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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549**

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**FORM 10-Q**

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

For the quarterly period ended June 30, 2024

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-36421

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**Aurinia Pharmaceuticals Inc.**

(Exact Name of Registrant as Specified in its Charter)

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Alberta, Canada

(State or other jurisdiction of  
incorporation or organization)

#140, 14315 - 118 Avenue

Edmonton, Alberta T5L 4S6

98-1231763

(Address of principal executive offices)

(I.R.S. Employer  
Identification Number)

(250) 744-2487

Registrant's telephone number, including area code

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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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

Non-accelerated filer  Smaller reporting company

Emerging growth company

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

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

Indicate the number of shares outstanding of each of the registrant's classes of common shares, as of the latest predictable date. As of July 31, 2024, the registrant had 142,990,974 of common shares outstanding.

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

**Title of each class**

**Trading Symbol**

**Name of exchange on which registered**

Common shares, no par value

AUPH

The Nasdaq Global Market LLC

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**AURINIA PHARMACEUTICALS INC. AND SUBSIDIARIES**  
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PART I—FINANCIAL INFORMATION

**Item 1. Financial Statements**

**AURINIA PHARMACEUTICALS INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(in thousands)

	June 30, 2024	December 31, 2023
<b>(unaudited)</b>		
<b>ASSETS</b>		
Current assets		
Cash, cash equivalents and restricted cash	\$ 33,407	\$ 48,875
Short-term investments	297,068	301,614
Accounts receivable, net	25,522	24,089
Inventories, net	38,853	39,705
Prepaid expenses	7,840	9,486
Other current assets	6,976	1,031
Total current assets	<u>409,666</u>	<u>424,800</u>
Non-current assets		
Long-term investments	199	201
Other non-current assets	867	1,517
Property and equipment, net	3,043	3,354
Acquired intellectual property and other intangible assets, net	4,621	4,977
Finance right-of-use asset, net	100,845	108,715
Operating right-of-use assets, net	4,288	4,498
Total assets	<u>\$ 523,529</u>	<u>\$ 548,062</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued liabilities	56,460	54,389
Deferred revenue	4,367	4,813
Other current liabilities (of which \$0.8 million at June 30, 2024 and December 31, 2023 is due to a related party, respectively)	1,162	2,388
Finance lease liability	13,906	14,609
Operating lease liabilities	1,008	989
Total current liabilities	<u>76,903</u>	<u>77,188</u>
Non-current liabilities		
Finance lease liability	64,923	75,479
Operating lease liabilities	6,146	6,530
Deferred compensation and other non-current liabilities (of which \$ 7.8 million at June 30, 2024 and \$ 7.6 million in December 31, 2023 is due to a related party, respectively)	10,941	10,911
Total liabilities	<u>158,913</u>	<u>170,108</u>
Commitments and contingencies (Note 18)		
<b>SHAREHOLDER'S EQUITY</b>		
Common shares - no par value, unlimited shares authorized, 142,984 and 143,833 shares issued and outstanding at June 30, 2024 and December 31, 2023, respectively	1,205,554	1,200,218
Additional paid-in capital	112,270	120,788
Accumulated other comprehensive loss	(859)	(730)
Accumulated deficit	(952,349)	(942,322)
Total shareholders' equity	<u>364,616</u>	<u>377,954</u>
Total liabilities and shareholders' equity	<u>\$ 523,529</u>	<u>\$ 548,062</u>

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

**AURINIA PHARMACEUTICALS INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**  
(in thousands, except per share data)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2024	2023	2024	2023
(unaudited)				
<b>Revenue</b>				
Product revenue, net	\$ 55,028	\$ 41,100	\$ 103,101	\$ 75,437
License, collaboration and royalty revenue	2,164	394	4,394	466
Total revenue, net	<u>57,192</u>	<u>41,494</u>	<u>107,495</u>	<u>75,903</u>
<b>Operating expenses</b>				
Cost of sales	8,909	1,563	16,661	1,984
Selling, general and administrative	44,934	47,081	92,629	97,205
Research and development	4,080	12,650	9,631	25,808
Restructuring expenses	1,072	—	7,755	—
Other income, net	(290)	(3,630)	(4,415)	(3,340)
Total cost of sales and operating expenses	<u>58,705</u>	<u>57,664</u>	<u>122,261</u>	<u>121,657</u>
Loss from operations	(1,513)	(16,170)	(14,766)	(45,754)
Interest expense	(1,198)	(65)	(2,481)	(65)
Interest income	4,189	4,101	8,715	7,915
Net income (loss) before income taxes	1,478	(12,134)	(8,532)	(37,904)
Income tax expense (benefit)	756	(642)	1,495	(206)
Net income (loss)	<u>\$ 722</u>	<u>\$ (11,492)</u>	<u>\$ (10,027)</u>	<u>\$ (37,698)</u>
Other comprehensive (loss) gain:				
Unrealized (loss) gain on available-for-sale securities, net of tax of nil	(5)	(32)	(129)	41
<b>Comprehensive income (loss)</b>	<u>\$ 717</u>	<u>\$ (11,524)</u>	<u>\$ (10,156)</u>	<u>\$ (37,657)</u>
<b>Net income (loss) per share:</b>				
Basic	<u>\$ 0.01</u>	<u>\$ (0.08)</u>	<u>\$ (0.07)</u>	<u>\$ (0.26)</u>
Diluted	<u>\$ 0.01</u>	<u>\$ (0.08)</u>	<u>\$ (0.07)</u>	<u>\$ (0.26)</u>
<b>Weighted-average common shares outstanding:</b>				
Basic	143,327	142,777	143,507	142,904
Diluted	144,110	142,777	143,507	142,904

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

**AURINIA PHARMACEUTICALS INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
(in thousands)  
(unaudited)

Three Months Ended June 30, 2024	Common Shares						Total Shareholders' Equity	
			Additional paid in capital		Accumulated Other Comprehensive (Loss) Income			
	Shares	Amount			Accumulated Deficit			
<b>Balance at March 31, 2024</b>	<b>143,690</b>	<b>\$ 1,207,982</b>	<b>\$ 105,419</b>	<b>\$ (854)</b>	<b>\$ (953,071)</b>	<b>\$ 359,476</b>		
Shares issued on exercise of stock options and vesting of restricted stock units	192	\$ 1,773	\$ (1,390)	—	—	—	\$ 383	
Shares repurchased and cancelled, inclusive of transaction costs	(1,050)	(5,249)	—	—	—	—	(5,249)	
Issuance of common shares in conjunction with ESPP program	152	1,048	(345)	—	—	—	703	
Share-based compensation	—	—	8,586	—	—	—	8,586	
Unrealized loss on available-for-sale securities, net	—	—	—	(5)	—	—	(5)	
Net income	—	—	—	—	722	—	722	
<b>Balance at June 30, 2024</b>	<b>142,984</b>	<b>\$ 1,205,554</b>	<b>\$ 112,270</b>	<b>\$ (859)</b>	<b>\$ (952,349)</b>	<b>\$ 364,616</b>		

Three Months Ended June 30, 2023	Common Shares						Total Shareholders' Equity	
			Additional paid in capital		Accumulated Other Comprehensive (Loss) Income			
	Shares	Amount			Accumulated Deficit			
<b>Balance at March 31, 2023</b>	<b>143,029</b>	<b>\$ 1,193,019</b>	<b>\$ 88,885</b>	<b>\$ (988)</b>	<b>\$ (890,508)</b>	<b>\$ 390,408</b>		
Shares issued on exercise of stock options and vesting of performance awards	130	1,351	(1,117)	—	—	—	234	
Issuance of common shares in conjunction with ESPP program	210	2,110	(1,204)	—	—	—	906	
Share-based compensation	—	—	12,268	—	—	—	12,268	
Unrealized loss on available-for-sale securities, net	—	—	—	(32)	—	—	(32)	
Net loss	—	—	—	—	(11,492)	—	(11,492)	
<b>Balance at June 30, 2023</b>	<b>143,369</b>	<b>\$ 1,196,480</b>	<b>\$ 98,832</b>	<b>\$ (1,020)</b>	<b>\$ (902,000)</b>	<b>\$ 392,292</b>		

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

**AURINIA PHARMACEUTICALS INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
(in thousands)  
(unaudited)

Six Months Ended June 30, 2024	Common Shares						Total Shareholders' Equity	
	Shares	Amount	Additional paid in capital	Accumulated Other Comprehensive (Loss) Income		Accumulated Deficit		
				Comprehensive Income	Other			
<b>Balance at December 31, 2023</b>	<b>143,833</b>	<b>\$ 1,200,218</b>	<b>\$ 120,788</b>	<b>\$ (730)</b>	<b>\$ (942,322)</b>	<b>\$ 377,954</b>		
Shares issued on exercise of stock options and vesting of restricted stock units	2,423	22,907	(22,496)	—	—	—	411	
Shares repurchased and cancelled, inclusive of transaction costs	(3,424)	(18,619)	—	—	—	—	(18,619)	
Issuance of common shares in conjunction with ESPP program	152	1,048	(345)	—	—	—	703	
Share-based compensation	—	—	14,323	—	—	—	14,323	
Unrealized loss on available-for-sale securities, net	—	—	—	(129)	—	—	(129)	
Net loss	—	—	—	—	(10,027)	—	(10,027)	
<b>Balance at June 30, 2024</b>	<b>142,984</b>	<b>\$ 1,205,554</b>	<b>\$ 112,270</b>	<b>\$ (859)</b>	<b>\$ (952,349)</b>	<b>\$ 364,616</b>		

Six Months Ended June 30, 2023	Common Shares						Total Shareholders' Equity	
	Shares	Amount	Additional paid in capital	Accumulated Other Comprehensive (Loss) Income		Accumulated Deficit		
				Comprehensive Income	Other			
<b>Balance at December 31, 2022</b>	<b>142,268</b>	<b>\$ 1,185,309</b>	<b>\$ 85,489</b>	<b>\$ (1,061)</b>	<b>\$ (864,302)</b>	<b>\$ 405,435</b>		
Shares issued on exercise of stock options and vesting of restricted stock units	891	9,061	(7,188)	—	—	—	1,873	
Issuance of common shares in conjunction with ESPP program	210	2,110	(1,204)	—	—	—	906	
Share-based compensation	—	—	21,735	—	—	—	21,735	
Unrealized gain on available-for-sale securities, net	—	—	—	41	—	—	41	
Net loss	—	—	—	—	(37,698)	—	(37,698)	
<b>Balance at June 30, 2023</b>	<b>143,369</b>	<b>\$ 1,196,480</b>	<b>\$ 98,832</b>	<b>\$ (1,020)</b>	<b>\$ (902,000)</b>	<b>\$ 392,292</b>		

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

**AURINIA PHARMACEUTICALS INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in thousands)	Six Months Ended June 30,	
	2024	2023
<b>Cash flows from operating activities</b>		(unaudited)
Net loss	\$ (10,027)	\$ (37,698)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	9,690	1,436
Net amortization of premiums and discounts on short-term investments	(6,331)	(5,599)
Share-based compensation expense	14,323	21,735
Foreign exchange on finance lease liability	(5,705)	417
Other, net	275	(3,652)
Net changes in operating assets and liabilities		
Accounts receivable, net	(1,433)	(6,016)
Inventories, net	852	(8,403)
Prepaid expenses and other current assets	(4,305)	2,374
Non-current operating assets	(12)	(16)
Accounts payable, accrued and other liabilities	283	1,245
Operating lease liabilities	(365)	(319)
Net cash used in operating activities	<u>(2,755)</u>	<u>(34,496)</u>
<b>Cash flows from investing activities</b>		
Purchase of investments	(318,126)	(256,439)
Proceeds from investments	328,877	288,291
Upfront lease payment	(44)	(11,864)
Purchase of property and equipment	—	(524)
Capitalized patent costs	(96)	(212)
Net cash provided by investing activities	<u>10,611</u>	<u>19,252</u>
<b>Cash flows from financing activities</b>		
Repurchase of common shares	(18,435)	—
Principal portion of finance lease payments	(6,001)	—
Proceeds from exercise of stock options and employee share purchase plan	1,112	2,779
Cash (used in) provided by financing activities	<u>(23,324)</u>	<u>2,779</u>
Net decrease in cash, cash equivalents and restricted cash	(15,468)	(12,465)
Cash, cash equivalents and restricted cash, beginning of period	48,875	94,172
<b>Cash, cash equivalents and restricted cash, end of period</b>	<u><u>\$ 33,407</u></u>	<u><u>\$ 81,707</u></u>
Supplemental cash flow information		
Cash received for interest	\$ 2,132	\$ 2,713
Cash paid for income taxes	\$ (1,459)	\$ (277)
Reconciliation of cash, cash equivalents and restricted cash to the condensed consolidated balance sheets		
Cash, cash equivalents	\$ 33,265	\$ 81,389
Restricted cash	142	318
<b>Total cash, cash equivalents and restricted cash</b>	<u><u>\$ 33,407</u></u>	<u><u>\$ 81,707</u></u>

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

**AURINIA PHARMACEUTICALS INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(unaudited)**

**1. Organization and Description of Business**

Aurinia Pharmaceuticals Inc. (Aurinia or the Company) is a fully integrated biopharmaceutical company focused on delivering therapies to people living with autoimmune diseases with high unmet medical needs. In January 2021, the Company introduced LUPKYNIS® (voclosporin), the first U.S. Food and Drug Administration (FDA) approved oral therapy for the treatment of adult patients with active lupus nephritis (LN) and continues to conduct clinical and regulatory activities to support the LUPKYNIS development program. Aurinia contracted with Otsuka Pharmaceutical Co., Ltd. (Otsuka) as a collaboration partner for development and commercialization of LUPKYNIS in the European Union (EU), Japan, as well as the United Kingdom, Russia, Switzerland, Norway, Belarus, Iceland, Liechtenstein and Ukraine (collectively, the Otsuka Territories).

On February 15, 2024, the Company announced the conclusion of its strategic review process and actions designed to enhance shareholder value, including an exclusive focus on driving the commercial execution of the LUPKYNIS (voclosporin) business. Aurinia executed a corporate restructuring in the first quarter that reduced employee headcount by approximately 25% and discontinued its AUR300 research and development program. The corporate restructuring involved the Company reaffirming its commitment to LUPKYNIS growth, while maintaining a sharp focus on operating efficiencies and maximizing cash flows. For further discussion, refer to Note 19, Restructuring.

The Company is moving forward with development of its pipeline asset AUR200, a differentiated, potential next generation therapy for autoimmune diseases that targets both BAFF (B-cell Activating Factor) and APRIL (A Proliferation-Inducing Ligand). First patients are expected to enter the Phase 1 Single Ascending Dose (SAD) study of AUR200 in the third quarter of 2024. Data from the SAD study, including safety, tolerability, pharmacokinetics and biomarkers, is anticipated in the first half of 2025.

Aurinia's head office and registered office is located at #140, 14315-118 Avenue, Edmonton, Alberta, Canada T5L 4S6. Aurinia also has a U.S. commercial office located at 77 Upper Rock Circle Suite 700, Rockville, Maryland, 20850 United States.

Aurinia is incorporated pursuant to the Business Corporations Act (Alberta). The Company's common shares are traded on the Nasdaq Global Market (Nasdaq) under the symbol AUPH.

**2. Summary of Significant Accounting Policies**

***Basis of Presentation***

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States (U.S. GAAP) for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements include all adjustments, consisting of normal recurring adjustments considered necessary for fair presentation in accordance with U.S. GAAP. The condensed consolidated balance sheet as of June 30, 2024 was derived from audited annual consolidated financial statements but does not include all annual disclosures required by U.S. GAAP. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023. The results of operations for the three and six months ended June 30, 2024 are not necessarily indicative of the results to be expected for the full year or any other future periods.

These unaudited condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Aurinia Pharma U.S., Inc. (Delaware incorporated) and Aurinia Pharma Limited (UK incorporated). All intercompany balances and transactions have been eliminated in consolidation and operate in one segment.

These unaudited condensed consolidated financial statements are presented in U.S. dollars, which is the Company's and all of its foreign subsidiaries' functional currency. Therefore, there is no currency translation adjustment upon consolidation as the remeasurement of gains or losses are recorded in the condensed consolidated statements of operations. All monetary assets and liabilities denominated in a foreign currency are remeasured into U.S. dollars at the exchange rate on the balance sheet date. Non-monetary assets and liabilities (along with their related expenses) are translated at the rate of exchange in effect on the date assets were acquired. Monetary income and expense items are translated at the average foreign currency rate. Foreign exchange gains and losses arising on translation or settlement of a foreign currency denominated monetary item are included in the consolidated statements of operations and recorded in other income, net.

#### ***Significant Accounting Policies***

The Company's significant accounting policies have not changed from those previously described in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

#### ***Product Revenues***

We sell LUPKYNIS (voclosporin) primarily to specialty pharmacies and a specialty distributor, and directly to our ex-U.S. partner Otsuka. These customers subsequently distribute the Company's products to patients and healthcare providers. Revenues from product sales are recognized when the customer obtains control of the Company's product, which typically occurs upon delivery to the customer.

***Reserves for discounts and allowances:*** Product sales are recorded at the net sales price, which includes estimates of variable consideration for which reserves are established. These reserves are based on estimates of the amounts earned or to be claimed on the related sales and are classified as reductions of accounts receivable (if the amount is payable to the customer) or a liability (if the amount is payable to a party other than the customer).

The Company's estimates of reserves established for variable consideration are calculated based upon utilizing the expected value method. The transaction price, which includes variable consideration reflecting the impact of discounts and allowances, may be subject to constraint and is included in the net sales price only to the extent that it is probable that a significant reversal of the amount of the cumulative revenues recognized will not occur in a future period. Amounts related to such items are estimated at contract inception and updated at the end of each reporting period as additional information becomes available.

Significant judgment is required in estimating variable consideration. In making these estimates, the Company considers historical data, including patient mix and inventory sold to customers that has not yet been dispensed. The Company uses a data aggregator and historical claims to estimate variable consideration for inventory sold to customers, including specialty pharmacies and specialty distributors, that has not yet been dispensed to patients. Actual amounts may ultimately differ from the Company's estimates. If actual results vary, the Company adjusts these estimates, which could have an effect on earnings in the period of adjustment. As of June 30, 2024, the Company did not have any material adjustments to variable consideration estimates based on actual results. These specific adjustments are detailed further in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

***Major Customers:*** The Company currently has two main specialty pharmacies for U.S. commercial sales of LUPKYNIS and a collaboration partnership with Otsuka for sales of semi-finished product and royalty, collaboration and manufacturing services revenue in the Otsuka Territories. Revenues from our two main customers represented approximately 51% and 40% of revenues for the six months ended June 30, 2024. Revenues from our two main customers represented approximately 53% and 45% of revenues for the six months ended June 30, 2023.

In late March 2022, the Company provided a nominal additional discount to both of its two main U.S. specialty pharmacies, applicable for the 2022 calendar year, in connection with holding additional amounts of LUPKYNIS on hand due to supply chain concerns. In December 2022, the Company extended the nominal discount to the end of 2024. Such discounts, or any future discounts, may result in reduced sales to these customers in subsequent periods and substantial fluctuations in revenues from period to period. The Company monitors economic conditions, the creditworthiness of customers and government regulations and funding, both domestically and abroad. The Company regularly communicates with its customers regarding the status of receivable balances. Global economic conditions and customer specific factors may require the Company to periodically reevaluate the collectability of its receivables and based on this evaluation the Company could potentially incur credit losses. The Company has had no historical write-offs related to customers or receivables.

**Accounts Receivable, net:** Accounts receivable are stated at their net realizable value. The Company's accounts receivable primarily represent amounts due to the Company from product sales and from its Otsuka collaboration agreement (Note 12). As of June 30, 2024 and December 31, 2023, accounts receivable, net are \$25.5 million and \$24.1 million, respectively. The Company's standard credit terms range from 30 to 45 days. The Company does not assess whether a contract has a significant financing component if the expectation at contract inception is such that the period between the transfer of the promised good to the customer and receipt of payment will be one year or less. The Company estimates the allowances using the current expected credit loss, or CECL, model. Under the CECL model, the allowances reflect the net amount expected to be collected from the accounts receivable. Aurinia evaluates the collectability of these cash flows based on the asset's amortized cost, the risk of loss even when that risk is remote, losses over an asset's contractual life, and other relevant information available to the Company. Accounts receivable balances are written off against the allowance when it is probable that the receivable will not be collected. Given the nature of the Company's accounts receivable, it determined that an allowance for current expected credit losses was nil as of June 30, 2024 and December 31, 2023.

**Share-Based Compensation:** The Company follows ASC Topic 718, *Compensation - Stock Compensation* (ASC 718), which requires the measurement and recognition of compensation expense, based on estimated fair values, for all share-based awards made to employees and directors. The Company records compensation expense based on the fair value on the grant date using the graded accelerated vesting method for all share-based payments related to stock options, performance awards (PAs), restricted stock units (RSUs) and purchases under the Company's 2021 Employee Share Purchase Plan (ESPP). The estimated fair value of performance-based awards is measured on the grant date and is recognized when it is determined that it is probable that the performance condition will be achieved. The Company has elected a policy for all share-based awards to estimate forfeitures based on historical forfeiture experience at the time of grant and revise in subsequent periods if actual forfeitures differ from those estimates.

**Restructuring Expenses:** Restructuring expense consist primarily of employee severance, contract termination costs and other costs. Liabilities for costs associated with a restructuring activity are recognized when the liability is incurred and are measured at fair value. According to ASC 420, *Exit or Disposal Cost Obligations*, one-time employee severance and termination benefits are expensed at the date the entity notifies the employee of the plan, unless the employee must provide future service, in which case the benefits are expensed in the period when the service ends. One-time termination benefits include severance, continuation of health insurance coverage for certain employees, and other benefits such as outplacement support services for a specified period of time.

**Common Shares:** The Company's shares have no par value or stated value and therefore, upon issuance or repurchase of shares, all amounts related to the shares are recorded under common shares on the balance sheet. The value of common shares includes cash amounts paid or received for the shares and the fair value of equity awards and warrants. Amounts for common shares are offset by share issue costs or transactions costs associated with repurchases or equity offerings.

#### **Recent Accounting Pronouncements**

In December 2023, the FASB issued final guidance in ASU No. 2023-09, Income Taxes (ASC 740): Improvements to Income Tax Disclosures requiring entities to provide additional information in the rate reconciliation and disclosures about income taxes paid. For public business entities, the guidance is effective for annual periods beginning after December 15, 2024. The Company is not early adopting, and therefore, this ASU is not adopted in the current period. The Company does not expect this ASU to have a material impact on the consolidated financial statements.

In November 2023, the FASB issued ASU No. 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures which requires public entities to disclose significant segment expenses regularly provided to the chief operating decision-maker. Public entities with a single reporting segment have to provide all disclosures required by ASC 280, including the significant segment expense disclosures. For public business entities, the guidance is effective for annual periods beginning after December 15, 2023. This ASU does not have a material impact on the consolidated financial statements.

#### **3. Fair Value Measurements**

The Company's financial instruments consist primarily of cash, cash equivalents, restricted cash, investments, accounts receivable, accounts payable and accrued liabilities. The carrying value of accounts receivable, accounts payable and accrued liabilities approximate their fair value because of their short-term nature. Estimated fair value of available-for-sale debt securities are generally based on prices obtained from commercial pricing services.

In connection with measuring the fair value of its assets and liabilities, the Company seeks to maximize the use of observable inputs (market data obtained from sources independent from the Company) and to minimize the use of unobservable inputs (the

Company's assumptions about how market participants would price assets and liabilities). As a basis for considering such assumptions, a three-tier fair value hierarchy has been established, which prioritizes the inputs used in measuring fair value as follows:

- Level 1 - Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.
- Level 3 - Unobservable inputs that reflect the reporting entity's own assumptions.

The following table summarizes the financial assets (cash, cash equivalents, restricted cash and investments) measured at fair value on a recurring basis:

(in thousands)	June 30, 2024			
	Level 1	Level 2	Level 3	Total
<b>Financial assets:</b>				
Cash, cash equivalents and restricted cash	\$ 33,407	\$ —	\$ —	\$ 33,407
Corporate bonds	—	4,072	—	4,072
Commercial paper	—	15,575	—	15,575
Treasury bills	—	183,122	—	183,122
Treasury bonds	—	94,498	—	94,498
<b>Total financial assets</b>	<b>\$ 33,407</b>	<b>\$ 297,267</b>	<b>\$ —</b>	<b>\$ 330,674</b>

(in thousands)	December 31, 2023			
	Level 1	Level 2	Level 3	Total
<b>Financial assets:</b>				
Cash, cash equivalents and restricted cash	\$ 48,875	\$ —	\$ —	\$ 48,875
Corporate bonds	—	33,781	—	33,781
Commercial paper	—	39,304	—	39,304
Treasury bills	—	122,806	—	122,806
Treasury bonds	—	105,924	—	105,924
<b>Total financial assets</b>	<b>\$ 48,875</b>	<b>\$ 301,815</b>	<b>\$ —</b>	<b>\$ 350,690</b>

The Company's Level 1 instruments include cash, cash equivalents and restricted cash that are valued using quoted market prices. Aurinia estimates the fair values of investments in corporate debt securities, government and government related securities and certificates of deposits by taking into consideration valuations obtained from third-party pricing services. The fair value of the Company's investments classified within Level 2 is based upon observable inputs that may include benchmark yield curves, reported trades, issuer spreads, benchmark securities and reference data including market research publications. At June 30, 2024 and December 31, 2023, the weighted average remaining contractual maturities of Aurinia's Level 2 investments were approximately 6 months and 7 months, respectively. The Company's policy is for these investments to have an overall rating of A-1, or higher, by Standard & Poor's, or an equivalent rating by Moody's or Fitch.

No credit loss allowance was recorded as of June 30, 2024 and December 31, 2023, as the Company does not believe the unrealized loss is a result of a credit loss due to the nature of the investments. Aurinia also considered the current and expected future economic and market conditions and determined that the estimate of credit losses was not significantly impacted.

Refer to Note 4, *Cash, Cash Equivalents, Restricted Cash and Investments*, for the carrying amount and related unrealized gains (losses) by type of investment.

#### 4. Cash, Cash Equivalents, Restricted Cash and Investments

As of June 30, 2024 and December 31, 2023, the Company had \$ 330.7 million and \$350.7 million, respectively of cash, cash equivalents, restricted cash and investments summarized below. As of June 30, 2024 and December 31, 2023, \$297.3 million and \$301.8 million were available-for-sale debt securities which are carried at fair market value.

(in thousands)	June 30, 2024			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Cash, cash equivalents and restricted cash	\$ 33,407	\$ —	\$ —	\$ 33,407
Corporate bonds	3,873	—	—	3,873
Commercial paper	15,583	—	(8)	15,575
Treasury bills	183,128	—	(6)	183,122
Treasury bonds	94,537	—	(39)	94,498
Total cash, cash equivalents, restricted cash and short-term investments	330,528	—	(53)	330,475
Total long-term investment corporate bond	199	—	—	199
<b>Total cash, cash equivalents, restricted cash and investments</b>	<b>\$ 330,727</b>	<b>\$ —</b>	<b>\$ (53)</b>	<b>\$ 330,674</b>
December 31, 2023				
(in thousands)	December 31, 2023			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Cash, cash equivalents and restricted cash	\$ 48,875	\$ —	\$ —	\$ 48,875
Corporate bonds	33,576	4	—	33,580
Commercial paper	39,305	—	(1)	39,304
Treasury bills	122,757	49	—	122,806
Treasury bonds	105,903	21	—	105,924
Total cash, cash equivalents, restricted cash and short-term investments	350,416	74	(1)	350,489
Total long-term investment corporate bond	200	1	—	201
<b>Total cash, cash equivalents, restricted cash and investments</b>	<b>\$ 350,616</b>	<b>\$ 75</b>	<b>\$ (1)</b>	<b>\$ 350,690</b>

As of June 30, 2024 and December 31, 2023, accrued interest receivable from investments was \$ 0.6 million and \$0.7 million, respectively. During the three and six months ended June 30, 2024, the Company had \$5 thousand and \$129 thousand of unrealized losses on available-for-sale securities, net of tax, respectively, which are included as a component of comprehensive loss on the consolidated statements of operations. During the three and six months ended June 30, 2023, the Company had \$(32) thousand and \$41 thousand of unrealized losses and gains on available-for-sale securities, net of tax, respectively, which are included as a component of comprehensive loss on the consolidated statements of operations. Currently, the Company does not intend to sell investments that are in an unrealized loss position, and it is unlikely the Company will be required to sell the investments before recovery of their amortized cost basis, which may be at maturity. The Company has determined that the gross unrealized losses on investments at June 30, 2024, were temporary in nature. Realized gains or losses were immaterial during the three and six months ended June 30, 2024 and 2023.

The Company's short-term investments as of June 30, 2024 mature at various dates through March 2025 and the long-term investment matures in August 2025.

#### 5. Inventories, net

Inventories are valued under a standard costing methodology on a first-in, first-out basis and are stated at the lower of cost or net realizable value. The Company capitalizes inventory costs related to products to be sold in the ordinary course of business.

The Company makes a determination of capitalizing inventory costs for a product based on, among other factors, status of regulatory approval, information regarding safety, efficacy and expectations relating to commercial sales and recoverability of costs. Capitalized costs of inventories for LUPKYNIS (voclosporin) mainly include third party manufacturing costs, transportation, storage, insurance, and allocated internal labor. Due to the nature of the Company's supply chain process, inventory that is owned by the Company, is physically stored at third-party warehouses, logistics providers, and contract manufacturers.

The Company assesses recoverability of inventory each reporting period to determine if any write-down to net realizable value is necessary. As of June 30, 2024 and December 31, 2023, Aurinia recorded reserves of finished goods inventories of approximately \$0.5 million and \$0.8 million, respectively, which were primarily related to potential inventory obsolescence.

The components of inventory, net are as follows:

(in thousands)	June 30, 2024	December 31, 2023
Raw materials	\$ 1,702	\$ 1,746
Work in process	34,224	37,376
Finished goods, net of reserve	2,927	583
Total inventories, net	<u>\$ 38,853</u>	<u>\$ 39,705</u>

## 6. Prepaid Expenses

Prepaid expenses are as follows:

(in thousands)	June 30, 2024	December 31, 2023
Prepaid assets	\$ 6,447	\$ 6,892
Prepaid deposits	1,340	1,345
Prepaid insurance	53	1,249
Total prepaid expenses	<u>\$ 7,840</u>	<u>\$ 9,486</u>

## 7. Intangible Assets

The following table summarizes the carrying amount of intangible assets, net of accumulated amortization.

(in thousands)	June 30, 2024		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Amount
Patents	\$ 1,943	\$ (1,317)	\$ 626
Acquired intellectual property and reacquired rights	15,126	(11,136)	3,990
Internal-use software implementation costs	2,873	(2,868)	5
	<u>\$ 19,942</u>	<u>\$ (15,321)</u>	<u>\$ 4,621</u>

  

(in thousands)	December 31, 2023		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Amount
Patents	\$ 1,847	\$ (1,297)	\$ 550
Acquired intellectual property and reacquired rights	15,126	(10,737)	4,389
Internal-use software implementation costs	2,873	(2,835)	38
	<u>\$ 19,846</u>	<u>\$ (14,869)</u>	<u>\$ 4,977</u>

Amortization expense for the three months ended June 30, 2024 and 2023 was approximately \$ 0.2 million and \$0.5 million, respectively. Amortization for the six months ended June 30, 2024 and 2023 was approximately \$0.5 million and \$0.9 million, respectively.

#### 8. Property and Equipment, net

Property and equipment, net are as follows:

(in thousands)	June 30, 2024	December 31, 2023
Leasehold improvements	\$ 3,243	\$ 3,243
Office equipment	631	631
Furniture	1,155	1,155
Computer equipment	235	235
	5,264	5,264
Less accumulated depreciation	(2,221)	(1,910)
Property and equipment, net	<u>\$ 3,043</u>	<u>\$ 3,354</u>

#### 9. Lease Obligations

The Company has the following lease obligations:

##### *Rockville, Maryland*

During March 2020, the Company entered into a lease for its U.S. commercial office in Rockville, Maryland for a total of 30,531 square feet of office space. The lease has a remaining term of approximately seven years and has an option to extend for two five-year periods after the initial term of 11 years has elapsed and has an option to terminate after seven years. As of June 30, 2024, the Company had a right-of-use (ROU) asset of \$ 4.3 million and lease liability of \$7.0 million included in the condensed consolidated balance sheets. As of December 31, 2023, the Company had a right-of-use asset of \$4.5 million and lease liability of \$ 7.4 million included in the condensed consolidated balance sheets. The Company recorded leasehold improvement incentives in the amount of \$2.3 million as additions to the lease liability.

When measuring the lease liability, the Company discounted lease payments using its incremental borrowing rate at the lease commencement date on March 12, 2020. The incremental borrowing rate applied to the lease liability was 5.2% based on the financial position of the Company, geographical region and term of lease.

##### *Edmonton, Alberta*

During October 2022, the Company entered into a long term lease in Edmonton for a total of 4,375 square feet of office space. The lease is a six year lease and has an option to renew after five years at prevailing market rates. The lease commenced on November 1, 2022 and the Company recorded the lease as an operating lease. The lease is not material to the Company's financial position.

For all leases, the Company incurs variable lease costs. These costs include operation and maintenance costs included in SG&A and are expensed as incurred. The variable lease costs are not material to the Company's financial position.

The operating lease costs for all leases for the three and six months ended June 30, 2024 and June 30, 2023 were \$ 0.2 million and \$0.4 million for both periods.

*Monoplant*

At lease inception, the Company recorded an ROU asset of approximately \$ 117.6 million and a corresponding lease liability of \$ 94.1 million, which is the present value of the minimum lease payments beginning July 2023 and expiring in 2030. The incremental borrowing rate applied to value the lease liability at inception is 6.19%, which was based on the financial position of the Company, geographical region and term of lease.

As of June 30, 2024, the ROU asset, net and corresponding lease liability balance were \$ 100.0 million and \$ 78.7 million, respectively. As of December 31, 2023, the ROU asset, net and corresponding lease liability balance were \$108.7 million and \$90.1 million, respectively. For the three and six months ended June 30, 2024, ROU amortization was \$4.4 million and \$8.7 million, respectively. For the three and six months ended June 30, 2024, interest expense was \$1.2 million and \$2.5 million, respectively.

*Beinheim*

The Company entered into an equipment and facility finance lease for a backup manufacturing encapsulation site in Beinheim, France that has commenced operations during June 2024 with a lease term of seven years. The incremental borrowing rate applied to value the lease liability at inception is 6.19%, which was based on the financial position of the Company, geographical region and term of lease.

As of June 30, 2024, the ROU asset, net and corresponding lease liability balance were \$ 0.8 million and \$0.1 million, respectively.

The following table represents the weighted-average remaining lease terms and discount rates as of June 30, 2024:

	As of June 30, 2024	
	Weighted Average Remaining Lease Term (years)	Weighted Average Discount Rate
Operating leases	7.1	5.27%
Finance lease	5.8	6.19%

Supplemental cash flow information related to leases are as follows:

	Six months ended June 30,	
	2024	2023
(in thousands)		
<b>Cash paid for amounts included in the measurement of lease liabilities</b>		
Financing cash flows from finance lease	\$ (6,001)	\$ —
Operating cash flows from finance lease	\$ (2,172)	\$ —
Operating cash flows from operating leases	\$ (552)	\$ (531)
<b>Supplemental disclosure of noncash transactions</b>		
Finance right-of-use asset obtained in exchange for lease obligations	\$ 100,845	\$ 117,622
Finance lease liability arising from obtaining right-of-use assets	\$ 78,829	\$ 94,120

Future maturities of lease liabilities as of June 30, 2024 are as follows:

(in thousands)	Finance Lease Payments	Operating Lease Payments
Remainder of 2024	\$ 8,066	\$ 561
2025	16,156	1,141
2026	16,157	1,169
2027	16,157	1,198
2028	16,157	1,227
Thereafter	20,244	3,301
Total lease payments	92,937	8,597
Less: imputed interest	(14,108)	(1,443)
<b>Total</b>	<b>\$ 78,829</b>	<b>\$ 7,154</b>

## 10. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities are as follows:

(in thousands)	June 30, 2024	December 31, 2023
Commercial accruals	\$ 27,209	\$ 16,216
Employee accruals	11,388	22,486
Trade payables	8,415	4,327
Other accrued liabilities	5,118	5,190
Accrued R&D projects	3,202	5,503
Restructuring accruals	424	—
Income taxes payable	704	667
<b>Total accounts payable and accrued liabilities</b>	<b>\$ 56,460</b>	<b>\$ 54,389</b>

## 11. Deferred Compensation and Other Non-current Liabilities

The Company recorded other non-current liabilities of \$10.9 million and \$10.9 million as of June 30, 2024 and December 31, 2023, respectively. The balance for both periods primarily included deferred compensation arrangements whereby certain former executive officers as of March 8, 2012 were provided with future potential employee benefit obligations for remaining with the Company for a certain period of time. These obligations were also contingent on the occurrence of uncertain future events. One of the former officers, Dr. Robert T. Foster, is considered a related party following his appointment to the Board of Directors on September 21, 2023. For further discussion, refer to Note 17, Related Party Transactions.

## 12. License and Collaboration Agreements

### Otsuka Contract

On December 17, 2020, the Company entered into a collaboration and license agreement with Otsuka for the development and commercialization of oral LUPKYNIS in the Otsuka Territories. For full description of the agreements the Company has entered into with Otsuka, please refer to the Annual Report on Form 10-K for the year ended December 31, 2023.

As part of the agreement, the Company received an upfront cash payment of \$ 50.0 million in 2020 for the license agreement and has received \$40.0 million in regulatory and pricing approval related milestones. The Company provides semi-finished product of LUPKYNIS to Otsuka on a cost-plus basis, sharing capacity of the monoplant and receives tiered royalties ranging from 10 to 20 percent (dependent on territory and achievement of sale thresholds) on net product sales by Otsuka, along with additional milestone payments based on the attainment of certain annual sales. In addition, certain collaboration services are to be provided to Otsuka on agreed upon rates.

On November 10, 2023, Otsuka filed a new drug application (NDA) for voclosporin for the treatment of lupus nephritis (LN) with the Japanese Ministry of Health, Labour, and Welfare for the manufacture and sale in Japan of voclosporin. The Company is eligible to receive a payment of \$10 million upon approval in Japan, which is anticipated in the second half of 2024, along with low double-digit royalties on net sales once launched.

For the three and six months ended June 30, 2024, the Company recognized \$ 2.2 million and \$4.4 million, respectively of license, collaboration and royalty revenue from services provided under the Otsuka agreement. For the three and six months ended June 30, 2023, the Company recognized \$0.4 million and \$0.5 million, respectively.

### 13. Shareholder's Equity

On February 15, 2024, Aurinia announced that its Board of Directors had approved a share repurchase program of up to \$150 million of common shares of the Company, affirming its confidence in the Company's growth prospects.

On February 29, 2024, Canadian securities regulators granted exemptive relief for the Company's share repurchase program, authorizing the Company to purchase up to 15 percent of its issued and outstanding shares in any 12-month period for up to 36 months, including under the current program. This program may be implemented through open market or privately negotiated purchases, including under a plan intended to comply with the affirmative defense under Rule 10b5-1, Rule 10b-18 or an automatic securities purchase plan, an accelerated share repurchase program, or other mechanisms. The timing and amount of repurchase transactions will be determined by management based on its evaluation of market conditions, share price, legal requirements, including applicable blackout period restrictions, and other factors. The purchase price of any Common Shares will be determined in accordance with applicable U.S. securities laws and subject to receiving the Exemptive Relief, the value of the consideration offered per Common Share will not exceed the market price of the Common Shares calculated pursuant to applicable Canadian securities regulation.

As of June 30, 2024, the Company had repurchased approximately 3.4 million of Aurinia's common shares for \$ 18.6 million (including transaction costs, which consist of commissions and excise tax). The cost of repurchased shares are reported as a reduction in common shares and under Alberta law, the shares were cancelled and not reissued.

### 14. Net Income (Loss) per Common Share

Basic and diluted net loss per common share is computed by dividing net income (loss) by the weighted average number of common shares outstanding. The Company was in a loss position for all periods presented except for the three months ended June 30, 2024. For the periods in a loss position, diluted net loss per share is the same as basic net loss per share. The treasury stock method is used to determine the dilutive effect of the Company's stock options, RSUs, performance awards and ESPP. The numerator and denominator used in the calculation of basic and diluted net loss per common share are as follows:

(in thousands, except per share data)	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
<b>Numerator:</b>				
Net income (loss) used for the calculation of basic and diluted EPS	\$ 722	\$ (11,492)	\$ (10,027)	\$ (37,698)
<b>Denominator:</b>				
Weighted-average common shares outstanding, basic	<b>143,327</b>	142,777	<b>143,507</b>	142,904
Effect of dilutive shares:				
Stock options, RSUs, performance awards and ESPP	783	—	—	—
Weighted-average diluted common shares outstanding, diluted	<b>144,110</b>	142,777	<b>143,507</b>	142,904
Net income (loss) per share, basic	<b>\$ 0.01</b>	\$ (0.08)	<b>(0.07)</b>	(0.26)
Net income (loss) per share, diluted	<b>\$ 0.01</b>	\$ (0.08)	<b>\$ (0.07)</b>	\$ (0.26)

The Company did not include certain shares issuable under share-based compensation plans because the effect would have been antidilutive. The number of common shares excluded was insignificant for all periods presented.

## **15. Share-based Compensation**

The Company's Amended and Restated Equity Incentive Plan (the Plan), which was adopted and approved by the Company's shareholders in June 2021, allows for an issuance of up to an aggregate of 23.8 million shares (inclusive of then outstanding awards) and provides for grants of stock options, performance awards (PAs), and restricted stock units (RSUs) that may be settled in cash and common shares. Also in June 2021, the Company's shareholders adopted and approved the Company's Employee Stock Purchase Plan (2021 ESPP), which allows for the issuance of up to 2.5 million shares. The 2021 ESPP is intended to qualify as an "employee stock purchase plan" under Section 423 of the Internal Revenue Code but also permits the Company to include the employees, including non-United States employees, in offerings not intended to qualify under Section 423. The purpose of the 2021 ESPP is to provide eligible employees with opportunities to purchase the Company's common shares at a discounted price. As of June 30, 2024, 0.9 million shares have been purchased under the ESPP.

In addition to stock options, PAs and RSUs granted under the Plan, the Company has granted certain stock options and RSUs as inducements material to new employees entering employment in accordance with Nasdaq Listing Rule 5635(c)(4). The inducements were granted outside of the Plan.

### ***Stock Options***

The Plan requires the exercise price of each option not to be less than the closing market price of the Company's common shares on the business day immediately prior to the date of grant. The Board of Directors approves the vesting criteria and periods at its discretion. The options issued under the Plan are accounted for as equity-settled share-based payments.

The Company used the Black-Scholes option pricing model to estimate the fair value of the options granted. The assumptions used for the annual volatility and expected life of the options are reviewed and updated annually. The Company considers historical volatility of its common shares in estimating its future stock price volatility. The risk-free interest rate for the expected life of the options was based on the yield available on government benchmark bonds with an approximate equivalent

remaining term at the time of the grant. The expected life is based upon the contractual term, taking into account expected employee exercise and expected post-vesting employment termination behavior.

The following weighted average assumptions were used to estimate the fair value of the options granted during the six months ended June 30, 2024 and June 30, 2023:

	2024	2023
Annualized volatility	77 %	71 %
Risk-free interest rate	4.23 %	3.83 %
Expected life of options in years	5.0 years	5.0 years
Estimated forfeiture rate	13.1 %	12.6 %
Dividend rate	0.0 %	0.0%
Fair value per common share option	\$ 3.90	\$ 5.99

The following table summarizes the option award activity for the six months ended June 30, 2024:

	June 30, 2024	
	Number of shares (in thousands)	Weighted average exercise price \$
Outstanding - December 31, 2023	11,556	\$ 10.63
Granted	152	6.00
Exercised	(85)	4.80
Forfeited or cancelled	(1,688)	12.47
Outstanding - June 30, 2024	<u>9,935</u>	<u>\$ 10.30</u>

#### **Restricted Stock Units and Performance Awards**

The Company has granted RSUs and PAs under the Plan, as well as inducements for certain new hires as discussed above. The RSUs and PAs are fair valued based on the previous business days' market price of common shares on the date of the grant.

The following table summarizes the RSU and PA activity for the six months ended June 30, 2024:

	June 30, 2024	
	Number of shares (in thousands)	Weighted average fair value price \$
Unvested balance, December 31, 2023	7,807	\$ 9.29
Granted	4,550	6.92
Vested	(2,338)	9.54
Forfeited	(1,480)	9.03
Unvested balance, June 30, 2024	<u>8,539</u>	<u>\$ 8.01</u>

#### **Share-based Compensation Expense**

The Company recognized share-based compensation expense for the three and six months ended June 30, 2024 and June 30, 2023 as follows:

(in thousands)	Three months ended		Six months ended	
	June 30,	2023	June 30,	2023
Research and development	\$ 87	\$ 2,114	\$ (2,079)	\$ 3,704
Selling, general and administrative	8,078	9,820	15,615	17,409
Capitalized under inventories	421	334	787	622
Share-based compensation expense	\$ 8,586	\$ 12,268	\$ 14,323	\$ 21,735

As of June 30, 2024, there was \$32.9 million of unrecognized share-based compensation expense related to unvested awards granted which is expected to be recognized over a weighted-average period of approximately 1.4 years.

#### **16. Income Taxes**

The effective tax rates for the three and six months ended June 30, 2024 and June 30, 2023 differed from the federal statutory rate applied to income or losses before income taxes primarily as a result of the mix of income, losses and valuation allowances.

The Company recognized an income tax expense of approximately \$ 0.8 million and \$1.5 million for the three and six months ended June 30, 2024, respectively. The Company recognized an income tax benefit of approximately \$0.6 million and \$0.2 million for the three and six months ended June 30, 2023, respectively. The income tax expense recognized for 2024 is a result of income in certain jurisdictions. This tax expense is not offset by a tax benefit as the Company has losses which are fully offset by a valuation allowance in its significant jurisdictions. The income tax benefit recognized in 2023 relates to a prior period favorable adjustment in U.S. income taxes.

#### **17. Related Party Transactions**

On September 21, 2023, the Company appointed Dr. Robert T. Foster to the Board of Directors. Dr. Foster is considered a related party since he is one of the former executive officers of the Company who, as of March 8, 2012 was provided with future potential employee benefit obligations for remaining with the Company for a certain period of time. These obligations are contingent on the occurrence of uncertain future events. Dr. Foster was not a related party of the Company between his resignation from the Company in 2014, and his appointment to the Board of Directors on September 21, 2023. As of June 30, 2024, the Company had \$0.8 million and \$7.8 million of current and non-current liabilities related to Dr. Foster, respectively. As of December 31, 2023, the Company had \$0.8 million and \$7.6 million of current and non-current liabilities related to Dr. Foster, respectively. As of June 30, 2024 and December 31, 2023 the Company made payments of \$0.3 million and \$0.1 million, respectively for each period as a related party for the deferred compensation.

#### **18. Commitments and Contingencies**

The Company may, from time to time, be subject to claims and legal proceedings brought against it in the normal course of business. Such matters are subject to many uncertainties. Management believes the ultimate resolution of such contingencies will not have a material adverse effect on the consolidated financial position of the Company. The Company's material commitments and contingencies have not changed in any material manner from those previously described in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

#### **Other Funding Commitments**

In the normal course of business, the Company enters into agreements with contract research organizations, contract manufacturing organizations and other third parties for services to be provided to the Company. Generally, these agreements provide for termination upon notice, with specified amounts due upon termination based on the timing of termination and the terms of the agreement. The actual amounts and timing of payments under these agreements are uncertain and contingent upon the initiation and completion of services to be provided to the Company.

## 19. Restructuring

On February 15, 2024, the Company announced the conclusion of its strategic review process and actions designed to enhance shareholder value, including an exclusive focus on driving the commercial execution of the LUPKYNIS (voclosporin) business. Aurinia executed a corporate restructuring in the first quarter that reduced employee headcount by approximately 25%. The Company discontinued its AUR300 research and development program. The corporate restructuring involved the Company reaffirming its commitment to LUPKYNIS growth ensuring product quality and patient safety, while maintaining a sharp focus on operating efficiencies and maximizing cash flows.

As of June 30, 2024, the restructuring expenses are included within operating expenses on the condensed consolidated statements of operations and comprehensive loss and were recorded by the Company were as follows:

(in thousands)	Three Months Ended		Six Months Ended	
	June 30, 2024			
Employee severance and one time benefits	\$	868	\$	6,075
Contract terminations		186		1,105
Other costs		18		575
Total	\$	1,072	\$	7,755

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and related notes included in this Quarterly Report on Form 10-Q. The information in this discussion contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended, (the Exchange Act), which are subject to the "safe harbor" created by those sections, as well as "forward-looking information" as defined in applicable Canadian securities laws. Forward-looking statements are based on our management's beliefs and assumptions and on information currently available to our management. These forward-looking statements include, but are not limited to, statements concerning our strategy, future operations, future financial position, future revenues, projected costs, prospects and plans; objectives of management; the key potential benefits of LUPKYNIS; our estimate, based on our patient-specific estimated glomerular filtration rate (eGFR) dosing regimens, the average utilization in our clinical trials, and accounting for factors including mandatory rebates, channel discounts, and anticipated patient adherence, that we expect our average annualized net realizable revenue per patient to be approximately \$70,000 to \$75,000; our expectation to recognize \$50 to \$55 million in annual cost savings following its corporate restructuring, with approximately 75% of that recognized in 2024; our belief that we have sufficient financial resources to fund our current plans for at least the next few years; our potential to receive certain payments and royalties under our agreement with Otsuka Pharmaceuticals Co. Ltd., or Otsuka. In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "could," "would," "expect," "plan," "anticipate," "believe," "estimate," "project," "predict," "propose," "intend," "continue," "potential," "possible," "foreseeable," "likely," "unforeseen" and similar expressions intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance, time frames or achievements to be materially different from any future results, performance, time frames or achievements expressed or implied by the forward-looking statements. We have made numerous assumptions about the forward-looking statements and information contained herein, including among other things, assumptions about: the accuracy of reported data from third-party studies and reports; that our IP rights are valid and do not infringe the IP rights of third parties; our assumptions relating to the capital required to fund operations for the next few years; the assumption that our current good relationships with our suppliers, service providers and other third parties will be maintained; assumptions relating to the burn rate of our cash for operations; assumptions relating to the capital required to fund operations for the next few years; assumptions relating to the progress of our pre-clinical activities that our third party service providers will comply with their contractual obligations. Even though management believes that the assumptions made, and the expectations represented by such statements or information are reasonable, there can be no assurance that the forward-looking information will prove to be accurate. We discuss many of these risks, uncertainties and other factors in greater detail under the heading "Risk Factors" in Part I, Item 1A of our 2023 Annual Report on Form 10-K, as filed with the U.S. Securities and Exchange Commission on February 15, 2024 and with applicable Canadian securities regulatory authorities. Given these risks, uncertainties and other factors, you should not place undue reliance on these forward-looking statements. Also, these forward-looking statements represent our estimates and assumptions only as of the date of this filing. You should read this discussion completely and with the understanding that our actual future results may be materially different from what we expect. We hereby qualify our forward-looking statements by our cautionary statements. Except as required by law, we assume no obligation to update our forward-looking statements publicly, or to update the reasons that actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.*

### **Overview**

Aurinia is a fully integrated biopharmaceutical company focused on delivering therapies to people living with autoimmune diseases with high unmet medical needs. In January 2021, we introduced LUPKYNIS (voclosporin), the first FDA-approved oral therapy for the treatment of adult patients with active LN. We continue to conduct clinical and regulatory activities to support the LUPKYNIS development program. We contracted with Otsuka as a collaboration partner for the development and commercialization of LUPKYNIS in the Otsuka Territories.

The price of LUPKYNIS is based on one unit of 60 capsules we refer to as a "wallet". As of January 1, 2024, the wholesale acquisition cost (WAC) of a LUPKYNIS wallet is \$4,898. Based on our patient-specific eGFR dosing regimens, the average utilization in our clinical trials, and accounting for factors including mandatory rebates, channel discounts, and anticipated patient adherence, duration of therapy and compliance, we have adjusted our expected average annualized net realizable revenue per patient to be approximately \$70,000 - \$75,000. When determining the price of LUPKYNIS, we considered the burden of LN disease in the context of value that LUPKYNIS offers to patients and the U.S. healthcare system.

On February 15, 2024, the Company announced the conclusion of its strategic review process and actions designed to enhance shareholder value, including an exclusive focus on driving the commercial execution of the LUPKYNIS (voclosporin) business. Aurinia executed a corporate restructuring in the first quarter that reduced employee headcount by approximately 25% and discontinued its AUR300 research and development program. The corporate restructuring involved the Company reaffirming its commitment to LUPKYNIS growth, while maintaining a sharp focus on operating efficiencies and maximizing cash flows. For further discussion, refer to Note 19, Restructuring.

The Company is moving forward with development of its pipeline asset AUR200, a differentiated, potential next generation therapy for autoimmune diseases that targets both BAFF (B-cell Activating Factor) and APRIL (A Proliferation-Inducing Ligand). First patients are expected to enter the Phase 1 Single Ascending Dose (SAD) study of AUR200 in the third quarter of 2024. Data from the SAD study, including safety, tolerability, pharmacokinetics and biomarkers, is anticipated in the first half of 2025. The Company anticipates funding this development program with available cash flows, which are not anticipated to impact previously announced post restructuring operating expense targets. As previously reported, the Company expects to recognize \$50 to \$55 million in annual cost savings following the restructuring, with approximately 75% of that recognized in 2024.

#### **Policies and Significant Judgments and Estimates**

There have been no material changes to our critical accounting policies and significant judgments and estimates as described in our Annual Report on Form 10-K for the year ended December 31, 2023.

#### **Product Revenues**

We sell LUPKYNIS (voclosporin) primarily to specialty pharmacies and a specialty distributor and directly to our ex-U.S. partner Otsuka. These customers subsequently distribute our products to patients and health care providers. Revenues from product sales are recognized when the customer obtains control of our product, which typically occurs upon delivery to the customer.

*Reserves for discounts and allowances:* Product sales are recorded at the net sales price, which includes estimates of variable consideration for which reserves are established. These reserves are based on estimates of the amounts earned or to be claimed on the related sales and are classified as reductions of accounts receivable (if the amount is payable to our customer) or a liability (if the amount is payable to a party other than our customer).

Our estimates of reserves established for variable consideration are calculated based upon utilizing the expected value method. The transaction price, which includes variable consideration reflecting the impact of discounts and allowances, may be subject to constraint and is included in the net sales price only to the extent that it is probable that a significant reversal of the amount of the cumulative revenues recognized will not occur in a future period. Amounts related to such items are estimated at contract inception and updated at the end of each reporting period as additional information becomes available.

Significant judgment is required in estimating variable consideration. In making these estimates, we consider historical data, including patient mix to accrue for variable consideration related to inventory sold to our customers that has not yet been dispensed to patients. We use a data aggregator and historical claims to estimate variable consideration for inventory sold to our customers, including specialty pharmacies, that has not yet been dispensed. Actual amounts may ultimately differ from our estimates. If actual results vary, we adjust these estimates, which could have an effect on earnings in the period of adjustment. As of June 30, 2024, we did not have any material adjustments to variable consideration estimates based on actual results. These specific adjustments are detailed further in our Annual Report on Form 10-K for the year ended December 31, 2023.

## Results of Operations

### Three and Six Months ended June 30, 2024 compared to Three and Six Months ended June 30, 2023

The following table sets forth our results of operations for the three and six months ended June 30, 2024 and June 30, 2023.

(in thousands)	Three months ended June 30,			Six months ended June 30,			Change
	2024	2023	Change	2024	2023		
<b>Revenue</b>							
Product revenue, net	\$ 55,028	\$ 41,100	\$ 13,928	\$ 103,101	\$ 75,437	\$ 27,664	
License, collaboration and royalty revenue	2,164	394	1,770	4,394	466	3,928	
Total revenue, net	<b>57,192</b>	<b>41,494</b>	<b>15,698</b>	<b>107,495</b>	<b>75,903</b>	<b>31,592</b>	
<b>Operating expenses</b>							
Cost of sales	8,909	1,563	7,346	16,661	1,984	14,677	
Selling, general and administrative	44,934	47,081	(2,147)	92,629	97,205	(4,576)	
Research and development	4,080	12,650	(8,570)	9,631	25,808	(16,177)	
Restructuring expenses	1,072	—	1,072	7,755	—	7,755	
Other income, net	(290)	(3,630)	3,340	(4,415)	(3,340)	(1,075)	
Total cost of sales and operating expenses	<b>58,705</b>	<b>57,664</b>	<b>1,041</b>	<b>122,261</b>	<b>121,657</b>	<b>604</b>	
Loss from operations	(1,513)	(16,170)	14,657	(14,766)	(45,754)	30,988	
Interest expense	(1,198)	(65)	(1,133)	(2,481)	(65)	(2,416)	
Interest income	4,189	4,101	88	8,715	7,915	800	
Net income (loss) before income taxes	<b>1,478</b>	<b>(12,134)</b>	<b>13,612</b>	<b>(8,532)</b>	<b>(37,904)</b>	<b>29,372</b>	
Income tax expense (benefit)	756	(642)	1,398	1,495	(206)	1,701	
<b>Net income (loss)</b>	<b>\$ 722</b>	<b>\$ (11,492)</b>	<b>\$ 12,214</b>	<b>\$ (10,027)</b>	<b>\$ (37,698)</b>	<b>\$ 27,671</b>	

#### Total Revenue, Net

Total net revenue was \$57.2 million and \$41.5 million for the three months ended June 30, 2024 and June 30, 2023, respectively. Total net revenue was \$107.5 million and \$75.9 million for the six months ended June 30, 2024 and June 30, 2023, respectively.

We currently sell to two main specialty pharmacies for U.S. commercial sales of LUPKYNIS and a collaboration partnership with Otsuka for sales of semi-finished product and license, collaboration and royalty revenue in the Otsuka Territories.

The percentage of total net revenues from our main customers were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Two main specialty pharmacies	90%	98%	90%	99%
Collaboration partnership	8%	2%	8%	1%

#### Product Revenue, Net

Net product revenue was \$55.0 million and \$41.1 million for the three months ended June 30, 2024 and June 30, 2023, respectively. Net product revenue was \$103.1 million and \$75.4 million for the six months ended June 30, 2024 and June 30, 2023, respectively. The increase in both periods is primarily due to an increase of sales of LUPKYNIS to our two main

specialty pharmacies, driven predominantly by further penetration of the LN market. Additionally, we had sales of semi-finished product to Otsuka as Otsuka continues to commercialize in its territories.

The U.S. penetration can be demonstrated by a total of approximately 2,336 patients on therapy as of June 30, 2024, compared to approximately 1,911 patients on therapy as of June 30, 2023. Additionally, our 12-month persistency rate has increased to 56% at June 30, 2024 from approximately 54% at June 30, 2023.

#### *License, Collaboration and Royalty Revenue*

License, collaboration and royalty revenue was \$2.2 million and \$0.4 million for the three months ended June 30, 2024 and June 30, 2023, respectively. License, collaboration and royalty revenue was \$4.4 million and \$0.5 million for the six months ended June 30, 2024 and June 30, 2023, respectively. The increase is primarily due to manufacturing services revenue from Otsuka related to shared capacity services that commenced in late June 2023.

#### *Cost of Sales*

Cost of sales was \$8.9 million and \$1.6 million for the three months ended June 30, 2024 and June 30, 2023, respectively. Cost of sales was \$16.7 million and \$2.0 million for the six months ended June 30, 2024 and June 30, 2023, respectively. The increase for both periods is primarily due to the amortization of the monopinant finance right of use asset, which was placed into service in late June 2023, semi-finished product sales to Otsuka and increased sales of LUPKYNIS (voclosporin).

#### *Gross Margin*

Gross margin for the three months ended June 30, 2024 and June 30, 2023 was approximately 84% and 96%, respectively. Gross margin for the six months ended June 30, 2024 and June 30, 2023 was approximately 85% and 97%, respectively.

#### *Selling, General and Administrative Expenses*

SG&A expenses decreased to \$44.9 million for the three months ended June 30, 2024 compared to \$47.1 million for the three months ended June 30, 2023. For the six months ended June 30, 2024 and June 30, 2023, SG&A expenses were \$92.6 million and \$97.2 million, respectively. SG&A expenses consisted of the following:

(in thousands)	Three Months Ended		Six Months Ended		June 30,	
	June 30,	2024	2023	June 30,	2024	2023
Salaries, incentive pay and employee benefits	\$ 18,269	\$ 19,990	\$ 39,930	\$ 42,288		
Professional fees and services	13,791	11,228	26,745	24,486		
Share-based compensation expense	8,078	9,820	15,615	17,409		
Other public company costs, facility costs, insurance, information technology, amortization of property and equipment	2,655	3,440	5,497	7,262		
Travel, trade shows and sponsorships	2,141	2,603	4,842	5,760		
	\$ 44,934	\$ 47,081	\$ 92,629	\$ 97,205		

The primary drivers for the decrease in both periods were lower employee and overhead costs due to the reduction in general and administrative headcount, which occurred late in the first quarter of 2024 partially offset by an increase in legal fees.

#### *Research and Development Expenses*

R&D expenses were \$4.1 million and \$12.7 million for the three months ended June 30, 2024 and June 30, 2023, respectively. For the six months ended June 30, 2024 and June 30, 2023, R&D expenses were \$9.6 million and \$25.8 million, respectively. R&D expenses consisted of the following:

(in thousands)	Three Months Ended		Six Months Ended	
	June 30,	2024	June 30,	2023
Contract research organizations (CRO) and developmental expenses	\$ 1,990	\$ 4,065	\$ 5,106	\$ 8,295
Clinical supply and distribution	1,084	2,874	1,999	6,147
Salaries, incentive pay and employee benefits	848	3,435	4,340	7,260
Share-based compensation expense	87	2,114	(2,079)	3,704
Other costs	71	162	265	402
	\$ 4,080	\$ 12,650	\$ 9,631	\$ 25,808

The primary drivers for the decrease in both periods were lower employee costs related to the reduction in headcount, which occurred late in the first quarter of 2024, a decrease of CRO and developmental costs related to ceasing development of our AUR300 program and timing of expenses related to AUR200.

#### *Restructuring Expenses*

During the three and six months ended June 30, 2024, restructuring expenses were approximately \$1.1 million and \$7.8 million which is primarily due to employee severance, one-time benefit payments and contract termination expenses.

#### *Other Income, net*

Other income, net was \$0.3 million and \$3.6 million for the three months ended June 30, 2024 and June 30, 2023, respectively. Other income, net was \$4.4 million and \$3.3 million for the six months ended June 30, 2024 and June 30, 2023, respectively. The change is primarily driven by changes in the fair value assumptions related to our deferred compensation liability and the foreign exchange remeasurement of the monopant lease liability, which commenced in June 2023 and is denominated in CHF.

#### *Interest Expense*

Interest expense was \$1.2 million and \$0.1 million for the three months ended June 30, 2024 and June 30, 2023, respectively. Interest expense was \$2.5 million and \$0.1 million for the six months ended June 30, 2024 and June 30, 2023, respectively. The interest expense is due to the monopant finance lease, which commenced in June 2023.

#### *Interest Income*

Interest income was \$4.2 million and \$4.1 million for the three months ended June 30, 2024 and June 30, 2023, respectively. Interest income was \$8.7 million and \$7.9 million for the six months ended June 30, 2024 and June 30, 2023, respectively.

#### **Liquidity and Capital Resources**

As of June 30, 2024, we had cash, cash equivalents and restricted cash of approximately \$33.4 million and investments of \$297.3 million compared to cash, cash equivalents and restricted cash of \$48.9 million and investments of \$301.8 million at December 31, 2023. The decreases are primarily related to the continued investment in commercialization activities and post approval commitments of our approved drug, LUPKYNIS, monopant payments, share repurchases and restructuring related payments partially offset by an increase in cash receipts from sales of LUPKYNIS and cash payments from Otsuka. Cash, cash equivalents, restricted cash and investments are primarily held in U.S. dollars. As of June 30, 2024 and December 31, 2023, we had working capital of \$332.8 million and \$347.6 million, respectively.

We are devoting the majority of our operational efforts and financial resources towards the commercialization and post- approval commitments of our approved drug, LUPKYNIS. Taking into consideration the cash, cash equivalents and investments as of June 30, 2024, we believe that our cash position is sufficient to fund our current plans which include funding commercial activities, such as our FDA related post approval commitments, manufacturing and packaging commercial drug supply, funding our supporting commercial infrastructure, advancement of our pipeline, funding our working capital obligations and share repurchases for at least the next few years.

## Cash Flow Summary

The following table summarizes our cash flows for the six months ended June 30, 2024 and June 30, 2023:

(in thousands)	Six Months Ended June 30,	
	2024	2023
Net cash (used in) provided by:		
Operating activities	\$ (2,755)	\$ (34,496)
Investing activities	10,611	19,252
Financing activities	(23,324)	2,779
Net decrease in cash and cash equivalents	\$ (15,468)	\$ (12,465)

Net cash used in operating activities was \$2.8 million for the six months ended June 30, 2024 compared to \$34.5 million for the six months ended June 30, 2023. The decrease is primarily due to an increase in cash receipts from sales of LUPKYNIS and cash receipts from Otsuka. See "Total Revenue" above for further discussion regarding our increased sales of LUPKYNIS.

Cash provided by investing activities was \$10.6 million during the six months ended June 30, 2024 compared to \$19.3 million during the six months ended June 30, 2023. The decrease was primarily related to the timing of purchases and proceeds of investments.

Cash used in financing activities was \$23.3 million during the six months ended June 30, 2024 compared to cash provided by financing activities of \$2.8 million during the six months ended June 30, 2023. The decrease was primarily due to share repurchases, which began in February 2024, and quarterly lease payments for our monoplane finance lease, which commenced during the third quarter of 2023.

## Share Repurchase Program

In February 2024, our Board of Directors approved a share repurchase program of up to \$150 million of our common shares. On February 29, 2024, Canadian securities regulators granted exemptive relief for the Company's share repurchase program, authorizing the Company to purchase up to 15 percent of its issued and outstanding shares in any 12-month period for up to 36 months, including under the current program.

As of June 30, 2024, we had repurchased approximately 3.4 million of our common shares for \$18.6 million (including transaction costs which consist of commissions and excise tax). The cost of repurchased shares are reported as a reduction in common shares and under Alberta law, the shares were cancelled and not reissued.

## Off-Balance Sheet Arrangements

During the periods presented, we did not have, nor do we currently have, any off-balance sheet arrangements as such term is defined in Item 303(a)(4)(ii) of Regulation S-K under the Securities Act.

## Contractual Obligations

There have been no material changes outside the ordinary course of business to our contractual obligations and commitments as described in "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.

## Item 3. Quantitative and Qualitative Disclosures About Market Risks

Our activities can expose us to market risks which include interest rate risk, foreign currency risk, inflation risk and credit risk. Risk management is carried out by management under policies approved by our Board of Directors, with oversight provided by

the Audit Committee of our Board of Directors. Our overall risk management program seeks to minimize adverse effects on our financial performance.

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

Financial assets and financial liabilities with variable interest rates expose us to cash flow interest rate risk. We manage our interest rate risk by maximizing the interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day-to-day basis. As of June 30, 2024, our investment portfolio includes cash, cash equivalents, restricted cash and investments of \$330.7 million that earn interest at various rates. Our investment portfolio is maintained in accordance with our investment policy, which defines allowable investments, specifies credit quality standards and limits the credit exposure of any single issuer. Our investments held during the year were comprised of highly rated instruments such as certificates of deposits, money market instruments, obligations issued by the U.S. government and U.S. government agencies as well as corporate debt securities. As of June 30, 2024, these instruments primarily have a maturity of less than a year.

As of June 30, 2024, a hypothetical decrease of 100 basis points on the interest rates of our investments would result annually in \$3.0 million less interest in our portfolio. We do not believe that the results of operations or cash flows would be affected to any significant degree by a sudden change in market interest rates relative to our investment portfolio, due to the short-term nature of the investments and our current ability to hold these investments to maturity.

Accounts receivable, accounts payable and accrued liabilities bear no interest. We do not believe that our results of operations or cash flows would be affected to a significant degree by a sudden change in market interest rates relative to our investment portfolio.

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

We are exposed to financial risk related to the fluctuation of foreign currency exchange rates. Foreign currency risk for the Company is the risk variations in exchange rates between the U.S. dollar and foreign currencies, primarily with the Swiss Franc, Canadian dollar and Great British Pound, which could affect our operating and financial results.

As of June 30, 2024, we had a \$78.7 million finance lease liability on our balance sheet related to the monoprant. An assumed 10% fluctuation in the Swiss Franc would have an approximate \$7.9 million fluctuation in the valuation of the lease liability.

There were no other foreign currency fluctuations that would have had a material impact on our financial condition or results of operations as of June 30, 2024.

#### ***Inflation Risk***

Inflation has been increasing in recent periods and is expected to continue to be volatile in the future. Inflation generally affects us by increasing our cost of labor, commercial support, manufacturing and clinical trial expenditures. In addition, inflation also impacts our government and payer rebates as it pertains to the consumer price index (CPI) penalty. Our investment portfolio may experience the risk of realized losses on our investments if we were to sell before maturity due to the market volatility caused by increased interest rates.

#### ***Credit Risk***

Our exposure to credit risk generally consists of cash and cash equivalents, investments and accounts receivable. We place our cash and cash equivalents with highly rated financial institutions and invest the excess cash in highly rated investments. It is the Company's intent for these investments to have an overall rating of A-1, or higher, by Standard & Poor's, or an equivalent rating by Moody's or Fitch. Our investment policy limits investments to certain types of debt and money market instruments issued by institutions primarily with investment grade credit ratings and places restriction on maturities and concentrations by asset class and issuer.

We are subject to credit risk in connection with our accounts receivable due from our two main specialty pharmacies for U.S. commercial sales and collaboration partnership with Otsuka which accounted for the majority of our accounts receivable, net balances as of June 30, 2024. We monitor economic conditions, including the creditworthiness of our customers and collaboration partner. We regularly communicate with our customers regarding the status of receivable balances and have not experienced any issues with collectability. The timing between the recognition of revenue for product sales and the receipt of payment is not significant. Our standard credit terms range from 30 to 45 days. During the quarter ended June 30, 2024, we did not recognize any allowance for credit losses related to credit risk for our customers or write any amounts off.

**Item 4. Controls and Procedures.**

***Evaluation of Disclosure Controls and Procedures***

Our principal executive officer and principal financial officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of June 30, 2024, have concluded that, based on such evaluation, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the rules and forms of the SEC, and is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

***Changes in Internal Control over Financial Reporting***

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

## PART II—OTHER INFORMATION

### **Item 1. Legal Proceedings.**

From time to time, we may be involved in various claims and legal proceedings relating to claims arising out of our operations. 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 further discussion, refer to Note 18, Commitments and Contingencies.

There are no material developments to report in respect of the litigation described in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

### **Item 1A. Risk Factors.**

Under Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2023 we identified important factors that could affect our financial performance and could cause our actual results for future periods to differ materially from our anticipated results or other expectations, including those expressed in any forward-looking statements made in this Quarterly Report. There has been no material change in our risk factors subsequent to the filing of our prior reports referenced above except as mentioned below. However, the risks described in our reports are not the only risks we face. Additional risks and uncertainties that we currently deem to be immaterial or not currently known to us, as well as other risks reported from time to time in our reports to the SEC, also could cause our actual results to differ materially from our anticipated results or other expectations.

### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

#### *Issuer Purchases of Equity Securities*

The following table summarizes the common share activity of our repurchased shares under our share repurchase program announced on February 15, 2024. Refer to Part I, Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources" for further details of the share repurchase program.

Period	Total number of shares purchased	Average price paid per share in \$	Total number of shares purchased as part of publicly announced program	Approximate dollar value of shares that may yet be purchased under program (in thousands) <sup>(1)(2)</sup>
2/21/2024-3/21/2024	1,732,787	\$5.77	1,732,787	\$140,000
3/22/2024-3/28/2024	640,587	\$4.98	640,587	\$136,809
4/1/2024-4/30/2024	1,049,556	\$4.93	1,049,556	\$131,638
5/1/2024-5/31/2024	891	\$4.99	891	\$131,633
<b>Total</b>	<b>3,423,821</b>		<b>3,423,821</b>	

(1) The approximate value of shares that may yet be purchased under the program does not include commissions that may be paid to brokers in connection with such purchases.

(2) As of May 13, 2024, if calculated under the exemptive relief, the value of shares that may yet be repurchased would be approximately \$91.7 million. The calculation is based on 15% of our common shares outstanding before the repurchase program began less shares repurchased multiplied by the close price as of May 13, 2024.

### **Item 3. Defaults Upon Senior Securities.**

None.

### **Item 4. Mine Safety Disclosures.**

None.

**Item 5. Other Information.**

None.

**Item 6. Exhibits.**

The following exhibits are filed as part of this report:

Exhibit Number	Description
3.1	<a href="#">Articles of Amalgamation, as amended, as currently in effect (filed as Exhibit 3.1 to the Company's Annual Report on Form 10-K with the SEC on February 24, 2021 and incorporated herein by reference)</a>
3.2	<a href="#">Amended and Restated By-Law No. 2 amended as of April 23, 2021 (filed as Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the SEC on April 27, 2021 and incorporated herein by reference)</a>
31.1*	<a href="#">Certification of Principal Executive Officer pursuant to Rules 13a-14(a) or 15d-14(a) under 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 Principal Financial Officer pursuant to Rules 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as amended, 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>
101.INS*	Inline 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.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

\* Filed herewith.

Certain portions of this exhibit have been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K because they are not material and # are the type that Aurinia treats as private or confidential.

\*\* Furnished herewith. Exhibits 32.1 and 32.2 are being furnished and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liability of that section, nor shall such exhibit be deemed to be incorporated by reference in any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as otherwise specifically stated in such filing.

**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.

**AURINIA PHARMACEUTICALS INC.**

July 31, 2024

By: \_\_\_\_\_ */s/ Peter Greenleaf*  
**Peter Greenleaf**  
**Chief Executive Officer, Director**  
**(Principal Executive Officer)**

July 31, 2024

By: \_\_\_\_\_ */s/ Joseph Miller*  
**Joseph Miller**  
**Chief Financial Officer**  
**(Principal Financial and Accounting Officer)**

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO EXCHANGE RULES 13a-14(a) AND 15d-14(a), AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

Peter Greenleaf, certify that:

I have reviewed this quarterly report on Form 10-Q of Aurinia Pharmaceuticals Inc.;

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

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

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

- (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
- (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 31, 2024

By: \_\_\_\_\_

**Peter Greenleaf**

**Chief Executive Officer**

**(Principal Executive Officer)**

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO RULES 13a-14(a) AND 15d-14(a),  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

Joseph Miller, certify that:

I have reviewed this quarterly report on Form 10-Q of Aurinia Pharmaceuticals Inc.;

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

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

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

- (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
- (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 31, 2024

By: \_\_\_\_\_ /s/ Joseph Miller

**Joseph Miller**

**Chief Financial Officer**

**(Principal Financial and Accounting Officer)**

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Aurinia Pharmaceuticals Inc. (the "Company") on Form 10-Q for the period ending June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Peter Greenleaf, Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: July 31, 2024

By: \_\_\_\_\_ /s/ Peter Greenleaf  
**Peter Greenleaf**  
**Chief Executive Officer**  
**(Principal Executive Officer)**

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Aurinia Pharmaceuticals Inc. (the "Company") on Form 10-Q for the period ending June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joseph Miller, Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: July 31, 2024

By: \_\_\_\_\_ /s/ Joseph Miller  
Joseph Miller  
Chief Financial Officer  
(Principal Financial and Accounting Officer)