2024. The undiscounted commitment for the remaining lease terms as of June 30, 2025 is \$266 (December 31, 2024 – \$364).

Cipher Pharmaceuticals Inc.

Notes to Condensed Interim Consolidated Financial Statements (Unaudited)

(in thousands of United States dollars, except per share amounts)

Licensing agreements with Galephar

In 2002, the Company entered into a Master Licensing and Clinical Supply Agreement (the "Agreement") with Galephar Pharmaceutical Research Inc. ("Galephar"), a Puerto Rico based pharmaceutical research and manufacturing company. Under the Agreement, the Company acquired the rights to package, test, obtain regulatory approvals and market CIP-FENOFIBRATE, CIP-ISOTRETINOIN and CIP-TRAMADOL ER (the "CIP Products") in various countries. In accordance with the Agreement, the Company retains 50% of all revenue from licensing and distribution arrangements entered into with respect to the CIP Products, with the other 50% due to Galephar. Galephar retains the right to manufacture and supply the CIP Products. With respect to licensing and distribution arrangements, the Company manages the product supply arrangements with commercial partners and Galephar; product is shipped directly from Galephar to the respective commercial partners. Where the Company has opted to market and sell a CIP Product itself, the Company purchases the finished goods from Galephar directly.

With respect to CIP-ISOTRETINOIN, the Company has entered into licensing and distribution arrangements for the U.S. and Mexico, while opting to market and sell the product directly in Canada. The Company also has in place various licensing and distribution arrangements with respect to CIP-FENOFIBRATE and CIP-TRAMADOL ER in the U.S. The Company has opted to market and sell CIP-TRAMADOL ER directly in Canada effective April 2022.

During the three and six months ended June 30, 2025, the Company paid royalties to Galephar of \$762 and \$1,918, respectively (three and six months ended June 30, 2024 – \$2,104 and \$3,502, respectively). As at June 30, 2025, the Company had royalties payable to Galephar of \$1,296 (as at December 31, 2024 – \$1,156). Royalties payable to Galephar are remitted quarterly, after the Company collects from its licensing partners. Accordingly, the Company's accounts receivable have a corresponding balance representing amounts owed from its licensing partners. Royalties paid and payable to Galephar with respect to the Company's licensing agreements are included in and have the effect of reducing net revenue, specifically licensing revenue, in the condensed interim consolidated statements of income and comprehensive income.

Supply agreement with ParaPRO

On July 26, 2024, in connection with the Natroba Acquisition, a subsidiary of Cipher entered into an API Supply Agreement with ParaPRO LLC ("ParaPRO"). Under the API Supply Agreement, the Company obtains exclusive purchasing access to a supply of the active pharmaceutical ingredient ("API") used in the production of Natroba™ and its authorized generic Spinosad.

The API Supply Agreement requires that Cipher's subsidiary purchase from ParaPRO a minimum quantity of API annually. The financial commitments associated with this annual minimum purchase quantity vary by period. For the fiscal year ending December 31, 2025, the minimum purchase requirement is calculated taking into consideration certain inventory and sales performance metrics for Natroba™ and its authorized generic Spinosad. Accordingly, it is currently estimated that Cipher's subsidiary will be required to purchase a minimum quantity of API valued at approximately \$5,000 for the fiscal year ending December 31, 2025. For the fiscal year ending December 31, 2026, the minimum quantity of API required to be purchased is calculated taking into consideration certain sales performance metrics for Natroba™ and its authorized generic Spinosad, and accordingly the minimum purchase commitment is currently estimated to be valued at approximately \$2,200. For the fiscal years ending December 31, 2027 and thereafter, the minimum quantity of API required to be purchased is estimated to be valued at approximately \$2,400, on an annual basis.

14. Segment information

The Company's operations are categorized into one reporting segment, being specialty pharmaceuticals. However, The Company's operations occur in multiple geographies, primarily Canada and the U.S.

Cipher Pharmaceuticals Inc.

Notes to Condensed Interim Consolidated Financial Statements (Unaudited)

(in thousands of United States dollars, except per share amounts)

The geographic segmentation of the Company's net revenue based on the location in which such revenue is generated is as follows:

	Three months ended June 30, 2025 \$	Three months ended June 30, 2024 \$	Six months ended June 30, 2025 \$	Six months ended June 30, 2024 \$
Canada				
Product revenue	4,138	3,686	8,743	6,953
Total Canada	4,138	3,686	8,743	6,953
U.S.				
Product revenue	7,765	—	14,444	—
Licensing revenue	1,478	1,618	2,213	4,218
Total U.S.	9,243	1,618	16,657	4,218
Total net revenue	13,381	5,304	25,400	11,171

Non-current assets consist of property and equipment, intangible assets, deferred financing costs, goodwill, and deferred tax assets. The geographic segmentation of the Company's non-current assets is as follows:

	June 30, 2025 \$	December 31, 2024 \$
Canada	117,786	119,780
U.S.	4,059	4,248
	121,845	124,028

15. Subsequent event

Long-term Debt Repayment

On August 6, 2025, the Company repaid \$7,000 of the outstanding balance on its New Credit Facility. As a result of the repayment, the outstanding balance on the Company's New Credit Facility has been reduced to \$18,000 as of August 6, 2025.