

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

Form 10-K

(Mark One)

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

For the fiscal year ended December 31, 2020

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: 001-38079

UROGEN PHARMA LTD.

(Exact name of registrant as specified in its charter)

Israel

(State or other jurisdiction of
incorporation or organization)

400 Alexander Park, Princeton, NJ

(Address of principal executive offices)

98-1460746

(I.R.S. Employer
Identification Number)

08540

(Zip Code)

Registrant's telephone number, including area code:

(646) 768-9780

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

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of exchange on which registered</u>
Ordinary Shares, par value NIS 0.01 per share	URGN	The Nasdaq Stock Market LLC

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

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

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

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

The aggregate market value of the ordinary shares held by non-affiliates of the registrant as of June 30, 2020 totaled approximately \$525.4 million based on the closing price for the registrant's ordinary shares on that day as reported by the Nasdaq Stock Market LLC. Such value excludes ordinary shares held by executive officers, directors and certain entities affiliated with directors as of June 30, 2020.

As of February 26, 2021, there were 22,272,848 of the registrant's ordinary shares outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Document Description

Portions of the registrant's definitive proxy statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days after the registrant's fiscal year ended December 31, 2020 are incorporated by reference into Part III of this report.

10-K Part

III

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PART I

INTRODUCTION

Unless otherwise indicated, “UroGen Pharma,” “the Company,” “our Company,” “we,” “us” and “our” refer to UroGen Pharma Ltd. and its subsidiary, UroGen Pharma, Inc.

UroGen RTGel and Jelmyto are trademarks of ours that we use in this Annual Report. This Annual Report also includes trademarks, tradenames, and service marks that are the property of other organizations. Solely for convenience, our trademarks and tradenames referred to in this Annual Report appear without the ® or ™ symbols, but those references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights, or the right of the applicable licensor to our trademark and tradenames. We do not intend our use or display of other companies’ trade names or trademarks to imply a relationship with, or endorsement or sponsorship of us by, any other companies.

We maintain our books and records in U.S. dollars, and prepare our financial statements in accordance with accounting principles generally accepted in the United States, or U.S. GAAP, as issued by the Financial Accounting Standards Board, or FASB.

The terms “shekel,” “Israeli shekel” and “NIS” refer to New Israeli Shekels, the lawful currency of the State of Israel, and the terms “dollar,” “U.S. dollar” or “\$” refer to United States dollars, the lawful currency of the United States. All references to “shares” in this Annual Report refer to ordinary shares of UroGen Pharma Ltd., par value NIS 0.01 per share.

We have made rounding adjustments to some of the figures included in this Annual Report. Accordingly, numerical figures shown as totals in some tables may not be an arithmetic aggregation of the figures that preceded them.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K, or this Annual Report, contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, which are subject to the “safe harbor” created by those sections. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth below under Part I, Item 1A, “Risk Factors” in this Annual Report.

We may, in some cases, use words such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “should,” “will,” “would” or the negative of those terms, and similar expressions that convey uncertainty of future events or outcomes to identify these forward-looking statements. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements and are based upon our current expectations, beliefs, estimates and projections, and various assumptions, many of which, by their nature, are inherently uncertain and beyond our control. Forward-looking statements in this Annual Report include, but are not limited to, statements about:

- the timing and conduct of our clinical trials of UGN-102 and our other product candidates, including statements regarding the timing, progress and results of current and future nonclinical studies and clinical trials, and our research and development programs;
- the clinical utility, potential advantages and timing or likelihood of regulatory filings and approvals of UGN-102 and our other product candidates;
- our expectations regarding timing for application for and receipt of regulatory approval for any of our product candidates;
- our ongoing and planned discovery and development of product candidates;
- our expectations regarding future growth, including our ability to develop, and obtain regulatory approval for, new product candidates;
- our ability to obtain and maintain adequate intellectual property rights and adequately protect and enforce such rights;
- our ability to maintain our collaboration with Allergan Pharmaceuticals International Limited, or Allergan, now part of AbbVie Inc., enter into and successfully complete other collaborations, licensing arrangements or in-license or acquire rights to other products, product candidates or technologies;
- our plans to develop and commercialize our in-line and investigational product candidates;

- our estimates regarding the commercial potential and market opportunity for our product pipeline and investigational products;
- our estimates regarding expenses, future revenues, capital requirements and the need for additional financing; our planned level of capital expenditures and our belief that our existing cash, cash equivalents and short-term investments will be sufficient to fund our operating expenses and capital expenditure requirements for at least the next 12 months;
- the impact of our research and development expenses as we continue developing investigational product candidates;
- the future nonclinical, clinical development of licensed products, including UGN-302, and their commercial opportunity; and
- the impact of government laws and regulations.

We caution you that the risks, uncertainties and other factors referenced above may not contain all of the risks, uncertainties and other factors that are important to you. In addition, we cannot guarantee future results, level of activity, performance or achievements. You should refer to the section of this Annual Report under Part I, Item 1A, “Risk Factors” for a discussion of important factors that may cause our actual results to differ materially from those expressed or implied by our forward-looking statements. As a result of these factors, we cannot assure you that the forward-looking statements in this Annual Report will prove to be accurate. In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this Annual Report, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain, and investors are cautioned not to unduly rely upon these statements.

If our forward-looking statements prove to be inaccurate, the inaccuracy may be material. In light of the significant uncertainties in these forward-looking statements, you should not regard these statements as a representation or warranty by us or any other person that we will achieve our objectives and plans in any specified time frame or at all. Any forward-looking statement made by us in this Annual Report speaks only as of the date of this Annual Report or as of the date on which it is made. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

You should read this Annual Report and the documents that we reference in this Annual Report and have filed as exhibits to this Annual Report completely and with the understanding that our actual future results may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements.

This Annual Report may contain market data and industry forecasts that were obtained from industry publications. These data involve a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates. We have not independently verified any third-party information. While we believe the market position, market opportunity and market size information included in this Annual Report is generally reliable, such information is inherently imprecise.

RISK FACTOR SUMMARY

Below is a summary of the material factors that make an investment in our ordinary shares speculative or risky. This summary does not address all of the risks that we face. Additional discussion of the risks summarized in this risk factor summary, and other risks that we face, can be found below under the heading “Risk Factors” and should be carefully considered, together with other information in this Annual Report on Form 10-K and our other filings with the SEC before making investment decisions regarding our ordinary shares.

- We are highly dependent on the successful commercialization of our only approved product, *Jelmyto*.
- We have limited experience as an organization in marketing and distributing products and are therefore subject to certain risks in relation to the commercialization of *Jelmyto* and any of our other product candidates that receives regulatory approval.
- The market opportunities for *Jelmyto* and our product candidates may be limited to those patients who are ineligible for established therapies or for whom prior therapies have failed and may be small.
- *Jelmyto* and any our product candidates that receive regulatory approval may fail to achieve the broad degree of physician adoption and use and market acceptance necessary for commercial success.
- *Jelmyto* and our product candidates, if approved, will face significant competition with competing technologies and our failure to compete effectively may prevent us from achieving significant market penetration.
- In addition to *Jelmyto*, we are dependent on the success of our lead product candidate, UGN-102, and our other product candidates, including obtaining regulatory approval to market our product candidates in the United States.

- Clinical drug development involves a lengthy and expensive process with an uncertain outcome, results of earlier studies and trials may not be predictive of future trial results, and our clinical trials may fail to adequately demonstrate the safety and efficacy of our product candidates.
- We have entered into a licensing agreement and in the future may enter into collaborations with other third parties for the development or commercialization of our product candidates. If our collaborations are not successful, we may not be able to capitalize on the market potential of these product candidates.
- We currently contract with third-party subcontractors and single-source suppliers for certain raw materials, compounds and components necessary to produce *Jelmyto* for commercial use, and to produce UGN-102 and UGN-201 for nonclinical studies and clinical trials, and expect to continue to do so to support commercial scale production of UGN-102 and UGN-201, if approved. There are significant risks associated with the manufacture of pharmaceutical products and contracting with contract manufacturers, including single-source suppliers. Furthermore, our existing third-party subcontractors and single-source suppliers may not be able to meet the increased need for certain raw materials, compounds and components that may result from our commercialization efforts. This increases the risk that we will not have sufficient quantities of *Jelmyto*, UGN-102 or UGN-201 or be able to obtain such quantities at an acceptable cost, which could delay, prevent or impair our development or commercialization efforts.
- If product liability lawsuits are brought against us, we may incur substantial liabilities and may be required to limit commercialization of any of our other products we develop.
- If we fail to attract and keep senior management and key personnel, we may be unable to successfully develop our product candidates, conduct our clinical trials and commercialize any of the products we develop.
- Our business could be adversely affected by the effects of health pandemics or epidemics, including the COVID-19 pandemic.
- We have a limited operating history and have incurred significant losses and negative cash flows since our inception, and we anticipate that we will continue to incur significant losses and negative cash flows for the foreseeable future, which makes it difficult to assess our future viability.
- We will require substantial additional financing to achieve our goals, and a failure to obtain this capital when needed and on acceptable terms, or at all, could force us to delay, limit, reduce or terminate our product development, commercialization efforts or other operations.
- If our efforts to obtain, protect or enforce our patents and other intellectual property rights related to our product candidates and technologies are not adequate, we may not be able to compete effectively, and we otherwise may be harmed.
- If the FDA does not conclude that UGN-102 satisfies the requirements under Section 505(b)(2) of the Federal Food Drug and Cosmetic Act, or Section 505(b)(2), or if the requirements for our product candidates are not as we expect, the approval pathway for these product candidates will likely take significantly longer, cost significantly more and entail significantly greater complications and risks than anticipated, and in either case may not be successful.
- *Jelmyto* and any of product candidates that receives regulatory approval will be subject to ongoing regulatory obligations and continued regulatory review, which may result in significant additional expenses, limit or withdraw regulatory approval and subject us to penalties if we fail to comply with applicable regulatory requirements.
- It may be difficult for us to profitably sell our product candidates if coverage and reimbursement for these products is limited by government authorities and/or third-party payor policies.
- Our research and development and other significant operations are located in Israel and, therefore, our results may be adversely affected by political, economic and military instability in Israel.

Item 1. Business

Overview

We are a biopharmaceutical company dedicated to building and commercializing novel solutions that treat specialty cancers and urologic diseases. We have developed *RTGel*[™] reverse-thermal hydrogel, a proprietary sustained release, hydrogel-based platform technology that has the potential to improve therapeutic profiles of existing drugs. Our technology is designed to enable longer exposure of the urinary tract tissue to medications, making local therapy a potentially more effective treatment option. Our approved product *Jelmyto*[®] (mitomycin) for pyelocalyceal solution, and our investigational candidate, UGN-102 (mitomycin) for intravesical solution are designed to ablate tumors by non-surgical means and to treat several forms of non-muscle invasive urothelial cancer, including low-grade upper tract urothelial cancer (“low-grade UTUC”) and low-grade intermediate risk non-muscle invasive bladder cancer (“low-grade intermediate risk NMIBC”), respectively.

We estimate that the annual treatable population of low-grade UTUC in the United States is approximately 6,000 to 7,000 patients, and that the annual treatable population of low-grade intermediate risk NMIBC in the United States is approximately 80,000 patients.

RTGel is a novel proprietary polymeric biocompatible, reverse thermal gelation hydrogel, which, unlike the general characteristics of most forms of matter, is liquid at lower temperatures and converts into gel form when warmed to body temperature. We believe that these characteristics promote ease of delivery into and retention of drugs in body cavities, including the bladder and the upper urinary tract, forming a transient reservoir of drug that disintegrates over time while preventing rapid excretion, providing for increased dwell time. *RTGel* leverages the physiologic flow of urine to provide a natural exit from the body.

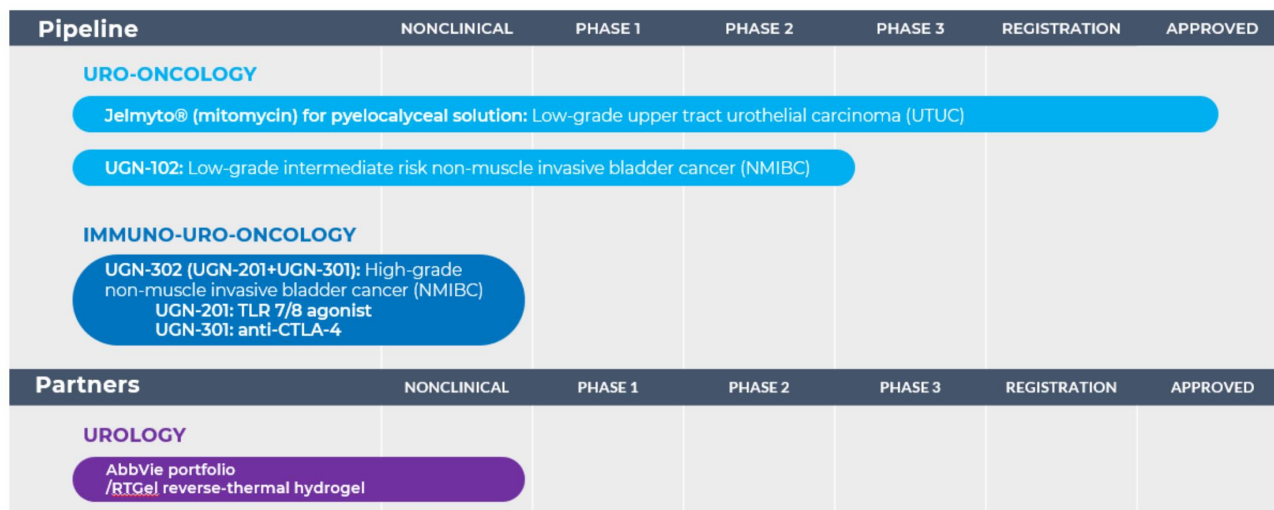
We believe that *RTGel*, when formulated with an active drug, may allow for the improved efficacy of treatment of various types of specialty cancers and urologic diseases without compromising the safety of the patient or interfering with the natural flow of fluids in the urinary tract. *RTGel* achieves this by:

- increasing the exposure of active drugs in the bladder and upper urinary tract by significantly extending the dwell time of the active drug while conforming to the anatomy of the bladder and the upper urinary tract, which allows for enhanced drug tissue coverage. For example, the average dwell time of the standard mitomycin water formulation, currently used as adjuvant treatment, in the upper urinary tract is approximately five minutes, compared to approximately six hours when mitomycin is formulated with *RTGel*;
- administering higher doses of an active drug than would otherwise be possible using standard water-based formulations. For instance, it is only possible to dissolve 0.5 mg of mitomycin in 1 mL of water while it is possible to formulate up to 8 mg of mitomycin with 1 mL of *RTGel*; and
- maintaining the active drug’s molecular structure and mode of action.

These characteristics of *RTGel* enable sustained release of mitomycin in the urinary tract for both *Jelmyto* and UGN-102. Further, *RTGel* may be particularly effective in the bladder and upper urinary tract where tumor visibility and access are challenging, and where there exists a significant amount of urine flow and voiding. We believe that these characteristics of *RTGel* may prove useful for the local delivery of active drugs to other bodily cavities in addition to the bladder and upper urinary tract.

Our Pipeline

The following chart summarizes the current status of our pipeline:



¹ Worldwide license agreement with Agenus; does not include Argentina, Brazil, Chile, Colombia, Peru, Venezuela and their respective territories and possessions.

Jelmyto

On April 15, 2020, the FDA approved our new drug application (“NDA”) for *Jelmyto* (mitomycin) for pyelocalyceal solution, formerly known as UGN-101, for the treatment of adult patients with low-grade UTUC. *Jelmyto* consists of mitomycin, an established chemotherapy, and sterile hydrogel, using our proprietary sustained release *RTGel* technology. It has been designed to prolong exposure of urinary tract tissue to mitomycin, thereby enabling the treatment of tumors by non-surgical means. New product exclusivity for *Jelmyto* exists through April 15, 2023, Orphan Drug exclusivity through April 15, 2027 as well as a composition of matter patent through 2031. The main patents that protect *Jelmyto* in the USA set to expire on January 20, 2031. These patents were listed in the FDA Orange book (Approved Drug Products With Therapeutic Equivalence Evaluations).

The FDA evaluated *Jelmyto* under Priority Review, which is reserved for medicines that may represent significant improvements in safety or efficacy in treating serious conditions. *Jelmyto* was also granted Breakthrough Therapy designation by the FDA, which was created to expedite the development and review of drugs developed for serious or life-threatening conditions with high unmet need.

Low-grade UTUC is a rare cancer that develops in the lining of the upper urinary tract, ureters and kidneys. In the United States, there are approximately 6,000 - 7,000 new or recurrent low-grade UTUC patients annually. It is a challenging condition to treat due to the complex anatomy of the urinary tract system. The current standard of care includes multiple surgeries, and most patients require a radical nephroureterectomy, which includes the removal of the renal pelvis, kidney, ureter and bladder cuff. Treatment is further complicated by the fact that low-grade UTUC is most commonly diagnosed in patients over 70 years of age, who may already have compromised kidney function and may suffer further complications as a result of a major surgery.

The FDA approval is based on results from our Phase 3 OLYMPUS trial showing *Jelmyto* achieved clinically significant disease eradication in adults with low-grade UTUC. Findings from the final study results include:

- Complete response (“CR”) (primary endpoint) of 58% (41/71) in the intent-to-treat population and in the sub-population of patients who were deemed not capable of surgical removal at diagnosis.
- At the 12-month time point for assessment of durability, 23 patients remained in CR of a total of 41 patients, eight had experienced recurrence of disease and ten patients were unable to be evaluated.
- Durability of response was estimated to be 81.8% at 12 months by Kaplan-Meier analysis. The median duration of response was not reached.

- The most commonly reported adverse events ($\geq 20\%$) were ureteric obstruction, flank pain, urinary tract infection, hematuria, abdominal pain, fatigue, renal dysfunction, nausea, dysuria and vomiting. Most adverse events were mild to moderate and manageable using well established treatments. No treatment-related deaths occurred.

In June 2020, we initiated our commercial launch of *Jelmyto* in the United States. We have staffed, trained and prepared a commercial team comprising a field force of approximately 48 representatives with deep experience in both urology and oncology. The sales representatives are led by seven regional business managers. Each region is supported by a Clinical Nurse Educator to provide education and training around instillation, as well as a Field Reimbursement manager to help ensure access and reimbursement for appropriate patients. In addition, we have a team of seven medical science liaisons who appropriately engage with physicians interested in learning more about UroGen, *Jelmyto* and our technology, including through virtual meetings.

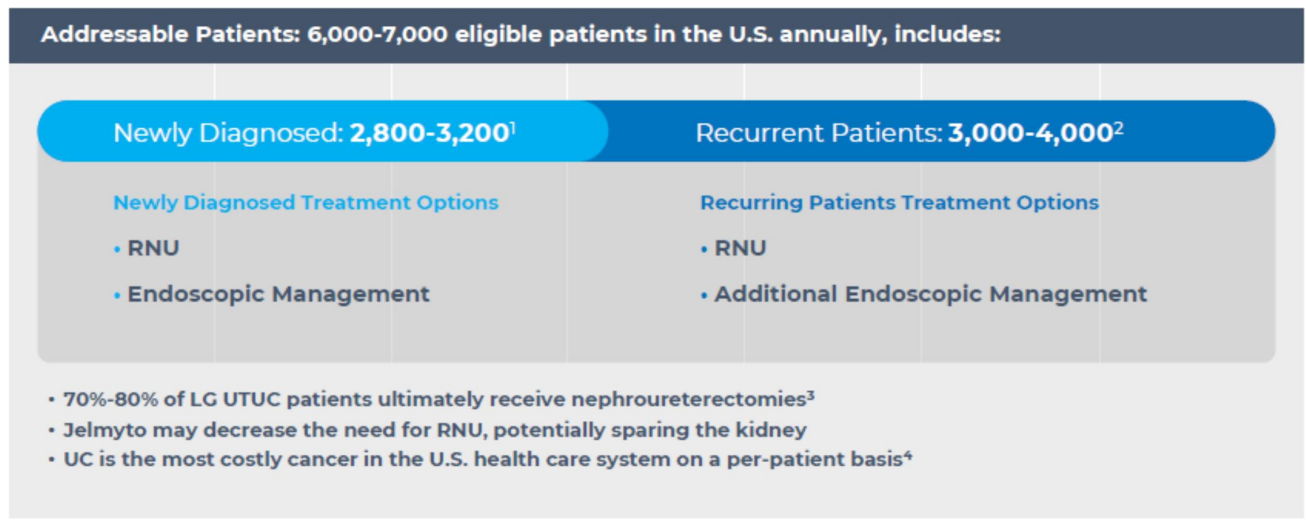
We are committed to helping patients access *Jelmyto*. Our market access teams have laid the foundation for coverage and reimbursement, meeting multiple times with payers. The majority of large commercial plans have policies in place, covering over 150 million lives. In addition to reimbursement and access, we have also been focused on ensuring seamless integration into physician practices. We have implemented processes to help make *Jelmyto* preparation and administration safe and seamless for practitioners and patients, including entering into an agreement with a major national pharmacy under which the pharmacy, following receipt of a patient prescription, prepares and dispenses the *Jelmyto* admixture on our behalf. In October 2020, a Medicare C-Code was issued for *Jelmyto*. Centers for Medicare & Medicaid Services established a permanent and product-specific J-code for *Jelmyto* that took effect on January 1, 2021 and replaced the C-Code.

Upper Tract Urothelial Carcinoma (UTUC)

UTUC refers to malignant changes of the urothelium (the epithelial lining) of the upper urinary tract of the calyces, renal pelvis and ureter. Low-grade UTUC managed with endoscopic resection typically exhibits a high rate of local recurrence. High-grade UTUC is associated with renal parenchymal invasion and the development of metastases. UTUC accounts for approximately 5% to 10% of all new cases of urothelial cancer, which corresponds to an estimated annual incidence in the United States of up to 8,000 cases. UTUC is nearly three times more common in men than women and is typically diagnosed in patients in their 60s and 70s. Tumor grade is the key prognostic factor at the time of diagnosis of UTUC and is assigned based upon microscopic examination of tumor tissue. Approximately 40% of the patients diagnosed annually with UTUC in the United States have low-grade UTUC.

Before the approval of *Jelmyto* in April 2020, there were no drugs approved by the FDA for the treatment of low-grade UTUC. Due to the anatomic complexity of the upper urinary tract, complete endoscopic resection of UTUC is technically very challenging. Endoscopic surgical resection of low-grade UTUC is associated with high rates of local recurrence (50-90%). Consequently, most low-grade UTUC patients ultimately undergo kidney and ureter removal to control disease (nephroureterectomy).

Endoscopic tumor resection, which aims to be a kidney sparing surgical procedure, is conducted only in patients with low-grade disease and with limited tumor burden (unifocal tumor, low grade histology, less than 2 cm in greatest dimension).



Uro-Oncological Indications Targeted by Our Product Candidates

UGN-102

We are evaluating the safety and efficacy of UGN-102, our novel sustained-release high dose formulation of mitomycin, for the treatment of low-grade intermediate risk NMIBC.

We have shared final topline data from the Phase 2b OPTIMA II trial for our lead product candidate, UGN-102, in patients with low-grade intermediate risk NMIBC, defined as those with one or two of the following criteria: multifocal disease, large tumors and rapid rates of recurrence. The single-arm, open label trial completed enrollment of 63 patients at clinical sites across the United States and Israel in September 2019. Patients were treated with six weekly instillations of UGN-102 and underwent assessment of complete response, or CR (the primary endpoint) four to six weeks following the last instillation. The interim data were also published as a supplement to the April 2020 issue of *The Journal of Urology*, and we anticipate publishing the final data in a peer-reviewed journal in 2021.

In November 2020, we reported final topline data consistent with our previous reports showing that 65%, or 41 out of 63 patients, treated with UGN-102 achieved a complete response three months after the start of therapy. In this subset of patients, duration of response at nine months (12-months from initiation of therapy) was estimated by Kaplan-Meier (KM) analysis to be 72.5%. Median duration of response was not reached. The most common adverse events, greater than 10%, were most often reported as mild to moderate in severity and include dysuria, hematuria, urinary frequency, fatigue, urgency and urinary tract infection.

We believe that UGN-102 has the potential to be a new therapeutic option for the treatment of low-grade intermediate risk NMIBC patients. We initiated the Phase 3 ATLAS trial in December 2020 and are currently enrolling patients in this trial assessing UGN-102 with or without trans-urethral resection of bladder tumor (TURBT) compared to standard of care, TURBT.

Urothelial cancer, which is comprised of bladder cancer and UTUC, affects a large, and what we believe to be, an underserved patient population. Annual expenditures for Medicare alone in the United States for the treatment of urothelial cancer were projected to be at least \$5.0 billion in 2020. The majority of the expenditures are spent on tumor resection surgeries such as transurethral resection of bladder tumor, or TURBT. In 2017, the estimated prevalence of urothelial cancer in the United States was 748,000 and in 2020 the annual incidence of urothelial cancer was approximately 85,000. The prevalence in 2017 of low-grade intermediate risk NMIBC was approximately 340,000. We estimate based upon a review of peer-reviewed literature and publicly available data that there are approximately 80,000 low-grade intermediate risk NMIBC patients in the U.S. annually.

UGN-102 is administered locally using the standard practice of intravesical instillation directly into the bladder via a catheter. The instillation into the bladder is expected to take place in a physician's office as a same-day treatment, in comparison with TURBT or similar surgical procedures, which are operations conducted under general anesthesia and may require an overnight stay. Surgical tumor removal often has limited success due to the inability to properly identify, reach and resect all tumors. We believe that an effective chemoablation agent can potentially provide better eradication of tumors irrespective of the detectability and location of the tumors. In addition, by removing the need for surgery, patients may avoid potential complications associated with surgery.

Bladder Cancer

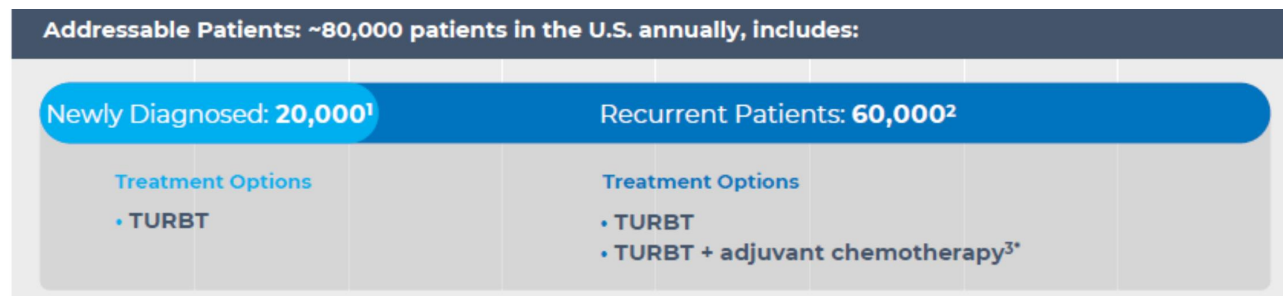
The bladder is a hollow organ in the pelvis with flexible muscular walls. Its main function is to store urine before it leaves the body. Urine is produced by the kidneys and is then carried to the bladder through the upper urinary tract tubes, called ureters. The bladder wall has four main layers. The innermost lining is comprised of cells called urothelial or transitional cells, and this inner layer is called the urothelium or transitional epithelium. Beneath the urothelium, there is a layer called the lamina propria. Next is a thick layer of muscle called the muscularis propria followed by a layer of perivesical fat.

Bladder cancer accounts for approximately 90% to 95% of all new cases of urothelial cancer in the United States (annual US incidence 85,000, prevalence 748,000). Bladder cancer is nearly three to four times more common in men than women, and, is most commonly diagnosed in their 70s. Bladder cancers are described as non-muscle invasive or muscle-invasive based on how far into the wall of the bladder they have invaded. The physical extent and anatomic location of a tumor is described by clinical staging. The American Joint Committee on Cancer has established an accepted staging system called the tumor, nodes, metastasis, or TNM System. NMIBC includes the clinical stages Ta (papillary urothelial cancer confined to the urothelium), T1 (urothelial cancer invading the lamina propria) and CIS (carcinoma in situ, a form of high-grade NMIBC). NMIBC is associated with high rates of relapse following endoscopic surgery and treatment with aqueous adjuvant topical chemo and immunotherapy. Progression rates to muscle invasion approach 30-50% in patients with high-grade T1 disease associated with CIS. Patients with low-grade NMIBC are treated by chronic

endoscopic resection of visible lesions, typically over a period of many years. Patients with low-grade intermediate risk NMIBC have frequent recurrences of disease that can be difficult to control using contemporary standards of care. MIBC which is described as >T2 in the TNM system, is treated with systemic chemo- and/or immunotherapy followed by consolidative radiation therapy or bladder removal surgery (radical cystectomy) in patients with clinically organ-confined disease. Patients presenting with advanced/metastatic bladder cancer have a limited life expectancy.

Non-Muscle Invasive Bladder Cancer

NMIBC can be characterized as low, intermediate, or high risk and can also be characterized as low- or high-grade. Low-grade, intermediate risk tumors are defined as having one of more of following characteristics: tumor larger than 3 cm, multiple tumors in the bladder and a recurrence in less than one year from the prior tumor. We estimate based upon a review of peer-reviewed and publicly available data that approximately 20% of the prevalent low-grade NMIBC population (80,000) may be described as intermediate risk in any given year.



1. SEER, AUA/SUO joint guideline 2. Babjuk et al. European Urology (2019), Simon (2019), 3. Tobert et al Urology (2019), Rhijn et al Nature Urology (2016), 4. Bryan et al Ann R Coll Surg Engl (2010)
^{*}Adjuvant chemotherapy only used in 0-30% of U.S. eligible population
 TURBT = trans urethral resection of bladder tumor

The standard of care for treating low-grade intermediate risk NMIBC patients is TURBT. TURBT is a surgical procedure for tumor removal conducted under general anesthesia in a hospital setting and may require an overnight stay. There are known risks associated with the surgical procedure itself, including bleeding, hospitalization and an increased risk of death in patients in their 60s and 70s. Moreover, TURBT’s success is tied to the physician’s ability to overcome challenges in properly identifying, reaching and resecting all tumors. No drugs have been approved by the FDA for the primary treatment of low-grade NMIBC. Efficacy of drug treatments has historically been limited due to challenges presented by bladder physiology, specifically the fact that urine is produced and voided frequently, thus diluting the concentration of the drug almost immediately and causing the excretion of the drug from the bladder at first urine voiding. A subset of low-grade NMIBC patients is at risk for frequent local recurrences. Due to lack of treatment options to reduce recurrences in these patients, they are managed with repeat TURBT for each subsequent recurrence.

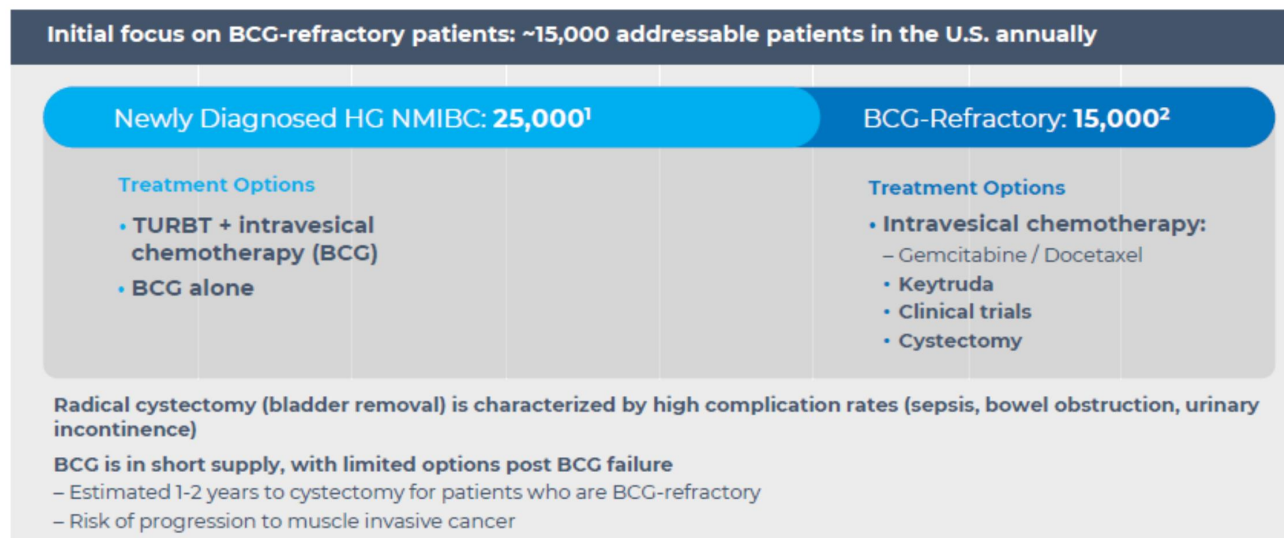
UGN-302

Our immuno-uro-oncology pipeline includes UGN-302, the sequential use of UGN-201, a TLR 7/8 agonist and UGN-301, an anti-CTLA-4 antibody, being studied as an investigational treatment for high-grade non-muscle invasive bladder cancer (high-grade NMIBC). UroGen’s approach involves the local delivery of these potent immunomodulators. UGN-301, an immune checkpoint inhibitor, is delivered using UroGen’s proprietary *RTGel* platform to increase dwell time, which has been shown to significantly improve the effectiveness of intravesical therapy. UGN-201 is a proprietary novel, liquid formulation of imiquimod, a generic toll-like receptor 7/8, or TLR 7/8 agonist, which has been evaluated for the treatment of high-grade NMIBC, which may include carcinoma in situ, or CIS. Toll-like receptor agonists play a key role in initiating the innate immune response system. We believe that the combination of UGN-201 with UGN-301 could represent a valid alternative to the current standard of care for the post-TURBT adjuvant treatment of high-grade NMIBC. In November 2019, we entered into a worldwide license agreement with Agenus Inc. to develop and commercialize zalifrelimab, an anti-CTLA-4 antibody, via intravesical delivery in combination with UGN-201 (together referred to as UGN-302) for the treatment of urinary tract cancers, initially in high-grade NMIBC. We believe that the combination treatment makes local therapy a potentially more effective treatment option while minimizing systemic exposure and potential side effects.

In January 2021, we announced that we entered into a three-year strategic research collaboration agreement with MD Anderson focusing on UGN-302 as an investigational treatment for high-grade NMIBC. Under the agreement, MD Anderson and UroGen will collaborate on the design and conduct of non-clinical and clinical studies with oversight from a joint steering committee. UroGen will provide funding, developmental candidates, and other support.

High-Grade NMIBC

High-grade NMIBC is a highly aggressive form of bladder cancer. TURBT is the initial treatment of choice for high-grade NMIBC; however, the high rates of recurrence and significant risk of progression to muscle-invasive tumors are particularly dangerous. Radical cystectomy, or bladder removal can be the first treatment of choice for young, otherwise healthy patients with high-grade disease or for patients who cannot tolerate BCG. BCG, an immunotherapy-based drug, is the current standard of care as an adjuvant therapy post-resection in high-grade tumors. Drugs such as Keytruda have been recently approved for the BCG refractory population.



1. Nielsen, 2014 analysis of SEER data, 2. UroGen market research, at 1L, 35% will not respond.

Our Competitive Strengths

We believe our approved product and lead product candidates for uro-oncology, which are being developed by leveraging our expertise in drug development and our proprietary formulation technology, have the ability to replace the repetitive, costly, sub-optimal and burdensome tumor resection procedures that represent the current standard of care. Furthermore, we believe our proprietary formulation technology has broad applications and may allow us to develop additional product candidates for indications within and beyond the urinary tract.

Potential ability to develop additional minimally invasive, drug therapies for uro-oncology. Leveraging our innovative formulation technology, we developed *Jelmyto*, our first commercial product and UGN-102, our lead product candidate, as potential replacements to treatment for low-grade UTUC and low-grade intermediate risk NMIBC, respectively. *Jelmyto* is a chemoablation agent designed to overcome the challenges posed by the anatomy of the urinary tract by increasing the dwell time and enhancing the tissue coverage of mitomycin. UGN-102 is also being developed as a chemoablative therapy that may provide a non-invasive durable treatment option for patients. Clinical data generated to date supports our belief that our approved product and lead product candidate may provide new therapeutic options to the current surgical procedures, providing chemoablation treatment that has the potential to better eradicate tumors irrespective of their detectability and location within the urinary tract.

Expertise in developing proprietary formulations of drugs for clinical benefit. We focus on developing proprietary *RTGel* formulations of previously approved drugs and novel therapeutics which we are investigating, whose efficacy for a particular indication is limited by current formulations or routes of administration. Our expertise has enabled us to develop proprietary *RTGel*-based formulations for previously approved drugs and drugs in clinical development, including clinical stage proprietary formulations of mitomycin, zalifrelimab and others. Our formulations are designed to significantly increase the dwell time and exposure of the drugs to the target sites and limit the need for urine retention, potentially providing enhanced clinical activity, reduced patient burden and increased patient compliance over existing formulations and modes of administration. We have a strong research and development team to advance our product candidates.

Streamlined development risks and efficiencies for our pipeline product candidates. *Jelmyto* was approved with the FDA's 505(b)(2) regulatory pathway, which provides a streamlined, capital efficient pathway when compared to traditional drug

development. We also expect to use the 505(b)(2) regulatory pathway for our second product candidate, UGN-102. Furthermore, *Jelmyto* and UGN-201 have received Orphan Drug Designation from the FDA for the treatment of low-grade UTUC and carcinoma in situ (CIS), respectively, which provides seven years of regulatory exclusivity following FDA approval.

Leverageable proprietary formulation technology. We believe that *RTGel* has multiple potential applications beyond urology. Our formulation know-how may enable us to develop different drug formulations to facilitate the delivery, retention and sustained release of active drugs to a variety of targeted body cavities. We believe that our proprietary formulation technology can improve the efficacy of locally administered drugs in body cavities that present anatomical and physiological challenges related to frequent wash out, rapid excretion and bodily secretions.

Strong intellectual property position. We have a robust intellectual property portfolio that includes 38 granted patents in the US, Europe, Israel and Japan and more than 40 pending patent applications. In the United States, we have 16 granted patents. Most of these patents are directed to protect our approved product, *Jelmyto* and our lead product candidate, UGN-102, a proprietary *RTGel* technology, various local compositions comprising different active ingredients, inter alia compositions comprising a Botulinum Toxin, UGN-201, UGN-302 and our future product candidates that are under company research. Most of these patents claim methods, novel compositions and unique combinations for treating cancer in internal cavities, in particular treating a urinary tract cancer. These issued patents are set to expire between 2024 and 2037.

Experienced and accomplished leadership team with proven track record. We have an experienced management team, with each member possessing deep experience in the biopharmaceutical and related industries. Our President and Chief Executive Officer, Liz Barrett was CEO of Novartis Oncology and a member of the Executive Committee of Novartis. She previously served as Global President of Oncology at Pfizer Inc. At Pfizer, she held numerous leadership positions, including President of Global Innovative Pharma for Europe, President of the Specialty Care Business Unit for North America, and President of United States Oncology. Prior to Pfizer, she was Vice President and General Manager of the Oncology Business Unit at Cephalon Inc. Ms. Barrett also worked at Johnson & Johnson. In addition, our Chairman, Arie Belldegrun, M.D., is a seasoned biotech executive and was the founder, Chairman, Chief Executive Officer and President of Kite Pharma, Inc., which was sold to Gilead Sciences, Inc. Dr. Belldegrun is also a urologist by training. We believe that our leadership team is well-positioned to lead us through clinical development, regulatory approval and commercialization for our product candidates.

Our Growth Strategy

We are a biopharmaceutical company dedicated to building and commercializing novel solutions that treat specialty cancers and urologic diseases. Some key growth drivers are as follows:

Establish our approved product, Jelmyto, as standard of care in low-grade UTUC.

We secured FDA approval of *Jelmyto* in April 2020 and launched in June 2020. Our current priority is to continue our efforts to ensure the successful commercialization of *Jelmyto* and to establish *Jelmyto* as standard of care in low-grade UTUC.

Advance our product candidate UGN-102 and establish as the first primary non-surgical chemoablative therapy in its target indication.

We submitted an IND for UGN-102 in June 2018. In November 2020, we reported final topline data from an open-label, single-arm Phase 2b clinical trial to evaluate the efficacy and safety of UGN-102 for the treatment of patients with low-grade intermediate risk NMIBC and are currently enrolling patients in a Phase 3 trial. We believe that this local drug treatment has the potential to offer an effective alternative to costly, sub-optimal and burdensome surgical tumor resection to become the standard of care in this patient population.

Expand our uro-oncology product pipeline.

We believe that UGN-302, the combination of UGN-201 and UGN-301 could represent a valid alternative to the current standard of care for the post-TURBT adjuvant treatment of high-grade NMIBC. In November 2019, we entered into a worldwide license agreement with Agenus Inc. to develop and commercialize zalifrelimab, an anti-CTLA-4 antibody, via intravesical delivery in combination with UGN-201 for the treatment of urinary tract cancers, initially in high-grade NMIBC. We believe that the combination treatment makes local therapy a potentially more effective treatment option while minimizing systemic exposure and potential side effects. In January 2021, we entered into a strategic research collaboration with MD Anderson, a world-renowned cancer research institution, to advance UGN-302 for the treatment of high-grade NMIBC.

Utilize our proprietary technology to expand our pipeline to other body cavities and indications.

We believe that *RTGel* may be suitable for multiple additional applications. Our know-how may enable us to develop different drug formulations to facilitate the delivery, retention, increased dwell time and sustained release of active drugs to a variety of targeted body cavities. In the future, we may also choose to develop our *RTGel* technology in combination with other drugs to treat cancer and other indications endemic to such body cavities.

Evaluate and selectively pursue potential collaborations in specialty oncology, uro-oncology and urology as well as to develop improved formulations and RTGel product life-cycle management strategies.

We are focused on driving growth through business development and geographic footprint expansion focusing on sustained nearer-term revenue growth, innovation, high unmet need and cost-effective value creation. We are seeking potential partnerships with leading academic institutions as well as other biotechnology and pharmaceutical companies. Such collaborations may allow us to obtain financial support and to capitalize on the expertise and resources of our potential partners, which could allow for new and improved versions of approved or clinical stage drugs and could accelerate the development and commercialization of additional product candidates.

RTGel: Our Reverse Thermal Hydrogel Platform Technology

We have developed *RTGel*, a novel proprietary polymeric biocompatible, reverse thermal gelation hydrogel, which, unlike the general characteristics of most forms of matter, is liquid at lower temperatures and converts into gel form when warmed to body temperature. We believe that these characteristics promote ease of delivery into and retention of drugs in body cavities, including the bladder and the upper urinary tract, forming a transient reservoir of drug that disintegrates over time while preventing rapid excretion, providing for increased dwell time. *RTGel* leverages the physiologic flow of urine to provide a natural exit from the body. The following images show the progression of five stages of *RTGel* at different temperatures.

RTGel's components are polymer-based and are inactive ingredients that have been approved by the FDA for use in other products such as Oraqix, a periodontal gel, Namenda, an oral solution for Alzheimer's disease, and Xeloda, an oral chemotherapy. We formulate *RTGel* with an active drug: mitomycin in the case of *Jelmyto* and UGN-102. The resulting formulations are instilled intravesically in liquid form directly into the bladder or upper urinary tract using standard instillation methodologies via catheters and thereafter convert into gel form at body temperature. Subsequently, upon contact with urine, *RTGel* gradually dissolves and releases the active drug over a period of several hours and is less affected by urine creation and voiding cycles as compared to water formulations.

Mitomycin—Our Target Active Drug for the Treatment of Low-Grade UTUC and Low-Grade Intermediate Risk NMIBC

Mitomycin is a generic drug currently utilized as an adjuvant chemotherapy for the treatment of low-grade NMIBC after TURBT. In practice in the U.S., adjuvant chemotherapy is only used in 0-30% of the eligible population. Mitomycin, a chemotherapy agent, is administered using a water-based solution, which has a relatively short dwell time in the bladder limited to first voiding. Mitomycin often causes temporary irritation of the urinary tract, including the need to urinate frequently and urgently. In the upper urinary tract, the dwell time is limited to approximately five minutes as urine flows continuously and no active retention by the patient is feasible. Numerous *in vitro* models, *in vivo* studies and computer simulations have shown that increased dwell time of mitomycin in the bladder results in increased time to recurrence of urothelial cancer. In one such study, it was shown that mitomycin activity increased with exposure time. Specifically, the MIC90, or mean inhibitory concentration that causes 90% inhibition in cell growth, was 11-fold lower when exposure time was increased from 30 minutes to eight hours.

Mitomycin's main effect is on the cancer cell's DNA and has been demonstrated to be most effective when the cancer cell is in its S-phase, or synthesis phase, during which the DNA is replicated. Each cancer cell goes through various phases during the cell cycle. However, the cell cycle is not synchronized in all cancer cells, which means that at any given point in time only a portion of the cancer cells are at their S-phase, or susceptible to the instilled mitomycin in the bladder. Increased dwell time, facilitated by our *RTGel* preparations *Jelmyto* and UGN-102, results in increased cell killing and greater efficacy when compared to aqueous solutions of mitomycin.

Limitations of Other Treatments for Low-Grade Upper Tract Urothelial Carcinoma

Before the approval of *Jelmyto* in April 2020, there were no drugs approved by the FDA for the treatment of low-grade UTUC, representing a significant unmet medical need. The current standard of care for the treatment of low-grade UTUC is radical nephroureterectomy, which is complete kidney and upper urinary tract removal. Recent advances in resection instrument technology have allowed physicians in some cases to treat patients with low-grade UTUC using endoscopic tumor resection, a kidney-sparing treatment, rather than nephroureterectomy followed by adjuvant chemotherapy, typically mitomycin, treatment. However, the specific anatomy and physiology of the upper urinary tract make the performance of organ-sparing endoscopic tumor resection and instillation of adjuvant chemotherapy challenging, leading to high recurrence rates. Patients often undergo multiple endoscopic resection procedures, which increases the probability of potential complications of resection, including perforation and ureteral stricture, or a narrowing of the ureter.

Our Solution: Jelmyto (Mitomycin) for Pyelocalyceal Solution

Jelmyto is our novel sustained-release *RTGel*-based formulation of mitomycin that we have developed for the treatment of low-grade UTUC. *RTGel* is liquid at lower temperatures and converts into gel form at body temperature. This temperature-dependent viscosity characteristic allows for simple and convenient instillation of the cooled *Jelmyto* in its liquid form to the upper urinary tract via standard catheters. Once instilled, *Jelmyto* converts into gel form at body temperature. Subsequently, upon contact with urine, *Jelmyto* gradually disintegrates and releases the active drug, mitomycin, over a period of several hours versus several minutes for mitomycin in its water-based formulation. We believe that this substantial increase in dwell time of mitomycin positions *Jelmyto* as a chemoablation treatment for low-grade UTUC, potentially sparing patients from repeated tumor resection surgeries and potentially reducing the need for bladder and upper urinary tract surgeries, including upper urinary tract removal.

Limitations of Current Therapies for Low-Grade Non-Muscle Invasive Bladder Cancer

Tumor grade and stage are the most important variables for determining the likelihood of progression from NMIBC to MIBC. The three stages of NMIBC are: Ta (70%), T1 (20%) and CIS or Tis (10%). Tumors are graded as low or high, and approximately 70% of NMIBC patients have a tumor that is classified as low-grade. Tumors classified as Ta and CIS are limited to the urothelial layer, and T1 tumors extend to the layer below, which is the lamina propria.

Recurrence, which occurs in approximately 80% of patients, is the primary threat for patients with low-grade NMIBC. Multiplicity, or number of tumors, tumor size and prior recurrence rate are the most important variables in determining the likelihood and potential severity of recurrence. In patients T1 and CIS NMIBC tumors, progression, which occurs in approximately 45% of patients, is the main threat. Patients with low-grade intermediate risk are characterized by 1-2 of the following: multiple tumors, tumor size >3cm, early recurrence (<1 year), frequent recurrences (>1 per year). The current standard of care for low-grade NMIBC is TURBT. TURBT is conducted in a hospital setting under general anesthesia and can often have side effects and complications. The most common complications, risks and limitations of TURBT include:

- bleeding at the time of surgery that requires clot irrigation;
- infection of the bladder;
- injury to the urethra and bladder perforation with potential intra-abdominal leakage;
- reimplantation and cell migration;
- repeat TURBT procedures, which are necessary for approximately 10% of patients within three months;
- complete removal of tumor tissue often not being feasible;
- potential recurrence of up to 25% of the tumors at the original treatment site; and
- some tumors not being detectable.

Post-operative adjuvant treatments for low-grade NMIBC, which are given to prevent reimplantation of the cancerous cells, consist primarily of chemotherapy in the case of low-grade tumors and immunotherapy in the case of high-grade tumors, and are administered intravesically via catheter. Adjuvant intravesical chemotherapy is used primarily in low-grade tumors following TURBT in order to try to delay tumor recurrence but is not used as a chemoablation agent. The rationale is to expose tumors to high local drug concentrations while minimizing the systemic exposure, thereby enhancing the treatment effect and reducing the drug toxicity. However, these traditional adjuvant treatments to treating bladder cancer have been limited because, after instillation, the drug concentration is reduced, and the drug is washed out due to urine voiding. As a result, the cancerous tissue is not exposed to the

chemotherapy drug for the optimal length of time. In practice, in the U.S., adjuvant chemotherapy in this setting is only used in 0-30% of the eligible population.

No drugs have been approved by the FDA for the primary treatment of low-grade NMIBC. Mitomycin is the drug used most often for intravesical chemotherapy in this patient population. It is used as an adjuvant treatment in the post-operative setting for low-grade tumors with high risk of recurrence. Other drugs that can be used include docetaxel and gemcitabine.

Our Solution: UGN-102 (Mitomycin Gel) for Intravesical Instillation

UGN-102 is our sustained-release formulation of mitomycin that we are developing for the treatment of low-grade intermediate risk NMIBC as a non-surgical chemoablation alternative to TURBT. It is administered locally using standard catheters and is designed to conform to the bladder's anatomy and persist in the bladder despite urine flow and bladder movement. Once instilled, UGN-102 converts into gel form at body temperature. Subsequently, upon contact with urine, UGN-102 gradually dissolves and releases the active drug, mitomycin, over a period of several hours versus the time until first voiding, often less than an hour, for mitomycin in its current water-based formulation, without compromising the safety of the patient or interfering with the natural flow of urine out of the bladder. We believe that the resulting significantly increased dwell time of mitomycin in the bladder prolongs exposure of mitomycin to the tumor tissue and therefore has the potential to chemoablate both visible and unseen tumors.

Limitations of Current Therapies for High-Grade NMIBC

High-grade NMIBC is a highly aggressive form of bladder cancer. TURBT is the initial treatment of choice for high-grade NMIBC; however, the high rates of recurrence and significant risk of progression to muscle-invasive tumors are particularly dangerous. Radical cystectomy, or bladder removal can be the first treatment of choice for young, otherwise healthy patients with high-grade disease or for patients who cannot tolerate BCG. BCG, an immunotherapy-based drug, is the current standard of care as an adjuvant therapy post-resection in high-grade tumors.

Only four drugs have been approved for high-grade NMIBC, all used as adjuvant treatment: Thiotepa, which was approved in 1959, and is no longer used in practice, Bacillus of Calmette and Guerin, or BCG, which was approved in 1989; Valstar® (valrubicin) which was approved in 1998; and Keytruda, approved by the FDA in 2020. BCG, an immunotherapy-based drug, is used as an adjuvant treatment for patients with high-grade NMIBC. Upon recurrence, which occurs in approximately 70% of patients, the patients undergo another round of BCG therapy with a response rate of approximately 30%. Radical cystectomy, or surgical removal of the bladder, is also a common treatment option for patients who fail multiple intravesical BCG therapies. However, treatment with BCG is associated with undesirable side effects (including local irritation, systemic symptoms of immune activation and a small but serious risk of systemic absorption leading to mycobacterial sepsis and death), as evidenced by a boxed warning on the label, which is a warning placed on a prescription drug's label by the FDA and is designed to call attention to serious or life-threatening risks.

Our Solution: UGN-302 (UGN-201 (TLR-7/8) combined with UGN-301 (anti-CTLA-4))

UGN-302 is being developed as the combination of UGN-201 and UGN-301, and being studied as an investigational treatment for high-grade NMIBC. UroGen's combinatory approach, currently in nonclinical development, involves the local delivery of potent immunomodulators, UGN-201, a TLR 7/8 agonist and UGN-301, an anti-CTLA-4 antibody. UGN-301, an immune checkpoint inhibitor, is delivered using UroGen's proprietary *RTGel* platform to increase dwell time, which has been shown to significantly improve the effectiveness of certain intravesical therapies.

UGN-201's active ingredient is imiquimod, an imidazoquinoline, synthetic immune modulator, that specifically targets TLR7/8, which is expressed in bladder cancer cells. Toll-like receptors are pattern recognition receptors whose importance in stimulating innate and adaptive immunity has been established by recent studies. Toll-like receptors are able to sense microbial components as well as host-derived endogenous molecules released by injured tissues and play a critical role in defending against invading pathogens. We acquired UGN-201 from Telormedix SA, a private Swiss-based biotechnology company, in the fourth quarter of 2015. Telormedix conducted all of the previous studies related to UGN-201, including the Phase 1 and Phase 1b studies.

Imiquimod, in its topical formulation, is FDA approved for several indications, including superficial basal cell carcinoma. UGN-201 is a liquid formulation of imiquimod for intravesical administration that has been optimized for delivery in the urinary tract. UGN-201 does not use our *RTGel* technology. We believe that UGN-201 may elicit an adaptive immune response in the presence of released bladder cancer antigens, which may translate into a long lasting acquired immune response. We also believe the combination of UGN-201 with immune checkpoint inhibitors could further increase the adaptive immune response and potentially represent a viable alternative to BCG for the adjuvant treatment of high-grade NMIBC or UTUC. We have obtained Orphan Drug Designation for UGN-201 for the treatment of CIS in the bladder. We have an active IND for UGN-201, which has been effective since 2013.

In November of 2019, we entered into a worldwide license agreement with Agenus Inc. to develop and commercialize zalifrelimab, an anti-CTLA-4 antibody, via intravesical delivery in combination with UGN-201 (together, UGN-302) for the treatment of urinary tract cancers, initially in high-grade NMIBC. We believe that the combination treatment makes local therapy a potentially more effective treatment option while minimizing systemic exposure and potential side effects.

In January 2021, we announced that we entered into a three-year strategic research collaboration agreement with MD Anderson focusing on UGN-302 as an investigational treatment for high-grade NMIBC. Under the agreement, MD Anderson and UroGen will collaborate on the design and conduct of non-clinical and clinical studies with oversight from a joint steering committee. UroGen will provide funding, developmental candidates, and other support.

Additional Nonclinical Programs

Using our proprietary *RTGel* formulation technology, we are pursuing additional nonclinical programs to expand and enhance our uro-oncology product portfolio. In particular, we are pursuing nonclinical programs for high-grade bladder cancer using checkpoint inhibitors such as an anti PD-1 or an anti-CTLA-4 as well as pursuing other urologic and oncology indications. For example, we recently entered into a research collaboration with Johns Hopkins University to explore the potential of checkpoint inhibitors combined with *RTGel* in glioblastoma multiforme.

License and Collaboration Agreements

Allergan/AbbVie Agreement

In October 2016, we entered into the Allergan/AbbVie Agreement and granted Allergan (now part of AbbVie Inc.) an exclusive worldwide license to research, develop, manufacture and commercialize pharmaceutical products that contain a proprietary *RTGel* formulation and clostridial toxins (including BOTOX®), alone or in combination with certain other active ingredients, to which we refer as the Licensed Products, which are approved for the treatment of adults with overactive bladder who cannot use or do not adequately respond to anticholinergics. Additionally, we granted Allergan a non-exclusive, worldwide license to use certain of our trademarks as required for Allergan to practice its exclusive license with respect to the Licensed Products.

Under the Allergan/AbbVie Agreement, Allergan is solely responsible for costs and development of the Licensed Products and obtaining all regulatory approvals for Licensed Products worldwide as well as worldwide commercialization of the Licensed Products after receiving the regulatory approval to do so. Allergan is required to use commercially reasonable efforts to develop and commercialize the Licensed Products for overactive bladder in certain major market countries.

Further, we are eligible to receive additional material milestone payments of up to an aggregate of \$200.0 million upon the successful completion of certain development, regulatory and commercial milestones. As of December 31, 2020, since inception of the Allergan/AbbVie Agreement we have received a total of \$25.0 million in milestone payments from Allergan. Allergan will pay us a tiered royalty in the low single digits based on worldwide annual net sales of Licensed Products, subject to certain reductions for the market entry of competing products and/or loss of our patent coverage of Licensed Products. We are responsible for payments to any third party for certain *RTGel*-related third-party intellectual properties.

Under the Allergan/AbbVie Agreement, Allergan granted us a non-exclusive, sublicensable, fully paid-up, perpetual, worldwide license under any improvements Allergan makes to the composition, formulation, or manufacture of the *RTGel* formulation for the research, development, manufacture and commercialization of any product containing *RTGel* and any active ingredient (other than a clostridial toxin) for all indications other than indications covered by the agreement and an exclusive, sublicensable, royalty-bearing (in low single digits), perpetual worldwide license under such improvements for use in the prevention or treatment of oncology indications.

In August 2020, we announced that the Phase 2 APOLLO trial did not meet the primary endpoint, it is believed to be the result of BOTOX not effectively permeating the urothelium. We are continuing to explore the potential use of *RTGel* in combination with other products in AbbVie's portfolio.

We plan to continue to research, develop and commercialize other products combining *RTGel* with other active ingredients, except that there are certain restrictions with respect to the overactive bladder and neurogenic detrusor overactivity indications. Neurogenic detrusor overactivity is when a known neurologic abnormality impairs the signaling systems between the bladder and the central nervous system, and the brain is unable to inhibit the detrusor muscles controlling urination.

Agenus Agreement

In November 2019, we entered into a license agreement with Agenus Inc. Pursuant to the agreement, Agenus granted us an exclusive, worldwide (not including Argentina, Brazil, Chile, Colombia, Peru, Venezuela and their respective territories and possessions),

royalty-bearing, sublicensable license under Agenus's intellectual property rights to develop, make, use, sell, import, and otherwise commercialize products incorporating a proprietary antibody of Agenus known as AGEN1884 for the treatment of cancers of the urinary tract via intravesical delivery. AGEN1884 is an anti-CTLA-4 antagonist that is currently being evaluated by Agenus as a monotherapy in PD-1 refractory patients and in combination with Agenus' anti-PD-1 antibody in solid tumors. Initially, we plan to develop AGEN1884 in combination with UGN-201 for the treatment of high-grade NMIBC. Our company code for the combination product is UGN-302.

Pursuant to the terms of the agreement, we paid Agenus an upfront fee of \$10.0 million and have agreed to pay Agenus up to \$115.0 million upon achieving certain clinical development and regulatory milestones, up to \$85.0 million upon achieving certain commercial milestones, and royalties on net sales of licensed products in the 14% to 20% range. We will be responsible for all development and commercialization activities. Under the terms of the license agreement, Agenus has agreed to use commercially reasonable efforts to supply AGEN1884 to us for use in development and commercialization.

Unless earlier terminated in accordance with the terms of the license agreement, the license agreement will expire on a product-by-product and country-by-country basis at the later of (a) the expiration of the last to expire valid claim of a licensed patent right that covers the licensed product in such country or (b) 15 years after the first commercial sale of the licensed product in such country. We may terminate the license agreement for convenience upon 180 days' written notice to Agenus. Either party may terminate the license agreement upon 60 days' notice to the other party if, prior to the first commercial sale of a licensed product, we substantially cease to conduct development activities of the licensed products for nine consecutive months (and during such period, Agenus has complied with its obligations under the license agreement) other than in response to a requirement of an applicable regulatory authority or an event outside of our control. In addition, either party may terminate the license agreement in the event of an uncured material breach of the other party.

Intellectual Property

Our patent estate includes patents and patent applications with claims directed to our approved product, *Jelmyto* and our lead product candidate, UGN-102, a proprietary *RTGel* technology, various local compositions comprising different active ingredients, inter alia compositions comprising a Botulinum Toxin, UGN-201, UGN-302 and our future product candidates that are under company research.

In the United States, we currently have 16 granted patents that are directed to protect our approved product, *Jelmyto* and our lead product candidate, UGN-102, a proprietary *RTGel* technology, various local compositions comprising different active ingredients, inter alia compositions comprising a Botulinum Toxin, UGN-201 and our future product candidates that are under company research. These patents claim methods, combination products and novel compositions for treating different diseases, especially cancer in internal cavities, in particular urinary tract cancer. These issued patents are set to expire between 2024 and 2037. In total, our IP portfolio includes 38 granted patents worldwide, and more than 40 pending patent applications filed in the US, Europe, Israel and Japan that are directed to cover various methods, systems and compositions for treating cancer locally, by intravesical means, utilize various active ingredients and the combinations thereof. These patent applications, if issued, are set to expire between 2031 and 2037.

As noted earlier, companies are required as part of the NDA submission process to list patents with the FDA whose claims cover the applicant's product. Accordingly, UroGen has listed two patents for *Jelmyto* in the FDA's Orange Book upon approval of *Jelmyto* for commercial sale, as part of the NDA process.

Our worldwide intellectual property portfolio includes patents and patent applications filed in many jurisdictions such as the United States, European Union, Canada, Israel, Australia, China, Japan, Mexico of which are expected to remain in effect until 2037:

- Hydrogel-based pharmaceutical compositions for optimal delivery of various therapeutic agents to internal cavities such as the bladder and/or urinary tract.
- The method for treating bladder cancer, upper urinary tract cancer and urothelial cancer using hydrogel-based compositions.
- The method for treating overactive bladder and IC topically without a need for injections in the bladder wall.
- Special catheters and in-dwelling ureter-catheter systems for optimal delivery of a drug into the renal cavity.
- Pharmaceutical compositions comprising an imidazoquinolin-amine (specifically imiquimod) and lactic acid for treating bladder cancer diseases.
- Composition comprising immunomodulators such as anti-PD1 and/or anti-CTLA4 for topical/intravesical administration as a monotherapy or a combo-therapy.
- Novel phospholipid drug analogs (new chemical entities) for treating cancer or infections.

In addition to patents, we have filed applications for trademark registration with the United States Patent and Trademark Office, or the USPTO, as well as certain other international jurisdictions for *Jelmyto*®, *RTGel*™, UroGen® and Cystoject™ and for certain other

tradenames and logos. In addition, we have a registered trademark in the U.S. covering a stylized design of our UroGen Pharmaceutical logo.

Furthermore, we rely upon trade secrets, know-how and continuing technological innovation to develop and maintain our competitive position. Preparing and filing patent applications is a joint endeavor of our research and development team and our in-house and external patent attorneys. Our patent attorneys conduct patent prior-art searches and then analyze the data in order to provide our research and development team with recommendations on a routine basis. This results in:

- protecting our product candidates that are under development;
- encouraging pharmaceutical companies to negotiate development agreements with us; and
- preventing competitors from attempting to design-around our inventions.

Competition

We are developing products for patients with low-grade UTUC, low-grade NMIBC and high-grade NMIBC.

In the UTUC space, there are no approved drugs used to treat the disease. Tumor resection surgeries are conducted in some cases of low-grade UTUC; however, complete kidney and upper urinary tract removal is the standard of care for recurring UTUC. We are aware of a company called Steba Biotech with an IND granted in December 2020 and plans to initiate a Phase 3 study of padeliporfin ImPACT for the treatment of adult patients with low-grade and unifocal high-grade UTUC in the first quarter of 2021. We do not know whether other competitors in the NMIBC space are already developing, or plan to develop, UTUC treatments. Competition may increase further as a result of advances in the commercial applicability of technologies and greater availability of capital for investment in this industry. Our competitors may succeed in developing, acquiring or licensing on an exclusive basis, products that are more effective, easier to administer or less costly than our product candidates.

The standard of care for treating low-grade NMIBC is repeated TURBT procedures. While effective, patients with low-grade intermediate risk NMIBC experience frequent recurrences and repeated surgical procedures. Mitomycin is sometimes used off-label as adjuvant treatment in the post-TURBT setting for low-grade NMIBC patients. Off-label means that while the FDA has not approved mitomycin as adjuvant treatment in the post-TURBT setting for low-grade intermediate risk NMIBC patients, physicians are permitted to utilize it as standard of care for this indication as part of medical practice. However, off-label usage as a standard of care does not change the FDA's approval criteria and does not suggest that FDA approval is more likely than for other investigational drugs. Companies such as Lipac Oncology are developing products for low-grade NMIBC.

The standard of care for treating high-grade NMIBC patients is the TURBT procedure for papillary tumor resection, followed by post-operative adjuvant BCG. In the case of high-grade disease without papillary tumor (CIS), BCG is used alone as primary therapy. BCG was approved by the FDA in 1989, since its approval, only two other drugs were approved for high-grade NMIBC: Valstar, approved by the FDA in 1998; and Keytruda, approved by the FDA in 2020. Valstar is indicated for patients with CIS that do not respond to BCG treatment and is rarely used. Keytruda was approved for CIS with or without papillary involvement for patients who do not respond to BCG treatment. It remains to be seen whether the broader urology community will adopt a systemic infused immunotherapy into their clinical management of BCG unresponsive NMIBC. In addition to these approved options, off-label intravesical chemotherapy can be used (such as gemcitabine and cisplatin). If the disease can no longer be controlled, patients will typically proceed to cystectomy, or surgical removal of the bladder, to prevent progression to muscle invasive and metastatic disease. There are several products in the development pipeline, most of which are treatments targeted for high-grade NMIBC patients who have failed BCG treatment and are facing cystectomy. Companies developing these options include AstraZeneca, Merck, Janssen, BMS, ImmunityBio, FerGene, Vyriad, CG Oncology, Seagen Inc. and Sesen Bio.

In addition, we face competition from existing standards of treatment, including TURBT, which is surgery for bladder cancer. If we are not able to demonstrate that our product candidates are at least as safe and effective as such courses of treatment, medical professionals may not adopt our product candidates to replace the existing standard of care, which is a tumor surgical procedure for both bladder cancer and UTUC.

The biopharmaceutical industry is intensely competitive and subject to rapid and significant technological change. Our potential competitors include large and experienced companies that enjoy significant competitive advantages over us, such as greater financial, research and development, manufacturing, personnel and marketing resources, greater brand recognition, and more experience and expertise in obtaining marketing approvals from the FDA and foreign regulatory authorities. These companies may develop new drugs to treat the indications that we target or seek to have existing drugs approved for use for the treatment of the indications that we target.

These potential competitors may therefore introduce competing products without our prior knowledge and without our ability to take preemptive measures in anticipation of their commercial launch. Competition may increase further as a result of advances in the commercial applicability of technologies and greater availability of capital for investment in this industry. Our competitors may

succeed in developing, acquiring or exclusively licensing products that are more effective, easier to administer or less costly than our product candidates.

Government Regulation

The FDA and comparable regulatory agencies in state and local jurisdictions and in foreign countries impose substantial requirements upon the clinical development, manufacture and marketing of pharmaceutical products. These agencies and other federal, state and local entities regulate research and development activities and the testing, manufacture, quality control, safety, effectiveness, labeling, storage, packaging, recordkeeping, tracking, approval, import, export, distribution, advertising and promotion of our products.

The process required by the FDA before product candidates may be marketed in the United States generally involves the following:

- nonclinical laboratory and animal tests that must be conducted in accordance with good laboratory practices, or GLPs;
- submission of an IND, which must become effective before clinical trials may begin;
- approval by an independent institutional review board, or IRB, for each clinical site or centrally before each trial may be initiated;
- adequate and well-controlled human clinical trials to establish the safety and efficacy of the proposed product candidate for its intended use, performed in accordance with good clinical practices, or GCPs;
- submission to the FDA of an NDA;
- satisfactory completion of an FDA advisory committee review, if applicable;
- pre-approval inspection of manufacturing facilities and selected clinical investigators for their compliance with current good manufacturing practices, or cGMP and GCPs; and
- FDA approval of an NDA to permit commercial marketing for particular indications for use.

The testing and approval process require substantial time, effort and financial resources. Nonclinical studies include laboratory evaluation of drug substance chemistry, pharmacology, toxicity and drug product formulation, as well as animal studies to assess potential safety and efficacy. Prior to commencing the first clinical trial with a product candidate, we must submit the results of the nonclinical tests and nonclinical literature, together with manufacturing information, analytical data and any available clinical data or literature, among other things, to the FDA as part of an IND. Some nonclinical studies may continue even after the IND is submitted. The IND automatically becomes effective 30 days after receipt by the FDA, unless the FDA, within the 30-day time period, raises safety concerns or questions about the conduct of the clinical trial by imposing a clinical hold. In such a case, the IND sponsor and the FDA must resolve any outstanding concerns before the clinical trial can begin. Submission of an IND may not result in FDA authorization to commence a clinical trial. A separate submission to the existing IND must be made for each successive clinical trial conducted during product development, as well as amendments to previously submitted clinical trials. Further, an independent IRB for each study site proposing to conduct the clinical trial must review and approve the plan for any clinical trial, its informed consent form and other communications to study subjects before the clinical trial commences at that site. The IRB must continue to oversee the clinical trial while it is being conducted, including any changes to the study plans. Regulatory authorities, an IRB or the sponsor may suspend or discontinue a clinical trial at any time on various grounds, including a finding that the subjects are being exposed to an unacceptable health risk, the clinical trial is not being conducted in accordance with the FDA's or the IRB's requirements, if the drug has been associated with unexpected serious harm to subjects, or based on evolving business objectives or competitive climate. Some studies also include a data safety monitoring board, which receives special access to unblinded data during the clinical trial and may advise us to halt the clinical trial if it determines that there is an unacceptable safety risk for subjects or other grounds, such as no demonstration of efficacy.

In general, for purposes of NDA approval, human clinical trials are typically conducted in three sequential phases that may overlap.

- Phase 1—Studies are initially conducted to test the product candidate for safety, dosage tolerance, structure-activity relationships, mechanism of action, absorption, metabolism, distribution and excretion in healthy volunteers or subjects with the target disease or condition. If possible, Phase 1 trials may also be used to gain an initial indication of product effectiveness.
- Phase 2—Controlled studies are conducted with groups of subjects with a specified disease or condition to provide enough data to evaluate the preliminary efficacy, optimal dosages and dosing schedule and expanded evidence of safety. Multiple Phase 2 clinical trials may be conducted to obtain information prior to beginning larger and more expensive Phase 3 clinical trials.
- Phase 3—These clinical trials are undertaken in larger subject populations to provide statistically significant evidence of clinical efficacy and to further test for safety in an expanded subject population at multiple clinical trial sites. Evidence is considered to be statistically significant when the probability of the result occurring by random chance, rather than from the efficacy of the treatment, is sufficiently low. These clinical trials are intended to establish the overall risk/benefit ratio of the product and provide an adequate basis for product labeling. These trials may be done globally to support global registrations so

long as the global sites are also representative of the U.S. population and the conduct of the study at global sites comports with FDA regulations and guidance, such as compliance with GCPs.

The FDA may require, or companies may pursue, additional clinical trials after a product is approved. These so-called Phase 4 studies may be made a condition to be satisfied after approval. The results of Phase 4 studies can confirm the effectiveness of a product candidate and can provide important safety information.

Clinical trials must be conducted under the supervision of qualified investigators in accordance with GCP requirements, which includes the requirements that all research subjects provide their informed consent in writing for their participation in any clinical trial, and the review and approval of the study by an IRB. Investigators must also provide information to the clinical trial sponsors to allow the sponsors to make specified financial disclosures to the FDA. Clinical trials are conducted under protocols detailing, among other things, the objectives of the trial, the trial procedures, the parameters to be used in monitoring safety and the efficacy criteria to be evaluated and a statistical analysis plan. Information about some clinical trials, including a description of the trial and trial results, must be submitted within specific timeframes to the National Institutes of Health, or NIH, for public dissemination on their ClinicalTrials.gov website.

The manufacture of investigational drugs for the conduct of human clinical trials is subject to cGMP requirements. Investigational drugs and active pharmaceutical ingredients imported into the United States are also subject to regulation by the FDA relating to their labeling and distribution. Further, the export of investigational drug products outside of the United States is subject to regulatory requirements of the receiving country as well as U.S. export requirements under the Federal Food, Drug and Cosmetic Act, or the FDCA. Progress reports detailing the results of the clinical trials must be submitted at least annually to the FDA and the IRB and more frequently if serious adverse events, or SAEs occur.

Concurrent with clinical trials, companies usually complete additional animal studies and must also develop additional information about the chemistry and physical characteristics of the product candidate as well as finalize a process for manufacturing the product in commercial quantities in accordance with cGMP requirements. The manufacturing process must be capable of consistently producing quality batches of the product candidate and, among other things, must develop methods for testing the identity, strength, quality and purity of the final product. Additionally, appropriate packaging must be selected and tested, and stability studies must be conducted to demonstrate that the product candidate does not undergo unacceptable deterioration over its shelf life.

505(b)(2) Regulatory Approval Process

Section 505(b)(2) of the FDCA, or 505(b)(2), provides an alternate regulatory pathway to FDA approval for new or improved formulations or new uses of previously approved drug products. Specifically, 505(b)(2) permits the filing of an NDA where at least some of the information required for approval comes from studies not conducted by or for the applicant and for which the applicant has not obtained a right of reference or use from the person by or for whom the investigations were conducted. The applicant may rely upon the FDA's prior findings of safety and efficacy for an approved product that acts as the reference listed drug for purposes of a 505(b)(2) NDA. The FDA may also require 505(b)(2) applicants to perform additional studies or measurements to support any changes from the reference listed drug. The FDA may then approve the new product candidate for all or some of the labeled indications for which the referenced product has been approved, as well as for any new indication sought by the 505(b)(2) applicant.

Orange Book Listing

Section 505 of the FDCA describes three types of marketing applications that may be submitted to the FDA to request marketing authorization for a new drug. A Section 505(b)(1) NDA is an application that contains full reports of investigations of safety and efficacy. A 505(b)(2) NDA is an application that contains full reports of investigations of safety and efficacy, but where at least some of the information required for approval comes from investigations that were not conducted by or for the applicant and for which the applicant has not obtained a right of reference or use from the person by or for whom the investigations were conducted. This regulatory pathway enables the applicant to rely, in part, on the FDA's prior findings of safety and efficacy for an existing product, or published literature, in support of its application. Section 505(j) establishes an abbreviated approval process for a generic version of approved drug products through the submission of an abbreviated new drug application, or ANDA. An ANDA provides for marketing of a generic drug product that has the same active ingredients, dosage form, strength, route of administration, labeling, performance characteristics and intended use, among other things, to a previously approved product. ANDAs are termed "abbreviated" because they are generally not required to include nonclinical and clinical data to establish safety and efficacy. Instead, generic applicants must scientifically demonstrate that their product is bioequivalent to, or performs in the same manner as, the innovator drug through *in vitro*, *in vivo* or other testing. The generic version must deliver the same amount of active ingredients into a subject's bloodstream in the same amount of time as the innovator drug and can often be substituted by pharmacists under prescriptions written for the reference listed drug.

In seeking approval for a drug through an NDA, including a 505(b)(2) NDA, applicants are required to list patents with the FDA which claims cover the applicant's product. The patents chosen as part of this submission do not reflect the entire patent estate or set of product protections associated with this product, which may provide various protections beyond the patents submitted in the NDA application. Upon approval of an NDA, each of the patents listed in the application for the drug is then published in Approved Drug

Products with Therapeutic Equivalence Evaluations, also known as the Orange Book. These products may be cited by potential competitors in support of approval of an ANDA or 505(b)(2) NDA.

Any applicant who submits an ANDA seeking approval of a generic equivalent version of a drug listed in the Orange Book or a 505(b)(2) NDA referencing a drug listed in the Orange Book must certify to the FDA that (1) no patent information on the drug product that is the subject of the application has been submitted to the FDA; (2) such patent has expired; (3) the date on which such patent expires; or (4) such patent is invalid or will not be infringed upon by the manufacture, use or sale of the drug product for which the application is submitted. This last certification is known as a Paragraph IV certification. Generally, the ANDA or 505(b)(2) NDA cannot be approved until all listed patents have expired, except where the ANDA or 505(b)(2) NDA applicant challenges a listed patent through a Paragraph IV certification. If the applicant does not challenge the listed patents or does not indicate that it is not seeking approval of a patented method of use, the ANDA or 505(b)(2) NDA application will not be approved until all of the listed patents claiming the referenced product have expired.

If the competitor has provided a Paragraph IV certification to the FDA, the competitor must also send notice of the Paragraph IV certification to the holder of the NDA for the reference listed drug and the patent owner once the application has been accepted for filing by the FDA. The NDA holder or patent owner may then initiate a patent infringement lawsuit in response to the notice of the Paragraph IV certification. The filing of a patent infringement lawsuit within 45 days of the receipt of a Paragraph IV certification prevents the FDA from approving the application until the earlier of 30 months from the date of the lawsuit, expiration of the patent, settlement of the lawsuit, a decision in the infringement case that is favorable to the applicant or such shorter or longer period as may be ordered by a court. This prohibition is generally referred to as the 30-month stay. In instances where an ANDA or 505(b)(2) NDA applicant files a Paragraph IV certification, the NDA holder or patent owner regularly take action to trigger the 30-month stay, recognizing that the related patent litigation may take many months or years to resolve. Thus, approval of an ANDA or 505(b)(2) NDA could be delayed for a significant period of time depending on the patent certification the applicant makes and the reference drug sponsor's decision to initiate patent litigation. The applicant may also elect to submit a statement certifying that its proposed label does not contain, or carves out, any language regarding the patented method-of-use rather than certify to a listed method-of-use patent.

Exclusivity

The FDA provides periods of regulatory exclusivity, which provides the holder of an approved NDA limited protection from new competition in the marketplace for the innovation represented by its approved drug for a period of three or five years following the FDA's approval of the NDA. Five years of exclusivity are available to NCEs. An NCE is a drug that contains no active moiety that has been approved by the FDA in any other NDA. An active moiety is the molecule or ion, excluding those appended portions of the molecule that cause the drug to be an ester, salt, including a salt with hydrogen or coordination bonds, or other noncovalent, or not involving the sharing of electron pairs between atoms, derivatives, such as a complex (i.e., formed by the chemical interaction of two compounds), chelate (i.e., a chemical compound), or clathrate (i.e., a polymer framework that traps molecules), of the molecule, responsible for the therapeutic activity of the drug substance. During the exclusivity period, the FDA may not accept for review or approve an ANDA or a 505(b)(2) NDA submitted by another company that contains the previously approved active moiety. An ANDA or 505(b)(2) application, however, may be submitted one year before NCE exclusivity expires if a Paragraph IV certification is filed.

If a product is not eligible for the NCE exclusivity, it may be eligible for three years of exclusivity. Three-year exclusivity is available to the holder of an NDA, including a 505(b)(2) NDA, for a particular condition of approval, or change to a marketed product, such as a new formulation for a previously approved product, if one or more new clinical trials, other than bioavailability or bioequivalence trials, was essential to the approval of the application and was conducted or sponsored by the applicant. This three-year exclusivity period protects against FDA approval of ANDAs and 505(b)(2) NDAs for the condition of the new drug's approval. As a general matter, three-year exclusivity does not prohibit the FDA from approving ANDAs or 505(b)(2) NDAs for generic versions of the original, unmodified drug product. Five-year and three-year exclusivity will not delay the submission or approval of a full NDA; however, an applicant submitting a full NDA would be required to conduct or obtain a right of reference to all of the nonclinical studies and adequate and well-controlled clinical trials necessary to demonstrate safety and efficacy.

The Orphan Drug Act

Under the Orphan Drug Act, the FDA may grant Orphan Drug Designation to drugs intended to treat a rare disease or condition—generally a disease or condition that affects fewer than 200,000 individuals in the United States. Orphan Drug Designation must be requested before submitting an NDA. After the FDA grants Orphan Drug Designation, the generic identity of the drug and its potential orphan use are disclosed publicly by the FDA. Orphan Drug Designation does not convey any advantage in, or shorten the duration of, the regulatory review and approval process. The first NDA applicant to receive FDA approval for a particular active ingredient to treat a particular disease with FDA Orphan Drug Designation is entitled to a seven-year exclusive marketing period in the United States for that product, for that indication. During the seven-year exclusivity period, the FDA may not approve any other applications to market the same drug for the same disease, except in limited circumstances, such as a showing of clinical superiority to the product with orphan drug exclusivity. Orphan drug exclusivity does not prevent FDA from approving a different drug for the same disease or

condition, or the same drug for a different disease or condition. Among the other benefits of Orphan Drug Designation are tax credits for certain research and a waiver of the NDA application user fee.

Expedited Development and Review Programs

The FDA is required to facilitate the development and expedite the review of drugs that are intended for the treatment of a serious or life-threatening condition for which there is no effective treatment, and which demonstrate the potential to address unmet medical needs for the condition. Under the Fast Track program, the sponsor of a new product candidate may request the FDA to designate the product for a specific indication as a Fast Track product concurrent with or after the submission of the IND for the product candidate. The FDA must determine if the product candidate qualifies for Fast Track and Breakthrough Therapy designations within 60 days after receipt of the sponsor's request.

For Fast Track and Breakthrough Therapy products, the sponsor may have more frequent interactions with the FDA and the FDA may initiate review of sections of a Fast Track or Breakthrough Therapy product's NDA before the application is complete. This rolling review is available if the applicant provides and the FDA approves a schedule for the submission of the remaining information and the applicant pays applicable user fees. However, the FDA's time period goal for reviewing a Fast Track or Breakthrough Therapy application does not begin until the last section of the NDA is submitted. In addition, the Fast Track and Breakthrough Therapy designations may be withdrawn by the FDA if the FDA believes that the designation is no longer supported by data emerging in the clinical trial process. A Fast Track and Breakthrough Therapy designated product candidate would ordinarily meet the FDA's criteria for priority review.

Drug products studied for their safety and effectiveness in treating serious or life-threatening illnesses and that provide meaningful therapeutic benefit over existing treatments may receive accelerated approval, which means that they may be approved on the basis of adequate and well-controlled clinical trials establishing that the product has an effect on a surrogate endpoint that is reasonably likely to predict a clinical benefit, or on the basis of an effect on an intermediate clinical endpoint other than survival or irreversible morbidity, taking into account the severity, rarity, or prevalence of the condition and the availability or lack of alternative treatments. As a condition of approval, the FDA generally requires that a sponsor of a drug product receiving accelerated approval perform adequate and well-controlled post-marketing clinical trials to verify the clinical benefit in relationship to the surrogate endpoint or ultimate outcome in relationship to the clinical benefit. In addition, the FDA currently requires as a condition for accelerated approval pre-approval of promotional materials, which could adversely impact the timing of the commercial launch of the product. The FDA may withdraw approval of a drug or indication approved under accelerated approval if, for example, the confirmatory trial fails to verify the predicted clinical benefit of the product.

NDA Submission and Review by the FDA

Assuming successful completion of the required clinical and nonclinical testing, among other items, the results of product development, including chemistry, manufacture and controls, nonclinical studies and clinical trials are submitted to the FDA, along with proposed labeling, as part of an NDA. The submission of an NDA requires payment of a substantial user fee to the FDA. These user fees must be paid at the time of the first submission of the application, even if the application is being submitted on a rolling basis. Fee waivers or reductions are available in some circumstances. One basis for a waiver of the application user fee is if the applicant employs fewer than 500 employees, including employees of affiliates, the applicant does not have an approved marketing application for a product that has been introduced or delivered for introduction into interstate commerce, and the applicant, including its affiliates, is submitting its first marketing application.

In addition, under the Pediatric Research Equity Act, or PREA, an NDA or supplement to an NDA for a new active ingredient, indication, dosage form, dosage regimen or route of administration must contain data that are adequate to assess the safety and efficacy of the drug for the claimed indications in all relevant pediatric subpopulations, and to support dosing and administration for each pediatric subpopulation for which the product is safe and effective. The FDA may, on its own initiative or at the request of the applicant, grant deferrals for submission of some or all pediatric data until after approval of the product for use in adults or full or partial waivers from the pediatric data requirements.

The FDA may refer applications for drugs that contain active ingredients that have not previously been approved by the FDA or drugs which present difficult questions of safety, purity or potency to an advisory committee. An advisory committee is typically a panel that includes clinicians and other experts who review, evaluate and make a recommendation as to whether the application should be approved and under what conditions. The FDA is not bound by the recommendations of an advisory committee, but it considers such recommendations carefully when making decisions.

The FDA reviews applications to determine, among other things, whether a product is safe and effective for its intended use and whether the manufacturing controls are adequate to assure and preserve the product's identity, strength, quality and purity. Before approving an NDA, the FDA will inspect the facility or facilities where the product is manufactured. The FDA will not approve an application unless it determines that the manufacturing processes and facilities, including contract manufacturers and subcontracts, are in compliance with cGMP requirements and adequate to assure consistent production of the product within required specifications. Additionally, before approving an NDA, the FDA will typically inspect one or more clinical trial sites to assure compliance with GCPs.

Once the FDA receives an application, it has 60 days to review the NDA to determine if it is substantially complete to permit a substantive review, before it accepts the application for filing. Once the submission is accepted for filing, the FDA begins an in-depth review of the NDA. The FDA's NDA review times may differ based on whether the application is a standard review or priority review application. The FDA may give a priority review designation to drugs that are intended to treat serious conditions and provide significant improvements in the safety or effectiveness of the treatment, diagnosis, or prevention of serious conditions. Under the goals and policies agreed to by the FDA under the Prescription Drug User Fee Act, or PDUFA, the FDA has set the review goal of 10 months from the 60-day filing date to complete its initial review of a standard NDA for an NME and make a decision on the application. For non-NME standard applications, the FDA has set the review goal of 10 months from the submission date to complete its initial review and to make a decision on the application. For priority review applications, the FDA has set the review goal of reviewing NME NDAs within six months of the 60-day filing date and non-NME applications within six months of the submission date. Such deadlines are referred to as the PDUFA date. The PDUFA date is only a goal and the FDA does not always meet its PDUFA dates. The review process and the PDUFA date may also be extended if the FDA requests or the NDA sponsor otherwise provides additional information or clarification regarding the submission.

Once the FDA's review of the application is complete, the FDA will issue either a Complete Response Letter, or CRL, or approval letter. A CRL indicates that the review cycle of the application is complete, and the application is not ready for approval. A CRL generally contains a statement of specific conditions that must be met in order to secure final approval of the NDA and may require additional clinical or nonclinical testing, or other information or analyses in order for the FDA to reconsider the application. The FDA has the goal of reviewing 90% of application resubmissions in either two or six months of the resubmission date, depending on the kind of resubmission. Even with the submission of additional information, the FDA ultimately may decide that the application does not satisfy the regulatory criteria for approval. If and when those conditions have been met to the FDA's satisfaction, the FDA may issue an approval letter. An approval letter authorizes commercial marketing of the drug with specific prescribing information for specific indications.

The FDA may delay or refuse approval of an NDA if applicable regulatory criteria are not satisfied, require additional testing or information and/or require post-marketing testing and surveillance to monitor safety or efficacy of a product, or impose other conditions, including distribution restrictions or other risk management mechanisms. For example, the FDA may require a risk evaluation and mitigation strategy, or REMS, as a condition of approval or following approval to mitigate any identified or suspected serious risks and ensure safe use of the drug. The FDA may prevent or limit further marketing of a product, or impose additional post-marketing requirements, based on the results of post-marketing studies or surveillance programs. After approval, some types of changes to the approved product, such as adding new indications, manufacturing changes and additional labeling claims, are subject to further testing requirements, FDA notification and FDA review and approval. Further, should new safety information arise, additional testing, product labeling or FDA notification may be required.

If regulatory approval of a product is granted, such approval may entail limitations on the indicated uses for which such product may be marketed or may include contraindications, warnings or precautions in the product labeling, which has resulted in a boxed warning. The FDA also may not approve the inclusion of labeling claims necessary for successful marketing. Once approved, the FDA may withdraw the product approval if compliance with pre- and post-marketing regulatory standards is not maintained or if problems occur after the product reaches the marketplace. In addition, the FDA may require Phase 4 post-marketing studies to monitor the effect of approved products and may limit further marketing of the product based on the results of these post-marketing studies.

Post-approval Requirements

Any products manufactured or distributed by us pursuant to FDA approvals are subject to continuing regulation by the FDA, including manufacturing, periodic reporting, product sampling and distribution, advertising, promotion, drug shortage reporting, compliance with any post-approval requirements imposed as a conditional of approval such as Phase 4 clinical trials, REMS and surveillance, recordkeeping and reporting requirements, including adverse experiences.

After approval, most changes to the approved product, such as adding new indications or other labeling claims are subject to prior FDA review and approval. There also are continuing annual program user fee requirements for any approved products, as well as new application fees for supplemental applications with clinical data. Drug manufacturers and their subcontractors are required to register their establishments with the FDA and certain state agencies and to list their drug products and are subject to periodic announced and unannounced inspections by the FDA and these state agencies for compliance with cGMPs and other requirements, which impose procedural and documentation requirements upon us and our third-party manufacturers. We cannot be certain that we or our present or future suppliers will be able to comply with the cGMP regulations and other FDA regulatory requirements.

Changes to the manufacturing process are strictly regulated and often require prior FDA approval before being implemented, or FDA notification. FDA regulations also require investigation and correction of any deviations from cGMPs and specifications and impose reporting and documentation requirements upon the sponsor and any third-party manufacturers that the sponsor may decide to use. Accordingly, manufacturers must continue to expend time, money and effort in the area of production and quality control to maintain cGMP compliance.

Later discovery of previously unknown problems with a product, including AEs of unanticipated severity or frequency, or with manufacturing processes, or failure to comply with regulatory requirements, may result in withdrawal of marketing approval,

mandatory revisions to the approved labeling to add new safety information or other limitations, imposition of post-market studies or clinical trials to assess new safety risks or imposition of distribution or other restrictions under a REMS program, among other consequences.

The FDA closely regulates the marketing and promotion of drugs. A company can make only those claims relating to safety and efficacy, purity and potency that are approved by the FDA. Physicians, in their independent professional medical judgement, may prescribe legally available products for uses that are not described in the product's labeling and that differ from those tested by us and approved by the FDA. We, however, are prohibited from marketing or promoting drugs for uses outside of the approved labeling but may share truthful and not misleading information that is otherwise consistent with the product's approved labeling.

In addition, the distribution of prescription pharmaceutical products, including samples, is subject to the Prescription Drug Marketing Act, or PDMA, which regulates the distribution of drugs and drug samples at the federal level, and sets minimum standards for the registration and regulation of drug distributors by the states. Both the PDMA and state laws limit the distribution of prescription pharmaceutical product samples and impose requirements to ensure accountability in distribution. The Drug Supply Chain Security Act also imposes obligations on manufacturers of pharmaceutical products related to product tracking and tracing.

Failure to comply with any of the FDA's requirements could result in significant adverse enforcement actions. These include a variety of administrative or judicial sanctions, such as refusal to approve pending applications, license suspension or revocation, withdrawal of an approval, imposition of a clinical hold or termination of clinical trials, warning letters, untitled letters, cyber letters, modification of promotional materials or labeling, product recalls, product seizures or detentions, refusal to allow imports or exports, total or partial suspension of production or distribution, debarment, injunctions, fines, consent decrees, corporate integrity agreements, refusals of government contracts and new orders under existing contracts, exclusion from participation in federal and state healthcare programs, restitution, disgorgement or civil or criminal penalties, including fines and imprisonment. Any of these sanctions could result in adverse publicity, among other adverse consequences.

Other Healthcare Regulations

Our business activities, including but not limited to, research, sales, promotion, distribution, medical education and other activities following product approval will be subject to regulation by numerous regulatory and law enforcement authorities in the United States in addition to the FDA, including potentially the Department of Justice, the Department of Health and Human Services, or HHS, and its various divisions, including the Centers for Medicare & Medicaid Services, or CMS, and the Health Resources and Services Administration, the Department of Veterans Affairs, the Department of Defense and state and local governments. Our business activities must comply with numerous federal, state, and foreign healthcare laws and regulations, including those described below.

The federal Anti-Kickback Statute prohibits, among other things, any person or entity, from knowingly and willfully offering, paying, soliciting or receiving any remuneration, directly or indirectly, overtly or covertly, in cash or in kind, to induce or reward, or in return for, the referral of an individual for, or purchasing, leasing, ordering, or arranging for the purchase, lease or order of, any good, facility, item or service reimbursable, in whole or in part, by Medicare, Medicaid or other federal healthcare programs. The term remuneration has been interpreted broadly to include anything of value, including unlawful financial inducements paid to prescribers and beneficiaries, as well as impermissible promotional practices. There are a number of statutory exceptions and regulatory safe harbors protecting some common activities from prosecution, but the exceptions and safe harbors are drawn narrowly. Failure to meet all of the requirements of a particular applicable statutory exception or regulatory safe harbor does not make the conduct per se illegal under the federal Anti-Kickback Statute. Instead, the legality of the arrangement will be evaluated on a case-by-case basis based on a cumulative review of all of its facts and circumstances. Additionally, the Patient Protection and Affordable Care Act of 2010, as amended by the Health Care and Education Reconciliation Act of 2010, or collectively the ACA, amended the intent requirement of the federal Anti-Kickback Statute so that a person or entity no longer needs to have actual knowledge of the federal Anti-Kickback Statute, or the specific intent to violate it, to have violated the statute. The ACA also provided that a violation of the federal Anti-Kickback Statute is grounds for the government or a whistleblower to assert that a claim for payment of items or services resulting from such violation constitutes a false or fraudulent claim for purposes of the federal civil False Claims Act.

The federal civil and criminal false claims laws, including the federal civil False Claims Act, prohibit, among other things, any person or entity from knowingly presenting, or causing to be presented, a false claim for payment to, or for approval by, the federal government, including the Medicare and Medicaid programs, or knowingly making, using, or causing to be made or used a false record or statement material to a false or fraudulent claim to avoid, decrease or conceal an obligation to pay money to the federal government.

The civil monetary penalties statute imposes penalties against any person or entity who, among other things, is determined to have presented or caused to be presented a claim to a federal health program that the person knows or should know is for an item or service that was not provided as claimed or is false or fraudulent.

As a condition of receiving Medicaid coverage for prescription drugs, the Medicaid Drug Rebate Program requires manufacturers to calculate and report to CMS their Average Manufacturer Price, or AMP, which is used to determine rebate payments shared between the states and the federal government and, for some multiple source drugs, Medicaid payment rates for the drug, and for drugs paid under Medicare Part B, to also calculate and report their average sales price, which is used to determine the Medicare Part B payment

rate for the drug. In January 2016, CMS issued a final rule regarding the Medicaid Drug Rebate Program, effective April 1, 2016, that, among other things, revises the manner in which the AMP is to be calculated by manufacturers participating in the program and implements certain amendments to the Medicaid rebate statute created under the ACA. Drugs that are approved under a biologics license application, or BLA, or an NDA, including a 505(b)(2) NDA, are subject to an additional requirement to calculate and report the manufacturer's best price for the drug and inflation penalties which can substantially increase rebate payments. For BLA and NDA drugs, the Veterans Health Care Act requires manufacturers to calculate and report to the Department of Veterans Affairs a different price called the Non-Federal AMP, offer the drugs for sale on the Federal Supply Schedule, and charge the government no more than a statutory price referred to as the Federal Ceiling Price, which includes an inflation penalty. A separate law requires manufacturers to pay rebates on these drugs when paid by the Department of Defense under its TRICARE Retail Pharmacy Program. Knowingly submitting false pricing information to the government creates potential federal civil False Claims Act liability.

The Federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, created additional federal civil and criminal statutes that prohibit knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program, including public and private payors, or obtain, by means of false or fraudulent pretenses, representations or promises, any of the money or property owned by, or under the custody or control of, any healthcare benefit program, regardless of whether the payor is public or private, knowingly and willfully embezzling or stealing from a health care benefit program, willfully obstructing a criminal investigation of a health care offense and knowingly and willfully falsifying, concealing or covering up by any trick or device a material fact or making any materially false statements in connection with the delivery of, or payment for, healthcare benefits, items or services relating to healthcare matters. The ACA amended the federal health care fraud criminal statute implemented under HIPAA so that a person or entity no longer needs to have actual knowledge of the statute, or the specific intent to violate it, to have violated the statute.

Additionally, the federal Open Payments program pursuant to the Physician Payments Sunshine Act, created under Section 6002 of the ACA and its implementing regulations, require some manufacturers of drugs, devices, biologics and medical supplies for which payment is available under Medicare, Medicaid or the Children's Health Insurance Program (with specified exceptions) to report annually information related to specified payments or other transfers of value provided to physicians, (defined to include doctors, dentists, optometrists, podiatrists and chiropractors) and teaching hospitals, or to entities or individuals at the request of, or designated on behalf of, physicians and teaching hospitals and to report annually specified ownership and investment interests held by physicians and their immediate family members. Beginning in 2022, applicable manufacturers also will be required to report such information regarding its payments and other transfer of value to physician assistants, nurse practitioners, clinical nurse specialists, anesthesiologist assistants, certified registered nurse anesthetists and certified nurse midwives during the previous year.

In addition, we may be subject to data privacy and security regulation by both the federal government and the states in which we conduct our business. HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act, or HITECH, and their implementing regulations, impose requirements relating to the privacy, security and transmission of individually identifiable health information on HIPAA covered entities, which include certain healthcare providers, health plans and healthcare clearinghouses, and their business associates as well as their covered subcontractors, including mandatory contractual terms and the implementation of certain safeguards of such information. Among other things, HITECH makes HIPAA's security standards directly applicable to business associates, independent contractors or agents of covered entities that receive or obtain protected health information in connection with providing a service on behalf of a covered entity. HITECH also created four new tiers of civil monetary penalties, amended HIPAA to make civil and criminal penalties directly applicable to business associates, and gave state attorneys general new authority to file civil actions for damages or injunctions in federal courts to enforce the federal HIPAA laws and seek attorneys' fees and costs associated with pursuing federal civil actions. In addition, state laws govern the privacy and security of health information in some circumstances, many of which differ from each other in significant ways, may not have the same effect and may not be preempted by HIPAA, thus complicating compliance efforts.

Many states have also adopted laws similar to each of the above federal laws, which may be broader in scope and apply to items or services reimbursed by any payor, including commercial insurers. In addition, we may be subject to certain analogous foreign healthcare laws. We may also be subject to state laws that require pharmaceutical companies to comply with the pharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government, and/or state laws that require drug manufacturers to report information related to marketing expenditures or payments and other transfers of value to physicians and other healthcare providers, and drug pricing. Certain state and local laws also require the registration of pharmaceutical sales representatives.

Enforcement actions can be brought by federal or state governments or, in some cases, as "qui tam" actions brought by individual whistleblowers in the name of the government. Depending on the circumstances, failure to comply with these laws can result in significant penalties, including criminal, civil and administrative penalties, damages, fines, disgorgement, debarment from government contracts, imprisonment, additional reporting requirements and oversight if we become subject to a corporate integrity agreement or similar agreement to resolve allegations of non-compliance with these laws, exclusion from government programs, refusal to allow us to enter into supply contracts, including government contracts, reputational harm, diminished profits and future earnings and the curtailment or restructuring of our operations, any of which could adversely affect our business.

Coverage and Reimbursement

Our ability to commercialize any products successfully also will depend in part on the extent to which coverage and adequate reimbursement for our products, once approved, and related treatments will be available from third-party payors, such as government health administration authorities, private health insurers and managed care organizations. Third-party payors determine which medications they will cover and separately establish reimbursement levels. Even if we obtain coverage for a given product by a third-party payor, the third-party payor's reimbursement rates may not be adequate to make the product affordable to patients or profitable to us, or the third-party payors may require co-payments that patients find unacceptably high. Patients who are prescribed medications for the treatment of their conditions, and their prescribing physicians, generally rely on third-party payors to reimburse all or part of the costs associated with their prescription drugs. Patients are unlikely to use our products unless coverage is provided, and reimbursement is adequate to cover all or a significant portion of the cost of our products. Therefore, coverage and adequate reimbursement is critical to new product acceptance. Coverage decisions may depend upon clinical and economic standards that disfavor new drug products when more established or lower cost therapeutic alternatives are already available or subsequently become available.

Government authorities and other third-party payors are developing increasingly sophisticated methods of controlling healthcare costs, such as by limiting coverage and the amount of reimbursement for particular medications. Increasingly, third-party payors are requiring that drug companies provide them with predetermined discounts from list prices as a condition of coverage, are using restrictive formularies and preferred drug lists to leverage greater discounts in competitive classes and are challenging the prices charged for medical products. Further, no uniform policy for determining coverage and reimbursement for drug products exists among third-party payors in the United States. Therefore, coverage and reimbursement for drug products can differ significantly from payor to payor. As a result, the coverage determination process is often a time-consuming and costly process that will require us to provide scientific and clinical support for the use of our products to each payor separately, with no assurance that coverage and adequate reimbursement will be applied consistently or obtained in the first instance.

We cannot be sure that coverage and reimbursement will be available for any product that we commercialize and, if reimbursement is available, that the level of reimbursement will be adequate. Coverage and reimbursement may impact the demand for, or the price of, any product candidate for which we obtain marketing approval. If coverage and reimbursement are not available, or if reimbursement is available only to limited levels, we may not successfully commercialize any product candidate for which we obtain marketing approval.

Healthcare Reform Measures

The United States and some foreign jurisdictions are considering or have enacted a number of legislative and regulatory proposals designed to change the healthcare system in ways that could affect our ability to sell our products profitably. Among policy makers and payors in the United States and elsewhere, there is significant interest in promoting changes in healthcare systems with the stated goals of containing healthcare costs, improving quality and/or expanding access. In the United States, the pharmaceutical industry has been a particular focus of these efforts and has been significantly affected by major legislative initiatives.

For example, in March 2010, the ACA was passed, which has changed health care financing by both governmental and private insurers and significantly affected the U.S. pharmaceutical industry. The ACA, among other things, subjected manufacturers to new annual fees and taxes for specified branded prescription drugs, increased the minimum Medicaid rebates owed by most manufacturers under the Medicaid Drug Rebate Program, expanded health care fraud and abuse laws, revised the methodology by which rebates owed by manufacturers to the state and federal government for covered outpatient drugs under the Medicaid Drug Rebate Program are calculated, imposed an additional rebate similar to an inflation penalty on new formulations of drugs, extended the Medicaid Drug Rebate Program to Medicaid managed care organizations, expanded the 340B program, which caps the price at which manufacturers can sell covered outpatient pharmaceuticals to specified hospitals, clinics and community health centers, and provided incentives to programs that increase the federal government's comparative effectiveness research.

There have been judicial and Congressional challenges, as well as efforts by the Trump Administration to repeal or replace certain aspects of the ACA. For example, since January 2017, President Trump has signed several executive orders and other directives designed to delay, circumvent, or loosen certain requirements mandated by the ACA. Concurrently, Congress has considered legislation that would repeal or repeal and replace all or part of the ACA. While Congress has not passed comprehensive repeal legislation, several bills affecting the implementation of certain taxes under the ACA has been signed into law. Legislation enacted in 2017 informally titled the Tax Cuts and Jobs Act of 2017, or Tax Act, included a provision which repealed, effective January 1, 2019, the tax-based shared responsibility payment imposed by the ACA on certain individuals who fail to maintain qualifying health coverage for all or part of a year that is commonly referred to as the "individual mandate." In addition, the 2020 federal spending package permanently eliminates, effective January 1, 2020, the ACA-mandated "Cadillac" tax on high-cost employer-sponsored health coverage and medical device tax and, effective January 1, 2021, also eliminated the health insurer tax. The Bipartisan Budget Act of 2018, or the BBA, among other things, amended the ACA, effective January 1, 2019, to close the coverage gap in most Medicare drug plans, commonly referred to as the "donut hole." On December 14, 2018, a U.S. District Court judge in the Northern District of Texas, or the Texas District Court Judge, ruled that the individual mandate is a critical and inseparable feature of the ACA, and therefore, because it was repealed as part of the Tax Act, the remaining provisions of the ACA are invalid as well. The U.S. Supreme Court is currently reviewing this case, but it is unknown when a decision will be reached. Although the U.S. Supreme Court has yet ruled on the constitutionality of the ACA, on January 28, 2021, President Biden issued an executive order to initiate a special enrollment period from February 15, 2021 through May 15, 2021 for purposes of obtaining health insurance coverage through the

ACA marketplace. The executive order also instructs certain governmental agencies to review and reconsider their existing policies and rules that limit access to healthcare, including among others, reexamining Medicaid demonstration projects and waiver programs that include work requirements, and policies that create unnecessary barriers to obtaining access to health insurance coverage through Medicaid or the ACA. It is unclear how the Supreme Court ruling, other such litigation, and the healthcare reform measures of the Biden administration will impact the ACA.

Other legislative changes have been proposed and adopted in the United States since the ACA was enacted. In August 2011, the Budget Control Act of 2011, among other things, created measures for spending reductions by Congress. A Joint Select Committee on Deficit Reduction, tasked with recommending a targeted deficit reduction of at least \$1.2 trillion for the years 2013 through 2021, was unable to reach required goals, thereby triggering the legislation's automatic reduction to several government programs. This includes aggregate reductions of Medicare payments to providers up to 2% per fiscal year, which went into effect in April 2013 and, due to subsequent legislative amendments to the statute, including the BBA, will remain in effect through 2030 unless additional U.S. Congressional action is taken. However, COVID-19 relief support legislation suspended the 2% Medicare sequester from May 1, 2020 through March 31, 2021. In addition, in January 2013, President Obama signed into law the American Taxpayer Relief Act of 2012, which, among other things, reduced Medicare payments to several categories of healthcare providers and increased the statute of limitations period for the government to recover overpayments to providers from three to five years.

Further, there has been increasing legislative and enforcement interest in the United States with respect to specialty drug pricing practices. Specifically, there have been several U.S. Congressional inquiries and proposed and enacted legislation at the federal and state levels designed to, among other things, bring more transparency to drug pricing, review the relationship between pricing and manufacturer patient programs, reduce the cost of drugs under Medicare, and reform government program reimbursement methodologies for drugs. At the federal level, the Trump administration used several means to propose or implement drug pricing reform, including through federal budget proposals, executive orders and policy initiatives. For example, on July 24, 2020 and September 13, 2020, the Trump administration announced several executive orders related to prescription drug pricing that attempt to implement several of the former administration's proposals. The FDA also released a final rule, effective November 30, 2020, implementing a portion of the importation executive order providing guidance for states to build and submit importation plans for drugs from Canada. Further, on November 20, 2020, HHS finalized a regulation removing safe harbor protection for price reductions from pharmaceutical manufacturers to plan sponsors under Part D, either directly or through pharmacy benefit managers, unless the price reduction is required by law. The implementation of the rule has been delayed by the Biden administration from January 1, 2022 to January 1, 2023 in response to ongoing litigation. The rule also creates a new safe harbor for price reductions reflected at the point-of-sale, as well as a new safe harbor for certain fixed fee arrangements between pharmacy benefit managers and manufacturers, the implementation of which have also been delayed pending review by the Biden administration until March 22, 2021. On November 20, 2020, CMS issued an interim final rule implementing President Trump's Most Favored Nation executive order, which would tie Medicare Part B payments for certain physician-administered drugs to the lowest price paid in other economically advanced countries, effective January 1, 2021. On December 28, 2020, the United States District Court in Northern California issued a nationwide preliminary injunction against implementation of the interim final rule. However, it is unclear whether the Biden administration will work to reverse these measures or pursue similar policy initiatives. At the state level, legislatures have increasingly passed legislation and implemented regulations designed to control pharmaceutical and biological product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures, and, in some cases, designed to encourage importation from other countries and bulk purchasing. Additional health reform measures may continue and affect our business in unknown ways. Further, it is possible that additional governmental action is taken in response to the COVID-19 pandemic.

The Foreign Corrupt Practices Act

The Foreign Corrupt Practices Act, or FCPA, prohibits any U.S. individual or business from paying, offering or authorizing payment or offering of anything of value, directly or indirectly, to any foreign official, political party or candidate for the purpose of influencing any act or decision of the foreign entity in order to assist the individual or business in obtaining or retaining business. The FCPA also obligates companies whose securities are listed in the United States to comply with accounting provisions requiring the companies to maintain books and records that accurately and fairly reflect all transactions of the companies, including international subsidiaries, and to devise and maintain an adequate system of internal accounting controls for international operations.

Foreign Regulation

In addition to regulations in the United States, we will be subject to a variety of foreign regulations governing clinical trials and commercial sales and distribution of our products to the extent we choose to develop or sell any products outside of the United States. The approval process varies from country to country and the time may be longer or shorter than that required to obtain FDA approval. The requirements governing the conduct of clinical trials, product licensing, pricing and reimbursement vary greatly from country to country.

Manufacturing, Supply and Production

We do not own or operate manufacturing facilities for the production of our product candidates, nor do we have plans to develop our own manufacturing operations in the foreseeable future. We currently rely on third-party contract manufacturers for all of our required raw materials, active ingredients and finished products for our nonclinical research and clinical trials. We have signed commercial

supply agreement for *Jelmyto* with its primary third-party vendor. We are in the process of negotiating commercial supply agreements for product candidate UGN-102 with its primary third-party vendors. We anticipate that these agreements will be executed in advance of the potential FDA approval of UGN-102. We also intend to negotiate back-up supply agreements with other third-party manufacturers for the commercial production of any approved products, including *Jelmyto*, and UGN-102 if approved.

Development and commercial quantities of any products that we develop will need to be manufactured in facilities, and by processes, that comply with the requirements of the FDA and the regulatory agencies of other jurisdictions in which we are seeking approval. We currently employ internal resources to manage our manufacturing contractors. The relevant manufacturers of our drug products for our current nonclinical and clinical trials have advised us that they are compliant with both current good laboratory practice, or cGLP, and cGMP.

Our future product candidates, if approved, may not be producible in sufficient commercial quantities, in compliance with regulatory requirements or at an acceptable cost. We and our contract manufacturers are, and will be, subject to extensive governmental regulation in connection with the manufacture of any pharmaceutical products or medical devices. We and our contract manufacturers must ensure that all of the processes, methods and equipment are compliant with cGMP and cGLP for drugs on an ongoing basis, as mandated by the FDA and foreign regulatory authorities, and conduct extensive audits of vendors, contract laboratories and suppliers.

Marketing, Sales and Distribution

Our U.S. subsidiary, UroGen Pharma, Inc., was formed to support our U.S. development and potential commercialization efforts. Our commercial management team is comprised of experienced professionals in sales, sales operations, market access, marketing and medical affairs. In addition, we have established a field-based organization comprised of approximately 80 individuals, including a sales team, reimbursement support team, clinical nurse educators, national account managers and medical liaisons.

Our sales force will focus is currently focused on promoting *Jelmyto*. and focused on working with potential prescribers to identify patients, activate accounts and gain formulary access, as applicable. In the event that we receive regulatory approvals for our products in markets outside of the United States, we intend, where appropriate, to pursue commercialization relationships, including strategic alliances and licensing, with pharmaceutical companies and other strategic partners, which are equipped to market or sell our products through their well-developed sales, marketing and distribution organizations in such countries.

In addition, we may out-license some or all of our worldwide patent rights to more than one party to achieve the fullest development, marketing and distribution of any products we develop.

Employees

As of January 31, 2021, we had 187 employees worldwide, 141 in the United States and 46 in Israel, many of whom hold advanced degrees. None of our employees are subject to a collective bargaining agreement. We have never experienced any employment-related work stoppages and consider our relationships with our employees are good.

Israeli labor laws govern the length of the workday and workweek, minimum wages for employees, procedures for hiring and dismissing employees, determination of severance pay, annual leave, sick days, advance notice of termination, payments to the National Insurance Institute, and other conditions of employment and include equal opportunity and anti-discrimination laws. While none of our employees is party to any collective bargaining agreements, certain provisions of the collective bargaining agreements between the Histadrut (General Federation of Labor in Israel) and the Coordination Bureau of Economic Organizations (including the Industrialists' Associations) are applicable to our employees in Israel by order of the Israeli Ministry of Economy and Industry. These provisions primarily concern pension fund benefits for all employees, insurance for work-related accidents, recuperation pay and travel expenses. We generally provide our employees with benefits and working conditions beyond the required minimums.

Corporate Information

Our legal and commercial name is UroGen Pharma Ltd, with registered offices at 9 Ha'Ta'asiya St., Ra'anana 4365007, Israel. We are a company organized under the laws of State of Israel. We were formed in 2004 with an indefinite duration. We are registered with the Israeli Registrar of Companies. Our principal executive offices are located at 400 Alexander Park Drive, 4th Floor, Princeton, NJ 08540. Our telephone number is (646)768-9780. Investors should contact us for any inquiries through the address and telephone number of our principal executive office. We maintain a web site at <http://www.urogen.com>. The reference to our website is an inactive textual reference only and the information contained in, or that can be accessed through, our website is not incorporated into this Annual Report.

We file Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and other information with the U.S. Securities and Exchange Commission, or SEC. Our filings with the SEC are available free of charge on the SEC's website at

www.sec.gov and on our website under the “Investors & Media” tab as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.

Unless the context requires otherwise, references in this Annual Report to “we,” “us,” “our” and “UroGen” refer to UroGen Pharma, Ltd. and its subsidiary.

RISK FACTORS

An investment in our ordinary shares involves a high degree of risk. You should carefully consider all of the information set forth in this Annual Report and in our other filings with the SEC, including the following risk factors which we face. Our business, financial condition or results of operations could be materially adversely affected by any of these risks. This report also contains forward-looking statements that involve risks and uncertainties. Our results could materially differ from those anticipated in these forward-looking statements, as a result of certain factors including the risks described below and elsewhere in this Annual Report. See “Special Note Regarding Forward-Looking Statements” above.

Risks Related to Our Business and Strategy

We are highly dependent on the successful commercialization of our only approved product, Jelmyto.

Other than *Jelmyto*, which we commercially launched in the United States in June 2020, we have not commercialized any other product candidates. We have invested significant efforts and financial resources in the research and development of *Jelmyto*, our first and only product approved for commercial sale. We are focusing a significant portion of our activities and resources on *Jelmyto*, and we believe our prospects are highly dependent on, and a significant portion of the value of our company relates to, our ability to successfully commercialize *Jelmyto* in the United States.

Successful commercialization of *Jelmyto* is subject to many risks. We have only recently initiated our commercial launch of *Jelmyto*, and prior to that, we have never, as an organization, launched or commercialized any product. There is no guarantee that our ongoing commercial launch of *Jelmyto* or our future commercialization efforts will be successful, or that we will be able to successfully launch and commercialize any other product candidate that receives regulatory approval. There are numerous examples of unsuccessful product launches and failures to meet high expectations of market potential, including by pharmaceutical companies with more experience and resources than us. While we have established our commercial team and have hired our U.S. sales force, we will need to maintain, further train and develop our team in order to be prepared to successfully coordinate the ongoing launch and commercialization of *Jelmyto*. Even if we are successful in maintaining and further developing our commercial team, there are many factors that could cause the ongoing launch and commercialization of *Jelmyto* to be unsuccessful, including a number of factors that are outside our control. We must also properly train physicians and nurses for the skillful preparation and administration of *Jelmyto*, and develop a broad experiential knowledge base of aggregated clinician feedback from which we can refine appropriate procedures for product administration, without which there could be a risk of adverse events.

Because no drug has previously been approved by the FDA for the treatment of low-grade UTUC, it is especially difficult to estimate *Jelmyto*'s market potential. The commercial success of *Jelmyto* depends on the extent to which patients and physicians accept and adopt *Jelmyto* as a treatment for low-grade UTUC, and we do not know whether our or others' estimates in this regard will be accurate. For example, if the patient population suffering from low-grade UTUC is smaller than we estimate or if physicians are unwilling to prescribe or patients are unwilling to be treated with *Jelmyto* due to label warnings, adverse events associated with product administration or other reasons, the commercial potential of *Jelmyto* will be limited. At this time, we have only limited information regarding how physicians, patients and payors will respond to the pricing of *Jelmyto*. Physicians may not prescribe *Jelmyto* and patients may be unwilling to be treated with *Jelmyto* if coverage is not provided or reimbursement is inadequate to cover a significant portion of the cost. Additionally, any negative development for *Jelmyto* in our post-marketing commitments, or in regulatory processes in other jurisdictions, may adversely impact the commercial results and potential of *Jelmyto*. Thus, significant uncertainty remains regarding the commercial potential of *Jelmyto*.

In addition, our ongoing commercial launch of *Jelmyto* and subsequent commercialization efforts could be hindered by the COVID-19 pandemic, although we are currently not able to predict or quantify any such potential impact with any degree of certainty.

If the launch or commercialization of *Jelmyto* is unsuccessful or perceived as disappointing, our stock price could decline significantly and the long-term success of the product and our company could be harmed.

Jelmyto has only been studied in a limited number of patients and in limited populations. Following the initiation of our commercial launch in June 2020, Jelmyto is now available to a much larger number of patients and in broader populations, and we do not know whether the results of Jelmyto use in such larger number of patients and broader populations will be consistent with the results from our clinical studies.

Jelmyto has been administered only to a limited number of patients and in limited populations in clinical studies, including our successful pivotal Phase 3 OLYMPUS clinical trial for the treatment of adult patients with low-grade UTUC. While the FDA granted approval of *Jelmyto* based on the data included in the NDA, including data from the OLYMPUS clinical trial, we do not know

whether the results when a large number of patients and broader populations are exposed to *Jelmyto*, including results related to safety and efficacy, will be consistent with the results from earlier clinical studies of *Jelmyto* that served as the basis for the approval of *Jelmyto*. New data relating to *Jelmyto*, including from adverse event reports and post-marketing studies in the United States, and from other ongoing clinical studies, may result in changes to the product label and may adversely affect sales, or result in withdrawal of *Jelmyto* from the market. The FDA and regulatory authorities in other jurisdictions may also consider the new data in reviewing potential marketing applications in other jurisdictions, or imposing post-approval requirements. If any of these actions were to occur, it could result in significant expense and delay or limit our ability to generate sales revenues.

We have limited experience as an organization in marketing and distributing products and are therefore subject to certain risks in relation to the commercialization of Jelmyto and any of our other product candidates that receives regulatory approval.

Our strategy is to build and maintain a fully integrated biopharmaceutical company to successfully execute the commercial launch of *Jelmyto* in the United States. *Jelmyto* is our only product that has been approved for sale by any regulatory body, and it became available in the United States in June 2020. While we have established a commercial management team and have also established a field-based organization comprised of approximately 70 individuals, including a sales team, reimbursement support team, clinical nurse educators, national account managers and medical liaisons, we only recently commenced the commercial launch of *Jelmyto* in the United States and currently have very limited experience commercializing pharmaceutical products as an organization. In order to successfully commercialize *Jelmyto*, we must continue to develop our sales, marketing, managerial, compliance and related capabilities or make arrangements with third parties to perform these services. This involves many challenges, such as recruiting and retaining talented personnel, training employees, setting the appropriate system of incentives, managing additional headcount and integrating new business units into an existing corporate infrastructure. These efforts will continue to be expensive and time-consuming, and we cannot be certain that we will be able to successfully further develop these capabilities. Additionally, we will need to maintain and further develop our sales force, and we will be competing with other pharmaceutical and biotechnology companies to recruit, hire, train and retain marketing and sales personnel. In the event we are unable to effectively develop and maintain our commercial team, including our sales force, our ability to effectively commercialize *Jelmyto* would be limited, and we would not be able to generate product revenues successfully. If we fail to establish and maintain an effective sales and marketing infrastructure, we will be unable to successfully commercialize our product candidates, which in turn would have an adverse effect on our business, financial condition and results of operations.

If we are unable to effectively train and equip our sales force, our ability to successfully commercialize Jelmyto will be harmed.

Jelmyto is a newly-marketed drug and, therefore, none of the members of our sales force had ever promoted *Jelmyto* prior to its launch. In addition, *Jelmyto* is the first drug approved by the FDA for the treatment of low-grade UTUC. As a result, we are and will continue to be required to expend significant time and resources to train our sales force to be credible, persuasive, and compliant with applicable laws in marketing *Jelmyto* for the treatment of low-grade UTUC to physicians and nurses. In addition, we must train our sales force to ensure that a consistent and appropriate message about *Jelmyto* is being delivered to our potential customers. If we are unable to effectively train our sales force and equip them with effective materials, including medical and sales literature to help them inform and educate potential customers about the benefits and risks of *Jelmyto* and its proper administration, our efforts to successfully commercialize *Jelmyto* could be put in jeopardy, which would negatively impact our ability to generate product revenues.

Additionally, our work-at-home policy due to COVID-19 includes our sales representatives, who would normally conduct in-person office visits with healthcare providers. Although we have developed digital materials and programs for our sales force to use in order to continue to engage virtually with their target physicians, there can be no assurance that these new tools and approaches will be effective at sustaining prescription levels of *Jelmyto*. Disruptions in the prescription volume of *Jelmyto* could also occur:

- if patients are physically quarantined or are unable or unwilling to visit healthcare providers;
- if physicians restrict access to their facilities for a material period of time;
- if healthcare providers prioritize treatment of acute or communicable illnesses over treatment of low-grade UTUC;
- if pharmacies are closed or suffering supply chain disruptions;
- if patients lose access to employer-sponsored health insurance due to period of high unemployment; or
- as a result of general disruptions in the operations of payors, distributors, logistics providers and other third parties that are necessary for *Jelmyto* to be prescribed and reimbursed.

The market opportunities for Jelmyto and our product candidates may be limited to those patients who are ineligible for established therapies or for whom prior therapies have failed and may be small.

Cancer therapies are sometimes characterized as first-line, second-line or third-line. When cancer is detected early enough, first-line therapy, often chemotherapy, hormone therapy, surgery, radiotherapy or a combination of these, is sometimes adequate to cure the cancer or prolong life. Second- and third-line therapies are administered to patients when prior therapy is not or is no longer effective. For urothelial cancers, the current first-line standard of care is surgery designed to remove one or more tumors. Chemotherapy is currently used in treating urothelial cancer only as an adjuvant, or supplemental therapy, after tumor resection. We are designing our lead product candidates with the goal of replacing surgery as the standard of care for certain urothelial cancers. However, there is no guarantee that our product candidates, if approved, would be approved for first-line or even later lines of therapy, and that prior to any such approvals, we will not have to conduct additional clinical trials.

Our projections of both the number of people who have the cancers we are targeting, as well as the subset of people with these cancers who have previously failed prior treatments, and who have the potential to benefit from treatment with our product candidates, are based on our beliefs and estimates. These estimates have been derived from a variety of sources, including scientific literature, surveys of clinics, patient foundations or third-party market research, and may prove to be incorrect. Further, new studies may change the estimated incidence or prevalence of these cancers and the number of patients may turn out to be lower than expected. Additionally, the potentially addressable patient population for our product candidates may be limited or may not be amenable to treatment with our product candidates. For instance, our pivotal Phase 3 OLYMPUS clinical trial for *Jelmyto* was designed to evaluate the use of *Jelmyto* for the treatment of tumors in the renal pelvis (the funnel-like dilated part of the ureter in the kidney) and was not designed to evaluate the use of *Jelmyto* for the treatment of tumors in the ureter (the tube that connects the kidneys to the bladder). Even though *Jelmyto* is approved for the treatment of low-grade UTUC, physicians may choose to only use it to treat tumors in the renal pelvis and not tumors in the ureter, which would limit the degree of physician adoption and market acceptance of *Jelmyto*. Even if we obtain significant market share, because the potential target populations are small, we may never achieve profitability without obtaining regulatory approval for additional indications, including the use of the products as first- or second-line therapy. For example, low-grade UTUC is a rare malignant tumor of the cells lining the urinary tract and there is limited scientific literature or other research on the incidence and prevalence of low-grade UTUC. If our estimates of the incidence and prevalence of low-grade UTUC are incorrect, *Jelmyto*'s commercial viability may prove to be limited, which may negatively affect our financial results.

Jelmyto and any of our product candidates that receives regulatory approval may fail to achieve the broad degree of physician adoption and use and market acceptance necessary for commercial success.

The commercial success of *Jelmyto* and any other product candidate that receives regulatory approval will depend significantly on their broad adoption and use by physicians, for approved indications, including, in the case of *Jelmyto*, for the treatment of low-grade UTUC, and in the case of UGN-102, for the treatment of low-grade intermediate risk NMIBC, and for other therapeutic indications that we may seek to pursue with any of our product candidates. Physicians treating low-grade UTUC and low-grade intermediate risk NMIBC have never had to consider treatments other than surgery. The degree and rate of physician and patient adoption of *Jelmyto*, UGN-102 or any of our other product candidates, if approved, will depend on a number of factors, including:

- the clinical indications for which the product is approved;
- the safety and efficacy data from the clinical trial(s) supporting the approved clinical indications;
- the approved labeling and packaging for our products, including the degree of product preparation and administration convenience and ease of use that is afforded to physicians by the approved labeling and product packaging;
- the prevalence and severity of adverse side effects and the level of benefit/risk observed in our clinical trials;
- sufficient patient satisfaction with the results and administration of our products and overall treatment experience, including relative convenience, ease of use and avoidance of, or reduction in, adverse side effects;
- the extent to which physicians recommend our products to patients;
- physicians' and patients' willingness to adopt new therapies in lieu of other products or treatments, including willingness to adopt *Jelmyto*, and our lead product candidate UGN-102 as locally-administered drug replacements to current surgical standards of care;
- the cost of treatment, safety and efficacy of our products in relation to alternative treatments, including the recurrence rate of our treatments;
- the extent to which the costs of our products are covered and reimbursed by third-party payors, including the availability of a physician reimbursement code for our treatments, and patients' willingness to pay for our products;

- whether treatment with our products, including the treatment of low-grade UTUC with *Jelmyto* and the treatment of low-grade intermediate risk NMIBC with UGN-102, if approved, will be deemed to be an elective procedure by third-party payors; if so, the cost of treatment would be borne by the patient and would be less likely to be broadly adopted;
- proper training of physicians or nurses for the skillful administration of our approved product, *Jelmyto*, and UGN-102, if approved, and development of a broad experiential knowledge base of aggregated clinician feedback from which we can refine appropriate procedures for product administration, without which there could be a risk of adverse events; and
- the effectiveness of our sales and marketing efforts, especially the success of any targeted marketing efforts directed toward physicians and clinics and any direct-to-consumer marketing efforts we may initiate.

If *Jelmyto*, UGN-102 or any of our other product candidates is approved for use but fails to achieve the broad degree of physician adoption and market acceptance necessary for commercial success, our operating results and financial condition would be adversely affected.

Jelmyto and our product candidates, if approved, will face significant competition with competing technologies and our failure to compete effectively may prevent us from achieving significant market penetration.

The biopharmaceutical industry is intensely competitive and subject to rapid and significant technological change. Our potential competitors include large and experienced companies that enjoy significant competitive advantages over us, such as greater financial, research and development, manufacturing, personnel and marketing resources, greater brand recognition and more experience and expertise in obtaining marketing approvals from the FDA and foreign regulatory authorities. These companies may develop new drugs to treat the indications that we target or seek to have existing drugs approved for use for the treatment of the indications that we target.

The FDA has approved five immunotherapy drugs known as checkpoint inhibitors; Tecentriq (atezolizumab), Bavenico (avelumab), Imfinzi (durvalumab), Opdivo (nivolumab) and Keytruda (pembrolizumab) for the treatment of locally advanced or metastatic bladder cancer, a form of muscle invasive bladder cancer.

We are aware of several pharmaceutical companies that are developing drugs in the fields of urology and uro-oncology, such as Roche, Vyriad, GSK, Celgene, Lipac Oncology, Samyang biopharma, Merck Sharp & Dohme Corp., Eleven biotherapeutics, Viralytics Limited, AADi, LLC, Biocancell Ltd., ImmunityBio, Seagen Inc., Steba Biotech Ltd., FKD Therapies Oy and Janssen. We do not know whether these potential competitors are already developing, or plan to develop, low-grade UTUC or high-grade UTUC treatments or other indications that we are pursuing.

We are also aware that other companies, such as Janssen and Lipac are conducting, or have recently conducted clinical trials for product candidates for the treatment of low-grade intermediate risk NMIBC. Outside of these indications where we are developing products, we are aware of other companies doing work in both bladder and upper tract cancers, but these are with agents or on targets in high-grade, metastatic, or muscle invasive cancers. Competition may increase further as a result of advances in the commercial applicability of technologies and greater availability of capital for investment in this industry. Our competitors may succeed in developing, acquiring or licensing products that are more effective, easier to administer or less costly than our product candidates.

In addition, we face competition from existing standards of treatment, TURBT surgery for bladder cancer. If we are not able to demonstrate that our product candidates are at least as safe and effective as such courses of treatment, medical professionals may not adopt our product candidates in replacement of the existing standard of care, which is first-line tumor surgical procedures. Generic mitomycin injectable drug products, while approved by FDA for gastric and pancreatic cancers, are neither approved for low-grade UTUC nor reconstituted with hydrogel as *Jelmyto* is, although they may be used off-label by physicians for the treatment of low-grade UTUC, as they have been prior to the approval of *Jelmyto*.

Our ability to market Jelmyto and any of our product candidates that receive marketing approval is and will be limited to certain indications. If we want to expand the indications for which we may market our products, we will need to obtain additional regulatory approvals, which may not be granted.

Jelmyto is indicated for adult patients with low-grade upper tract urothelial cancer. We are currently developing UGN-102 and UGN-201 for the treatment of various forms of bladder cancer. The FDA and other applicable regulatory agencies will restrict our ability to market or advertise our products to the scope of the approved label for the applicable product and for no other indications, which could limit physician and patient adoption. We may attempt to develop and, if approved, promote and commercialize new treatment indications for our products in the future, but we cannot predict when or if we will receive the regulatory approvals required to do so. Failure to receive such approvals will prevent us from promoting or commercializing new treatment indications. In addition, we would be required to conduct additional clinical trials or studies to support approvals for additional indications, which would be time consuming and expensive, and may produce results that do not support regulatory approvals. If we do not obtain additional regulatory approvals, our ability to expand our business will be limited.

If we are found to have improperly promoted off-label uses of Jelmyto or any other product candidate that receives regulatory approval, or if physicians misuse our products, we may become subject to prohibitions on the sale or marketing of our products, significant sanctions, and product liability claims, and our image and reputation within the industry and marketplace could be harmed.

The FDA and other regulatory agencies strictly regulate the marketing and promotional claims that are made about drug products. In particular, a product may not be promoted for uses or indications that are not approved by the FDA or such other regulatory agencies as reflected in the product's approved labeling and may not be promoted based on overstated efficacy or omission of important safety information. For example, we cannot promote the use of our product *Jelmyto* in a manner that is inconsistent with the approved label, but we are permitted to share truthful and non-misleading information that is otherwise consistent with the product's FDA approved labeling. However, physicians are able, in their independent medical judgment, to use *Jelmyto* on their patients in an off-label manner, such as for the treatment of other urology indications. If we are found to have promoted such off-label uses, we may receive warning letters and become subject to significant liability, which would harm our business. The federal government has levied large administrative, civil and criminal fines against companies for alleged improper promotion and has enjoined several companies from engaging in off-label promotion. If we become the target of such an investigation or prosecution based on our marketing and promotional practices, we could face similar sanctions, which would harm our business. In addition, management's attention could be diverted from our business operations, significant legal expenses could be incurred, and our reputation could be damaged. The FDA has also requested that companies enter into consent decrees or permanent injunctions under which specified promotional conduct is changed or curtailed. If we are deemed by the FDA to have engaged in the promotion of our products for off-label use, we could be subject to prohibitions on the sale or marketing of our products or significant fines and penalties, and the imposition of these sanctions could also affect our reputation with physicians, patients and caregivers, and our position within the industry.

Physicians may also misuse our products or use improper techniques, potentially leading to adverse results, side effects or injury, which may lead to product liability claims. If our products are misused or used with improper technique, we may become subject to costly litigation. Product liability claims could divert management's attention from our core business, be expensive to defend, and result in sizable damage awards against us that may not be covered by insurance. We currently carry product liability insurance covering our clinical trials with policy limits that we believe are customary for similarly situated companies and adequate to provide us with coverage for foreseeable risks. Although we maintain such insurance, any claim that may be brought against us could result in a court judgment or settlement in an amount that is not covered, in whole or in part, by our insurance or that is in excess of the limits of our insurance coverage. In addition, while we have established product liability insurance relating to our commercialization of *Jelmyto*, there can be no assurance that we will be able to maintain this insurance on commercially reasonable terms or that this insurance will be sufficient. Furthermore, the use of our products for conditions other than those approved by the FDA may not effectively treat such conditions, which could harm our reputation in the marketplace among physicians and patients.

In addition to Jelmyto, we are dependent on the success of our lead product candidate, UGN-102, and our other product candidates, including obtaining regulatory approval to market our product candidates in the United States.

The research, development, testing, manufacturing, labeling, packaging, approval, promotion, advertising, storage, recordkeeping, marketing, distribution, post-approval monitoring and reporting, and export and import of drug products are subject to extensive regulation by the FDA and by foreign regulatory authorities. These regulations differ from country to country. To gain approval to market our product candidates, we must provide clinical data that adequately demonstrate the safety and efficacy of the product for the intended indication. Other than *Jelmyto*, all of our product candidates, including our lead product candidate, UGN-102, remain in clinical development and have not yet received regulatory approval from the FDA or any other regulatory agency in the United States or any other country. Our business depends upon obtaining these regulatory approvals. There are no drugs that have been approved by the FDA for the primary treatment of low-grade NMIBC, and only four drugs have been approved by the FDA as adjuvant treatment for high-grade NMIBC. The FDA can delay, limit or deny approval of our product candidates for many reasons.

The success of our product candidates is subject to significant risks, including risks associated with successfully completing current and future clinical trials, such as:

- the FDA's acceptance of our parameters for regulatory approval relating to UGN-102 and our other product candidates, including our proposed indications, primary and secondary endpoint assessments and measurements, safety evaluations and regulatory pathways, and proposed labeling and packaging;
- our ability to successfully complete the FDA requirements related to chemistry, manufacturing and controls, or CMC, for UGN-102 and our other product candidates, and if completed, their sufficiency to support an NDA;
- the FDA's timely acceptance of our Investigational New Drug applications, or INDs, for our product candidates. Without such IND acceptances, we will be unable to commence clinical trials in the United States;
- the FDA's acceptance of the number, design, size, conduct and implementation of our clinical trials, our trial protocols and the interpretation of data from nonclinical studies or clinical trials;

- the FDA's acceptance of the population studied in our clinical trials being sufficiently large, broad and representative to assess efficacy and safety in the patient population for which we seek approval;
- our ability to successfully complete the clinical trials of our product candidates, including timely patient enrollment and acceptable safety and efficacy data and our ability to demonstrate the safety and efficacy of the product candidates undergoing such clinical trials;
- our ability to demonstrate that clinical or other benefits of our product candidates outweigh any safety or other perceived risks;
- the FDA's need to schedule an advisory committee meeting, and to conduct such meeting, in a timely manner to evaluate and decide on the approval of our potential future NDA for UGN-102;
- if applicable, the recommendation of the FDA's advisory committee to approve our applications to market UGN-102 and our other product candidates in the United States, without limiting the approved labeling, specifications, distribution or use of the products, or imposing other restrictions;
- the FDA's determination of safety and efficacy of our product candidates;
- the FDA's determination that the 505(b)(2) regulatory pathway is available for our product candidates;
- the prevalence and severity of adverse events associated with our product candidates, including UGN-102, as there are no drugs and related drug administration procedures approved for the primary treatment of low-grade NMIBC, that are based on *RTGel* technology;
- the timely and satisfactory performance by third-party contractors of their obligations in relation to our clinical trials;
- our success in educating physicians and patients about the benefits, administration and use of our product candidates, if approved, particularly in light of the fact that there are currently no drugs approved by the FDA for the treatment of UTUC, and there are no drugs that have been approved by the FDA for the primary treatment of low-grade NMIBC, and only four drugs have been approved by the FDA as adjuvant treatment for high-grade NMIBC;
- the availability, perceived advantages, relative cost, safety and efficacy of alternative and competing treatments for the indications addressed by our product candidates;
- the effectiveness of our marketing, sales and distribution strategy, and operations, as well as that of any current and future licensees;
- the FDA's acceptance of the quality of our drug substance or drug product, formulation, labeling, packaging, or the specifications of our product candidates is sufficient for approval;
- our ability to develop, validate and maintain a commercially viable manufacturing process that is compliant with current good manufacturing practices, or cGMP;
- the FDA's acceptance of the manufacturing processes or facilities of third-party manufacturers with which we contract;
- our ability to secure supply of the raw materials from TAPI (Teva Active Pharmaceutical Ingredients) or other suppliers for our product candidates to support clinical trials and commercial use;
- Our ability to manufacture or secure finished product from third-party suppliers for product candidates, including UGN-102, if approved.
- our ability to obtain, protect and enforce our intellectual property rights with respect to our product candidates; and
- our ability to properly train physicians or nurses for the skillful preparation and administration of any of our product candidates that receive approval, including UGN-102, and our ability to develop a broad experiential knowledge base of aggregated clinician feedback from which we can refine appropriate procedures for product administration, without which there could be a risk of adverse events.

Many of these clinical, regulatory and commercial risks are beyond our control. Further, these risks and uncertainties impact all of our clinical programs that we pursue and have been amplified by the recent COVID-19 pandemic, as described below. Accordingly, we cannot assure you that we will be able to advance any more of our product candidates through clinical development, or to obtain additional regulatory approval of any of our product candidates. To the extent we seek regulatory approval in foreign countries, we may face challenges similar to those described above with regulatory authorities in applicable jurisdictions. Any delay in obtaining, or inability to obtain, applicable regulatory approval for any of our product candidates would delay or prevent commercialization of our product candidates and would thus negatively impact our business, results of operations and prospects. Even if we receive approval of any of the product candidates in our pipeline or future product candidates, there is no assurance that we will be able to successfully commercialize any of them.

To date we have only generated limited clinical data for our investigational product candidates.

Positive results in nonclinical testing and early clinical trials do not ensure that later clinical trials will be successful. A number of pharmaceutical companies have suffered significant setbacks in clinical trials, including in Phase 3 clinical trials, after promising results in nonclinical testing and early clinical trials. These setbacks have included negative safety and efficacy observations in later clinical trials, including previously unreported adverse effects. To date, our clinical trials and other programs have involved small patient populations and because of the small sample size, the results of these clinical trials may be subject to substantial variability and may not be indicative of future results. We initiated the Phase 3 ATLAS trial in December 2020 and are currently enrolling patients in this trial assessing UGN-102 with or without trans-urethral resection of bladder tumor (TURBT) compared to standard of care, TURBT. If our clinical trials do not ultimately indicate that our product candidates are safe and effective for their intended use, the FDA may not approve any NDA that we may submit to market such product candidates, and our business would not be able to generate revenue from the sale of any such product candidates.

Interim, topline and preliminary data from our clinical trials that we announce or publish from time to time may change as more patient data become available and are subject to audit and verification procedures that could result in material changes in the final data.

From time to time, we may publicly disclose preliminary, interim or topline data from our clinical trials. These interim updates are based on a preliminary analysis of then-available data, and the results and related findings and conclusions are subject to change as patient data become available and following a more comprehensive review of the data related to the particular study or trial. We also make assumptions, estimations, calculations and conclusions as part of our analyses of data, and we may not have received or had the opportunity to fully and carefully evaluate all data. As a result, the topline results that we report may differ from future results of the same studies, or different conclusions or considerations may qualify such results, once additional data have been received and fully evaluated. Topline data also remain subject to audit and verification procedures that may result in the final data being materially different from the preliminary data we previously published. As a result, topline data should be viewed with caution until the final data are available. In addition, we may report interim analyses of only certain endpoints rather than all endpoints. Interim data from clinical trials that we may complete are subject to the risk that one or more of the clinical outcomes may materially change as patient enrollment continues and more patient data become available. In particular, interim data may reflect small sample sizes, be subject to substantial variability and may not be indicative of either future interim results or final results. Publications based on interim data may differ from FDA approved product labeling. Adverse changes between interim data and final data could significantly harm our business and prospects. Further, additional disclosure of interim data by us or by our competitors in the future could result in volatility in the price of our ordinary shares. See the description of risks under the heading “Risks Related to Ownership of our Ordinary Shares” for additional disclosures related to the risk of volatility in the price of our ordinary shares.

Further, others, including regulatory agencies, may not accept or agree with our assumptions, estimates, calculations, conclusions or analyses or may interpret or weigh the importance of data differently, which could impact the value of the particular program, the approvability or commercialization of the particular product candidate or product and our company in general. In addition, the information we choose to publicly disclose regarding a particular study or clinical trial is typically selected from a more extensive amount of available information. Furthermore, we may report interim analyses of only certain endpoints rather than all endpoints. You or others may not agree with what we determine is the material or otherwise appropriate information to include in our disclosure, and any information we determine not to disclose may ultimately be deemed significant with respect to future decisions, conclusions, views, activities or otherwise regarding a particular product, product candidate or our business. If the preliminary or topline data that we report differ from late, final or actual results, or if others, including regulatory authorities, disagree with the conclusions reached, our ability to obtain approval for, and commercialize, UGN-102 or any other investigational product candidate may be harmed, which could harm our business, financial condition, results of operations and prospects.

We have limited experience in conducting clinical trials and obtaining approval for product candidates and may be unable to do so successfully.

As a company, we have limited experience in conducting clinical trials and have progressed only one product candidate through to regulatory approval. In part because of this lack of experience, our clinical trials may require more time and incur greater costs than we anticipate. We cannot be certain that the planned clinical trials will begin or conclude on time, if at all. Large-scale trials will require significant additional financial and management resources. Third-party clinical investigators do not operate under our control. Any performance failure on the part of such third parties could delay the clinical development of our product candidates or delay or prevent us from obtaining regulatory approval or commercializing our current or future product candidates, depriving us of potential product revenue and resulting in additional losses.

We have not yet applied for regulatory approvals to market UGN-102 or the other product candidates in our pipeline, and we may be delayed in obtaining or failing to obtain such regulatory approvals and to commercialize our product candidates.

The process of developing, obtaining regulatory approval for and commercializing our product candidates is long, complex, costly and uncertain, and delays or failure can occur at any stage. The research, testing, manufacturing, labeling, marketing, sale and distribution of drugs are subject to extensive and rigorous regulation by the FDA and foreign regulatory agencies, as applicable. These regulations are agency-specific and differ by jurisdiction. We are not permitted to market any product candidate in the United States until we receive approval of an NDA from the FDA, or in any foreign countries until we receive the requisite approval from the respective regulatory agencies in such countries. To gain approval of an NDA or other equivalent regulatory approval, we must provide the FDA or relevant foreign regulatory authority with nonclinical and clinical data that demonstrates the safety and efficacy of the product for the intended indication.

Before we can submit an NDA to the FDA or comparable similar applications to foreign regulatory authorities, we must conduct Phase 3 clinical trials, or a pivotal/registration trial equivalent, for each product candidate. After submission of an NDA, the FDA may raise additional questions on any data contained in the application. These questions may come in the form of information requests or in the NDA 74-day letter as review issues. We must address these questions during the review, but we do not know whether our responses will be acceptable to the FDA. We cannot assure you that the FDA will not decide to require us to perform additional clinical trials, including potentially requiring us to perform an additional pivotal study with a control arm, before approving, or as a condition of approving, NDA's for our product candidates.

Phase 3 clinical trials often produce unsatisfactory results even though prior clinical trials were successful. Moreover, the results of clinical trials may be unsatisfactory to the FDA or foreign regulatory authorities even if we believe those clinical trials to be successful. The FDA or applicable foreign regulatory agencies may suspend one or all of our clinical trials or require that we conduct additional clinical, nonclinical, manufacturing, validation or drug product quality studies and submit that data before considering or reconsidering any NDA or comparable foreign regulatory application that we may submit. Depending on the extent of these additional studies, approval of any applications that we submit may be significantly delayed or may cause the termination of such programs or may require us to expend more resources than we have available.

If any of these outcomes occur, we may not receive regulatory approval for the corresponding product candidates, and our business would not be able to generate revenue from the sale of any such product candidates.

Changes in funding for the FDA, the SEC and other government agencies could hinder their ability to hire and retain key leadership and other personnel, prevent new products and services from being developed or commercialized in a timely manner or otherwise prevent those agencies from performing normal functions on which the operation of our business may rely, which could negatively impact our business.

The ability of the FDA to review and approve new products can be affected by a variety of factors, including government budget and funding levels, ability to hire and retain key personnel and accept payment of user fees, and statutory, regulatory, and policy changes. Average review times at the agency have fluctuated in recent years as a result. In addition, government funding of the SEC and other government agencies on which our operations may rely, including those that fund research and development activities is subject to the political process, which is inherently fluid and unpredictable.

Disruptions at the FDA and other agencies may also slow the time necessary for new drugs to be reviewed and/or approved by necessary government agencies, which would adversely affect our business. For example, over the last several years, the U.S. government has shut down several times and certain regulatory agencies, such as the FDA and the SEC, have had to furlough critical FDA, SEC and other government employees and stop critical activities. If a prolonged government shutdown occurs, it could significantly impact the ability of the FDA to timely review and process our regulatory submissions, which could have a material adverse effect on our business. Further, future government shutdowns could impact our ability to access the public markets and obtain necessary capital in order to properly capitalize and continue our operations.

We may not be able to advance our nonclinical product candidates into clinical development and through regulatory approval and commercialization.

Certain of our product candidates are currently in nonclinical development and are therefore currently subject to the risks associated with nonclinical development, including the risks associated with:

- generating adequate and sufficient nonclinical safety and efficacy data in a timely fashion to support the initiation of clinical trials;
- obtaining regulatory approval to commence clinical trials in any jurisdiction, including the submission and acceptance of INDs;
- contracting with the necessary parties to conduct a clinical trial;
- enrolling sufficient numbers of patients in clinical trials in timely fashion, if at all; and
- timely manufacture of sufficient quantities of the product candidate for use in clinical trials.

These risks and uncertainties impact all of our nonclinical programs that we pursue and have been amplified by the recent COVID-19 pandemic, as described below. If we are unsuccessful in advancing our nonclinical product candidates into clinical trials in a timely fashion, our business may be harmed. Even if we are successful in advancing our nonclinical product candidates into clinical development, their success will be subject to all of the clinical, regulatory and commercial risks described elsewhere in this report and our other filings with the SEC. Accordingly, we cannot assure you that we will be able to develop, obtain regulatory approval for, commercialize or generate significant revenue from our product candidates.

Clinical drug development involves a lengthy and expensive process with an uncertain outcome, results of earlier studies and trials may not be predictive of future trial results, and our clinical trials may fail to adequately demonstrate the safety and efficacy of our product candidates.

Clinical testing is expensive and can take many years to complete, and its outcome is inherently uncertain. A failure of one or more of our clinical trials can occur at any time during the clinical trial process. We do not know whether our ongoing and future clinical trials, if any, will begin on time, need to be redesigned, enroll an adequate number of patients on time or be completed on schedule, if at all. Clinical trials can be delayed, suspended or terminated for a variety of reasons, including failure to:

- generate sufficient nonclinical, toxicology, or other in vivo or in vitro data to support the initiation or continuation of clinical trials;
- obtain regulatory approval or feedback on trial design, in order to commence a trial;
- identify, recruit and train suitable clinical investigators;
- reach agreement on acceptable terms with prospective CROs and clinical trial sites, and have such CROs and sites effect the proper and timely conduct of our clinical trials;
- obtain and maintain institutional review board, or IRB, approval at each clinical trial site;
- identify, recruit, enroll and retain suitable patients to participate in a trial;
- have a sufficient number of patients enrolled, complete a trial or return for post-treatment follow-up;
- ensure clinical investigators and clinical trial sites observe trial protocol or continue to participate in a trial;
- address any patient safety concerns that arise during the course of a trial;
- address any conflicts with new or existing laws or regulations;
- add a sufficient number of clinical trial sites;
- manufacture sufficient quantities at the required quality of product candidate for use in clinical trials; or
- raise sufficient capital to fund a trial.

Patient enrollment is a significant factor in the timing and success of clinical trials and is affected by many factors, including the size and nature of the patient population, the proximity of patients to clinical sites, the eligibility criteria for the trial, the design of the clinical trial, competing clinical trials and clinicians' and patients' or caregivers' perceptions as to the potential advantages of the drug candidate being studied in relation to other available therapies, including any new drugs or treatments that may be developed or approved for the indications we are investigating.

We may also encounter delays if a clinical trial is suspended or terminated by us, by the IRBs of the institutions in which such trials are being conducted, by the trial's data safety monitoring board, by the FDA or by the applicable foreign regulatory authorities. Such authorities may suspend or terminate one or more of our clinical trials due to a number of factors, including our failure to conduct the clinical trial in accordance with relevant regulatory requirements or clinical protocols, inspection of the clinical trial operations or trial site by the FDA or foreign regulatory authorities resulting in the imposition of a clinical hold, unforeseen safety issues or adverse side effects, failure to demonstrate a benefit from using a drug, changes in governmental regulations or administrative actions or lack of adequate funding to continue the clinical trial.

If we experience delays in carrying out or completing any clinical trial of our product candidates, the commercial prospects of our product candidates may be harmed, and our ability to generate product revenues from any of these product candidates will be delayed.

In addition, any delays in completing our clinical trials will increase our costs, slow down our product candidate development and approval process and jeopardize our ability to commence product sales and generate revenues. Any of these occurrences may significantly harm our business and financial condition. In addition, many of the factors that cause, or lead to, a delay in the commencement or completion of clinical trials may also ultimately lead to the denial of regulatory approval of our product candidates.

Jelmyto or any of our product candidates may produce undesirable side effects that we may not have detected in our previous nonclinical studies and clinical trials or that are not expected with mitomycin treatment or inconsistent with catheter administration procedures. This could prevent us from gaining marketing approval or market acceptance for these product candidates, or from maintaining such approval and acceptance, and could substantially increase commercialization costs and even force us to cease operations.

As with most pharmaceutical products, *Jelmyto* and our product candidates may be associated with side effects or adverse events that can vary in severity and frequency. Side effects or adverse events associated with the use of *Jelmyto* or any of our product candidates, including UGN-102, may be observed at any time, including in clinical trials or once a product is commercialized, and any such side effects or adverse events may negatively affect our ability to obtain regulatory approval or market our product candidates. To date, in our nonclinical testing, completed Compassionate Use Program for *Jelmyto* clinical trials and post-marketing experience, we have observed several adverse events and serious adverse events, including ureteric obstruction, ureteral stenosis, inhibition of urine flow, rash, flank pain, kidney swelling, kidney infection, renal dysfunction, hematuria, fatigue, nausea, abdominal pain, dysuria, vomiting, urinary tract infection, urgency in urination and pain during urination. In addition, we have observed transient perturbation of laboratory measures of renal and hematopoietic function. These adverse events are known mitomycin or procedure-related adverse events and many are indicated as potential side effects of mitomycin usage on the mitomycin label. However, we cannot assure you that we will not observe additional drug or procedure-related serious adverse events in the future or that the FDA will not determine them as such. Side effects such as toxicity or other safety issues associated with the use of *Jelmyto* or our product candidates could require us to perform additional studies or halt development or sale of *Jelmyto* or our product candidates or expose us to product liability lawsuits, which will harm our business.

Furthermore, our Phase 2b clinical trial for UGN-102 involved larger patient bases than in our prior studies of these candidates, and the commercial marketing of *Jelmyto* and, if approved, UGN-102, will further expand the clinical exposure of the drugs to a wider and more diverse group of patients than those participating in the clinical trials, which may identify undesirable side effects caused by these products that were not previously observed or reported.

The FDA and foreign regulatory agency regulations require that we report certain information about adverse medical events if our products may have caused or contributed to those adverse events. The timing of our obligation to report would be triggered by the date upon which we become aware of the adverse event as well as the nature and severity of the event. We may fail to report adverse events of which we become aware within the prescribed timeframe. We may also fail to appreciate that we have become aware of a reportable adverse event, especially if it is not reported to us as an adverse event or if it is an adverse event that is unexpected or removed in time from the use of our products. If we fail to comply with our reporting obligations, the FDA or a foreign regulatory agency could take action including enforcing a hold on or cessation of clinical trials, withdrawal of approved drugs from the market, criminal prosecution, the imposition of civil monetary penalties or seizure of our products.

Additionally, in the event we discover the existence of adverse medical events or side effects caused by one of our products or product candidates, a number of other potentially significant negative consequences could result, including:

- our inability to submit an NDA or similar application for our product candidates because of insufficient risk-reward, or the denial of such application by the FDA or foreign regulatory authorities;
- the FDA or foreign regulatory authorities suspending or terminating our clinical trials or suspending or withdrawing their approval of the product;

- the FDA or foreign regulatory authorities requiring the addition of labeling statements, such as boxed or other warnings or contraindications or distribution and use restrictions;
- the FDA or foreign regulatory authorities requiring us to issue specific communications to healthcare professionals, such as letters alerting them to new safety information about our product, changes in dosage or other important information;
- the FDA or foreign regulatory authorities issuing negative publicity regarding the affected product, including safety communications;
- our being limited with respect to the safety-related claims that we can make in our marketing or promotional materials;
- our being required to change the way the product is administered, conduct additional nonclinical studies or clinical trials or restrict or cease the distribution or use of the product; and
- our being sued and held liable for harm caused to patients.

Any of these events could prevent us from achieving market acceptance or approval of the affected product or product candidate and could substantially increase development or commercialization costs, force us to withdraw from the market any approved product, or even force us to cease operations. We cannot assure you that we will resolve any issues related to any product-related adverse events to the satisfaction of the FDA or any regulatory agency in a timely manner or ever, which could harm our business, prospects and financial condition.

We may continue to face future developmental and regulatory difficulties related to Jelmyto and any other product candidates that receive marketing approval. In addition, we are subject to government regulations and we may experience delays in obtaining required regulatory approvals to market our proposed product candidates.

We are subject to certain postmarketing commitments related to *Jelmyto*, including a requirement for a period of five years to provide annual updates for the duration of response for all patients with ongoing complete responses enrolled in the OLYMPUS trial. With respect to our current and future candidates, even if we complete clinical testing and receive approval of any regulatory filing for our product candidates, the FDA or applicable foreign regulatory agency may grant approval contingent on the performance of additional costly post-approval clinical trials, risk mitigation requirements and surveillance requirements to monitor the safety or efficacy of the product, which could negatively impact us by reducing revenues or increasing expenses, and cause the approved product candidate not to be commercially viable. Absence of long-term safety data may further limit the approved uses of our products, if any.

The FDA or applicable foreign regulatory agency also may approve our product candidates for a more limited indication or a narrower patient population than we originally requested or may not approve the labeling that we believe is necessary or desirable for the successful commercialization of our product candidates. Furthermore, any such approved product will remain subject to extensive regulatory requirements, including requirements relating to manufacturing, labeling, packaging, adverse event reporting, storage, advertising, promotion, distribution and recordkeeping.

If we fail to comply with the regulatory requirements of the FDA or other applicable foreign regulatory authorities, or previously unknown problems with any approved commercial products, manufacturers or manufacturing processes are discovered, we could be subject to administrative or judicially imposed sanctions or other setbacks, including the following:

- suspension or imposition of restrictions on operations, including costly new manufacturing requirements;
- regulatory agency refusal to approve pending applications or supplements to applications;
- suspension of any ongoing clinical trials;
- suspension or withdrawal of marketing approval;
- an injunction or imposition of civil or criminal penalties or monetary fines;
- seizure or detention of products;
- bans or restrictions on imports and exports;
- issuance of warning letters or untitled letters;
- suspension or imposition of restrictions on operations, including costly new manufacturing requirements; or
- refusal of regulatory authorities to approve pending applications or supplements to applications.

In addition, various aspects of our operations are subject to federal, state or local laws, rules and regulations, any of which may change from time to time. Costs arising out of any regulatory developments could be time-consuming and expensive and could divert management resources and attention and, consequently, could adversely affect our business, financial condition, cash flows and results of operations.

If we are not successful in developing, receiving regulatory approval for and commercializing our nonclinical and clinical product candidates, our ability to expand our business and achieve our strategic objectives could be impaired.

Although we have received FDA approval of *Jelmyto* for pyelocalyceal solution, for the treatment of adult patients with low-grade UTUC, and we plan to devote a substantial portion of our resources to the continued clinical testing and potential approval UGN-102 for the treatment of low-grade intermediate risk NMIBC, another key element of our strategy is to discover, develop and commercialize a portfolio of products to serve additional therapeutic markets. We are seeking to do so through our internal research programs, but our resources are limited, and those that we have are geared towards clinical testing and seeking regulatory approval of UGN-102 and our other existing product candidates. We may also explore strategic collaborations for the development or acquisition of new products, but we may not be successful in entering into such relationships. Research programs to identify product candidates require substantial technical, financial and human resources, regardless of whether any product candidates are ultimately identified. Our research programs may initially show promise in identifying potential product candidates, yet fail to yield product candidates for clinical development for many reasons, including:

- the research methodology used may not be successful in identifying potential product candidates;
- competitors may develop alternatives that render our product candidates obsolete or less attractive;
- a product candidate may in a subsequent trial be shown to have harmful side effects or other characteristics that indicate it is unlikely to be effective or otherwise does not meet applicable regulatory criteria;
- a product candidate may not be capable of being produced in commercial quantities at an acceptable cost, or at all;
- a product candidate may not be accepted as safe and effective by patients, the medical community or third-party payors, if applicable; and
- intellectual property or other proprietary rights of third parties for product candidates we develop may potentially block our entry into certain markets or make such entry economically impracticable.

If we fail to develop and successfully commercialize other product candidates, our business and future prospects may be harmed, and our business will be more vulnerable to any problems that we encounter in developing and commercializing our product candidates.

We have entered into a licensing agreement and in the future may enter into collaborations with other third parties for the development or commercialization of our product candidates. If our collaborations are not successful, we may not be able to capitalize on the market potential of these product candidates.

In October 2016, we entered into the Allergan/AbbVie Agreement. Under the Allergan/AbbVie Agreement, we granted Allergan an exclusive worldwide license to research, develop, manufacture and commercialize pharmaceutical products that contain a proprietary *RTGel* formulation and clostridial toxins (including BOTOX), alone or in combination with certain other active ingredients, which we refer to collectively as the Licensed Products. Either party may terminate the Allergan/AbbVie Agreement for uncured material breach by the other party and for the insolvency of the other party. We may terminate the Allergan/AbbVie Agreement if Allergan or its affiliates challenges any of our patents licensed to Allergan and such patent challenge is not required under a court order or subpoena and is not a defense against a claim, action or proceeding asserted by us, our affiliates or licensees against Allergan, its affiliates or sublicensees. In addition, Allergan may unilaterally terminate the Allergan/AbbVie Agreement for any reason upon advance notice. If Allergan has the right to terminate the Allergan/AbbVie Agreement due to our uncured material breach, Allergan may elect to continue the agreement and reduce all future milestone and royalty payment obligations to us by a specified percentage. In the event of any termination of the Allergan/AbbVie Agreement, Allergan will assign or grant a right of reference to any regulatory documentation related to *RTGel* to us, all rights and licenses to Allergan will terminate, and the license Allergan granted to us under their improvements to *RTGel* will continue. If any of these events occurs, we will not be able to obtain, or may be delayed in obtaining, marketing approvals for the Licensed Products and will not be able to, or may be delayed in our efforts to, successfully commercialize the Licensed Products, and our business will be harmed.

In August 2020, we announced that the Phase 2 APOLLO trial did not meet the primary endpoint, it is believed to be the result of BOTOX not effectively permeating the urothelium. We are continuing to explore the potential use of *RTGel* in combination with other products in AbbVie's portfolio.

We may utilize a variety of types of collaboration, distribution and other marketing arrangements with third parties to develop our product candidates and commercialize our approved product candidates, if any. We are not currently party to any such arrangement. Our ability to generate revenues from these arrangements will depend on our collaborators' abilities and efforts to successfully perform the functions assigned to them in these arrangements.

Our existing collaboration with AbbVie and any future collaborations that we enter into, may pose a number of risks, including the following:

- collaborators have significant discretion in determining the amount and timing of efforts and resources that they will apply to these collaborations;
- collaborators may not perform their obligations as expected;
- product candidates developed by collaborators may not perform sufficiently in clinical trials to be determined to be safe and effective, thereby delaying or terminating the drug approval process and reducing or eliminating milestone payments to which we would otherwise be entitled if the product candidates had successfully met their endpoints and/or received FDA approval;
- clinical trials conducted by collaborators could give rise to new safety concerns;
- collaborators may not pursue development and commercialization of our product candidates that receive marketing approval or may elect not to continue or renew development or commercialization programs based on clinical trial results, changes in the collaborators' strategic focus or available funding, or external factors, such as an acquisition, that divert resources or create competing priorities;
- collaborators may delay clinical trials, provide insufficient funding for a clinical trial program, stop a clinical trial or abandon a product candidate, repeat or conduct new clinical trials or require a new formulation of a product candidate for clinical testing;
- collaborators could independently develop, or develop with third parties, products that compete directly or indirectly with our products or product candidates if the collaborators believe that competitive products are more likely to be successfully developed or can be commercialized under terms that are more economically attractive than ours;
- product candidates discovered in collaboration with us may be viewed by our collaborators as competitive with their own product candidates or products, which may cause collaborators to cease to devote resources to the commercialization of our product candidates;
- a collaborator with marketing and distribution rights to one or more of our product candidates that achieve regulatory approval may not commit sufficient resources to the marketing and distribution of such product or products;

- disagreements with collaborators, including disagreements over proprietary rights, contract interpretation or the preferred course of development, might cause delays or termination of the research, development or commercialization of product candidates, might lead to additional responsibilities for us with respect to product candidates, or might result in litigation or arbitration, any of which would divert management attention and resources, be time-consuming and expensive;
- collaborators may not properly maintain or defend our intellectual property rights or may use our proprietary information in such a way as to invite litigation that could jeopardize or invalidate our intellectual property or proprietary information or expose us to potential litigation;
- collaborators may infringe the intellectual property rights of third parties, which may expose us to litigation and potential liability; and
- collaborations may be terminated for the convenience of the collaborator and, if terminated, we could be required to raise additional capital to pursue further development or commercialization of the applicable product candidates.

Collaborations may not lead to development or commercialization of product candidates in the most efficient manner, or at all, and may otherwise experience challenges. For example, in August 2020, we announced that the Phase 2 APOLLO trial did not meet the primary endpoint, it is believed to be the result of BOTOX not effectively permeating the urothelium. While we are continuing to explore the potential use of *RTGel* in combination with other products in AbbVie's portfolio, there can be no assurance that the collaboration will result in the successful development of a product candidate.

If the Allergan/AbbVie Agreement, and any future collaborations that we enter into, do not result in the successful development and commercialization of products or if one of our collaborators terminates its agreement with us, we may not receive any future research funding or milestone or royalty payments under the collaboration. If we do not receive the funding we expect under these agreements, our development of our product candidates could be delayed, and we may need additional resources to develop our product candidates. All the risks relating to product development, regulatory approval and commercialization described in this report also apply to the activities of our collaborators.

Additionally, subject to its contractual obligations to us, if a collaborator of ours were to be involved in a business combination, it might deemphasize or terminate the development or commercialization of any product candidate licensed to it by us. If one of our collaborators terminates its agreement with us, we may find it more difficult to attract new collaborators and perception of us in the business and financial communities could be harmed.

We currently contract with third-party subcontractors and single-source suppliers for certain raw materials, compounds and components necessary to produce Jelmyto for commercial use, and to produce UGN-102 and UGN-201 for nonclinical studies and clinical trials, and expect to continue to do so to support commercial scale production of UGN-102 and UGN-201, if approved. There are significant risks associated with the manufacture of pharmaceutical products and contracting with contract manufacturers and with single-source suppliers. Furthermore, our existing third-party subcontractors and single-source suppliers may not be able to meet the increased need for certain raw materials, compounds and components that may result from our commercialization efforts. This increases the risk that we will not have sufficient quantities of Jelmyto, UGN-102 or UGN-201 or be able to obtain such quantities at an acceptable cost, which could delay, prevent or impair our development or commercialization efforts.

We currently rely on third party subcontractors and suppliers for certain compounds and components necessary to produce *Jelmyto* for commercial use and UGN-102 and UGN-201 for our nonclinical studies, clinical trials and commercial use, should our drug candidates receive regulatory approval. We currently depend on Teva Pharmaceuticals Industries Ltd., or Teva, as our single-source supplier of mitomycin active pharmaceutical ingredient, or API, for *Jelmyto* and UGN-102. We rely on Cenexi-Laboratoires Thissen s.a., and Isotopia Molecular Imaging Ltd. as our sole suppliers for the mitomycin and gel contained in *Jelmyto* and UGN-102, respectively. We also currently depend on a single source supplier for imiquimod for UGN-201. Because there are a limited number of suppliers for the raw materials that we use to manufacture our product candidates, we may need to engage alternate suppliers to prevent a possible disruption of the manufacture of the materials necessary to produce *Jelmyto* for commercial sale and our product candidates for our clinical trials and their subsequent commercial sale, if approved. Even if we are able to engage alternate suppliers on reasonable terms, we may face delays or increased costs in our supply chain that could jeopardize the commercialization of *Jelmyto*. We do not have any control over the availability of raw materials. If we or our suppliers and manufacturers are unable to purchase these raw materials on acceptable terms, at sufficient quality levels, or in adequate quantities, if at all, the development and commercialization of our product candidates or any future product candidates, would be delayed or there would be a shortage in supply, which would impair our ability to meet our development objectives for our product candidates or generate revenues from the sale of *Jelmyto* or any other approved products.

We expect to continue to rely on these or other subcontractors and suppliers to support our commercial requirements for *Jelmyto*, as well as UGN-102 or any of our other product candidates if approved for marketing by the FDA or foreign regulatory authorities. We

also rely on a single third-party manufacturer to produce our proprietary drug product, or final mitomycin formulation, necessary for our clinical trial and commercial requirements. We plan to continue to rely on third parties for the production of mitomycin API, the gel contained in *Jelmyto* and UGN-102, and for imiquimod for UGN-201, as well as for the raw materials, compounds and components necessary to produce our product candidates and for nonclinical studies and clinical trials.

Even though we are approved as a commercial supplier of *Jelmyto*, we have limited experience as a company in the commercial supply of drugs and may never be successful as a commercial supplier of drug products containing mitomycin. In addition, cost-overruns, unexpected delays, equipment failures, logistics breakdowns, labor shortages, natural disasters, power failures, production failures or product recalls, and numerous other factors could prevent us from realizing the intended benefits of our sales strategy and have a material adverse effect on our business. Further, although we commercially supply *Jelmyto*, further build-out is required and establishing such commercial-scale supply capabilities requires additional investment, is time-consuming and may be subject to delays, including because of shortage of labor, compliance with regulatory requirements or receipt of necessary regulatory approvals. In addition, building out our *Jelmyto* commercial supply capabilities may cost more than we currently anticipate, and delays or problems may adversely impact our ability to provide sufficient quantities of *Jelmyto* to support our ongoing commercial launch and commercialization of *Jelmyto* as well as our financial condition.

While we currently have over 12 months of mitomycin API and *Jelmyto* finished product on hand to continue our commercial and clinical operations as planned, depending on the duration of the COVID-19 pandemic and whether further disruptions occur, we may face such delays or costs in future years. Although we believe we have sufficient quantities of mitomycin API for planned manufacturing operations during 2021, a prolonged supply interruption of certain components could adversely affect our ability to conduct commercialization activities and planned clinical trials. If any third party in our supply or distribution chain for materials or finished product is adversely impacted by restrictions resulting from the ongoing COVID-19 pandemic, including staffing shortages, production slowdowns and disruptions in delivery systems, our supply chain may be disrupted, limiting our ability to manufacture and distribute *Jelmyto* for commercial sales and our product candidates for our clinical trials and research and development operations.

In addition, before we can begin to commercially manufacture any product candidate that receives regulatory approval in the future other than *Jelmyto*, whether in a third-party facility or in our own facility, once established, we must obtain regulatory approval from the FDA for our manufacturing process and facility in order to sell such products in the United States. A manufacturing authorization would also have to be obtained from the appropriate European Union regulatory authorities in order to sell such products in the European Union. In order to obtain approval, we will need to ensure that all of the processes, methods and equipment of such manufacturing facilities are compliant with cGMP, and perform extensive audits of vendors, contract laboratories and suppliers. If any vendors, contract laboratories or suppliers is found to be out of compliance with cGMP, we may experience delays or disruptions in manufacturing while we work with these third parties to remedy the violation or while we work to identify suitable replacement vendors. The cGMP requirements govern quality control of the manufacturing process and documentation policies and procedures. In complying with cGMP, we will be obligated to expend time, money and effort in production, record keeping and quality control to assure that the product meets applicable specifications and other requirements. If we fail to comply with these requirements, we would be subject to possible regulatory action and may not be permitted to sell any product candidate that we may develop.

Our continuing reliance on third party subcontractors and suppliers entails a number of risks, including reliance on the third party for regulatory compliance and quality assurance, the possible breach of the manufacturing or supply agreement by the third party, and the possible termination or nonrenewal of the agreement by the third party at a time that is costly or inconvenient for us. In addition, third party subcontractors and suppliers may not be able to comply with cGMP or quality system regulation, also called QSR, or similar regulatory requirements outside the United States. If any of these risks transpire, we may be unable to timely retain alternate subcontractors or suppliers on acceptable terms and with sufficient quality standards and production capacity, which may disrupt and delay our clinical trials or the manufacture and commercial sale of our in-line or investigational product candidates, if approved.

Our failure or the failure of our third-party subcontractors and suppliers to comply with applicable regulations could result in sanctions being imposed on us, including fines, injunctions, civil penalties, delays, suspension or withdrawal of approvals, license revocation, seizures or recalls of products, operating restrictions and criminal prosecutions, any of which could significantly and adversely affect supplies of *Jelmyto*, UGN-102 or any of our other product candidates that we may develop. Any failure or refusal to supply or any interruption in supply of the components for *Jelmyto*, UGN-102 or any other product candidates that we may develop could delay, prevent or impair our clinical development or commercialization efforts.

We currently use single source suppliers relative to production of the *RTGel* products, the ureteral catheter and injector which are required to be used with *Jelmyto*. Both the ureteral catheter and injector are used as part of the delivery of *Jelmyto*. We are assessing second source suppliers regarding all key components of *Jelmyto* and are advancing these conversations as a means to ensure both a second source and potential future reductions in cost of revenues. However, there can be no assurance that we will be able to secure any second-source suppliers for these key components on a timely basis, on favorable terms, or at all.

We rely on third party transportation to deliver materials to our facilities and ship products to our customers. Transport operators are exposed to various risks, such as extreme weather conditions, natural disasters, work stoppages, personnel shortages, and operating hazards, as well as interstate and international transportation requirements. If we experience transportation problems, or if there are other significant changes in the cost of these services, we may not be able to arrange efficient alternatives and timely means to obtain materials or ship products to our customers. Our failure to obtain such materials, ship products or maintain sufficient buffer inventory could materially and adversely impact our business, financial condition and results of operations.

We may need to enter into agreements with additional distributors or suppliers, and there is no guarantee that we will be able to do so on commercially reasonable terms or at all. If we are unable to maintain and, if needed, expand, our network of specialty distributors or suppliers, this would expose us to substantial risk in our clinical development or commercialization efforts.

Failure to obtain marketing approval in international jurisdictions would prevent our approved product, Jelmyto, and our product candidates from being marketed abroad.

In order to market and sell our products in the European Union and other jurisdictions, we or our third-party collaborators must obtain separate marketing approvals and comply with numerous and varying regulatory requirements. The approval procedure varies among countries and can involve additional testing. The time required to obtain approval may differ substantially from that required to obtain FDA approval. Regulatory approval processes outside the United States generally include all of the risks associated with obtaining FDA approval. In addition, in many countries outside the United States, it is required that the product be approved for reimbursement before the product can be commercialized in that country. We may not obtain approvals from regulatory authorities outside the United States on a timely basis, if at all. Approval by the FDA does not ensure approval by regulatory authorities in other countries or jurisdictions, and approval by one regulatory authority outside the United States does not ensure approval by regulatory authorities in other countries or jurisdictions or by the FDA. We may not be able to submit for marketing approvals and may not receive the necessary approvals to commercialize our product candidates in any particular market.

We rely on third parties and consultants to assist us in conducting our clinical trials for our product candidates. If these third parties or consultants do not successfully carry out their contractual duties or meet expected deadlines, we may be unable to obtain regulatory approval for or commercialize UGN-102 or any of our other product candidates.

We do not have the ability to independently conduct many of our nonclinical studies or our clinical trials. We rely on medical institutions, clinical investigators, contract laboratories, and other third parties, such as CROs to conduct clinical trials on our product candidates. Third parties play a significant role in the conduct of our clinical trials and the subsequent collection and analysis of data. These third parties are not our employees, and except for remedies available to us under our agreements, we have limited ability to control the amount or timing of resources that any such third party will devote to our clinical trials. Due to the limited drug development for non-muscle invasive urothelial cancers over the past 15 years, neither we nor any third-party clinical investigators, CROs and/or consultants are likely to have extensive experience conducting clinical trials for the indications we are targeting. If our CROs or any other third parties upon which we rely for administration and conduct of our clinical trials do not successfully carry out their contractual duties or obligations or meet expected deadlines, if they need to be replaced or if the quality or accuracy of the clinical data they obtain is compromised due to the failure to adhere to our clinical protocols, regulatory requirements, or for other reasons, or if they otherwise perform in a substandard manner, our clinical trials may be extended, delayed, suspended or terminated, and we may not be able to complete development of, obtain regulatory approval for, or successfully commercialize our product candidates.

We and the third parties upon whom we rely are required to comply with Good Clinical Practice, or GCP, regulations, which are regulations and guidelines enforced by regulatory authorities around the world for products in clinical development. Regulatory authorities enforce these GCP regulations through periodic inspections of clinical trial sponsors, principal investigators and clinical trial sites. If we or our third parties fail to comply with applicable GCP regulations, the clinical data generated in our clinical trials may be deemed unreliable and our submission of marketing applications may be delayed, or the regulatory authorities may require us to perform additional clinical trials before approving our marketing applications. We cannot assure you that, upon inspection, a regulatory authority will determine that any of our clinical trials comply or complied with applicable GCP regulations. In addition, our clinical trials must be conducted with material produced under current GMP regulations, which are enforced by regulatory authorities. Our failure to comply with these regulations may require us to repeat clinical trials, which would delay the regulatory approval process. Moreover, our business may be impacted if our CROs, clinical investigators or other third parties violate federal or state fraud and abuse or false claims laws and regulations or healthcare privacy and security laws.

In order for our clinical trials to be carried out effectively and efficiently, it is imperative that our CROs and other third parties communicate and coordinate with one another. Moreover, our CROs and other third parties may also have relationships with other commercial entities, some of which may compete with us. Our CROs and other third parties may terminate their agreements with us upon as few as 30 days' notice under certain circumstances. If our CROs or other third parties conducting our clinical trials do not perform their contractual duties or obligations, experience work stoppages, do not meet expected deadlines, terminate their agreements

with us or need to be replaced, or if the quality or accuracy of the clinical data they obtain is compromised due to the failure to adhere to our clinical trial protocols or GCPs, or for any other reason, we may need to conduct additional clinical trials or enter into new arrangements with alternative CROs, clinical investigators or other third parties. We may be unable to enter into arrangements with alternative CROs on commercially reasonable terms, or at all. Switching or adding CROs, clinical investigators or other third parties can involve substantial cost and require extensive management time and focus. In addition, there is a natural transition period when a new CRO commences work. As a result, delays may occur, which can impact our ability to meet our desired clinical development timelines. Although we carefully manage our relationship with our CROs, clinical investigators and other third parties, there can be no assurance that we will not encounter such challenges or delays in the future or that these delays or challenges will not have a negative impact on our business, prospects, financial condition or results of operations.

If in the future we acquire or in-license technologies or product candidates, we may incur various costs, may have integration difficulties and may experience other risks that could harm our business and results of operations.

In the future, we may acquire or in-license additional product candidates and technologies. Any product candidate or technologies we in-license or acquire will likely require additional development efforts prior to commercial sale, including extensive nonclinical or clinical testing, or both, and approval by the FDA and applicable foreign regulatory authorities, if any. All product candidates are prone to risks of failure inherent in pharmaceutical product development, including the possibility that the product candidate, or product developed based on in-licensed technology, will not be shown to be sufficiently safe and effective for approval by regulatory authorities. If intellectual property related to product candidates or technologies we in-license is not adequate, we may not be able to commercialize the affected products even after expending resources on their development. In addition, we may not be able to economically manufacture or successfully commercialize any product candidate that we develop based on acquired or in-licensed technology that is granted regulatory approval, and such products may not gain wide acceptance or be competitive in the marketplace. Moreover, integrating any newly acquired or in-licensed product candidates could be expensive and time-consuming. If we cannot effectively manage these aspects of our business strategy, our business may be materially harmed.

We have recently increased the size of our organization and will need to continue to increase the size of our organization. If we fail to manage our growth effectively, our business could be disrupted.

As of January 31, 2021, we had 187 employees, of whom 46 are based in Israel and 141 are based in the United States. We will need to continue to expand our development, quality, managerial, operational, finance, marketing, sales and other resources to manage our operations and clinical trials, continue our development activities and commercialize our product candidates, if approved. Our management, personnel, systems and facilities currently in place may not be adequate to support this future growth. Our need to effectively execute our expansion strategy requires that we:

- manage our clinical trials effectively;
- identify, recruit, retain, incentivize and integrate additional employees;
- manage our internal development efforts effectively while carrying out our contractual obligations to third parties; and
- continue to improve our operational, financial and management controls, reporting systems and procedures.

As we continue to grow as an organization, including by expanding our development efforts and building out and developing our commercial capabilities to support our ongoing commercial launch of *Jelmyto*, we will evaluate, and may implement, changes to our organization that may be appropriate in order to properly manage and direct our growth and transformation into a commercial-stage company. Due to our limited financial resources and our limited experience in managing a larger company, we may not be able to effectively manage the expansion of our operations or recruit and train additional qualified personnel. In addition, the ongoing COVID-19 pandemic could make recruiting and training more difficult. The physical expansion of our operations may lead to significant costs and may divert our management and business development resources. Any inability to manage expansion or other significant changes to our organization could delay the execution of our development, commercialization and strategic objectives or disrupt our operations; and if we are not successful in commercializing our approved product or any of our product candidates that may receive regulatory approval, either on our own or through collaborations with one or more third parties, our revenues will suffer, and we would incur significant additional losses.

If product liability lawsuits are brought against us, we may incur substantial liabilities and may be required to limit commercialization of any of our other products we develop.

We face an inherent risk of product liability as a result of the clinical testing of our product candidates and will face an even greater risk with the commercialization of *Jelmyto* or any other investigational product candidate that receives marketing approval. For example, we may be sued if any product we develop allegedly causes injury or is found to be otherwise unsuitable during product testing, manufacturing, marketing or sale. Any such product liability claims may include allegations of defects in manufacturing, defects in design, a failure to warn of dangers inherent in the product, negligence, strict liability and a breach of warranties. Claims could also be asserted under state consumer protection acts. If we cannot successfully defend ourselves against product liability claims, we may incur substantial liabilities or be required to limit commercialization of our products. Even a successful defense would require significant financial and management resources. Regardless of the merits or eventual outcome, liability claims may result in:

- decreased demand for *Jelmyto* and our investigational product candidates we develop;
- injury to our reputation and significant negative media attention;
- withdrawal of clinical trial participants or cancellation of clinical trials;
- costs to defend the related litigation, which may be only partially recoverable even in the event of successful defenses;
- a diversion of management's time and our resources;
- substantial monetary awards to trial participants or patients;
- regulatory investigations, product recalls, withdrawals or labeling, marketing or promotional restrictions;
- loss of revenues;
- exhaustion of any available insurance and our capital resources; and
- the inability to commercialize any product we develop.

Our inability to obtain and maintain sufficient product liability insurance at an acceptable cost and scope of coverage to protect against potential product liability claims could prevent or inhibit the commercialization of products we may develop. We currently carry general clinical trial product liability insurance in an amount that we believe is adequate to cover the scope of our ongoing clinical programs. Although we maintain such insurance, any claim that may be brought against us could result in a court judgment or settlement in an amount that is not covered, in whole or in part, by our insurance or that is in excess of the limits of our insurance coverage. Our insurance policies also have various exclusions and deductibles, and we may be subject to a product liability claim for which we have no coverage. We will have to pay any amounts awarded by a court or negotiated in a settlement that exceed our coverage limitations or that are not covered by our insurance, and we may not have, or be able to obtain, sufficient capital to pay such amounts. Moreover, in the future, we may not be able to maintain insurance coverage at a reasonable cost or in sufficient amounts to protect us against losses. As a result of receiving marketing approval of *Jelmyto*, we have expanded our insurance coverage to include the commercialization of *Jelmyto*; however, we may be unable to continue to obtain this liability insurance on commercially reasonable terms. In addition, if and when we obtain approval for marketing UGN-102 or any other product candidate, we intend to further expand our insurance coverage to include the commercialization of UGN-102 or any other approved product; however, we may be unable to obtain this additional liability insurance on commercially reasonable terms.

If we fail to attract and keep senior management and key personnel, we may be unable to successfully develop our product candidates, conduct our clinical trials and commercialize any of the products we develop.

Our success depends in part on our continued ability to attract, retain and motivate highly qualified management, clinical, scientific and other personnel. We believe that our future success is highly dependent upon the contributions of members of our senior management, as well as our senior scientists and other members of our management team. The loss of services of any of these individuals could delay or prevent the successful development of our product pipeline, completion of our planned clinical trials or the commercialization of our product candidates.

Although we have not historically experienced unique difficulties in attracting and retaining qualified employees, we could experience such problems in the future. For example, competition for qualified personnel in the pharmaceutical field is intense due to the limited number of individuals who possess the skills and experience required by our industry. We will need to hire additional personnel as we expand our clinical development and commercial activities. We may not be able to attract and retain quality personnel on acceptable terms, or at all. In addition, to the extent we hire personnel from competitors, we may be subject to allegations that they have been improperly solicited or that they have divulged proprietary or other confidential information, or that their former employers own their research output.

If our security measures are compromised, or our information technology systems or those of our vendors, and other relevant third parties fail or suffer security breaches, loss or leakage of data, and other disruptions, this could result in a material disruption of our drug development program, compromise sensitive information related to our business, harm our reputation, trigger our breach notification obligations, prevent us from accessing critical information, and expose us to liability or other adverse effects to our business.

In the ordinary course of our business, we may collect, process and store proprietary, confidential and sensitive information, including personal information (including health information), intellectual property, trade secrets, and proprietary business information owned or controlled by ourselves or other parties. We face several risks relative to protecting the security, confidentiality, integrity and availability of this critical information, including loss of access risk, inappropriate use or disclosure, inappropriate modification, and the risk of being unable to adequately monitor, audit and modify our controls over our critical information. This risk extends to the third-party service providers who handle elements of our operations and data processing.

We, our CROs and other contractors, consultants, and other third parties on which we rely, depend on information technology, telecommunication systems and data processing for significant elements of our operations, including, for example, systems handling human resources, financial reporting and controls, regulatory compliance and other infrastructure operations. Notwithstanding the implementation of security measures, these information technology systems are potentially vulnerable to breakdown, service interruptions, system malfunction, natural disasters, fire, terrorism, war and telecommunication and electrical failures, as well as security breaches from inadvertent or intentional actions by our personnel, third-party vendors, contractors, consultants, business partners, or third parties, or from cyber-attacks by malicious third parties (including the deployment of malware, ransomware, denial-of-service attacks, social engineering, and other means to affect service reliability and threaten the confidentiality, integrity, and availability of information), which may compromise our information technology, telecommunication systems and data, or that of our third-party vendors and other contractors and consultants, or lead to data leakage. The risk of a security breach or disruption, particularly through accidental actions or omissions by trusted insiders, cyber-attacks or cyber intrusions has generally increased as the number, intensity, and sophistication of attempted attacks and intrusions from around the world have increased. We may not be able to anticipate all types of security threats, and we may not be able to implement preventative measures effective against all such security threats. Any such breach or interruption could compromise our networks and the information stored there could be accessed by parties, manipulated, publicly disclosed, lost, or stolen. Any event that leads to unauthorized access, use or disclosure of personal information could harm our reputation directly, compel us to comply with federal and/or state breach notification laws and foreign equivalents, subject us to mandatory corrective action, which could result in significant costs and reputational damage or otherwise have an adverse effect on our business.

Failures or significant downtime of our information technology or telecommunication systems or those used by our third-party service providers could cause significant interruptions in our operations and adversely impact the confidentiality, integrity and availability of sensitive or confidential information, including preventing us from conducting clinical trials, tests or research and development activities and preventing us from managing the administrative aspects of our business. For example, the loss of clinical trial data from completed, ongoing or planned clinical trials could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data. To the extent that any disruption or security breach results in a loss of or damage to our data or applications, or inappropriate disclosure of confidential or proprietary information, we could incur liability and the further development of our product candidates could be delayed. If the information technology systems of our third-party vendors and other contractors become subject to disruptions or security breaches, we may have insufficient recourse against such third parties and may have to expend significant resources to mitigate the impact of such an event, and to develop and implement protections to prevent future events of this nature from occurring.

Under applicable employment laws, we may not be able to enforce covenants not to compete.

We generally enter into non-competition agreements as part of our employment agreements with our employees. These agreements generally prohibit our employees, if they cease working for us, from competing directly with us or working for our competitors or clients for a limited period. We may be unable to enforce these agreements under the laws of the jurisdictions in which our employees work, and it may be difficult for us to restrict our competitors from benefitting from the expertise our former employees or consultants developed while working for us.

For example, Israeli labor courts have required employers seeking to enforce non-compete undertakings of a former employee to demonstrate that the competitive activities of the former employee will harm one of a limited number of material interests of the employer which have been recognized by the courts as justification for the enforcement of non-compete undertakings, such as the protection of a company's trade secrets or other intellectual property.

Our employees, independent contractors, clinical investigators, CROs, consultants and vendors may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements and insider trading.

We are exposed to the risk that our employees, independent contractors, clinical investigators, CROs, consultants and vendors may engage in fraudulent conduct or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct, breach of contract or other unauthorized activities that violate: FDA regulations, including those laws requiring the reporting of true, complete and accurate information to the FDA; manufacturing standards; federal, state and foreign healthcare fraud and abuse laws; buying or selling of our stock while in possession of material non-public information; or laws that require the reporting of financial information or data accurately.

Specifically, research, sales, marketing, education and other business arrangements in the healthcare industry are subject to extensive laws intended to prevent fraud, misconduct, kickbacks, self-dealing and other abusive practices. These laws may restrict or prohibit a wide range of pricing, discounting, marketing and promotion, sales commission, customer incentive and other business arrangements. Activities subject to these laws also include the improper use of information obtained in the course of clinical trials, which could result in regulatory sanctions and serious harm to our reputation. We have adopted a Corporate Code of Ethics and Conduct and a Compliance Program, but it is not always possible to identify and deter misconduct by employees and other third parties, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws. If any such actions are instituted against us, even if we are successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business. Violations of such laws subject us to numerous penalties, including, but not limited to, the imposition of significant civil, criminal and administrative penalties, damages, monetary fines, disgorgement, imprisonment, additional reporting requirements and oversight if we become subject to a corporate integrity agreement or similar agreement to resolve allegations of non-compliance with these laws, possible exclusion from participation in Medicare, Medicaid and other federal healthcare programs, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of our operations, any of which could adversely affect our ability to operate our business and our results of operations.

Most states also have statutes or regulations similar to these federal laws, which may apply to items such as pharmaceutical products and services reimbursed by private insurers. We and/or our future partners may be subject to administrative, civil and criminal sanctions for violations of any of these federal and state laws. Pharmaceutical and other healthcare companies have been prosecuted under these laws for a variety of promotional and marketing activities, such as: providing free trips, free goods, improper consulting fees and grants and other monetary benefits to prescribers; reporting to pricing services inflated average wholesale prices that were then used by federal programs to set reimbursement rates; engaging in off-label promotion; and submitting inflated best price information to the Medicaid Rebate Program to reduce liability for Medicaid rebates. Ensuring that our internal operations and future business arrangements with third parties comply with applicable healthcare laws and regulations will involve substantial costs. It is possible that governmental authorities will conclude that our business practices do not comply with current or future statutes, regulations, agency guidance or case law involving applicable fraud and abuse or other healthcare laws and regulations, which could have a significant impact on the conduct of our business.

Our business involves the use of hazardous materials and we and our third-party manufacturers and suppliers must comply with environmental laws and regulations, which can be expensive and restrict how we do business.

Our research and development activities and our third-party subcontractors' and suppliers' activities involve the controlled storage, use, transportation and disposal of hazardous materials owned by us, including mitomycin, key components of our product candidates, and other hazardous compounds. We and our manufacturers and suppliers are subject to laws and regulations governing the use, manufacture, storage, handling and disposal of these hazardous materials. Despite our efforts, we cannot eliminate the risk of contamination. This could cause an interruption of our commercialization efforts and business operations, environmental damage resulting in costly clean-up and liabilities under applicable laws and regulations governing the use, storage, handling and disposal of

these materials and specified waste products. Although we believe that the safety procedures utilized by us and our subcontractors and suppliers for handling and disposing of these materials generally comply with the standards prescribed by these laws and regulations, we cannot guarantee that this is the case or eliminate the risk of accidental contamination or injury from these materials. In such an event, we may be held liable for any resulting damages and such liability could exceed our resources and state or federal or other applicable authorities may curtail our use of certain materials and interrupt our business operations.

Furthermore, environmental laws and regulations are complex, change frequently and have tended to become more stringent. We cannot predict the impact of such changes and cannot be certain of our future compliance.

Exchange rate fluctuations between the U.S. Dollar and the New Israeli Shekel may negatively affect our earnings.

The U.S. dollar is our functional and reporting currency. However, a significant portion of our operating expenses are incurred in New Israeli Shekels, or NIS, which is the lawful currency of the State of Israel. As a result, we are exposed to the risks that the NIS may appreciate relative to the dollar, or, if the NIS instead devalues relative to the dollar, that the inflation rate in Israel may exceed such rate of devaluation of the NIS, or that the timing of such devaluation may lag behind inflation in Israel. In any such event, the dollar cost of our operations in Israel would increase and our dollar-denominated results of operations would be adversely affected. We cannot predict any future trends in the rate of inflation in Israel or the rate of devaluation (if any) of the NIS against the dollar. For example, although the dollar appreciated against the NIS in 2018 by 8.1%, the dollar depreciated against the NIS during 2019 and 2020 by 14.2%. If the dollar cost of our operations in Israel increase, our dollar-measured results of operations will be adversely affected.

Our business could be adversely affected by the effects of health pandemics or epidemics, including the COVID-19 pandemic.

The recent outbreak of the novel strain of coronavirus, SARS-CoV-2, causing COVID-19 disease, which has been declared by the World Health Organization to be a pandemic, has spread across the globe and is impacting worldwide economic activity. A pandemic, including COVID-19 or other public health epidemic, poses the risk that we or our employees, contractors, suppliers, customers, and other partners may be prevented from conducting certain business activities for an indefinite period of time, including due to spread of the disease within these groups or due to shutdowns that may be requested or mandated by governmental authorities. While it is not possible at this time to estimate the impact that COVID-19 could have on our business, the COVID-19 pandemic and mitigation measures have had and may continue to have an adverse impact on global economic conditions which could have an adverse effect on our business and financial condition, including impairing our ability to raise capital when needed. The continued spread of COVID-19 and the measures taken by various governments could disrupt the supply chain of material needed for our product candidates and our approved product, *Jelmyto*, interrupt healthcare services, delay coverage decisions from Medicare and third party payors, delay ongoing and planned clinical trials involving our product candidates and have a material adverse effect on our business, financial condition and results of operations. In addition, we and many of our potential customers and partners worldwide have in the past and may in the future be subject to stay-at-home orders as a result of the COVID-19 pandemic. In addition, our ongoing commercial launch of *Jelmyto* and subsequent commercialization activities could be hindered by the COVID-19 pandemic, although we are currently not able to predict or quantify any such potential impact with any degree of certainty. However, the worldwide spread of the COVID-19 virus has resulted and may continue to result in a global slowdown of economic activity which is likely to decrease demand for a broad variety of goods and services, including potentially for *Jelmyto*, while also disrupting sales channels and marketing activities for an unknown period of time until the disease is contained.

The timelines and conduct of our ongoing clinical trials may be affected by the COVID-19 pandemic. Clinical site initiation and patient enrollment may be delayed due to prioritization of hospital resources toward the COVID-19 pandemic and patients' ability or willingness to participate in clinical trials. For those patients who are enrolled and desire to continue in the clinical trials, some patients may not be able or willing to comply with clinical trial protocols if quarantines or governmental orders impede patient movement or interrupt healthcare services. Similarly, we may face increased challenges with the ability to recruit and retain patients and principal investigators and site staff who, as healthcare providers, may have heightened exposure to COVID-19, which could adversely impact our clinical trial operations, timelines and outcomes. While we remain in close contact with our clinical research organizations, clinical sites and suppliers to attempt to assess the impacts that COVID-19 may have on our clinical trials and projected timelines and we are in the process of implementing appropriate mitigating measures in accordance with recent FDA guidance in an effort to ensure the ongoing safety of the patients in our clinical trials and the continued collection of high quality data, there is no guarantee that such efforts will be successful. As challenging as conducting clinical trials is during normal times, the risks, operational challenges and costs of conducting clinical trials has increased substantially during the pandemic.

Additionally, during the COVID-19 pandemic, our sales force has had physical access to hospitals, clinics, healthcare providers and pharmacies curtailed, which may have affected our sales to date and may in the future have a material adverse effect on our future sales. While digital tools are available to our field employees to facilitate remote meetings with physicians and other healthcare providers, we cannot ensure that these methods will be effective. Additionally, patients who are currently using *Jelmyto* or who are eligible to use *Jelmyto*, may be unable to meet with their healthcare providers in person, which may reduce the number of prescription refills or new patient starts, affecting our revenues both in our currently approved indication and potentially impacting our anticipated launches in other indications, if approved.

Moreover, the global outbreak of the COVID-19 coronavirus continues to evolve, and the extent to which the COVID-19 coronavirus may impact our business, results of operations and financial position will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions and social distancing in the United States and other countries, business closures or business disruptions, and the effectiveness of actions taken in the United States and other countries to contain and treat the disease.

To the extent the COVID-19 pandemic adversely affects our business and financial results, it may also have the effect of heightening many of the other risks described in the “Risk Factors” section of this report.

Risks Related to Our Limited Operating History, Financial Condition and Capital Requirements

We have a limited operating history and have incurred significant losses and negative cash flows since our inception, and we anticipate that we will continue to incur significant losses and negative cash flows for the foreseeable future, which makes it difficult to assess our future viability.

We are a biopharmaceutical company with a limited operating history upon which you can evaluate our business and prospects. We are not profitable and have incurred net losses in each period since we commenced operations in 2004, including net losses of \$128.5 million and \$105.1 million for the years ended December 31, 2020 and 2019, respectively. As of December 31, 2020, we had an accumulated deficit of \$356.5 million. We expect to continue to incur significant expenses and increasing operating losses for the foreseeable future. Our ability to ultimately achieve recurring revenues and profitability is dependent upon our ability to successfully complete the development of our product candidates and obtain necessary regulatory approvals for and successfully manufacture, market and commercialize our products.

We believe that we will continue to expend substantial resources in the foreseeable future for the clinical development of our current product candidates or any additional product candidates and indications that we may choose to pursue in the future. These expenditures will include costs associated with research and development, conducting nonclinical studies and clinical trials, and payments for third-party manufacturing and supply, as well as sales and marketing of any of our product candidates that are approved for sale by regulatory agencies. Because the outcome of any clinical trial is highly uncertain, we cannot reasonably estimate the actual amounts necessary to successfully complete the development and commercialization of our clinical stage and nonclinical drug candidates and any other drug candidates that we may develop in the future. Other unanticipated costs may also arise.

Our future capital requirements depend on many factors, including:

- the timing of, and the costs involved in, clinical development and obtaining regulatory approvals for our product candidates;
- changes in regulatory requirements during the development phase that can delay or force us to stop our activities related to any of our product candidates;
- the cost of commercialization activities for *Jelmyto* and any other products approved for sale, including marketing, sales and distribution costs;
- our degree of success in commercializing *Jelmyto*;
- the cost of third-party manufacturing of our products candidates and any approved products;
- the number and characteristics of any other product candidates we develop or acquire;
- our ability to establish and maintain strategic collaborations, licensing or other commercialization arrangements, and the terms and timing of such arrangements;
- the extent and rate of market acceptance of any approved products;
- the expenses needed to attract and retain skilled personnel;
- the costs associated with being a public company;
- the costs involved in preparing, filing, prosecuting, maintaining, defending and enforcing patent and other intellectual property claims, including potential litigation costs, and the outcome of such litigation;
- the timing, receipt and amount of sales of, or royalties on, future approved products, if any;
- any product liability or other lawsuits related to our products or business arrangements;

- scientific breakthroughs in the field of urothelial cancer treatment and diagnosis that could significantly diminish the need for our product candidates or make them obsolete; and
- changes in reimbursement or other regulatory policies that could have a negative impact on our future revenue stream.

In addition, we have limited experience and have not yet demonstrated an ability to successfully overcome many of the risks and uncertainties frequently encountered by companies in new and rapidly evolving fields, particularly in the biopharmaceutical industry. Drug development is a highly speculative undertaking and involves a substantial degree of risk. To date, we have not obtained regulatory approval for any product except *Jelmyto* and we have not commercialized any of our products or generated any revenue from product sales.

We will require substantial additional financing to achieve our goals, and a failure to obtain this capital when needed and on acceptable terms, or at all, could force us to delay, limit, reduce or terminate our product development, commercialization efforts or other operations.

Since our inception, almost all our resources have been dedicated to the nonclinical and clinical development of our first commercial product, *Jelmyto*, and our lead product candidate UGN-102. As of December 31, 2020, we had cash and cash equivalents and marketable securities of \$103.9 million. In January 2019, we completed an underwritten public offering in which we received net proceeds of approximately \$161.4 million, after deducting the underwriting discounts and commissions and payment of other offering expenses. During the second quarter of 2020, we sold 700,000 ordinary shares under the ATM Sales Agreement, for gross proceeds of approximately \$16.6 million. The net proceeds to us after deducting sales commissions to Cowen and other issuance expenses were approximately \$15.8 million. The remaining capacity under the ATM Sales Agreement is approximately \$83.4 million.

Based on our cash flow projections, we believe that our current cash and cash equivalents and marketable securities are sufficient to fund our planned operations for at least the next 12 months. We expect that we will require additional capital to complete clinical trials, obtain regulatory approval for and commercialize our product candidates. However, our operating plan may change as a result of many factors currently unknown to us, and we may need to seek additional funds sooner than planned, through public or private equity financings, convertible debt or debt financings, third-party funding, marketing and distribution arrangements, as well as other collaborations, strategic alliances and licensing arrangements, or a combination of these approaches. In any event, we will require additional capital to pursue nonclinical and clinical activities, and pursue regulatory approval for, and to commercialize, our pipeline product candidates. Even if we believe that we have sufficient funds for our current or future operating plans, we may seek additional capital if market conditions are favorable or if we have specific strategic considerations.

Any additional fundraising efforts may divert the attention of our management from day-to-day activities, which may adversely affect our ability to develop and commercialize our product candidates. In addition, we cannot guarantee that future financing will be available in sufficient amounts or on terms acceptable to us, if at all. Moreover, the terms of any financing may negatively impact the holdings or the rights of our shareholders, and the issuance of additional securities, whether equity or debt, by us or the possibility of such issuance may cause the market price of our shares to decline. The incurrence of indebtedness could result in increased fixed payment obligations and we may be required to agree to certain restrictive covenants, such as limitations on our ability to incur additional debt, limitations on our ability to acquire, sell or license intellectual property rights and other operating restrictions that could adversely impact our ability to conduct our business. We could also be required to seek funds through arrangements with collaborative partners or otherwise at an earlier stage than would be desirable and we may be required to relinquish rights to some of our technologies, intellectual property or product candidates or otherwise agree to terms unfavorable to us, any of which may harm our business, financial condition, cash flows, operating results and prospects.

If adequate funds are not available to us on a timely basis, we may be required or choose to:

- delay, limit, reduce or terminate nonclinical studies, clinical trials or other development activities for our product candidates or any of our future product candidates;
- delay, limit, reduce or terminate our other research and development activities; or
- delay, limit, reduce or terminate our establishment or expansion of manufacturing, sales and marketing or distribution capabilities or other activities that may be necessary to commercialize *Jelmyto* or any of our product candidates that obtain marketing approval.

We may also be unable to expand our operations or otherwise capitalize on our business opportunities, as desired, which could harm our business, financial condition, cash flows and results of operations.

Raising additional capital may cause dilution to our shareholders, restrict our operations or require us to relinquish rights to our technologies or product candidates.

Until such time, if ever, as we can generate substantial product revenues, we expect to finance our cash needs through equity, convertible debt or debt financings, as well as selectively continuing to enter into collaborations, strategic alliances and licensing arrangements. We do not currently have any committed external source of funds other than funding under the existing exclusive license agreement we entered into with Allergan Pharmaceuticals International Limited, or Allergan, a wholly owned subsidiary of Allergan plc, which is now a part of AbbVie Inc., in October 2016, or the Allergan/AbbVie Agreement. Under the Allergan/AbbVie Agreement, we may receive additional material milestone payments upon the successful completion of certain development, regulatory and commercial milestones and royalties with respect to future sales of collaboration products by Allergan. Allergan may unilaterally terminate our existing collaboration for any reason upon advance notice.

To the extent that we raise additional capital through the sale of equity or convertible debt securities, your ownership interest will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect your rights as an ordinary shareholder. Debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring and distributing dividends, and may be secured by all or a portion of our assets.

If we raise funds by selectively continuing to enter into additional collaborations, strategic alliances or licensing arrangements with third parties, we may have to relinquish additional valuable rights to our technologies, future revenue streams, research programs or product candidates or to grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds through equity, convertible debt or debt financings when needed, we may be required to delay, limit, reduce or terminate our product development or future commercialization efforts or grant rights to develop and market product candidates that we would otherwise prefer to develop and market ourselves. If we are unable to raise additional funds through other collaborations, strategic alliances or licensing arrangements, we may be required to terminate product development or future commercialization efforts or to cease operations altogether.

Risks Related to Our Intellectual Property

If our efforts to obtain, protect or enforce our patents and other intellectual property rights related to our product candidates and technologies are not adequate, we may not be able to compete effectively, and we otherwise may be harmed.

Our commercial success depends in part upon our ability to obtain and maintain patent protection and utilize trade secret protection for our intellectual property and proprietary technologies, our products and their uses, as well as our ability to operate without infringing upon the proprietary rights of others. We rely upon a combination of patents, trade secret protection and confidentiality agreements, assignment of invention agreements and other contractual arrangements to protect the intellectual property related to hydrogel-based pharmaceutical compositions for optimal delivery of a drug in internal cavities such as the bladder, the method for treating urothelial cancer using hydrogel-based compositions, the method for treating overactive bladder topically without the need for injections, an in-dwelling ureter catheter system for optimal delivery of a drug into the renal cavity, and pharmaceutical compositions comprising an imidazoquinolin (amine) and lactic acid for use in a method for the treatment of bladder diseases, as well as other intellectual property advancements.

We seek patent protection for our product candidates, and we have established several patent families comprised of issued patents and pending patent applications covering our proprietary *RTGel* technology, the pharmaceutical compositions, methods of use and manufacturing aspects of our product candidates. In the United States, we currently have 16 granted patents that are directed to protect our approved product, *Jelmyto* and our lead product candidate, UGN-102, a proprietary *RTGel* technology, various local compositions comprising different active ingredients, inter alia compositions comprising a Botulinum Toxin, UGN-201, UGN-302 and our future product candidates that are under company research. These patents claim methods, combination products and novel compositions for treating different diseases, especially cancer in internal cavities, in particular urinary tract cancer. These issued patents are set to expire between 2024 and 2037. In total, our IP portfolio includes 38 granted patents worldwide, and more than 40 pending patent applications filed in the US, Europe, Israel and Japan that are directed to cover various methods, systems and compositions for treating cancer locally, by intravesical means, utilize various active ingredients and the combinations thereof. These patent applications, if issued, are set to expire between 2031 and 2037.

Limitations on the scope of our intellectual property rights may limit our ability to prevent third parties from designing around such rights and competing against us. For example, our patents do not claim a new compound. Rather, the active pharmaceutical ingredients of our products are known compounds and our granted patents and pending patent applications are directed inter alia to novel formulations of these known compounds with our proprietary *RTGel* technology. Accordingly, other parties may compete with us, for example, by independently developing or obtaining competing topical formulations that design around our patent claims, but which may contain the same active ingredients, or by seeking to invalidate our patents. Any disclosure to or misappropriation by third

parties of our confidential proprietary information could enable competitors to quickly duplicate or surpass our technological achievements, eroding our competitive position in the market.

We will not necessarily seek to protect our intellectual property rights in all jurisdictions throughout the world and we may not be able to adequately enforce our intellectual property rights even in the jurisdictions where we seek protection.

One or more of the patent applications that we filed or license may fail to result in granted patents in the United States or foreign jurisdictions, or if granted may fail to prevent a potential infringer from marketing its product or be deemed invalid and unenforceable by a court. Competitors in the field of reverse thermal gel therapies have created a substantial amount of scientific publications, patents and patent applications and other materials relating to their technologies. Our ability to obtain and maintain valid and enforceable patents depends on various factors, including interpretation of our technology and the prior art and whether the differences between them allow our technology to be patentable. Patent applications and granted patents are complex, lengthy and highly technical documents that are often prepared under limited time constraints and may not be free from errors that make their interpretation uncertain. The existence of errors in a patent may have an adverse effect on the patent, its scope and its enforceability. Our pending patent applications may not issue, and the scope of the claims of patent applications that do issue may be too narrow to adequately protect our competitive advantage. Also, our granted patents may be subject to challenges or narrowly construed and may not provide adequate protection.

We may be subject to claims that we infringe, misappropriate or otherwise violate the intellectual property rights of third parties.

Even if our patents do successfully issue, third parties may challenge the validity, enforceability or scope of such granted patents or any other granted patents we own or license, which may result in such patents being narrowed, invalidated or held unenforceable. For example, patents granted by the European Patent Office may be opposed by any person within nine months from the publication of their grant. Also, patents granted by the United States Patent and Trademark Office, or USPTO, may be subject to reexamination and other challenges.

Pharmaceutical patents and patent applications involve highly complex legal and factual questions, which, if determined adversely to us, could negatively impact our patent position. There is significant litigation activity in the pharmaceutical industry regarding patent and other intellectual property rights. Such litigation could result in substantial costs and be a distraction to management and other employees.

The patent positions of biotechnology and pharmaceutical companies can be highly uncertain and involve complex legal and factual questions. The interpretation and breadth of claims allowed in some patents covering pharmaceutical compositions may be uncertain and difficult to determine and are often affected materially by the facts and circumstances that pertain to the patented compositions and the related patent claims. Furthermore, even if they are not challenged, our patents and patent applications may not adequately protect our intellectual property or prevent others from designing around our claims. To meet such challenges, which are part of the risks and uncertainties of developing and marketing product candidates, we may need to evaluate third party intellectual property rights and, if appropriate, to seek licenses for such third party intellectual property or to challenge such third party intellectual property, which may be costly and may or may not be successful, which could also have an adverse effect on the commercial potential for *Jelmyto*, UGN-102 and any of our product candidates.

We may receive only limited protection, or no protection, from our issued patents and patent applications.

There can be no assurance that the patent applications will be granted. The term of individual patents depends upon the legal term of the patents in the countries in which they are obtained.

The patent application process, also known as patent prosecution, is expensive and time consuming, and we or any future licensors and licensees may not be able to prepare, file and prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner. It is also possible that we or any future licensors or licensees will fail to identify patentable aspects of inventions made in the course of development and commercialization activities before it is too late to obtain patent protection on them. Therefore, these and any of our patents and applications may not be prosecuted and enforced in a manner consistent with the best interests of our business. It is possible that defects of form in the preparation or filing of our patents or patent applications may exist, or may arise in the future, for example with respect to proper priority claims, inventorship, etc., although we are unaware of any such defects that we believe are of material import. If we or any future licensors or licensees fail to establish, maintain or protect such patents and other intellectual property rights, such rights may be reduced or eliminated. If any future licensors or licensees are not fully cooperative or disagree with us as to the prosecution, maintenance or enforcement of any patent rights, such patent rights could be compromised. If there are material defects in the form or preparation of our patents or patent applications, such patents or applications may be invalid and unenforceable. Any of these outcomes could impair our ability to prevent competition from third parties, which may have an adverse impact on our business.

The strength of patents in the pharmaceutical field involves complex legal and scientific questions and can be uncertain. This uncertainty includes changes to the patent laws through either legislative action to change statutory patent law or court action that may reinterpret existing law in ways affecting the scope or validity of issued patents. The patent applications that we own or in-license may fail to result in issued patents in the United States or foreign countries with claims that cover our product candidates. Even if patents do successfully issue from the patent applications that we own or in-license, third parties may challenge the validity, enforceability or scope of such patents, which may result in such patents being narrowed, invalidated or held unenforceable. For example, patents granted by the European Patent Office may be challenged, also known as opposed, by any person within nine months from the publication of their grant. Any successful challenge to our patents could deprive us of exclusive rights necessary for the successful commercialization of our product candidates. Furthermore, even if they are unchallenged, our patents may not adequately protect our product candidates, provide exclusivity for our product candidates, or prevent others from designing around our claims. If the breadth or strength of protection provided by the patents we hold or pursue with respect to our product candidates is challenged, it could dissuade companies from collaborating with us to develop or threaten our ability to commercialize our product candidates.

Patents have a limited lifespan. In the United States, the natural expiration of a patent is generally 20 years after it is filed. Various extensions may be available; however, the life of a patent, and the protection it affords, is limited. Without patent protection for our product candidates, we may be open to competition from generic versions of our product candidates. Further, if we encounter delays in our development efforts, including our clinical trials, the period of time during which we could market our product candidates under patent protection would be reduced.

A considerable number of our patents and patent applications are entitled to effective filing dates prior to March 16, 2013. For U.S. patent applications in which patent claims are entitled to a priority date before March 16, 2013, an interference proceeding can be provoked by a third party, for example a competitor, or instituted by the USPTO to determine who was the first to invent any of the subject matter covered by those patent claims. An unfavorable outcome could require us to cease using the related technology or to attempt to license rights from the prevailing party. Our business could be harmed if the prevailing party does not offer us a license on commercially reasonable terms. Our participation in an interference proceeding may fail and, even if successful, may result in substantial costs and distract our management.

Our trade secrets may not have sufficient intellectual property protection.

In addition to the protection afforded by patents, we also rely on trade secret protection to protect proprietary know-how that may not be patentable or that we elect not to patent, processes for which patents may be difficult to obtain or enforce, and any other elements of our product candidates, and our product development processes (such as manufacturing and formulation technologies) that involve proprietary know-how, information or technology that is not covered by patents. However, trade secrets can be difficult to protect. If the steps taken to maintain our trade secrets are deemed inadequate, we may have insufficient recourse against third parties for misappropriating any trade secrets. Misappropriation or unauthorized disclosure of our trade secrets could significantly affect our competitive position and may have an adverse effect on our business. Furthermore, trade secret protection does not prevent competitors from independently developing substantially equivalent information and techniques and we cannot guarantee that our competitors will not independently develop substantially equivalent information and techniques. The FDA, as part of its Transparency Initiative, is currently considering whether to make additional information publicly available on a routine basis, including information that we may consider to be trade secrets or other proprietary information, and it is not clear at the present time how the FDA's disclosure policies may change in the future, if at all.

In an effort to protect our trade secrets and other confidential information, we require our employees, consultants, advisors, and any other third parties that have access to our proprietary know-how, information or technology, for example, third parties involved in the formulation and manufacture of our product candidates, and third parties involved in our clinical trials to execute confidentiality agreements upon the commencement of their relationships with us. These agreements require that all confidential information developed by the individual or made known to the individual by us during the course of the individual's relationship with us is kept confidential and not disclosed to third parties. However, we cannot be certain that our trade secrets and other confidential proprietary information will not be disclosed despite having such confidentiality agreements. Adequate remedies may not exist in the event of unauthorized use or disclosure of our trade secrets. In addition, in some situations, these confidentiality agreements may conflict with, or be subject to, the rights of third parties with whom our employees, consultants, or advisors have previous employment or consulting relationships. To the extent that our employees, consultants or contractors use any intellectual property owned by third parties in their work for us, disputes may arise as to the rights in any related or resulting know-how and inventions. If we are unable to prevent unauthorized material disclosure of our trade secrets to third parties, we may not be able to establish or maintain a competitive advantage in our market, which could harm our business, operating results and financial condition.

Changes in U.S. patent law could diminish the value of patents in general, thereby impairing our ability to protect our products.

As is the case with other pharmaceutical companies, our success is heavily dependent on intellectual property, particularly on obtaining and enforcing patents. Obtaining and enforcing patents in the pharmaceutical industry involves both technological and legal complexity, and therefore, is costly, time-consuming and inherently uncertain. In addition, the United States has recently enacted and is currently implementing wide-ranging patent reform legislation. Further, recent U.S. Supreme Court rulings have either narrowed the scope of patent protection available in certain circumstances or weakened the rights of patent owners in certain situations. In addition to increasing uncertainty with regard to our ability to obtain patents in the future, this combination of events has created uncertainty with respect to the value of patents, once obtained.

For our U.S. patent applications containing a claim not entitled to priority before March 16, 2013, there is a greater level of uncertainty in the patent law. In September 2011, the Leahy-Smith America Invents Act, or the America Invents Act, or AIA, was signed into law. The AIA includes a number of significant changes to U.S. patent law, including provisions that affect the way patent applications will be prosecuted and may also affect patent litigation. The USPTO is currently developing regulations and procedures to govern administration of the AIA, and many of the substantive changes to patent law associated with the AIA. It is not clear what other, if any, impact the AIA will have on the operation of our business. Moreover, the AIA and its implementation could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of our issued patents, all of which could harm our business and financial condition.

An important change introduced by the AIA is that, as of March 16, 2013, the United States transitioned to a “first-to-file” system for deciding which party should be granted a patent when two or more patent applications are filed by different parties claiming the same invention. A third party that files a patent application in the USPTO after that date but before us could therefore be awarded a patent covering an invention of ours even, if we had made the invention before it was made by the third party. This will require us to be cognizant going forward of the time from invention to filing of a patent application. Furthermore, our ability to obtain and maintain valid and enforceable patents depends on whether the differences between our technology and the prior art allow our technology to be patentable over the prior art. Since patent applications in the United States and most other countries are confidential for a period of time after filing, we cannot be certain that we were the first to either (i) file any patent application related to our product candidates or (ii) invent any of the inventions claimed in our patents or patent applications.

Among some of the other changes introduced by the AIA are changes that limit where a patentee may file a patent infringement suit and provide opportunities for third parties to challenge any issued patent in the USPTO. This applies to all of our U.S. patents, even those issued before March 16, 2013. Because of a lower evidentiary standard in USPTO proceedings compared to the evidentiary standard in a United States federal court necessary to invalidate a patent claim, a third party could potentially provide evidence in a USPTO proceeding sufficient for the USPTO to hold a claim invalid even though the same evidence would be insufficient to invalidate the claim if first presented in a district court action. Accordingly, a third party may attempt to use the USPTO procedures to invalidate our patent claims that would not have been invalidated if first challenged by the third party as a defendant in a district court action.

Depending on decisions by the U.S. Congress, the federal courts, and the USPTO, the laws and regulations governing patents could change in unpredictable ways that would weaken our ability to obtain new patents or to enforce our existing patents and patents that we might obtain in the future.

Obtaining and maintaining our patent protection depends on compliance with various procedural, documentary, fee payment and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements.

The USPTO and various foreign governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other similar provisions during the patent prosecution process.

Periodic maintenance fees and various other governmental fees on any issued patent and/or pending patent applications are due to be paid to the USPTO and foreign patent agencies in several stages over the lifetime of a patent or patent application. We have systems in place to remind us to pay these fees, and we employ an outside firm and rely on our outside counsel to pay these fees. While an inadvertent lapse may sometimes be cured by payment of a late fee or by other means in accordance with the applicable rules, there are many situations in which noncompliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. If we fail to maintain the patents and patent applications directed to our product candidates, our competitors might be able to enter the market earlier than should otherwise have been the case, which could harm our business.

We may not be able to protect our intellectual property rights throughout the world.

Filing, prosecuting and defending patents on our product candidates in all countries throughout the world would be prohibitively expensive. The requirements for patentability may differ in certain countries, particularly developing countries. For example, unlike other countries, China has a heightened requirement for patentability, and specifically requires a detailed description of medical uses of a claimed drug. In addition, the laws of some foreign countries do not protect intellectual property rights to the same extent as laws in the United States. Consequently, we may not be able to prevent third parties from practicing our inventions in all countries outside the United States. Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own products and further, may export otherwise infringing products to territories where we have patent protection, but enforcement on infringing activities is inadequate. These products may compete with our products, and our patents or other intellectual property rights may not be effective or sufficient to prevent them from competing.

Many companies have encountered significant problems in protecting and defending intellectual property rights in foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents and other intellectual property protection, particularly those relating to pharmaceuticals, which could make it difficult for us to stop the infringement of our patents or marketing of competing products in violation of our proprietary rights generally.

Proceedings to enforce our patent rights in foreign jurisdictions could result in substantial costs and divert our efforts and attention from other aspects of our business, could put our patents at risk of being invalidated or interpreted narrowly and our patent applications at risk of not issuing, and could provoke third parties to assert claims against us. We may not prevail in any lawsuits that we initiate, and the damages or other remedies awarded, if any, may not be commercially meaningful. In addition, certain countries in Europe and certain developing countries, including India and China, have compulsory licensing laws under which a patent owner may be compelled to grant licenses to third parties. In those countries, we may have limited remedies if our patents are infringed or if we are compelled to grant a license to our patents to a third party, which could materially diminish the value of those patents. This could limit our potential revenue opportunities. Accordingly, our efforts to enforce our intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we own or license. Finally, our ability to protect and enforce our intellectual property rights may be adversely affected by unforeseen changes in foreign intellectual property laws.

If we are unable to protect our trademarks from infringement, our business prospects may be harmed.

We filed applications for trademarks (*Jelmyto*®, *RTGel*™, *UroGen*® and *Cystoject*™) that identify our branding elements, such as *Jelmyto* and our unique technology in the United States, Europe and Japan. Although we take steps to monitor the possible infringement or misuse of our trademarks, it is possible that third parties may infringe, dilute or otherwise violate our trademark rights. Any unauthorized use of our trademarks could harm our reputation or commercial interests. In addition, our enforcement against third-party infringers or violators may be unduly expensive and time-consuming, and the outcome may be an inadequate remedy.

We may become involved in lawsuits to protect or enforce our patents or other intellectual property or the patents of our licensors, which could be expensive and time consuming.

Third parties may infringe or misappropriate our intellectual property, including our existing patents, patents that may issue to us in the future, or the patents of our licensors to which we have a license. As a result, we may be required to file infringement claims to stop third-party infringement or unauthorized use. Further, we may not be able to prevent, alone or with our licensors, misappropriation of our intellectual property rights, particularly in countries where the laws may not protect those rights as fully as in the United States.

Drug manufacturers may develop, seek approval for, and launch generic versions of our products. If we file an infringement action against such a generic drug manufacturer, that company may challenge the scope, validity or enforceability of our or our licensors' patents, requiring us and/or our licensors to engage in complex, lengthy and costly litigation or other proceedings.

For example, if we or one of our licensors initiated legal proceedings against a third party to enforce a patent covering our product candidates, the defendant could counterclaim that the patent covering our product candidates is invalid and/or unenforceable. In patent litigation in the United States, defendant counterclaims alleging invalidity and/or unenforceability are commonplace, and there are numerous grounds upon which a third party can assert invalidity or unenforceability of a patent.

In addition, within and outside of the United States, there has been a substantial amount of litigation and administrative proceedings, including interference and reexamination proceedings before the USPTO or oppositions and other comparable proceedings in various foreign jurisdictions, regarding patent and other intellectual property rights in the pharmaceutical industry. Recently, the AIA introduced new procedures including inter partes review and post grant review. The implementation of these procedures brings uncertainty to the possibility of challenges to our patents in the future, including challenges by competitors who perceive our patents as blocking entry into the market for their products, and the outcome of such challenges.

Such litigation and administrative proceedings could result in revocation of our patents or amendment of our patents such that they do not cover our product candidates. They may also put our pending patent applications at risk of not issuing or issuing with limited and potentially inadequate scope to cover our product candidates. The outcome following legal assertions of invalidity and unenforceability is unpredictable. With respect to the validity question, for example, we cannot be certain that there is no invalidating prior art, of which we and the patent examiner were unaware during prosecution. Additionally, it is also possible that prior art of which we are aware, but which we do not believe affects the validity or enforceability of a claim, may, nonetheless, ultimately be found by a court of law or an administrative panel to affect the validity or enforceability of a claim. If a defendant were to prevail on a legal assertion of invalidity and/or unenforceability, we would lose at least part, and perhaps all, of the patent protection on our product candidates. Such a loss of patent protection could have a negative impact on our business.

Enforcing our or our licensors' intellectual property rights through litigation is very expensive, particularly for a company of our size, and time-consuming. Some of our competitors may be able to sustain the costs of litigation more effectively than we can because of greater financial resources. Patent litigation and other proceedings may also absorb significant management time.

Uncertainties resulting from the initiation and continuation of patent litigation or other proceedings could impair our ability to compete in the marketplace. The occurrence of any of the foregoing could harm our business, financial condition or results of operations.

Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation or administrative proceedings, there is a risk that some of our confidential information could be compromised by disclosure. In addition, during the course of litigation or administrative proceedings, there could be public announcements of the results of hearings, motions or other interim proceedings or developments or public access to related documents. If investors perceive these results to be negative, the market price for our ordinary shares could be significantly harmed.

We may become subject to claims for remuneration or royalties for assigned service invention rights by our employees, which could result in litigation and adversely affect our business.

A significant portion of our intellectual property has been developed by our employees during their employment. Under the Israeli Patent Law, 5727-1967, or the Patent Law, inventions conceived by an employee during the scope of his or her employment with a company are regarded as "service inventions." The Israeli Compensation and Royalties Committee, or the Committee, a body constituted under the Patent Law, has previously held, in certain cases, that employees may be entitled to remuneration for service inventions that they develop during their service for a company despite their explicit waiver of such right. Therefore, although we enter into agreements with our employees pursuant to which they waive their right to special remuneration for service inventions created in the scope of their employment or engagement and agree that any such inventions are owned exclusively by us, we may face claims by employees demanding remuneration beyond their regular salary and benefits.

Third-party claims alleging intellectual property infringement may adversely affect our business.

Our commercial success depends in part on our avoiding infringement of the patents and proprietary rights of third parties, for example, the intellectual property rights of competitors. Our research, development and commercialization activities may be subject to claims that we infringe or otherwise violate patents owned or controlled by third parties. Numerous U.S. and foreign issued patents and pending patent applications, which are owned by third parties, exist in the fields in which we are developing our product candidates. As the biotechnology and pharmaceutical industries expand and more patents are issued, the risk increases that our activities related to our product candidates may give rise to claims of infringement of the patent rights of others. We cannot assure you that our product candidates will not infringe existing or future patents. We may not be aware of patents that have already issued that a third party might assert are infringed by our product candidates. It is also possible that patents of which we are aware, but which we do not believe are relevant to our product candidates, could nevertheless be found to be infringed by our product candidates. Nevertheless, we are not aware of any issued patents that we believe would prevent us from marketing our product candidates, if approved. There may also be patent applications that have been filed but not published that, when issued as patents, could be asserted against us.

Third parties making claims against us for infringement or misappropriation of their intellectual property rights may seek and obtain injunctive or other equitable relief, which could effectively block our ability to further develop and commercialize our product candidates. Further, if a patent infringement suit were brought against us, we could be forced to stop or delay research, development, manufacturing or sales of the product or product candidate that is the subject of the suit. Defense of these claims, regardless of their merit, would cause us to incur substantial expenses, and would be a substantial diversion of management time and employee resources from our business. In the event of a successful claim of infringement against us by a third party, we may have to (i) pay substantial damages, including treble damages and attorneys' fees if we are found to have willfully infringed the third party's patents; (ii) obtain one or more licenses from the third party; (iii) pay royalties to the third party; and/or (iv) redesign any infringing products. Redesigning any infringing products may be impossible or require substantial time and monetary expenditures. Further, we cannot predict whether any required license would be available at all or whether it would be available on commercially reasonable terms. In the event that we could not obtain a license, we may be unable to further develop and commercialize our product candidates, which could harm our business significantly. Even if we are able to obtain a license, the license would likely obligate us to pay license fees or royalties or both, and the rights granted to us might be nonexclusive, which could result in our competitors gaining access to the same intellectual property. Ultimately, we could be prevented from commercializing a product, or be forced to cease some aspect of our business operations, if, as a result of actual or threatened patent infringement claims, we are unable to enter into licenses on acceptable terms.

Defending ourselves or our licensors in litigation is very expensive, particularly for a company of our size, and time-consuming. Some of our competitors may be able to sustain the costs of litigation or administrative proceedings more effectively than we can because of greater financial resources. Patent litigation and other proceedings may also absorb significant management time. Uncertainties resulting from the initiation and continuation of patent litigation or other proceedings could impair our ability to compete in the marketplace. The occurrence of any of the foregoing could harm our business, financial condition or results of operations.

We may be subject to claims that our employees, consultants or independent contractors have wrongfully used or disclosed confidential information of third parties.

We employ individuals who were previously employed at other biotechnology or pharmaceutical companies. We may be subject to claims that we or our employees, consultants or independent contractors have inadvertently or otherwise improperly used or disclosed confidential information of these third parties or our employees' former employers. Further, we may be subject to ownership disputes in the future arising, for example, from conflicting obligations of consultants or others who are involved in developing our product candidates. We may also be subject to claims that former employees, consultants, independent contractors, collaborators or other third parties have an ownership interest in our patents or other intellectual property. Litigation may be necessary to defend against these and other claims challenging our right to and use of confidential and proprietary information. If we fail in defending any such claims, in addition to paying monetary damages, we may lose our rights therein. Such an outcome could have a negative impact on our business. Even if we are successful in defending against these claims, litigation could result in substantial cost and be a distraction to our management and employees.

Risks Related to Government Regulation

If the FDA does not conclude that UGN-102 satisfies the requirements under Section 505(b)(2) of the Federal Food Drug and Cosmetic Act, or Section 505(b)(2), or if the requirements for such product candidates are not as we expect, the approval pathway for these product candidates will likely take significantly longer, cost significantly more and entail significantly greater complications and risks than anticipated, and in either case may not be successful.

The Drug Price Competition and Patent Term Restoration Act of 1984, also known as the Hatch-Waxman Act, added Section 505(b)(2) to the Federal Food, Drug and Cosmetic Act. Section 505(b)(2) permits the filing of an NDA where at least some of the information required for approval comes from studies that were not conducted by or for the applicant, and for which the applicant has not received a right of reference, which could expedite the development program for UGN-102 and our other product candidates by potentially decreasing the amount of nonclinical and clinical data that we would need to generate in order to obtain FDA approval. However, while we believe that our product candidates are reformulations of existing drugs and, therefore, will not be treated as new chemical entities, or NCEs, the submission of an NDA under the Section 505(b)(2) pathway does not preclude the FDA from determining that the product candidate that is the subject of such submission is an NCE and therefore not eligible for review under such regulatory pathway.

If the FDA does not allow us to pursue the Section 505(b)(2) pathway as anticipated, we may need to conduct additional nonclinical experiments and clinical trials, provide additional data and information, and meet additional standards for regulatory approval. If this were to occur, the time and financial resources required to obtain FDA approval for these product candidates, and complications and risks associated with these product candidates, would likely increase significantly. Moreover, inability to pursue the Section 505(b)(2) pathway could result in new competitive products reaching the market more quickly than our product candidates, which would likely

harm our competitive position and prospects. Even if we are allowed to pursue the Section 505(b)(2) pathway, our product candidates may not receive the requisite approvals for commercialization.

In addition, notwithstanding the approval of a number of products by the FDA under Section 505(b)(2) certain competitors and others have objected to the FDA's interpretation of Section 505(b)(2). If the FDA's interpretation of Section 505(b)(2) is successfully challenged, the FDA may be required to change its 505(b)(2) policies and practices, which could delay or even prevent the FDA from approving any NDA that we submit under Section 505(b)(2). In addition, the pharmaceutical industry is highly competitive, and Section 505(b)(2) NDAs are subject to special requirements designed to protect the patent rights of sponsors of previously approved drugs that are referenced in a Section 505(b)(2) NDA. These requirements may give rise to patent litigation and mandatory delays in approval of our potential future NDAs for up to 30 months depending on the outcome of any litigation. It is not uncommon for a manufacturer of an approved product to file a citizen petition with the FDA seeking to delay approval of, or impose additional approval requirements for, pending competing products. If successful, such petitions can significantly delay, or even prevent, the approval of the new product. However, even if the FDA ultimately denies such a petition, the FDA may substantially delay approval while it considers and responds to the petition. In addition, even if we are able to utilize the Section 505(b)(2) regulatory pathway for our product candidates, there is no guarantee this would ultimately lead to faster product development or earlier approval.

Moreover, even if these product candidates are approved under the Section 505(b)(2) pathway, as the case may be, the approval may be subject to limitations on the indicated uses for which the products may be marketed or to other conditions of approval or may contain requirements for costly post-marketing testing and surveillance to monitor the safety or efficacy of the products.

We expect current and future legislation affecting the healthcare industry, including healthcare reform, to impact our business generally and to increase limitations on reimbursement, rebates and other payments, which could adversely affect third-party coverage of our products, our operations, and/or how much or under what circumstances healthcare providers will prescribe or administer our products, if approved.

The United States and some foreign jurisdictions are considering or have enacted a number of legislative and regulatory proposals to change the healthcare system in ways that could affect our ability to sell our products profitably. Among policy makers and payors in the United States and elsewhere, there is significant interest in promoting changes in healthcare systems with the stated goals of containing healthcare costs, improving quality or expanding access. In the United States, the pharmaceutical industry has been a particular focus of these efforts and has been significantly affected by major legislative initiatives.

For example, in March 2010, President Obama signed into law the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010, or collectively, the ACA, laws intended, among other things, to broaden access to health insurance, improve quality of care, and reduce or constrain the growth of healthcare spending.

Provisions of the ACA relevant to the pharmaceutical industry included the following:

- an annual, nondeductible fee on any entity that manufactures or imports certain branded prescription drugs and biologic agents, apportioned among these entities according to their market share in certain government healthcare programs, not including orphan drug sales;
- an increase in the statutory minimum rebates a manufacturer must pay under the Medicaid Drug Rebate Program to 23.1% and 13% of the average manufacturer price for most branded and generic drugs, respectively;
- a new Medicare Part D coverage gap discount program, in which manufacturers must now agree to offer 70% point-of-sale discounts on negotiated prices of applicable brand drugs to eligible beneficiaries during their coverage gap period, as a condition for the manufacturer's outpatient drugs to be covered under Medicare Part D;
- extension of manufacturers' Medicaid rebate liability to covered drugs dispensed to individuals who are enrolled in Medicaid managed care organizations;
- expansion of eligibility criteria for Medicaid programs by, among other things, allowing states to offer Medicaid coverage to additional individuals and by adding new mandatory eligibility categories for certain individuals with income at or below 133% of the Federal Poverty Level, thereby potentially increasing manufacturers' Medicaid rebate liability;
- expansion of the entities eligible for discounts under the Public Health Service pharmaceutical pricing program;
- new requirements to report annually certain financial arrangements with physicians and teaching hospitals; as defined in the ACA and its implementing regulations, including reporting any payment or "transfer of value" provided to physicians, as defined by such law, and teaching hospitals and any ownership and investment interests held by such physicians and their immediate family members during the preceding calendar year, which will be expanded beginning in 2022 to include reporting obligations with respect to financial relationships with certain additional healthcare providers;

- expansion of healthcare fraud and abuse laws, including the federal civil False Claims Act and the federal Anti-Kickback Statute, new government investigative powers and enhanced penalties for noncompliance; and
- a new Patient-Centered Outcomes Research Institute to oversee, identify priorities in and conduct comparative clinical effectiveness research, along with funding for such research.

There have been judicial, Congressional and executive branch challenges to certain aspects of the ACA. As a result, there have been delays in the implementation of, and action taken to repeal or replace, certain aspects of the ACA. For example, since January 2017, President Trump has signed executive orders and other directives designed to delay, circumvent, or loosen certain requirements mandated by the ACA. Concurrently, Congress has considered legislation that would repeal or repeal and replace all or part of the ACA. While Congress has not passed comprehensive repeal legislation, several bills affecting the implementation of certain taxes under the ACA have been signed into law. For example, the Tax Act included a provision that repealed, effective January 1, 2019, the tax-based shared responsibility payment imposed by the ACA on certain individuals who fail to maintain qualifying health coverage for all or part of a year that is commonly referred to as the “individual mandate.” For example, the 2020 federal spending package permanently eliminated, effective January 1, 2020, the ACA-mandated “Cadillac” tax on high cost employer-sponsored health coverage and medical device tax and, effective January 1, 2021, also eliminated the health insurer tax. The Bipartisan Budget Act of 2018, or the BBA, among other things, amended the ACA, effective January 1, 2019, to close the coverage gap in most Medicare drug plans, commonly referred to as the “donut hole.” On December 14, 2018, a U.S. District Court judge in the Northern District of Texas, or the Texas District Court Judge, ruled that the individual mandate is a critical and inseparable feature of the ACA, and therefore, because it was repealed as part of the Tax Act, the remaining provisions of the ACA are invalid as well. Additionally, on December 18, 2019, the U.S. Court of Appeals for the 5th Circuit upheld the District Court ruling that the individual mandate was unconstitutional and remanded the case back to the District Court to determine whether the remaining provisions of the ACA are invalid as well. The United States Supreme Court is currently reviewing this case, but it is unknown when a decision will be reached. Although the U.S. Supreme Court has yet ruled on the constitutionality of the ACA, on January 28, 2021, President Biden issued an executive order to initiate a special enrollment period from February 15, 2021 through May 15, 2021 for purposes of obtaining health insurance coverage through the ACA marketplace. The executive order also instructs certain governmental agencies to review and reconsider their existing policies and rules that limit access to healthcare, including among others, reexamining Medicaid demonstration projects and waiver programs that include work requirements, and policies that create unnecessary barriers to obtaining access to health insurance coverage through Medicaid or the ACA. It is unclear how the Supreme Court ruling, other such litigation and the healthcare reform measures of the Biden administration will impact the ACA and our business.

In addition, other legislative changes have been proposed and adopted since the ACA was enacted. For example, in August 2011, President Obama signed into law the Budget Control Act of 2011, which, among other things, created the Joint Select Committee on Deficit Reduction, or a Joint Selection Committee, to recommend to Congress proposals in spending reductions. The Joint Select Committee did not achieve a targeted deficit reduction of an amount greater than \$1.2 trillion for the years 2013 through 2021, triggering the legislation’s automatic reduction to several government programs. This includes aggregate reductions to Medicare payments to healthcare providers of up to 2.0% per fiscal year, which started in 2013 and, due to subsequent legislative amendments to the statute, including the BBA, will stay in effect through 2030 unless additional Congressional action is taken. However, COVID-19 relief legislation suspended the 2% Medicare sequester from May 1, 2020 through March 31, 2021. In January 2013, President Obama signed into law the American Taxpayer Relief Act of 2012, which, among other things, reduced Medicare payments to several categories of healthcare providers and increased the statute of limitations period for the government to recover overpayments to providers from three to five years.

Additionally, there have been several recent U.S. Congressional inquiries and proposed and enacted legislation at the federal and state levels designed to, among other things, bring more transparency to drug pricing, review the relationship between pricing and manufacturer patient programs, reduce the cost of drugs under Medicare, and reform government program reimbursement methodologies for drugs. At the federal level, the Trump Administration used several means to propose or implement drug pricing reform, including through federal budget proposals, executive orders and policy initiatives. For example, on July 24, 2020 and September 13, 2020, the Trump Administration announced several executive orders related to prescription drug pricing that attempt to implement several of the Administration’s proposals. The FDA also recently released a final rule, effective November 30, 2020, implementing a portion of President Trump’s importation executive order announced in July 2020, providing guidance for states to build and submit importation plans for drugs from Canada. Further, on November 20, 2020, HHS finalized a regulation removing safe harbor protection for price reductions from pharmaceutical manufacturers to plan sponsors under Part D, either directly or through pharmacy benefit managers, unless the price reduction is required by law. The implementation of the rule has been delayed by the Biden administration from January 1, 2022 to January 1, 2023 in response to ongoing litigation. The rule also creates a new safe harbor for price reductions reflected at the point-of-sale, as well as a new safe harbor for certain fixed fee arrangements between pharmacy benefit managers and manufacturers, the implementation of which have also been delayed pending review by the Biden administration until March 22, 2021. On November 20, 2020, CMS issued an interim final rule implementing President Trump’s Most Favored Nation executive order, which would tie Medicare Part B payments for certain physician-administered drugs to the lowest price paid in other economically advanced countries, effective January 1, 2021. On December 28, 2020, the United States District Court in Northern California issued a nationwide preliminary injunction against implementation of the interim final rule. However, it is unclear whether the Biden administration will work to reverse these measures or pursue similar policy initiatives. At the state level, legislatures have increasingly passed legislation and implemented regulations designed to control pharmaceutical and biological

product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures, and, in some cases, designed to encourage importation from other countries and bulk purchasing. If healthcare policies or reforms intended to curb healthcare costs are adopted, or if we experience negative publicity with respect to the pricing of our products or the pricing of pharmaceutical drugs generally, the prices that we charge for any approved products may be limited, our commercial opportunity may be limited and/or our revenues from sales of our products may be negatively impacted. In addition, it is possible that additional governmental action will be taken in response to the COVID-19 pandemic.

If we obtain regulatory approval and commercialization of UGN-102 or any of our other product candidates, these laws may result in additional reductions in healthcare funding, which could have an adverse effect on our customers and accordingly, our financial operations. Legislative and regulatory proposals have been made to expand post-approval requirements and restrict sales and promotional activities for pharmaceutical products. We cannot be sure whether additional legislative changes will be enacted, or whether regulations, guidance or interpretations will be changed, or what the impact of such changes on the marketing approvals of UGN-102 or our other product candidates may be.

Although we cannot predict the full effect on our business of the implementation of existing legislation or the enactment of additional legislation pursuant to healthcare and other legislative reform, we believe that legislation or regulations that would reduce reimbursement for, or restrict coverage of, our products could adversely affect how much or under what circumstances healthcare providers will prescribe or administer our products. This could adversely affect our business by reducing our ability to generate revenues, raise capital, obtain additional licensees and market our products. In addition, we believe the increasing emphasis on managed care in the United States has and will continue to put pressure on the price and usage of pharmaceutical products, which may adversely impact product sales.

We may be unable to obtain Orphan Drug Designation or exclusivity for future product candidates we may develop. If our competitors are able to obtain orphan drug exclusivity for their products that are for the same indication as our product candidates, we may not be able to have competing products approved by the applicable regulatory authority for a significant period of time.

Under the Orphan Drug Act of 1983, or the Orphan Drug Act, the FDA may designate a product as an orphan drug if it is intended to treat an orphan disease or condition, defined as a patient population of fewer than 200,000 in the United States, or a patient population greater than 200,000 in the United States where there is no reasonable expectation that the cost of developing the drug will be recovered from sales in the United States.

In the United States, Orphan Drug Designation entitles a party to financial incentives, such as opportunities for grant funding towards clinical trial costs, tax advantages and user-fee waivers. In addition, if a product receives the first FDA approval for the indication for which it has Orphan Drug Designation, the product is entitled to orphan drug exclusivity, which means the FDA may not approve any other application to market the same drug for the same indication for a period of seven years, except in limited circumstances, such as a showing of clinical superiority over the product with orphan exclusivity or where the manufacturer is unable to assure sufficient product quantity. Although the FDA has granted new product exclusivity to *Jelmyto* for the treatment of UTUC, we may not receive new product exclusivity for any of our other product candidates.

Although the FDA has granted Orphan Drug Designation to *Jelmyto* and UGN-201 for treatment of UTUC and CIS, we may not receive Orphan Drug Designation for any of our other product candidates. If our competitors are able to obtain orphan drug exclusivity for their products that are the same or similar to our product candidates before our drug candidates are approved, we may not be able to have competing product candidates approved by the FDA for a significant period of time. Any delay in our ability to bring our product candidates to market would negatively impact our business, revenue, cash flows and operations.

Orphan Drug Designation may not ensure that we will enjoy market exclusivity in a particular market, and if we fail to obtain or maintain orphan drug exclusivity for our product candidates, we may be subject to earlier competition and our potential revenue will be reduced.

Orphan Drug Designation entitles a party to financial incentives, such as opportunities for grant funding towards clinical trial costs, tax advantages, user-fee waivers and market exclusivity for certain periods of time.

Jelmyto and UGN-201 have been granted Orphan Drug Designation for the treatment of UTUC and CIS, respectively, in the United States. Even if we obtain Orphan Drug Designation for our other product candidates, we may not be the first to obtain regulatory approval for any particular orphan indication due to the uncertainties associated with developing biopharmaceutical products. Further, even if we obtain Orphan Drug Designation for a product candidate, that exclusivity may not effectively protect the product from competition because different drugs with different active moieties can be approved for the same condition. In addition, if a competitor obtains approval and marketing exclusivity for a drug product with an active moiety that is the same as that in a product candidate we

are pursuing for the same indication, approval of our product candidate would be blocked during the period of marketing exclusivity unless we could demonstrate that our product candidate is clinically superior to the approved product. Conversely, even if we are granted orphan exclusivity, a competitor that demonstrates clinical superiority with the same active moiety may obtain approval prior to expiration of our exclusivity. In addition, if a competitor obtains approval and marketing exclusivity for a drug product with an active moiety that is the same as that in a product candidate, we are pursuing for a different orphan indication, this may negatively impact the market opportunity for our product candidate. There have been legal challenges to aspects of the FDA's regulations and policies concerning the exclusivity provisions of the Orphan Drug Act, and future challenges could lead to changes that affect the protections afforded our product candidates in ways that are difficult to predict.

Jelmyto and any of product candidates that receives regulatory approval will be subject to ongoing regulatory obligations and continued regulatory review, which may result in significant additional expenses, limit or withdraw regulatory approval and subject us to penalties if we fail to comply with applicable regulatory requirements.

Jelmyto and any of our product candidates that receives regulatory approval will be subject to continual regulatory review by the FDA and/or foreign regulatory authorities. Additionally, *Jelmyto* and any product candidates that receive regulatory approval will be subject to extensive and ongoing regulatory requirements, including labeling and other restrictions and market withdrawal and we may be subject to penalties if we fail to comply with regulatory requirements or experience unanticipated problems with our products.

The FDA approval of *Jelmyto* is, and any regulatory approvals that we receive for our product candidates may be, subject to limitations on the approved indications for which the product may be marketed or to the conditions of approval. In addition, any regulatory approvals that we receive for our current or future product candidates may contain requirements for potentially costly post-marketing testing, including Phase 4 clinical trials, and surveillance to monitor the safety and efficacy of the product. In addition, the manufacturing processes, labeling, packaging, distribution, adverse event reporting, storage, advertising, promotion and recordkeeping for *Jelmyto* is, and any of our other product candidates that receives regulatory approval will be, subject to extensive and ongoing regulatory requirements. These requirements include submissions of safety and other post-marketing information and reports, registration, as well as continued compliance with cGMP and GCP for any clinical trials that we conduct post-approval.

Later discovery of previously unknown problems with our products or product candidates, including adverse events of unanticipated severity or frequency, or problems with our third-party manufacturers' processes, or failure to comply with regulatory requirements, may result in, among other things:

- restrictions on the marketing or manufacturing of the product, withdrawal of the product from the market, or voluntary or mandatory product recalls;
- fines, warning letters or holds on clinical trials;
- refusal by the FDA to approve pending applications or supplements to approved applications submitted by us, or suspension or revocation of product license approvals; and
- product seizure or detention, or refusal to permit the import or export of products; and injunctions or the imposition of civil or criminal penalties.

Our ongoing regulatory requirements may also change from time to time, potentially harming or making costlier our commercialization efforts. We cannot predict the likelihood, nature or extent of government regulation that may arise from future legislation or administrative action, either in the United States or other countries. If we are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if we are not able to maintain regulatory compliance, we may lose any marketing approval that we may have obtained, and we may not achieve or sustain profitability, which would adversely affect our business.

Our relationships with healthcare professionals, independent contractors, clinical investigators, CROs, consultants and vendors in connection with our current and future business activities may be subject to federal and state healthcare fraud and abuse laws, false claims laws, transparency laws, government price reporting, and health information privacy and security laws. If we are unable to comply, or have not fully complied, with such laws, we could face penalties.

We may currently be or may become subject to various U.S. federal, state and foreign health care laws, including those intended to prevent health care fraud and abuse. These laws may impact, among other things, our clinical research, sales and marketing activities, and constrain the business or financial arrangements with healthcare providers, physicians, and other parties that have the ability to directly or indirectly influence the prescribing, ordering, marketing, or distribution of products for which we obtain marketing approval.

The federal Anti-Kickback Statute prohibits, among other things, persons or entities from knowingly and willfully soliciting, offering, receiving or paying any remuneration (including any kickback, bribe or rebate), directly or indirectly, overtly or covertly, in cash or in kind, to induce or reward, or in return for, either the referral of an individual for, or the purchase, lease, order or recommendation of, any good, facility, item or service, for which payment may be made, in whole or in part, by a federal healthcare program such as Medicare and Medicaid. Remuneration has been broadly defined to include anything of value, including, but not limited to, cash, improper discounts, and free or reduced-price items and services.

Federal false claims laws, including the federal civil False Claims Act, or the FCA, and civil monetary penalties law impose penalties against individuals or entities for, among other things, knowingly presenting, or causing to be presented, to the federal government, claims for payment or approval that are false or fraudulent or making a false record or statement to avoid, decrease or conceal an obligation to pay money to the federal government. The FCA has been used to, among other things, prosecute persons and entities submitting claims for payment that are inaccurate or fraudulent, that are for services not provided as claimed, or for services that are not medically necessary. The FCA includes a whistleblower provision that allows individuals to bring actions on behalf of the federal government and share a portion of the recovery of successful claims.

Many states have similar fraud and abuse statutes and regulations that may be broader in scope and may apply regardless of payor, in addition to items and services reimbursed under Medicaid and other state programs. State and federal authorities have aggressively targeted medical technology companies for, among other things, alleged violations of these anti-fraud statutes, based on among other things, unlawful financial inducements paid to prescribers and beneficiaries, as well as impermissible promotional practices, including certain marketing arrangements that rely on volume-based pricing and off-label promotion of FDA-approved products.

The federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, among other things, imposes civil and criminal liability for knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program, including public and private payors, or knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false statement in connection with the delivery of or payment for healthcare benefits, items or services.

Additionally, HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act, or HITECH, and their implementing regulations, impose, among other things, specified requirements on covered entities, including certain healthcare providers, health plans, and healthcare clearinghouses, and their business associates as well as their covered subcontractors relating to the privacy, security and transmission of individually identifiable health information, including mandatory contractual terms and required implementation of certain safeguards of such information. Among other things, HITECH makes HIPAA's security standards directly applicable to business associates, independent contractors or agents of covered entities that receive or obtain protected health information in connection with providing a service on behalf of a covered entity. HITECH also created four new tiers of civil monetary penalties, amended HIPAA to make civil and criminal penalties directly applicable to business associates, and gave state attorneys general new authority to file civil actions for damages or injunctions in federal courts to enforce HIPAA and seek attorneys' fees and costs associated with pursuing federal civil actions. In addition, state laws govern the privacy and security of health information in some circumstances, many of which differ from each other in significant ways, may not have the same effect and may not be preempted by HIPAA, thus complicating compliance efforts.

Our operations will also be subject to the federal Open Payments program pursuant to the Physician Payments Sunshine Act, created under Section 6002 of the ACA and its implementing regulations, which requires certain manufacturers of drugs, devices, biologicals and medical supplies for which payment is available under Medicare, Medicaid, or the Children's Health Insurance Program, with specific exceptions, to annually report to CMS information related to payments and other transfers of value provided to physicians, as defined by such law, and teaching hospitals and certain ownership and investment interests held by physicians (defined to include doctors, dentists, optometrists, podiatrists and chiropractors) and their immediate family members to CMS, which will be expanded beginning in 2022, to require applicable manufacturers to report such information regarding its payments and other transfers of value to with physician assistants, nurse practitioners, clinical nurse specialists, anesthesiologist assistants, certified registered nurse anesthetists and certified nurse midwives during the previous year. We may also be subject to state laws that require drug manufacturers to report information related to payments and other transfers of value to physicians and other healthcare providers or

marketing expenditures, drug pricing, and/or state laws that require pharmaceutical companies to comply with the pharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidelines promulgated by the federal government. Certain state and local laws also require the registration of pharmaceutical sales representatives.

Many states have also adopted laws similar to each of the above federal laws, which may be broader in scope and apply to items or services reimbursed by any payor, including commercial insurers. In addition, we may be subject to certain foreign healthcare laws that are analogous to the U.S. healthcare laws described above. If any of our business activities, including but not limited to our relationships with healthcare providers, are found to violate any of the aforementioned laws, we may be subject to significant administrative, civil and criminal penalties, damages, monetary fines, disgorgement, imprisonment, possible exclusion from participation in Medicare, Medicaid and other federal healthcare programs, contractual damages, reputational harm, additional reporting requirements and oversight if we become subject to a corporate integrity agreement or similar agreement to resolve allegations of non-compliance with these laws, diminished profits and future earnings and curtailment or restructuring of our operations.

Also, the U.S. Foreign Corrupt Practices Act and similar worldwide anti-bribery laws generally prohibit companies and their intermediaries from making improper payments to non-U.S. officials for the purpose of obtaining or retaining business. We cannot assure you that our internal control policies and procedures will protect us from reckless or negligent acts committed by our employees, future distributors, partners, collaborators or agents. Violations of these laws, or allegations of such violations, could result in fines, penalties or prosecution and have a negative impact on our business, results of operations and reputation.

Legislative or regulatory healthcare reforms in the United States or abroad may make it more difficult and costly for us to obtain regulatory clearance or approval of our product candidates or any future product candidates and to produce, market, and distribute our products after clearance or approval is obtained.

From time to time, legislation is drafted and introduced in Congress in the United States or by governments in foreign jurisdictions that could significantly change the statutory provisions governing the regulatory clearance or approval, manufacture, and marketing of regulated products or the reimbursement thereof. In addition, FDA or foreign regulatory agency regulations and guidance are often revised or reinterpreted by the FDA or the applicable foreign regulatory agency in ways that may significantly affect our business and our products. Any new regulations or revisions or reinterpretations of existing regulations may impose additional costs or lengthen review times of our product candidates or any future product candidates. We cannot determine what effect changes in regulations, statutes, legal interpretation or policies, when and if promulgated, enacted or adopted may have on our business in the future. Such changes could, among other things, require:

- changes to manufacturing methods;
- recall, replacement, or discontinuance of one or more of our products; and
- additional recordkeeping.

Each of these would likely entail substantial time and cost and could harm our business and our financial results. In addition, delays in receipt of or failure to receive regulatory clearances or approvals for any future products would harm our business, financial condition, and results of operations.

We are subject to stringent and changing privacy and data security laws, contractual obligations, self-regulatory schemes, government regulation, and standards related to data privacy and security. The actual or perceived failure by us, our customers, partners or vendors to comply with such obligations could harm our reputation, subject us to significant fines and liability, or otherwise adversely affect our business.

We are or may become subject to numerous domestic and foreign laws and regulations regarding privacy, data protection, and data security, the scope of which is changing, subject to differing applications and interpretations and may be inconsistent among countries, or conflict with other rules. We are also subject to the terms of our contractual obligations to customers and third parties related to privacy, data protection and data security.

For example, the European Union, or EU, has established its own data security and privacy legal framework, including but not limited to the European General Data Protection Regulation, or GDPR, which imposes onerous and comprehensive privacy, data protection, and data security obligations onto data controllers and processors, and contains provisions specifically directed at the processing of health information, higher sanctions and extra-territoriality measures intended to bring non-EU companies under the regulation. Penalties for non-compliance with the GDPR can be significant and include fines in the amount greater of €20 million or 4% of global turnover and restrictions or prohibitions on data processing, which could impair our ability to do business in the EU, reduce demand for our services and adversely impact our business and results of operations. We anticipate that over time we may expand our business to include additional operations outside of the United States and Israel. With such expansion, we would be subject to increased

governmental regulation in other countries in which we might operate, including the GDPR. Assisting our customers, partners, and vendors in complying with the GDPR or other foreign laws, or complying with such laws ourselves, may cause us to incur substantial operational costs or require us to change our business practices. Moreover, many foreign laws, including the GDPR and data protection laws in the United Kingdom and Switzerland, impose restrictions on the transfer of personal information to the United States and most other countries unless the parties to the transfer have implemented specific safeguards to protect the transferred personal information. There is currently uncertainty surrounding how to implement such safeguards and how to conduct such transfers.

Regulation of privacy, data protection and data security has also become more stringent in the United States. For example, California recently enacted legislation that has been dubbed the first “GDPR-like” law in the United States. Known as the California Consumer Privacy Act, or CCPA, it creates new individual privacy rights for consumers (as that word is broadly defined in the law) and places increased privacy and security obligations on entities handling personal data of consumers or households. Effective January 1, 2020, the CCPA requires covered companies to provide new disclosures to California consumers, provides such consumers new ways to opt-out of certain sales of personal information, and allows for a new cause of action for data breaches. The CCPA will be expanded substantially on January 1, 2023, when the California Privacy Rights Act of 2020 (“CPRA”) becomes fully operative. The CPRA will, among other things, give California residents the ability to limit use of certain sensitive personal information, establish restrictions on the retention of personal information, and expand the types of data breaches subject to the CCPA’s private right of action.

Complying with these various laws could require us to incur substantial costs, take on more onerous obligations in our contracts, restrict our ability to collect, use and disclose data, require us to change our business practices and compliance procedures in a manner adverse to our business, or, in some cases, impact our ability to operate in certain jurisdictions. The actual or perceived failure by us, our customers, our vendors, or other relevant third parties to address or comply with these laws, regulations, and obligations could increase our compliance and operational costs, expose us to regulatory scrutiny, actions, fines, civil or criminal penalties, private litigation, cause regulators to reject, limit or disrupt our clinical trial activities, harm our reputation, and otherwise cause a material effect on our business, financial condition, and results of our operations. Moreover, inability to import personal information from Europe to the United States or other countries may disrupt or require us to change our business practices, interrupt our business operations, including clinical trials, and otherwise have a material financial impact on our business.

If we fail to comply with environmental, health and safety laws and regulations, we could become subject to fines or penalties or incur costs that could negatively impact our business.

We are subject to numerous environmental, health and safety laws and regulations, including those governing laboratory procedures and the handling, use, storage, treatment and disposal of hazardous materials and wastes. Our operations involve the use of hazardous and flammable materials, including chemicals and biological materials. Our operations also produce hazardous waste products. We generally contract with third parties for the disposal of these materials and wastes. We cannot eliminate the risk of contamination or injury from these materials. In the event of contamination or injury resulting from our use of hazardous materials, we could be held liable for any resulting damages, and any liability could exceed our resources. We also could incur significant costs associated with civil or criminal fines and penalties.

We maintain workers compensation insurance to cover us for costs and expenses we may incur due to injuries to our employees resulting from the use of hazardous materials or other work-related injuries with policy limits that we believe are customary for similarly situated companies and adequate to provide us with coverage for foreseeable risks. Although we maintain such insurance, this insurance may not provide adequate coverage against potential liabilities. In addition, we may incur substantial costs in order to comply with current or future environmental, health and safety laws and regulations. These current or future laws and regulations may impair our research, development or production efforts. Failure to comply with these laws and regulations also may result in substantial fines, penalties or other sanctions.

It may be difficult for us to profitably sell our product candidates if coverage and reimbursement for these products is limited by government authorities and/or third-party payor policies.

In addition to any healthcare reform measures which may affect reimbursement, market acceptance and sales of *Jelmyto*, UGN-102 and our other product candidates, if approved, will depend on the coverage and reimbursement policies of third-party payors, like government authorities, private health insurers, and managed care organizations. Third-party payors decide which medications they will cover and separately establish reimbursement levels. In October 2020, a Medicare C-Code was issued for *Jelmyto* and we have obtained pass-through status for two years, no more than three. Centers for Medicare & Medicaid Services (CMS) has established a permanent and product-specific J-code for *Jelmyto* that took effect on January 1, 2021.

A primary trend in the U.S. healthcare industry and elsewhere is cost containment. Government and other third-party payors are increasingly challenging the prices charged for health care products, examining the cost effectiveness of drugs in addition to their safety and efficacy, and limiting or attempting to limit both coverage and the level of reimbursement for prescription drugs. Although our experience to date has demonstrated coverage for *Jelmyto*, we cannot be sure that adequate coverage will be available for UGN-102 or our other product candidates, if approved, or, if coverage is available, the level of reimbursement will be adequate to make our products affordable for patients or profitable for us.

There is significant uncertainty related to the insurance coverage and reimbursement of newly approved products. In the United States, decisions about reimbursement for new medicines under Medicare are made by CMS, as the administrator for the Medicare program. Private third-party payors often use CMS as a model for their coverage and reimbursement decisions, but also have their own methods and approval process apart from CMS's determinations. Our experience to date has demonstrated coverage with CMS and commercial payors for *Jelmyto*, and we have established written policies with certain commercial providers. However, it is difficult to predict what CMS as well as other third-party payors will decide with respect to reimbursement for fundamentally novel products such as ours, as there is no body of established practices and precedents for these new products.

Reimbursement may impact the demand for, and/or the price of, any product for which we obtain marketing approval. Assuming we obtain coverage for a given product by a third-party payor, the resulting reimbursement payment rates may not be adequate or may require co-payments that patients find unacceptably high. Patients who are prescribed medications for the treatment of their conditions, and their prescribing physicians, generally rely on third-party payors to reimburse all or part of the costs associated with their prescription drugs. Patients are unlikely to use our products unless coverage is provided, and reimbursement is adequate to cover all or a significant portion of the cost of our products. Moreover, for products administered under the supervision of a physician, obtaining and maintaining coverage and adequate reimbursement may be particularly difficult because of the higher prices often associated with such drugs. Additionally, separate reimbursement for the product itself or the treatment or procedure in which the product is used may not be available, which may impact physician utilization. Therefore, coverage and adequate reimbursement is critical to new product acceptance. Coverage decisions may depend upon clinical and economic standards that disfavor new drug products when more established or lower cost therapeutic alternatives are already available or subsequently become available. There may be significant delays in obtaining coverage and reimbursement for newly approved drugs, and coverage may be more limited than the purposes for which the drug is approved by the FDA or applicable foreign regulatory authorities. Moreover, eligibility for coverage and reimbursement does not imply that a drug will be paid for in all cases or at a rate that covers our costs, including research, development, manufacture, sale and distribution.

Reimbursement by a third-party payor may depend upon a number of factors including the third-party payor's determination that use of a product is:

- a covered benefit under its health plan;
- safe, effective and medically necessary;
- appropriate for the specific patient;
- cost-effective; and
- neither experimental nor investigational.

Obtaining and maintaining coverage and reimbursement approval for a product from a government or other third-party payor is a time-consuming and costly process that could require us to provide supporting scientific, clinical and cost effectiveness data for the use of our products to the payor. Further, no uniform policy requirement for coverage and reimbursement for drug products exists among third-party payors in the United States. Therefore, coverage and reimbursement for drug products can differ significantly from payor to payor. As a result, the coverage determination process may require us to provide scientific and clinical support for the use of our products to each payor separately, with no assurance that coverage and adequate reimbursement will be applied consistently or obtained in the first instance. We may not be able to provide data sufficient to gain acceptance with respect to coverage and/or sufficient reimbursement levels.

Although we have observed written policy coverage in commercial plans as well as coverage for government plans for *Jelmyto* to date, we cannot be sure that adequate coverage or reimbursement will continue to be available for *Jelmyto*, or be available for UGN-102 or any of our other product candidates, if approved. Also, we cannot be sure that reimbursement amounts will not reduce the demand for, or the price of, our future products. If reimbursement is not available, or is available only to limited levels, we may not be able to successfully commercialize *Jelmyto*, UGN-102 or our other product candidates, or achieve profitably at all, even if approved. Additionally, coverage policies and reimbursement rates may change at any time. Even if favorable coverage and reimbursement status is attained for any of our products or product candidates that receive regulatory approval, less favorable coverage policies and reimbursement rates may be implemented in the future. If we are unable to obtain and maintain sufficient third-party coverage and adequate reimbursement for our products, the commercial success of our products may be greatly hindered and our financial condition and results of operations may be materially and adversely affected.

Legislative or regulatory healthcare reforms in the United States may make it more difficult and costly for us to obtain regulatory clearance or approval of UGN-102 or any of our other product candidates and to produce, market, and distribute Jelmyto or any of our product candidates that receives clearance or approval.

From time to time, legislation is drafted and introduced in Congress that could significantly change the statutory provisions governing the regulatory clearance or approval, manufacture, and marketing of regulated products or the reimbursement thereof. In addition, FDA regulations and guidance are often revised or reinterpreted by the FDA in ways that may significantly affect our business and our products. Any new regulations or revisions or reinterpretations of existing regulations may impose additional costs or lengthen review times of UGN-102 or any of our other product candidates. We cannot determine what effect changes in regulations, statutes, legal interpretation or policies, when and if promulgated, enacted or adopted may have on our business in the future. Such changes could, among other things, require:

- changes to manufacturing methods;
- change in protocol design;
- additional treatment arm (control);
- recall, replacement, or discontinuance of one or more of our products; and
- additional recordkeeping.

Each of these would likely entail substantial time and cost and could harm our business and our financial results.

Risks Related to Ownership of Our Ordinary Shares

The market price of our ordinary shares has been and may continue to be subject to fluctuation and you could lose all or part of your investment.

The stock market in general has been, and the market price of our ordinary shares in particular has been and may continue to be, subject to fluctuation, whether due to, or irrespective of, our operating results and financial condition. The market price of our ordinary shares on the Nasdaq Global Market may fluctuate as a result of a number of factors, some of which are beyond our control, including, but not limited to:

- the success of our launch and commercialization of *Jelmyto*;
- actual or anticipated variations in our and our competitors' results of operations and financial condition;
- physician and market acceptance of *Jelmyto* or any other approved product;
- the mix of products that we sell;
- any voluntary or mandatory recall of *Jelmyto* or any other approved product, or the imposition of any additional labeling, marketing or promotional restrictions;
- our success or failure to obtain approval for and commercialize our product candidates;
- changes in the structure of healthcare payment systems;
- changes in earnings estimates or recommendations by securities analysts, if our ordinary shares are covered by analysts;
- development of technological innovations or new competitive products by others;
- announcements of technological innovations or new products by us;
- publication of the results of nonclinical or clinical trials for *Jelmyto*, UGN-102 or our other product candidates;
- failure by us to achieve a publicly announced milestone;

- delays between our expenditures to develop and market new or enhanced product candidates and the generation of sales from those products;
- developments concerning intellectual property rights;
- the announcement of, or developments in, any litigation matters, including any product liability claims related to *Jelmyto* or any of our product candidates;
- regulatory developments and the decisions of regulatory authorities as to the approval or rejection of new or modified products;
- changes in the amounts that we spend to develop, acquire or license new products, technologies or businesses;
- changes in our expenditures to promote our products;
- our sale or proposed sale, or the sale by our significant shareholders, of our ordinary shares or other securities in the future;
- changes in key personnel;
- success or failure of our research and development projects or those of our competitors;
- the trading volume of our ordinary shares; and
- general economic and market conditions and other factors, such as the COVID-19 pandemic, including factors unrelated to our operating performance.

These factors and any corresponding price fluctuations may negatively impact the market price of our ordinary shares and result in substantial losses being incurred by our investors. In the past, following periods of market volatility, public company shareholders have often instituted securities class action litigation. If we were to become involved in securities litigation, it could impose a substantial cost upon us and divert the resources and attention of our management from our business.

Future sales of our ordinary shares could reduce the market price of our ordinary shares.

If our existing shareholders, particularly our directors, their affiliates, or our executive officers, sell a substantial number of our ordinary shares in the public market, the market price of our ordinary shares could decrease significantly. The perception in the public market that our shareholders might sell our ordinary shares could also depress the market price of our ordinary shares and could impair our future ability to obtain capital, especially through an offering of equity securities.

As of the date of this Annual Report, the holders of up to approximately 4.5 million ordinary shares are entitled to registration rights. In addition, our sale of additional ordinary shares or similar securities in order to raise capital might have a similar negative impact on the share price of our ordinary shares. A decline in the price of our ordinary shares might impede our ability to raise capital through the issuance of additional ordinary shares or other equity securities and may cause you to lose part or all of your investment in our ordinary shares.

Future equity offerings could result in future dilution and could cause the price of our ordinary shares to decline.

In order to raise additional capital, we may in the future offer additional ordinary shares or other securities convertible into or exchangeable for our ordinary shares at prices that we determine from time to time, and investors purchasing shares or other securities in the future could have rights superior to existing shareholders. We may choose to raise additional capital due to market conditions or strategic considerations, even if we believe we have sufficient funds for our current or future operating plans. On December 20, 2019, we entered into a sales agreement with Cowen and Company, LLC pursuant to which we may from time to time offer and sell our ordinary shares, having an aggregate offering price of up to \$100.0 million, to or through Cowen, acting as sales agent or principal, in any manner deemed to be an “at-the market offering”. The shares will be offered and sold pursuant to our shelf registration statement on Form S-3 filed with the SEC on December 20, 2019, which was declared effective on January 2, 2020. As of December 31, 2020, we had sold 700,000 shares under the sales agreement for total gross proceeds of \$16.6 million, leaving up to \$83.4 million available for sale under the sales agreement.

The significant share ownership position of our officers, directors and entities affiliated with certain of our directors may limit your ability to influence corporate matters.

Our officers, directors and entities affiliated with certain of our directors beneficially own a significant portion of our outstanding ordinary shares. Accordingly, these persons are able to significantly influence, though not independently determine, the outcome of matters required to be submitted to our shareholders for approval, including decisions relating to the election of our board of directors, and the outcome of any proposed merger or consolidation of our company. These interests may not be consistent with those of our other shareholders. In addition, these persons' significant interest in us may discourage third parties from seeking to acquire control of us, which may adversely affect the market price of our ordinary shares.

We have never paid cash dividends on our share capital, and we do not anticipate paying any cash dividends in the foreseeable future.

We have never declared or paid cash dividends on our share capital, nor do we anticipate paying any cash dividends on our share capital in the foreseeable future. We currently intend to retain all available funds and any future earnings to fund the development and growth of our business. As a result, capital appreciation, if any, of our ordinary shares will be investors' sole source of gain for the foreseeable future. In addition, Israeli law limits our ability to declare and pay dividends and may subject our dividends to Israeli withholding taxes.

If we are classified as a passive foreign investment company, or PFIC, our U.S. shareholders may suffer adverse tax consequences.

Generally, for any taxable year, if at least 75% of our gross income is passive income, or at least 50% of the value of our assets is attributable to assets that produce passive income or are held for the production of passive income, including cash, we would be characterized as a PFIC for U.S. federal income tax purposes.

The determination of whether we are a PFIC is a fact-intensive determination made on an annual basis and the applicable law is subject to varying interpretation. In particular, the characterization of our assets as active or passive may depend in part on our current and intended future business plans, which are subject to change. In addition, for our current and future taxable years, the total value of our assets for PFIC testing purposes may be determined in part by reference to the market price of our ordinary shares from time to time, which may fluctuate considerably. Under the income test, our status as a PFIC depends on the composition of our income which will depend on the transactions we enter into in the future and our corporate structure. The composition of our income and assets is also affected by how, and how quickly, we spend the cash we raise in any offering.

Based on our current estimates (and not audited financial statements) of the composition of our income and valuation of our assets, including goodwill, for the year ending December 31, 2020, we do not believe we were a PFIC for the year ending December 31, 2020. However, because our PFIC status is subject to a number of uncertainties, and our financials for the year ending December 31, 2020, have not yet been finalized or audited and it is very early in the year and we have no financial information for our current taxable year, neither we nor our tax advisors can provide any assurances regarding our PFIC status.

If we are characterized as a PFIC, our U.S. Holders (as defined below) may suffer adverse tax consequences, including having gains realized on the sale of our ordinary shares treated as ordinary income, rather than capital gain, the loss of the preferential rate applicable to dividends received on our ordinary shares by individuals who are U.S. Holders, having interest charges apply to distributions by us and gains from the sales of our shares, and additional reporting requirements under U.S. federal income tax laws and regulations. A U.S. Holder that (i) owns our ordinary shares at any point during a year in which we are characterized as a PFIC and (ii) does not timely make a QEF Election (as described below) will treat such ordinary shares as stock in a PFIC for all subsequent tax years, even if we no longer qualify as a PFIC under the relevant tests in such subsequent tax years. A U.S. Holder may be able to elect out of such treatment if we are no longer characterized as a PFIC by making a "purging election." For purposes of this discussion, a "U.S. Holder" is a beneficial owner of our ordinary shares that, for U.S. federal income tax purposes, is or is treated as any of the following: (a) an individual who is a citizen or resident of the United States; (b) a corporation, or entity treated as a corporation for U.S. federal income tax purposes, created or organized under the laws of the United States, any state thereof, or the District of Columbia; (c) an estate, the income of which is subject to U.S. federal income tax regardless of its source; or (d) a trust that (1) is subject to the supervision of a U.S. court and the control of one or more "United States persons" (within the meaning of Section 7701(a)(30) of the Code), or (2) has a valid election in effect to be treated as a United States person for U.S. federal income tax purposes.

Future changes to tax laws could have a material adverse effect on us and reduce net returns to our shareholders.

Our tax treatment is subject to changes in tax laws, regulations and treaties, or the interpretation thereof, tax policy initiatives and reforms under consideration and the practices of tax authorities in jurisdictions in which we operate, as well as tax policy initiatives and reforms related to the Organisation for Economic Co-Operation and Development's, or OECD, Base Erosion and Profit Shifting, or BEPS Project, the European Commission's state aid investigations and other initiatives.

Such changes may include (but are not limited to) the taxation of operating income, investment income, dividends received or, in the specific context of withholding tax dividends paid. We are unable to predict what tax reform may be proposed or enacted in the future or what effect such changes would have on our business, but such changes, to the extent they are brought into tax legislation, regulations, policies or practices, could affect our financial position and overall or effective tax rates in the future in countries where we have operations, reduce post-tax returns to our shareholders, and increase the complexity, burden and cost of tax compliance.

New income, sales, use or other tax laws, statutes, rules, regulations or ordinances could be enacted at any time, which could affect the tax treatment of our domestic and foreign earnings. Any new taxes could adversely affect our domestic and international business operations, and our business and financial performance. Further, existing tax laws, statutes, rules, regulations or ordinances could be interpreted, changed, modified or applied adversely to us. For example, the Tax Act made many significant changes to the U.S. Internal Revenue Code of 1986, as amended, or the Code. Future guidance from the Internal Revenue Service and other tax authorities with respect to the Tax Act may affect us, and certain aspects of the Tax Act could be repealed or modified in future legislation. For example, the CARES Act modified certain provisions of the Tax Act. In addition, it is uncertain if and to what extent various states will conform to the Tax Act, the CARES Act, or any newly enacted federal tax legislation. Changes in corporate tax rates, the realization of net deferred tax assets relating to our operations, the taxation of foreign earnings, and the deductibility of expenses under the Tax Act or future reform legislation could have a material impact on the value of our deferred tax assets, could result in significant one-time charges, and could increase our future U.S. tax expense.

Tax authorities may disagree with our positions and conclusions regarding certain tax positions, resulting in unanticipated costs, taxes or non-realization of expected benefits.

A tax authority may disagree with tax positions that we have taken, which could result in increased tax liabilities. For example, the U.S. Internal Revenue Service or another tax authority could challenge our allocation of income by tax jurisdiction and the amounts paid between our affiliated companies pursuant to our intercompany arrangements and transfer pricing policies, including amounts paid with respect to our intellectual property development. Similarly, a tax authority could assert that we are subject to tax in a jurisdiction where we believe we have not established a taxable nexus, often referred to as a "permanent establishment" under international tax treaties, and such an assertion, if successful, could increase our expected tax liability in one or more jurisdictions. A tax authority may take the position that material income tax liabilities, interest and penalties are payable by us, in which case, we expect that we might contest such assessment. Contesting such an assessment may be lengthy and costly and if we were unsuccessful in disputing the assessment, the implications could increase our anticipated effective tax rate, where applicable.

If a United States person is treated as owning at least 10% of our ordinary shares, such holder may be subject to adverse U.S. federal income tax consequences.

If a U.S. Holder is treated as owning (directly, indirectly or constructively) at least 10% of the value or voting power of our ordinary shares, such U.S. Holder may be treated as a "United States shareholder" with respect to each "controlled foreign corporation" in our group (if any). Because our group includes at least one U.S. subsidiary (Urogen Pharma, Inc.), if we were to form or acquire any non-U.S. subsidiaries in the future, they may be treated as controlled foreign corporations of any U.S. Holder owning (directly, indirectly or constructively) at least 10% of the value or voting power of our ordinary shares. A United States shareholder of a controlled foreign corporation may be required to annually report and include in its U.S. taxable income its pro rata share of "Subpart F income," "global intangible low-taxed income" and investments in U.S. property by controlled foreign corporations, regardless of whether we make any distributions. An individual that is a United States shareholder with respect to a controlled foreign corporation generally would not be allowed certain tax deductions or foreign tax credits that would be allowed to a United States shareholder that is a U.S. corporation. We cannot provide any assurances that we will assist investors in determining whether any non-U.S. subsidiaries that we may form or acquire in the future would be treated as a controlled foreign corporation or whether such investor would be treated as a United States shareholder with respect to any of such controlled foreign corporations. Further, we cannot provide any assurances that we will furnish to any U.S. shareholder information that may be necessary to comply with the reporting and tax paying obligations discussed above. Failure to comply with these reporting obligations may subject you to significant monetary penalties and may prevent the statute of limitations with respect to your U.S. federal income tax return for the year for which reporting was due from starting. U.S. Holders should consult their tax advisors regarding the potential application of these rules to their investment in our ordinary shares.

Our ability to use our U.S. net operating loss carryforwards and certain other tax attributes to offset future taxable income and taxes may be limited.

Under U.S. federal income tax law, federal net operating losses, or NOLs, incurred in tax years beginning after December 31, 2017, may be carried forward indefinitely, but the deductibility of such federal net operating losses in tax years beginning after December 31, 2020, is limited to 80% of taxable income. In addition, under Sections 382 and 383 of the Code, and corresponding provisions of state law, if a corporation undergoes an “ownership change,” which is generally defined as a greater than 50% change, by value, in its equity ownership over a three-year period, the corporation’s ability to utilize its pre-change NOL carryforwards and other pre-change tax attributes to offset future its post-change income or taxes may be limited. We have not performed a detailed analysis to determine whether an ownership change under Section 382 of the Code has occurred for UroGen Pharma, Inc. If we undergo an ownership change, our ability to utilize NOLs and other tax attributes could be limited by Sections 382 and 383 of the Code. Future changes in our share ownership, some of which are outside of our control, could result in an ownership change under Section 382 of the Code. As a result, even if we attain profitability, we may be unable to use a material portion of our NOLs and other tax attributes, which could negatively impact our future cash flows. In addition, at the state level, there may be periods during which the use of net operating loss carryforwards is suspended or otherwise limited, which could accelerate or permanently increase state taxes owed.

Risks Related to our Operations in Israel

Our research and development and other significant operations are located in Israel and, therefore, our results may be adversely affected by political, economic and military instability in Israel.

Our research and development facilities are located in Ra’anana, Israel. If these or any future facilities in Israel were to be damaged, destroyed or otherwise unable to operate, whether due to war, acts of hostility, earthquakes, fire, floods, hurricanes, storms, tornadoes, other natural disasters, employee malfeasance, terrorist acts, pandemic, power outages or otherwise, or if performance of our research and development is disrupted for any other reason, such an event could delay our clinical trials or, if our product candidates are approved and we choose to manufacture all or any part of them internally, jeopardize our ability to manufacture our products as promptly as our prospective customers will likely expect, or possibly at all. If we experience delays in achieving our development objectives, or if we are unable to manufacture an approved product within a timeframe that meets our prospective customers’ expectations, our business, prospects, financial results and reputation could be harmed.

Political, economic and military conditions in Israel may directly affect our business. Since the establishment of the State of Israel in 1948, a number of armed conflicts have taken place between Israel and its neighboring countries, Hamas (an Islamist militia and political group that controls the Gaza Strip) and Hezbollah (an Islamist militia and political group based in Lebanon). In addition, several countries, principally in the Middle East, restrict doing business with Israel, and additional countries may impose restrictions on doing business with Israel and Israeli companies whether as a result of hostilities in the region or otherwise. Any hostilities involving Israel, terrorist activities, political instability or violence in the region or the interruption or curtailment of trade or transport between Israel and its trading partners could adversely affect our operations and results of operations and adversely affect the market price of our ordinary shares.

Our commercial insurance does not cover losses that may occur as a result of an event associated with the security situation in the Middle East. Although the Israeli government is currently committed to covering the reinstatement value of direct damages that are caused by terrorist attacks or acts of war, there can be no assurance that this government coverage will be maintained, or if maintained, will be sufficient to compensate us fully for damages incurred. Any losses or damages incurred by us could have a material adverse effect on our business, financial condition and results of operations.

Further, our operations could be disrupted by the obligations of our employees to perform military service. As of December 31, 2020, we had 44 employees based in Israel. Of these employees, some may be military reservists, and may be called upon to perform military reserve duty of up to 36 days per year (and in some cases more) until they reach the age of 40 (and in some cases, up to the age of 45 or older). Additionally, they may be called to active duty at any time under emergency circumstances. In response to increased tension and hostilities in the region, there have been, at times, call-ups of military reservists, and it is possible that there will be additional call-ups in the future. Our operations could be disrupted by the absence of these employees due to military service. Such disruption could harm our business and operating results.

Provisions of Israeli law and our articles of association may delay, prevent or otherwise impede a merger with, or an acquisition of, us, even when the terms of such a transaction are favorable to us and our shareholders.

Israeli corporate law regulates mergers, requires tender offers for acquisitions of shares above specified thresholds, requires special approvals for transactions involving directors, officers or significant shareholders and regulates other matters that may be relevant to such types of transactions. For example, a tender offer for all of a company’s issued and outstanding shares can only be completed if shareholders not accepting the tender offer hold less than 5% of the issued share capital. Completion of the tender offer also requires approval of a majority of the offerees that do not have a personal interest in the tender offer, unless shareholders not accepting the

tender offer hold less than 2% of the company's outstanding shares. Furthermore, the shareholders, including those who indicated their acceptance of the tender offer, may, at any time within six months following the completion of the tender offer, petition an Israeli court to alter the consideration for the acquisition, unless the acquirer stipulated in its tender offer that a shareholder that accepts the offer may not seek such appraisal rights.

Furthermore, Israeli tax considerations may make potential transactions unappealing to us or to our shareholders whose country of residence does not have a tax treaty with Israel exempting such shareholders from Israeli tax. For example, Israeli tax law does not recognize tax-free share exchanges to the same extent as U.S. tax law. With respect to mergers, Israeli tax law allows for tax deferral in certain circumstances but makes the deferral contingent on the fulfillment of a number of conditions, including, in some cases, a holding period of two years from the date of the transaction during which sales and dispositions of shares of the participating companies are subject to certain restrictions. Moreover, with respect to certain share swap transactions, the tax deferral is limited in time, and when such time expires, the tax becomes payable even if no disposition of the shares has occurred. These provisions could delay, prevent or impede an acquisition of us or our merger with another company, even if such an acquisition or merger would be beneficial to us or to our shareholders.

It may be difficult to enforce a judgment of a U.S. court against us, our officers and directors or the Israeli experts named in our reports filed with the SEC in Israel or the United States, to assert U.S. securities laws claims in Israel or to serve process on our officers and directors and these experts.

We are incorporated in Israel. One of our directors resides outside of the United States, and most of our assets and most of the assets of this director are located outside of the United States. Therefore, a judgment obtained against us, or this director, including a judgment based on the civil liability provisions of the U.S. federal securities laws, may not be collectible in the United States and may not be enforced by an Israeli court. It may also be difficult for you to effect service of process on this director in the United States or to assert U.S. securities law claims in original actions instituted in Israel. Israeli courts may refuse to hear a claim based on an alleged violation of U.S. securities laws reasoning that Israel is not the most appropriate forum in which to bring such a claim. In addition, even if an Israeli court agrees to hear a claim, it may determine that Israeli law and not U.S. law is applicable to the claim. If U.S. law is found to be applicable, the content of applicable U.S. law must be proven as a fact by expert witnesses, which can be a time consuming and costly process. Certain matters of procedure will also be governed by Israeli law.

There is little binding case law in Israel that addresses the matters described above. As a result of the difficulty associated with enforcing a judgment against us in Israel, you may not be able to collect any damages awarded by either a U.S. or foreign court.

Your rights and responsibilities as a shareholder will be governed by Israeli law, which differs in some material respects from the rights and responsibilities of shareholders of U.S. companies.

The rights and responsibilities of the holders of our ordinary shares are governed by our articles of association and by Israeli law. These rights and responsibilities differ in some material respects from the rights and responsibilities of shareholders in U.S. companies. In particular, a shareholder of an Israeli company has a duty to act in good faith and in a customary manner in exercising its rights and performing its obligations towards the company and other shareholders, and to refrain from abusing its power in the company, including, among other things, in voting at a general meeting of shareholders on matters such as amendments to a company's articles of association, increases in a company's authorized share capital, mergers and acquisitions and related party transactions requiring shareholder approval, as well as a general duty to refrain from discriminating against other shareholders. In addition, a shareholder who is aware that it possesses the power to determine the outcome of a vote at a meeting of the shareholders or to appoint or prevent the appointment of a director or executive officer in the company has a duty of fairness toward the company.

There is limited case law available to assist us in understanding the nature of these duties or the implications of these provisions. These provisions may be interpreted to impose additional obligations and liabilities on holders of our ordinary shares that are not typically imposed on shareholders of U.S. companies.

Risks Related to Our Management and Employees

We depend on our executive officers and key clinical, technical and commercial personnel to operate our business effectively, and we must attract and retain highly skilled employees in order to succeed.

Our success depends upon the continued service and performance of our executive officers who are essential to our growth and development. The loss of one or more of our executive officers could delay or prevent the continued successful implementation of our growth strategy, could affect our ability to manage our company effectively and to carry out our business plan, or could otherwise be detrimental to us. As of January 31, 2021, we had 187 employees. Therefore, knowledge of our product candidates and clinical trials is concentrated among a small number of individuals. Members of our executive team as well as key clinical, scientific, technical and

commercial personnel may resign at any time and there can be no assurance that we will be able to continue to retain such personnel. If we cannot recruit suitable replacements in a timely manner, our business will be adversely impacted.

Our growth and continued success will also depend on our ability to attract and retain additional highly qualified and skilled research and development, operational, managerial and finance personnel. However, we face significant competition for experienced personnel in the pharmaceutical field. Many of the other pharmaceutical companies that we compete against for qualified personnel have greater financial and other resources, different risk profiles and a longer history in the industry than we do. They also may provide more diverse opportunities and better chances for career advancement. Some of these characteristics may be more appealing to quality candidates than what we have to offer. If we cannot retain our existing skilled scientific and operational personnel and attract and retain sufficiently skilled additional scientific and operational personnel, as required, for our research and development and manufacturing operations on acceptable terms, we may not be able to continue to develop and commercialize our existing product candidates or new products. Further, any failure to effectively integrate new personnel could prevent us from successfully growing our company.

General Risk Factors

If equity research analysts do not publish research or reports about our business or if they issue unfavorable commentary or downgrade our ordinary shares, the price of our ordinary shares could decline.

The trading market for our ordinary shares relies in part on the research and reports that equity research analysts publish about us and our business, if at all. We do not have control over these analysts, and we do not have commitments from them to write research reports about us. The price of our ordinary shares could decline if no research reports are published about us or our business, or if one or more equity research analysts downgrade our ordinary shares or if those analysts issue other unfavorable commentary or cease publishing reports about us or our business.

Our business could be negatively affected as a result of actions of activist shareholders, and such activism could impact the trading value of our securities.

Shareholders may, from time to time, engage in proxy solicitations or advance stockholder proposals, or otherwise attempt to effect changes and assert influence on our board of directors and management. Activist campaigns that contest or conflict with our strategic direction or seek changes in the composition of our board of directors could have an adverse effect on our operating results and financial condition. A proxy contest would require us to incur significant legal and advisory fees, proxy solicitation expenses and administrative and associated costs and require significant time and attention by our board of directors and management, diverting their attention from the pursuit of our business strategy. Any perceived uncertainties as to our future direction and control, our ability to execute on our strategy, or changes to the composition of our board of directors or senior management team arising from a proxy contest could lead to the perception of a change in the direction of our business or instability which may result in the loss of potential business opportunities, make it more difficult to pursue our strategic initiatives, or limit our ability to attract and retain qualified personnel and business partners, any of which could adversely affect our business and operating results. If individuals are ultimately elected to our board of directors with a specific agenda, it may adversely affect our ability to effectively implement our business strategy and create additional value for our stockholders. We may choose to initiate, or may become subject to, litigation as a result of the proxy contest or matters arising from the proxy contest, which would serve as a further distraction to our board of directors and management and would require us to incur significant additional costs. In addition, actions such as those described above could cause significant fluctuations in our stock price based upon temporary or speculative market perceptions or other factors that do not necessarily reflect the underlying fundamentals and prospects of our business.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Effective November 2019, we leased approximately 20,913 square feet of space in Princeton, NJ, which now serves as our principal executive offices and is used for commercial and marketing as well as general and administrative purposes. We lease an approximately 11,495 square foot facility in Israel, which is used primarily as research and development laboratories as well as for administrative purposes. We lease approximately 9,336 square feet of space in New York. We believe that our existing facilities are adequate to meet our current needs, and that suitable additional or alternative spaces will be available in the future on commercially reasonable terms.

Item 3. Legal Proceedings

From time to time, we may be involved in various claims and legal proceedings relating to claims arising out of our operations. We are not currently a party to any legal proceedings that, in the opinion of our management, are likely to have a material adverse effect on our business. Regardless of outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities

Market Information

Our ordinary shares have been traded on The Nasdaq Global Market since May 4, 2017 under the symbol URGN. Prior to such time, there was no public market for our ordinary shares.

Recent Sales of Unregistered Securities

None.

Holders

As of February 26, 2021, there were approximately 19 registered holders of record of our ordinary shares.

Dividend Policy

We have not paid any dividends on our ordinary shares since our inception and do not expect to pay dividends on our ordinary shares in the foreseeable future. We currently intend to retain all available funds as well as future earnings, if any, to fund the development and expansion of our operations. Any future determination to pay dividends will be made at the discretion of our board of directors.

Purchases of Equity Securities by the Issuer or Affiliated Purchasers

None.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion contains management's discussion and analysis of our financial condition and results of operations and should be read together with the historical consolidated financial statements and the notes thereto included in "Financial Statements and Supplementary Data". This discussion contains forward-looking statements that reflect our plans, estimates and beliefs and involve numerous risks and uncertainties, including but not limited to those described in the "Risk Factors" section of this Annual Report. Actual results may differ materially from those contained in any forward-looking statements. You should carefully read "Special Note Regarding Forward-Looking Statements" and "Risk Factors."

Overview

We are a biopharmaceutical company dedicated to building and commercializing novel solutions that treat specialty cancers and urologic diseases. We have developed *RTGel*TM reverse-thermal hydrogel, a proprietary sustained release, hydrogel-based technology that has the potential to improve therapeutic profiles of existing drugs. Our technology is designed to enable longer exposure of the urinary tract tissue to medications, making local therapy a potentially effective treatment option. Our approved product *Jelmyto* (mitomycin) for pyelocalyceal solution, and our investigational candidate UGN-102 (mitomycin) for intravesical solution, are designed to ablate tumors by non-surgical means and to treat several forms of non-muscle invasive urothelial cancer, including low-grade upper tract urothelial cancer ("low-grade UTUC") and low-grade intermediate risk non-muscle invasive bladder cancer ("low-grade intermediate risk NMIBC"), respectively.

We estimate that the annual treatable patient population of low-grade UTUC in the United States is approximately 6,000 to 7,000; the estimated annual treatable population of low-grade intermediate risk NMIBC is approximately 80,000.

RTGel is a novel proprietary polymeric biocompatible, reverse thermal gelation hydrogel, which, unlike the general characteristics of most forms of matter, is liquid at lower temperatures and converts into gel form when warmed to body temperature. We believe that these characteristics promote ease of delivery into and retention of drugs in body cavities, including the bladder and the upper urinary tract, forming a transient reservoir of drug that disintegrates over time while preventing rapid excretion, providing for increased dwell time. *RTGel* leverages the physiologic flow of urine to provide a natural exit from the body.

We believe that *RTGel*, when formulated with an active drug, may allow for the improved efficacy of treatment of various types of specialty cancers and urologic diseases without compromising the safety of the patient or interfering with the natural flow of fluids in the urinary tract. *RTGel* achieves this by:

- increasing the exposure of active drugs in the bladder and upper urinary tract by significantly extending the dwell time of the active drug while conforming to the anatomy of the bladder and the upper urinary tract, which allows for enhanced drug tissue coverage. For example, the average dwell time of the standard mitomycin water formulation, currently used as adjuvant treatment, in the upper urinary tract is approximately five minutes, compared to approximately six hours when mitomycin is formulated with *RTGel*;
- administering higher doses of an active drug than would otherwise be possible using standard water-based formulations. For instance, it is only possible to dissolve 0.5 mg of mitomycin in 1 mL of water while it is possible to formulate up to 8 mg of mitomycin with 1 mL of *RTGel*; and
- maintaining the active drug's molecular structure and mode of action.

These characteristics of *RTGel* enable sustained release of mitomycin in the urinary tract for both *Jelmyto* and UGN-102. Further, *RTGel* may be particularly effective in the bladder and upper urinary tract where tumor visibility and access are challenging, and where there exists a significant amount of urine flow and voiding. We believe that these characteristics of *RTGel* may prove useful for the local delivery of active drugs to other bodily cavities in addition to the bladder and upper urinary tract.

Jelmyto

On April 15, 2020, the FDA approved our new drug application ("NDA") for *Jelmyto* (mitomycin) for pyelocalyceal solution, formerly known as UGN-101, for the treatment of adult patients with low-grade UTUC. *Jelmyto* consists of mitomycin, an established chemotherapy, and sterile hydrogel, using our proprietary sustained release *RTGel* technology. It has been designed to prolong exposure of urinary tract tissue to mitomycin, thereby enabling the treatment of tumors by non-surgical means. New product exclusivity for *Jelmyto* exists through April 15, 2023, Orphan Drug exclusivity through April 15, 2027 as well as a composition of matter patent through 2031.

Low-grade UTUC is a rare cancer that develops in the lining of the upper urinary tract, ureters and kidneys. In the United States, there are approximately 6,000 - 7,000 new or recurrent low-grade UTUC patients annually. It is a challenging condition to treat due to the

complex anatomy of the urinary tract system. The current standard of care includes multiple surgeries, and most patients require a radical nephroureterectomy, which includes the removal of the renal pelvis, kidney, ureter and bladder cuff. Treatment is further complicated by the fact that low-grade UTUC is most commonly diagnosed in patients over 70 years of age, who may already have compromised kidney function and may suffer further complications as a result of a major surgery.

The FDA approval is based on results from our Phase 3 OLYMPUS trial showing *Jelmyto* achieved clinically significant disease eradication in adults with low-grade UTUC. Findings from the final study results include:

- Complete response (“CR”) (primary endpoint) of 58% (41/71) in the intent-to-treat population and in the sub-population of patients who were deemed not capable of surgical removal at diagnosis.
- At the 12-month time point for assessment of durability, 23 patients remained in CR of a total of 41 patients, eight had experienced recurrence of disease and ten patients were unable to be evaluated.
- Durability of response was estimated to be 81.8% at 12 months by Kaplan-Meier analysis. The median duration of response was not reached.
- The most commonly reported adverse events ($\geq 20\%$) were ureteric obstruction, flank pain, urinary tract infection, hematuria, abdominal pain, fatigue, renal dysfunction, nausea, dysuria and vomiting. Most adverse events were mild to moderate and manageable using well established treatments. No treatment-related deaths occurred.

The FDA evaluated *Jelmyto* under Priority Review, which is reserved for medicines that may represent significant improvements in safety or efficacy in treating serious conditions. *Jelmyto* was also granted Breakthrough Therapy designation by the FDA, which was created to expedite the development and review of drugs developed for serious or life-threatening conditions with high unmet need.

In June 2020, we initiated our commercial launch of *Jelmyto* in the United States. We have staffed, trained and prepared a commercial team comprising a field force of approximately 48 representatives with deep experience in both urology and oncology. The sales representatives are led by seven regional business managers. Each region is supported by a Clinical Nurse Educator to provide education and training around instillation, as well as a Field Reimbursement manager to help ensure access and reimbursement for appropriate patients. In addition, we have a team of seven medical science liaisons who appropriately engage with physicians interested in learning more about UroGen, *Jelmyto* and our technology, including through virtual meetings.

We are committed to helping patients access *Jelmyto*. Our market access teams have laid the foundation for coverage and reimbursement, meeting multiple times with payers. The majority of large commercial plans have policies in place, covering over 150 million lives. In addition to reimbursement and access, we have also been focused on ensuring seamless integration into physician practices. We have implemented processes to help make *Jelmyto* preparation and administration safe and seamless for practitioners and patients, including entering into an agreement with a major national pharmacy under which the pharmacy, following receipt of a patient prescription, prepares and dispenses the *Jelmyto* admixture on our behalf. In October 2020, a Medicare C-Code was issued for *Jelmyto*. Centers for Medicare & Medicaid Services established a permanent and product-specific J-code for *Jelmyto* that took effect on January 1, 2021 and replaced the C-Code.

UGN-102

We are evaluating the safety and efficacy of UGN-102, our novel sustained-release high dose formulation of mitomycin, for the treatment of low-grade intermediate risk NMIBC.

We have shared final topline data from the Phase 2b OPTIMA II trial for our lead product candidate, UGN-102, in patients with low-grade intermediate risk NMIBC, defined as those with one or two of the following criteria: multifocal disease, large tumors and rapid rates of recurrence. The single-arm, open label trial completed enrollment of 63 patients at clinical sites across the United States and Israel in September 2019. Patients were treated with six weekly instillations of UGN-102 and underwent assessment of complete response, or CR (the primary endpoint) four to six weeks following the last instillation. The interim data were also published as a supplement to the April 2020 issue of *The Journal of Urology*, and we anticipate publishing the final data in a peer-reviewed journal in 2021.

In November 2020, we reported final topline data consistent with our previous reports showing that 65%, or 41 out of 63 patients, treated with UGN-102 achieved a complete response three months after the start of therapy. In this subset of patients, duration of response at nine months (12-months from initiation of therapy) was estimated by Kaplan-Meier (KM) analysis to be 72.5%. Median duration of response was not reached. The most common adverse events, greater than 10%, were most often reported as mild to moderate in severity and include dysuria, hematuria, urinary frequency, fatigue, urgency and urinary tract infection.

We believe that UGN-102 has the potential to be a new therapeutic option for the treatment of low-grade intermediate risk NMIBC patients. We initiated the Phase 3 ATLAS trial in December 2020 and are currently enrolling patients in this trial assessing UGN-102 with or without trans-urethral resection of bladder tumor (TURBT) compared to standard of care, TURBT.

Urothelial cancer, which is comprised of bladder cancer and UTUC, affects a large, and what we believe to be, an underserved patient population. Annual expenditures for Medicare alone in the United States for the treatment of urothelial cancer were projected to be at least \$5.0 billion in 2020. The majority of the expenditures are spent on tumor resection surgeries such as transurethral resection of bladder tumor, or TURBT. In 2017, the estimated prevalence of urothelial cancer in the United States was 748,000 and in 2020 the annual incidence of urothelial cancer was approximately 85,000. The prevalence in 2017 of low-grade intermediate risk NMIBC was approximately 340,000. We estimate based upon a review of peer-reviewed literature and publicly available data that there are approximately 80,000 low-grade intermediate risk NMIBC patients in the U.S. annually.

UGN-102 is administered locally using the standard practice of intravesical instillation directly into the bladder via a catheter. The instillation into the bladder is expected to take place in a physician's office as a same-day treatment, in comparison with TURBT or similar surgical procedures, which are operations conducted under general anesthesia and may require an overnight stay. Surgical tumor removal often has limited success due to the inability to properly identify, reach and resect all tumors. We believe that an effective chemoablation agent can potentially provide better eradication of tumors irrespective of the detectability and location of the tumors. In addition, by removing the need for surgery, patients may avoid potential complications associated with surgery.

UGN-302

Our immuno-uro-oncology pipeline includes UGN-302, the sequential use of UGN-201, a TLR 7/8 agonist and UGN-301, an anti-CTLA-4 antibody, being studied as an investigational treatment for high-grade non-muscle invasive bladder cancer (high-grade NMIBC). UroGen's approach involves the local delivery of these potent immunomodulators. UGN-301, an immune checkpoint inhibitor, is delivered using UroGen's proprietary *RTGel* platform to increase dwell time, which has been shown to significantly improve the effectiveness of intravesical therapy. UGN-201 is a proprietary novel, liquid formulation of imiquimod, a generic toll-like receptor 7/8, or TLR 7/8 agonist, which has been evaluated for the treatment of high-grade NMIBC, which may include carcinoma in situ, or CIS. Toll-like receptor agonists play a key role in initiating the innate immune response system. We believe that the combination of UGN-201 with UGN-301 could represent a valid alternative to the current standard of care for the post-TURBT adjuvant treatment of high-grade NMIBC. In November 2019, we entered into a worldwide license agreement with Agenus Inc. to develop and commercialize zalifrelimab, an anti-CTLA-4 antibody, via intravesical delivery in combination with UGN-201 (together referred to as UGN-302) for the treatment of urinary tract cancers, initially in high-grade NMIBC. We believe that the combination treatment makes local therapy a potentially more effective treatment option while minimizing systemic exposure and potential side effects.

Our Research and Development and License Agreements

Allergan/AbbVie Agreement

In October 2016, we entered into the Allergan/AbbVie Agreement and granted Allergan an exclusive worldwide license to research, develop, manufacture and commercialize pharmaceutical products that contain *RTGel* and clostridial toxins including BOTOX. The license grants the exclusivity for the *RTGel* and clostridial toxins including BOTOX alone or in combination with certain other active ingredients, referred to as the Licensed Products, which are approved for the treatment of adults with overactive bladder who cannot use or do not adequately respond to anticholinergics. Additionally, we granted Allergan a non-exclusive, worldwide license to use certain of our trademarks as required for Allergan to practice its exclusive license with respect to the Licensed Products.

Under the Allergan/AbbVie Agreement, Allergan is solely responsible, at its expense, for developing, obtaining regulatory approvals for and commercializing, on a worldwide basis, pharmaceutical products that contain *RTGel* and clostridial toxins (including BOTOX), alone or in combination with certain other active ingredients, collectively, the Licensed Products. Allergan is obligated to pay us a tiered royalty in the low single digits based on worldwide annual net sales of Licensed Products, subject to certain reductions for the market entry of competing products and/or loss of our patent coverage of Licensed Products. We are responsible for payments to any third party for certain *RTGel*-related third-party intellectual properties.

In August 2017, we announced that Allergan had submitted an IND to the FDA in order to be able to commence clinical trials in the United States using an *RTGel* formulation in combination with BOTOX. In October 2017, Allergan commenced a Phase 2 clinical trial of BOTOX/*RTGel* for the treatment of OAB, with the potential to evolve from multiple injections of BOTOX into the bladder to a single instillation of the novel formulation.

In August 2020, we announced that the Phase 2 APOLLO trial did not meet the primary endpoint, it is believed to be the result of BOTOX not effectively permeating the urothelium. We are continuing to explore the potential use of *RTGel* in combination with other products in AbbVie's portfolio.

Agenus Agreement

In November 2019, we entered into a license agreement with Agenus Inc. ("Agenus"). Pursuant to the agreement, Agenus granted us an exclusive, worldwide license (not including Argentina, Brazil, Chile, Colombia, Peru, Venezuela and their respective territories and possessions), royalty-bearing, sublicensable license under Agenus's intellectual property rights to develop, make, use, sell, import and otherwise commercialize products incorporating a proprietary antibody of Agenus known as AGEN1884 for the treatment of cancers of the urinary tract via intravesical delivery. AGEN1884 is an anti-CTLA-4 antagonist that is currently being evaluated by Agenus as a monotherapy in PD-1 refractory patients and in combination with Agenus' anti-PD-1 antibody (AGEN2034) in solid tumors. UGN-301 is a formulation of *RTGel* and zalifrelimab that is in early stage development for high-grade NMIBC.

MD Anderson Agreement

Based on nonclinical studies conducted by us, UGN-201 in combination with anti-CTLA-4 antagonists have shown encouraging results for the potential treatment of high-grade NMIBC. In January 2021, we announced that we entered into a three-year strategic research collaboration agreement with MD Anderson focusing on UGN-302 as an investigational treatment for high-grade NMIBC. Under the agreement, MD Anderson and UroGen will collaborate on the design and conduct of non-clinical and clinical studies with oversight from a joint steering committee. UroGen will provide funding, developmental candidates, and other support.

For additional information regarding our research and development and license agreements, see Note 11 to our financial statements appearing elsewhere in this Annual Report.

Impact of COVID-19 Pandemic

In the event of a prolonged disruption related to COVID-19, there could be detrimental impact to our ongoing and future clinical trials, our ongoing commercial launch and future commercialization activities for *Jelmyto*, and our ability to access capital markets.

Recently, the U.S. has mounted a comprehensive COVID-19 vaccination campaign. The staged vaccination rollout prioritizes health-care workers, certain other essential workers and high-risk populations, which generally includes individuals in their 60s and 70s, and individuals with certain underlying medical conditions. The vaccination effort in the U.S. may impact our ongoing commercialization of *Jelmyto* in two main aspects. Prioritization of hospital and clinic resources towards the vaccination effort may delay or hinder the ability of patients who are currently using *Jelmyto* or who are eligible to use *Jelmyto* to schedule *Jelmyto* instillation procedures. Additionally, these current or potentially eligible patients may choose to delay their procedures until after they have been vaccinated for COVID-19. We expect the vaccination rollout will have an impact on our first quarter 2021 results and we continue to monitor the evolving COVID-19 situation, and the impacts that the pandemic and related government response may have on our business throughout 2021.

Components of Operating Results

Revenues

During the year ended December 31, 2020 we recognized \$11.8 million of revenues from sales of our product, *Jelmyto* which we launched in June 2020. In the fourth quarter of 2020, due to concerns over potential shipment delays around the holidays, we received several bulk orders at the end of 2020 that were recognized in 2020 revenue. We do not anticipate similar bulk purchases or stocking patterns in the first quarter of 2021.

During the year ended December 31, 2019, we recognized \$18,000 of revenue related to *RTGel* supplied to Allergan. We did not recognize any revenues from *RTGel* sales under the Allergan/AbbVie Agreement during the year ended December 31, 2020.

Cost of Revenues

Cost of revenues consist primarily of inventory and related costs associated with the manufacturing, distribution, warehousing and preparation of *Jelmyto*. In periods prior to receiving FDA approval for *Jelmyto*, we recognized inventory and related costs associated with the manufacture of *Jelmyto* as research and development expenses.

Research and Development Expenses

Research and development expenses consist primarily of:

- salaries and related costs, including share-based compensation expense, for our personnel in research and development functions;
- expenses incurred under agreements with third parties, including clinical research organizations (“CROs”), subcontractors, suppliers and consultants, nonclinical studies and clinical trials;
- expenses incurred to acquire, develop and manufacture nonclinical study and clinical trial materials;
- expenses incurred to purchase active pharmaceutical ingredient (“API”) and other related manufacturing costs; and
- facility and equipment costs, including depreciation expense, maintenance and allocated direct and indirect overhead costs.

We expense all research and development costs as incurred.

We estimate nonclinical study and clinical trial expenses based on the services performed pursuant to contracts with research institutions and contract research organizations that conduct and manage nonclinical studies and clinical trials on our behalf based on actual time and expenses incurred by them.

We accrue for costs incurred as the services are being provided by monitoring the status of the trial or project and the invoices received from our external service providers. We adjust our accrual as actual costs become known. Where at risk contingent milestone payments are due to third parties under research and development and collaboration agreements, the milestone payment obligations are expensed when the milestone results are achieved.

We have received grants under the Israeli Law for the Encouragement of Industrial Research, Development and Technological Innovation, 5754-1984 (the “R&D Law”) from the Israel Innovation Authority in Israel (the “IIA”) formerly known as the Office of the Chief Scientist of the Ministry of Economy and Industry, an independent and impartial public entity, for some of our development programs. Through December 31, 2020, we received grants in the aggregate amount of \$2.1 million. On January 12, 2020, the IIA Office of Chief Scientist approved our request to unwind its obligation to the IIA regarding grants that were loaned to us between January 2004 and September 2016. The total payment under the IIA approval, net of the royalties already paid, amounted to \$6.6 million, which was fully paid during the first quarter of 2020. See Note 17 to the Consolidated Financial Statements included in this report for additional information.

We are currently focused on advancing our product candidates, and our future research and development expenses will depend on their clinical success. Research and development expenses will continue to be significant and will increase over at least the next several years as we continue to develop our product candidates and conduct nonclinical studies and clinical trials of our product candidates.

Research and development activities are central to our business model. Product candidates in later stages of clinical development generally have higher development costs than those in earlier stages of clinical development, primarily due to the increased size and duration of later-stage clinical trials. We do not believe that it is possible at this time to accurately project total expenses required for us to reach commercialization of our product candidates. Due to the inherently unpredictable nature of nonclinical and clinical development, we are unable to estimate with certainty the costs we will incur and the timelines that will be required in the continued development and approval of our product candidates. Clinical and nonclinical development timelines, the probability of success and development costs can differ materially from expectations. In addition, we cannot forecast which product candidates may be subject to future collaborations, if and when such arrangements will be entered into, if at all, and to what degree such arrangements would affect our development plans and capital requirements. We expect our research and development expenses to increase over the next several years as our clinical programs progress and as we seek to initiate clinical trials of additional product candidates. We also expect to incur increased research and development expenses as we selectively identify and develop additional product candidates.

The duration, costs and timing of clinical trials and development of our product candidates will depend on a variety of factors that include, but are not limited to, the following:

- per patient trial costs;
- the number of patients that participate in the trials;

- the number of sites included in the trials;
- the countries in which the trials are conducted;
- the length of time required to enroll eligible patients;
- delays or operational challenges resulting from the ongoing COVID-19 pandemic;
- the number of doses that patients receive;
- the drop-out or discontinuation rates of patients;
- potential additional safety monitoring or other studies requested by regulatory agencies;
- the duration of patient follow-up; and
- the efficacy and safety profile of the product candidates.

In addition, the probability of success for each product candidate will depend on numerous factors, including competition, manufacturing capability and commercial viability. We will determine which programs to pursue and how much to fund each program in response to the scientific and clinical success of each product candidate, as well as an assessment of each product candidate's commercial potential.

Other than *Jelmyto*, which was approved by the FDA in April 2020, we have not received approval of any of our product candidates. UGN-102 is still in clinical development and our other product candidates are in nonclinical development, and the outcome of these efforts is uncertain. As such, we cannot estimate the actual amounts necessary to successfully complete the development and commercialization of our product candidates or whether, or when, we may achieve profitability. Until such time, if ever, as we can generate substantial product revenue, we expect to finance our cash needs through a combination of equity or debt financings and collaboration arrangements.

License fees and development milestone payments related to in-licensed products and technology are expensed as incurred if it is determined at that point that they have no established alternative future use. We recorded \$10.0 million in research and development expenses for the year ended December 31, 2019, comprised of a milestone related to our license agreement with Agenus Inc.

The license agreement provides us with an exclusive worldwide, royalty bearing, and sub-licensable license under Agenus's intellectual property rights to exploit licensed products incorporating AGEN1884 for the treatment of cancers of the urinary tract via intravesical delivery. It also provides us with preclinical and clinical supply of AGEN1884. No inventory was purchased on the effective date of the License Agreement and subsequent purchases of preclinical and clinical supplies are priced at cost plus 30% mark-up. Our acquired right to Agenus's intellectual property represents a single identifiable asset sourced from the agreement. Therefore, all the fair value associated with the agreement is concentrated in one identifiable asset and is not considered a business in accordance with ASC 805-10-55-5A. Therefore, we have accounted for the right to Agenus's intellectual property acquired under the license agreement as an asset acquisition of in-process research and development. See Note 11 to the Consolidated Financial Statements for further information.

Selling and Marketing Expenses

To date, selling and marketing expenses consist primarily of commercial personnel costs (including share-based compensation) along with pre-commercialization and initial commercialization activities related to *Jelmyto*, formerly known as UGN-101. We anticipate that our selling and marketing expenses will increase in 2021 as we continue the commercialization of *Jelmyto*.

General and Administrative Expenses

General and administrative expenses consist primarily of personnel costs (including share-based compensation related to directors, executives, finance, medical affairs, business development, investor relations, and human resource functions). Other significant costs include medical affairs services, external professional service costs, facility costs, accounting and audit services, legal services, and other consulting fees.

We anticipate that our general and administrative expenses will increase in the future as we increase our administrative headcount and infrastructure to support the potential approval and commercialization of our other product candidates and our continued research and development programs. These increases will likely include increased costs related to the hiring of additional personnel and fees to outside consultants, lawyers and accountants, among other expenses.

Interest and Other Income (Expenses), Net

Interest and other income (expenses), net, consisted primarily of interest income.

Income Taxes

We have yet to generate taxable income in Israel. We have historically incurred operating losses resulting in tax loss carry forwards losses totaling approximately \$250.2 million as of December 31, 2020. We anticipate that we will continue to generate tax losses for the foreseeable future and that we will be able to carry forward these tax losses indefinitely to future taxable years. Accordingly, we do not expect to pay taxes in Israel until we have taxable income after the full utilization of our carry forward tax losses. We have provided a full valuation allowance with respect to the deferred tax assets related to these carry forward losses. Income tax expense also consists of our estimate of uncertain tax positions, and related interest and penalties. See Note 15 to the Consolidated Financial Statements for further information.

Results of Operations

Comparison of the Years Ended December 31, 2020 and 2019

The following table sets forth our results of operations for the years ended December 31, 2020 and 2019.

	Year Ended December 31,		
	2020	2019	Change
	(in thousands)		
Revenues	\$ 11,799	\$ 18	\$ 11,781
Cost of revenue	1,009	-	1,009
Gross profit (loss)	10,790	18	10,772
Operating expenses:			
Research and development	47,310	49,297	(1,987)
Selling and marketing	46,514	17,904	28,611
General and administrative	43,705	42,295	1,409
Total operating expenses	137,529	109,496	28,033
Operating loss	(126,739)	(109,478)	(17,261)
Interest and other income, net	1,629	4,332	(2,703)
Loss before income taxes	(125,110)	(105,146)	(19,964)
Income tax expense	3,374	—	3,374
Net loss	\$ (128,484)	\$ (105,146)	\$ (23,338)

Revenues

Revenues were \$11.8 million and \$18,000 for the years ended December 31, 2020 and 2019, respectively. The increase of \$11.8 million reflects sales of our product *Jelmyto* following its approval by the FDA in April 2020.

Cost of Revenues

Cost of revenues were \$1.0 million and \$0 for the years ended December 31, 2020 and 2019, respectively. In periods prior to receiving FDA approval for *Jelmyto*, we recognized inventory and related costs associated with the manufacture of *Jelmyto* as research and development expenses. We expect this to continue to impact cost of revenues through the first quarter of 2022 as we produce *Jelmyto* at costs reflecting the full costs of manufacturing and as we deplete inventories that we had expensed prior to receiving FDA approval. Gross margin would have been approximately 86% versus 91% for year ended December 31, 2020 if we had not sold *Jelmyto* units that were expensed prior to regulatory approval.

Research and Development Expenses

Research and development expenses decreased by \$2.0 million to \$47.3 million in the year ended December 31, 2020 from \$49.3 million in the year ended December 31, 2019. Excluding the \$10 million milestone payment related to our license agreement with Agenus Inc during 2019, research and development expenses increased by \$8.0 million. The increase of \$8.0 million resulted primarily from a one-time payment of \$6.6 million to unwind the Company's obligation to the Israeli Innovation Authority during the first quarter of 2020 and increased expenses related to the UGN-102 clinical trial and UGN-201 studies, partially offset by the completion of the Phase 3 clinical trial and regulatory activity for *Jelmyto*.

Selling and Marketing Expenses

Selling and marketing expenses were \$46.5 million and \$17.9 million for the years ended December 31, 2020 and 2019, respectively. The increase in selling and marketing expenses of \$28.6 million resulted primarily from increased costs and activities related to the commercial launch of *Jelmyto* in June 2020, including headcount and related costs associated with our sales force.

General and Administrative Expenses

General and administrative expenses were \$43.7 million and \$42.3 million for the years ended December 31, 2020 and 2019, respectively. General and administrative expenses were comprised most significantly of personnel related costs, followed by external professional services and facility costs. The increase in general and administrative expenses of \$1.4 million resulted primarily from increased costs and activities related to the commercial launch of *Jelmyto* in June 2020, including headcount and related administrative costs.

Interest and Other Income (Expenses), Net

Interest and other income (expenses), net was income of \$1.6 million and income of \$4.3 million for the years ended December 31, 2020 and 2019, respectively. The decrease of \$2.7 million was primarily due to a decrease in our cash and cash equivalents and marketable securities.

Liquidity and Capital Resources

As of December 31, 2020, we had \$103.9 million in cash and cash equivalents and marketable securities. Cash in excess of immediate requirements is invested in accordance with our investment policy, primarily with a view to liquidity and capital preservation, and is held primarily in U.S. dollars. Based on our cash flow projections, we believe that our existing cash and cash equivalents and marketable securities are sufficient to fund our planned operations for at least the next 12 months.

Through December 31, 2020, we funded our operations primarily through public equity offerings, private placements of equity securities and through the upfront payment received under the Allergan/AbbVie Agreement.

In December 2019, we entered into a sales agreement (the “ATM Sales Agreement”) with Cowen and Company, LLC (“Cowen”) pursuant to which we may from time to time offer and sell our ordinary shares having an aggregate offering price of up to \$100.0 million. The shares are offered and will be sold pursuant to a shelf registration statement on Form S-3 which was declared effective by the SEC on January 2, 2020.

During the second quarter of 2020 and the full year ended December 31, 2020, we sold 700,000 ordinary shares under the ATM Sales Agreement, for gross proceeds of approximately \$16.6 million. The net proceeds to us after deducting sales commissions to Cowen and other issuance expenses were approximately \$15.8 million. The remaining capacity under the ATM Sales Agreement is approximately \$83.4 million.

In March 2021, UroGen and RTW Investments (“RTW”) announced a transaction totaling \$75.0 million in funding for us to support the launch of *Jelmyto* and the development of UGN-102. RTW will provide us with an upfront cash payment of \$75.0 million and will receive tiered future payments based on global annual net product sales of *Jelmyto* and UGN-102, if approved.

We have incurred losses since our inception and negative cash flows from our operations, and as of December 31, 2020 we had an accumulated deficit of \$356.5 million. We anticipate that we will continue to incur losses for at least the next two years. Our primary uses of capital are, and we expect will continue to be, commercialization activities, research and development expenses, including third-party clinical research and development services, laboratory and related supplies, clinical costs, including manufacturing costs, legal and other regulatory expenses and general and administrative costs, partially offset by proceeds from sales of *Jelmyto*.

We cannot estimate the actual amounts necessary to successfully commercialize any approved products, including *Jelmyto*, or whether, or when, we may achieve profitability. Until such time, if ever, as we can generate substantial product revenue, we expect to finance our cash needs through a combination of equity or debt financings and collaboration arrangements.

Cash Flows

The following table sets forth the significant sources and uses of cash for the periods set forth below:

	Year Ended December 31,	
	2020	2019
	(in thousands)	
Net cash (used in) provided by:		
Operating activities	\$ (105,886)	\$ (71,017)
Investing activities	93,238	(145,593)
Financing activities	16,527	165,250
Net change in cash and cash equivalents	<u>\$ 3,879</u>	<u>\$ (51,360)</u>

Operating Activities

Net cash used in operating activities was \$105.9 million during the year ended December 31, 2020, compared to \$71.0 million used in operating activities during the year ended December 31, 2019. The \$34.9 million increase was attributable primarily to the increase of \$23.4 million in the net loss for the year and a net increase in operating assets and liabilities of \$10.7 million.

Investing Activities

Net cash provided by investing activities was \$93.2 million during the year ended December 31, 2020, compared to net cash used in investing activities of \$145.6 million during the year ended December 31, 2019. The increase of \$238.8 million is primarily related to increased maturities without associated repurchases in marketable securities through the year ended December 31, 2020 as compared to the year ended December 31, 2019.

Financing Activities

Net cash provided by financing activities was \$16.5 million during the year ended December 31, 2020, compared to net cash provided by financing activities of \$165.3 million during the year ended December 31, 2019. The decrease is primarily due to the net proceeds received from the underwritten public offering completed in 2019 as compared to the net proceeds received from sales under the ATM Sales Agreement in 2020.

Funding Requirements

Our present and future funding requirements will depend on many factors, including, among other things:

- the progress, timing and completion of clinical trials for UGN-102;
- nonclinical studies and clinical trials for UGN-302 or any of our other product candidates;
- the costs related to obtaining regulatory approval UGN-102 and UGN-302 and any of our other product candidates, and any delays we may encounter as a result of regulatory requirements or adverse clinical trial results with respect to any of these product candidates;
- selling, marketing and patent-related activities undertaken in connection with the commercialization of *Jelmyto* and UGN-102 and any of our other product candidates, and costs involved in the continued development of an effective sales and marketing organization;
- the costs involved in filing and prosecuting patent applications and obtaining, maintaining and enforcing patents or defending against claims or infringements raised by third parties, and license royalties or other amounts we may be required to pay to obtain rights to third party intellectual property rights;
- potential new product candidates we identify and attempt to develop; and
- revenues we may derive either directly or in the form of royalty payments from future sales of *Jelmyto*, UGN-102, UGN-302, *RTGel* reverse thermal hydrogel and any other product candidates.

Accordingly, we will need to obtain substantial additional funding in connection with our continuing operations. If we are unable to raise capital when needed or on attractive terms, we would be forced to delay, reduce or eliminate our research and development programs or future commercialization efforts.

We may finance our cash needs through a combination of equity offerings, debt financings, collaborations, strategic alliances and licensing arrangements. To the extent that we raise additional capital through the sale of equity or convertible debt securities, your ownership interest will be diluted, and the terms of any additional securities may include liquidation or other preferences that adversely affect your rights as a shareholder. Debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends.

If we raise funds through additional collaborations, strategic alliances or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or product candidates or to grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds through equity or debt financings when needed, we may be required to delay, limit, reduce or terminate our product development or future commercialization efforts or grant rights to develop and market product candidates that we would otherwise prefer to develop and market ourselves.

For more information as to the risks associated with our future funding needs, see “Item 1.A – Risk Factors.” We will require substantial additional financing to achieve our goals, and a failure to obtain this capital when needed and on acceptable terms, or at all, could force us to delay, limit, reduce or terminate our product development, commercialization efforts or other operations.

Contractual Obligations and Commitments

In April 2016, we signed an addendum to its November 2014 lease agreement for our executive offices located in Israel, in order to increase the office space rented and to extend the rent period until 2019. In March 2019, we utilized the agreement extension option and extended the rent period for additional three years until August 2022.

In September 2017, UroGen Pharma, Inc. entered into a new lease agreement for its current New York office for a period of approximately 41 months, which period commenced in October 2017. The lease terminated on February 1, 2021, in accordance with its terms.

In April 2018, we entered into a new lease agreement for an office in Los Angeles, CA. The lease commencement date was July 10, 2018 and terminates in March 2024.

In November 2019, we subleased our offices in Los Angeles, CA. The lease commencement date was January 1, 2020 and terminates in March 2024. The subtenants exercised their early access clause and moved into the premises the end of November 2019.

Also, in November 2019, we entered into a new lease agreement, dated effective October 31, 2019, for an office in Princeton, NJ. The lease commencement date was November 29, 2019 and the lease term is 38 months.

The total obligation for future minimum lease payments under our operating leases \$2.9 million as of December 31, 2020. See Note 9 to the Consolidated Financial Statements for further information.

Critical Accounting Policies and Significant Judgments and Estimates

Our management’s discussion and analysis of our financial condition and results of operations is based on our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States, or GAAP. The preparation of these financial statements requires us to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of the dates of the balance sheets and the reported amounts of revenue and expenses during the reporting periods. In accordance with GAAP, we base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances at the time such estimates are made. Actual results may differ materially from our estimates and judgments under different assumptions or conditions. We periodically review our estimates in light of changes in circumstances, facts and experience. The effects of material revisions in estimates, if any, are reflected in our financial statements prospectively from the date of the change in estimate.

We define our critical accounting policies as those accounting principles generally accepted in the United States that require us to make subjective estimates and judgments about matters that are uncertain and are likely to have a material impact on our financial condition and results of operations, as well as the specific manner in which we apply those principles. While our significant accounting policies are more fully described in Note 3 to our consolidated financial statements appearing elsewhere in this Annual Report, we believe the following are the critical accounting policies used in the preparation of our financial statements.

Leases

We are a lessee in several noncancelable operating leases, primarily for office space, office equipment and vehicles. We currently have no finance leases.

We account for leases in accordance with ASC Topic 842, "Leases". We determine if an arrangement is a lease at inception. Right-of-use ("ROU") assets and operating lease liabilities are recognized based on the present value of lease payments over the lease term as of the commencement date. Operating lease ROU assets are presented as operating lease right of use assets on the consolidated balance sheets. The current portion of operating lease liabilities is included in other current liabilities and the long-term portion is presented separately as operating lease liabilities on the consolidated balance sheets.

Lease expense is recognized on a straight-line basis for operating leases. Variable lease payments associated with our leases are recognized when the event, activity, or circumstance in the lease agreement on which those payments are assessed occurs. Variable lease payments are presented as operating expense on the consolidated statements of operations in the same line item as expense arising from fixed lease payments.

Our lease terms may include options to extend the lease. The lease extensions are included in the measurement of the right of use asset and lease liability when it is reasonably certain that it will exercise that option.

Because most of our leases do not provide an implicit rate of return, an incremental borrowing rate is used based on the information available at the commencement date in determining the present value of lease payments on an individual lease basis. Our incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms.

We have lease agreements with lease and non-lease components. We applied the modified retrospective transition method and elected the transition option to use the effective date of January 1, 2019 as the date of initial application.

Revenues

Product sales from *Jelmyto* are recognized as revenue under ASC 606 at the point in time that control of the product has been transferred to the customer, generally at the point the product has been delivered to the treating physician. All product sales of *Jelmyto* are recognized through our arrangement with a single customer, a third-party national specialty distributor. Net revenues recognized include management's estimate of returns, consideration paid to the customer, chargebacks relating to differences between the wholesale acquisition cost and the contracted price offered to the end consumer, chargebacks relating to 340b drug pricing programs, Medicaid drug rebate programs, and our co-pay assistance program, which are estimated based on industry benchmarking studies as well as our historical experience.

We also may derive revenues from the Allergan/AbbVie Agreement. Under the Allergan/AbbVie Agreement, we granted Allergan an exclusive license to develop, commercialize, and otherwise exploit products that contain reverse thermal hydrogel and agreed to supply Allergan with pre-clinical and clinical quantities of the *RTGel* product, also referred to as the *RTGel* vials. The Allergan/AbbVie Agreement contains up-front license fees, future supply fees, development, regulatory, and sales-based milestone payments, and sales-based royalty payments.

Research and Development

Research and development costs are expensed as incurred and consist primarily of the cost of salaries, share-based compensation expenses, payroll taxes and other employee benefits, subcontractors and materials used for research and development activities, including nonclinical studies, clinical trials, other manufacturing costs and professional services. The costs of services performed by others in connection with the research and development activities of an entity, including research and development conducted by others on behalf of the entity, shall be included in research and development costs and expensed as the contracted work is performed. We accrue for costs incurred as the services are being provided by monitoring the status of the trial or project and the invoices received from its external service providers. We adjust accruals as actual costs become known. Where contingent milestone payments are due to third parties under research and development arrangements or license agreements, the milestone payment obligations are expensed when the milestone results are achieved.

The costs of intangibles that are purchased from others for a particular research and development project and that have no alternative future uses (in other research and development projects or otherwise) and therefore no separate economic values are recognized as research and development expense at the time the costs are incurred.

Selling, General and Administrative Expenses

Selling, general and administrative expenses consist primarily of personnel costs (including share-based compensation related to directors, employees and consultants). Other significant costs include commercial, medical affairs, external professional service costs, facility costs, accounting and audit services, legal services and other consulting fees. Selling, general and administrative costs are expensed as incurred, and we accrue for services provided by third parties related to the above expenses by monitoring the status of services provided and receiving estimates from its service providers and adjusting its accruals as actual costs become known.

Share-Based Compensation

We account for employees' and directors' share-based payment awards classified as equity awards using the grant-date fair value method. The fair value of share-based payment transactions is recognized as an expense over the requisite service period, which is equal to the vesting period. The fair value of options is determined using the Black-Scholes option-pricing model. The fair value of a restricted stock unit ("RSU") equaled the closing price of the Company's ordinary shares on the grant date. We account for forfeitures as they occur in accordance with ASC Topic 718, "Compensation—Stock Compensation".

We elected to recognize compensation costs for awards conditioned only on continued service that have a graded vesting schedule using the straight-line method and to value the awards based on the single-option award approach. Performance based awards are expensed over the requisite service period when the achievement of performance criteria is probable.

Income Taxes

The Company provides for income taxes based on pretax income, if any, and applicable tax rates available in the various jurisdictions in which it operates, including Israel and the U.S. Deferred taxes are computed using the asset and liability method. Under the asset and liability method, deferred income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and are measured using the currently enacted tax rates and laws. A valuation allowance is recognized to the extent that it is more likely than not that the deferred taxes will not be realized in the foreseeable future.

The Company follows a two-step approach in recognizing and measuring uncertain tax positions. After concluding that a particular filing position can be recognized (i.e., has a more-likely-than-not chance of being sustained), ASC 740-10-30-7 requires that the amount of benefit recognized be measured using a methodology based on the concept of cumulative probability. Under this methodology, the amount of benefit recorded represents the largest amount of tax benefit that is greater than 50% likely to be realized upon settlement with a taxing authority that has full knowledge of all relevant information.

Off-Balance Sheet Arrangements

During the periods presented, we did not have, nor do we currently have, any off-balance sheet arrangements as defined under SEC rules.

Item 7A. Quantitative and Qualitative Disclosures about Market Risks

Interest Rate Fluctuation Risk

Some of the securities in which we invest have market risk in that a change in prevailing interest rates may cause the principal amount of the marketable securities to fluctuate. Financial instruments that potentially subject us to significant concentrations of credit risk consist primarily of cash and cash equivalents. As of December 31, 2020, we had \$103.9 million in cash and cash equivalents. We invest our cash primarily in money market accounts, but from time to time may invest in commercial paper and debt instruments of financial institutions, corporations, U.S. government-sponsored agencies and the U.S. Treasury. The primary objectives of our investment activities are to ensure liquidity and to preserve principal while at the same time maximizing the income we receive from our marketable securities without significantly increasing risk. We have established guidelines regarding approved investments and maturities of investments, which are designed to maintain safety and liquidity. If a 10% change in interest rates were to have occurred on December 31, 2020, this change would not have had a material effect on the fair value of our cash and cash equivalents as of that date.

Inflation Risk

Inflation generally may affect us by increasing our cost of labor and clinical trial costs. Inflation has not had a material effect on our business, financial condition or results of operations during the years ended December 31, 2020 or 2019.

Foreign Currency Exchange Risk

The U.S. dollar is our functional and reporting currency. However, a significant portion of our operating expenses are incurred in NIS. As a result, we are exposed to the risk that the NIS may appreciate relative to the dollar, or, if the NIS instead devalues relative to the dollar, that the inflation rate in Israel may exceed such rate of devaluation of the NIS, or that the timing of such devaluation may lag behind inflation in Israel. In any such event, the dollar cost of our operations in Israel would increase and our dollar-denominated results of operations would be adversely affected. We cannot predict any future trends in the rate of inflation in Israel or the rate of devaluation, if any, of the NIS against the dollar. For example, although the dollar appreciated against the NIS in 2018 by 8.1%, the dollar depreciated against the NIS during 2019 and 2020 by a total of 14.2%. If the dollar cost of our operations in Israel increases, our dollar-measured results of operations will be adversely affected. Our operations also could be adversely affected if we are unable to effectively hedge against currency fluctuations in the future.

We do not currently engage in currency hedging activities in order to reduce this currency exposure, but we may begin to do so in the future. Instruments that may be used to hedge future risks may include foreign currency forward and swap contracts. These instruments may be used to selectively manage risks, but there can be no assurance that we will be fully protected against material foreign currency fluctuations.

Item 8. Financial Statements and Supplementary Data

UroGen Pharma, Ltd.

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To the Board of Directors and Shareholders of UroGen Pharma Ltd.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of UroGen Pharma Ltd. and its subsidiary (the “Company”) as of December 31, 2020, and the related consolidated statements of operations and comprehensive income, of shareholders' equity and of cash flows for the year then ended, including the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

Critical Audit Matters

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

Uncertain Tax Positions

As described in Note 15 to the consolidated financial statements, the Company has recorded liabilities for uncertain tax positions of \$2.7 million as of December 31, 2020. The Company operates on a global basis and is subject to tax laws and regulations in the US and Israel. The estimate of the Company’s tax liabilities relating to uncertain tax positions requires management to assess uncertainties and to make judgments about the application of complex tax laws and regulations, expectations regarding the outcome of tax authority examinations, as well as the ultimate measurement of potential liabilities. As disclosed by management, the Company has received final tax assessments up to and including its 2014 tax year.

The principal considerations for our determination that performing procedures relating to uncertain tax positions is a critical audit matter are (i) the significant judgment by management when determining uncertain tax positions, including a high degree of estimation uncertainty relative to the interpretation of tax laws; (ii) a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating management’s timely identification and accurate measurement of uncertain tax positions; (iii) the evaluation of audit evidence available to support the tax liabilities for uncertain tax positions is complex and resulted in significant auditor judgment as the nature of the evidence is often highly subjective; and (iv) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included, among others (i) testing the information used in the calculation of the liability for uncertain tax positions, including intercompany agreements and the related final tax returns; (ii) testing the calculation of the liability for uncertain tax positions, including management’s assessment of the technical merits of tax positions and estimates of the amount of tax benefit expected to be sustained; and (iii) testing the completeness of management’s assessment of both

the identification of uncertain tax positions and possible outcomes of each uncertain tax position. Professionals with specialized skill and knowledge were used to assist in the evaluation of the completeness and measurement of the Company's uncertain tax positions, including evaluating the reasonableness of management's assessment of whether tax positions are more-likely-than-not of being sustained and the amount of potential benefit to be realized, the application of relevant tax laws, and estimated interest and penalties.

/s/ PricewaterhouseCoopers LLP

Florham Park, New Jersey

March 18, 2021

We have served as the Company's auditor since 2020.

To the Board of Directors and Shareholders of UroGen Pharma Ltd.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of UroGen Pharma Ltd. and its subsidiary (the “Company”) as of December 31, 2019, and the related consolidated statements of operations and comprehensive loss, of shareholders’ equity and of cash flows for the year then ended, including the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

The consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

Tel Aviv, Israel
March 2, 2020

/s/Kesselman & Kesselman
Certified Public Accountants (Isr.)
A member of PricewaterhouseCoopers International Limited

We served as the Company’s auditor from 2010 to 2019.

UROGEN PHARMA, LTD.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share amounts)

	December 31,	
	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 52,864	\$ 49,688
Marketable securities	49,154	97,389
Restricted cash	1,226	523
Accounts receivable	7,047	—
Inventory	1,964	—
Prepaid expenses and other current assets	3,364	1,034
Total current assets	115,619	148,634
Non-current assets:		
Property and equipment, net	2,046	977
Restricted deposit	223	223
Right of use asset	2,158	3,735
Marketable securities	1,893	48,555
Other non-current assets	66	264
Total Assets	\$ 122,005	\$ 202,388
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 10,023	\$ 11,186
Employee related accrued expenses	9,554	6,711
Other current liabilities	1,859	1,585
Total current liabilities:	21,436	19,482
Non-current liabilities:		
Long-term lease liability	1,497	2,604
Uncertain tax positions liability	2,717	—
Total Liabilities	25,650	22,086
Commitments and contingencies (Note 17)		
Shareholders' equity:		
Ordinary shares, NIS 0.01 par value; 100,000,000 shares authorized at December 31, 2020 and 2019; 22,167,791 and 21,026,184 shares issued and outstanding as of December 31, 2020 and 2019, respectively	60	57
Additional paid-in capital	452,525	407,986
Accumulated deficit	(356,501)	(228,017)
Accumulated other comprehensive income	271	276
Total Shareholders' Equity	96,355	180,302
Total Liabilities and Shareholders' Equity	\$ 122,005	\$ 202,388

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

UROGEN PHARMA, LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(in thousands, except share and per share amounts)

	Year Ended December 31,	
	2020	2019
Revenues, net	\$ 11,799	\$ 18
Cost of revenues	1,009	—
Gross profit	10,790	18
Operating expenses:		
Research and development expenses	47,310	49,297
Selling, general and administrative expenses	90,219	60,199
Operating loss	(126,739)	(109,478)
Interest and other income, net	1,629	4,332
Loss before income taxes	(125,110)	(105,146)
Income tax expense	3,374	—
Net Loss	\$ (128,484)	\$ (105,146)
Statements of Comprehensive Loss		
Net loss	\$ (128,484)	\$ (105,146)
Other comprehensive income		
Unrealized (loss) gain on marketable securities	(5)	\$ 276.0
Comprehensive Loss	\$ (128,489)	\$ (104,870)
Loss per ordinary share basic and diluted	\$ (5.90)	\$ (5.12)
Weighted average number of shares outstanding used in computation of basic and diluted loss per ordinary share	21,780,826	20,528,727

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

UROGEN PHARMA, LTD.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands, except share amounts)

	Ordinary Shares		Additional paid-in capital	Accumulated Deficit	Other Comprehensive Income	Total
	Number of Shares	Amount				
Balance as of January 1, 2019	<u>16,214,883</u>	<u>\$ 44</u>	<u>\$ 212,921</u>	<u>\$ (122,871)</u>	<u>\$ —</u>	<u>\$ 90,094</u>
Changes During 2019						
Exercise of options into ordinary shares	603,984	2	3,662			3,664
Share-based compensation			29,967			29,967
Issuance of ordinary shares in public offering, net of issuance expenses	4,207,317	11	161,436			161,447
Other comprehensive income					276	276
Net loss				(105,146)		(105,146)
Balance as of January 1, 2020	<u>21,026,184</u>	<u>\$ 57</u>	<u>\$ 407,986</u>	<u>\$ (228,017)</u>	<u>\$ 276</u>	<u>\$ 180,302</u>
Changes during 2020						
Exercise of options into ordinary shares	441,607	1	739			740
Share-based compensation			28,025			28,025
Issuance of ordinary shares in public offering, net of issuance expenses	700,000	2	15,775			15,777
Other comprehensive loss					(5)	(5)
Net loss				(128,484)		(128,484)
Balance as of December 31, 2020	<u>22,167,791</u>	<u>\$ 60</u>	<u>\$ 452,525</u>	<u>\$ (356,501)</u>	<u>\$ 271</u>	<u>\$ 96,355</u>

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

UROGEN PHARMA, LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31,	
	2020	2019
Cash Flows From Operating Activities		
Net loss	\$ (128,484)	\$ (105,146)
Adjustment to reconcile net loss to net cash from operating activities:		
Depreciation and amortization	416	296
Amortization (accretion) on marketable securities	439	(572)
Stock-based compensation	28,025	29,967
Amortization of right of use asset	1,628	1,028
Lease liability	(1,541)	(910)
Changes in operating assets and liabilities:		
Inventory	(1,964)	—
Accounts receivable	(7,047)	—
Prepaid expenses and other current assets	(2,330)	(394)
Accounts payable and accrued expenses	(1,245)	2,928
Employee related accrued expenses	2,843	1,786
Current tax payable	657	—
Uncertain tax positions	2,717	—
Net cash used in operating activities	<u>(105,886)</u>	<u>(71,017)</u>
Cash Flows From Investing Activities		
Change in restricted deposit	—	(172)
Purchase of marketable securities	(29,688)	(197,686)
Maturities of marketable securities	124,141	52,590
Purchase of property and equipment	(1,215)	(325)
Net cash provided by (used in) investing activities	<u>93,238</u>	<u>(145,593)</u>
Cash Flows From Financing Activities		
Proceeds from exercise of options into ordinary shares	740	3,664
Issuance of ordinary shares, net of issuance expenses	15,853	161,662
Issuance cost related to at-the-market issuances	(66)	(76)
Net cash provided by financing activities	<u>16,527</u>	<u>165,250</u>
Decrease in Cash and Cash Equivalents	<u>3,879</u>	<u>(51,360)</u>
Cash, Cash Equivalents and Restricted Cash at Beginning of Year	<u>50,211</u>	<u>101,571</u>
Cash, Cash Equivalents and Restricted Cash at End of Year	<u>\$ 54,090</u>	<u>\$ 50,211</u>
Supplemental Disclosures of Non-Cash Activities		
Purchase of property and equipment	<u>\$ 270</u>	<u>\$ —</u>
Issuance cost	<u>\$ —</u>	<u>\$ 188</u>
New lease liabilities	<u>\$ 51</u>	<u>\$ 1,741</u>

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

NOTE 1-BUSINESS AND NATURE OF OPERATIONS

Nature of Operations

UroGen Pharma Ltd. is an Israeli company incorporated in April 2004 (“UPL”).

UroGen Pharma Inc., a wholly owned subsidiary of UPL, was incorporated in Delaware in October 2015 and began operating in February 2016 (“UPI”).

UPL and UPI (together the “Company”) is a biopharmaceutical company focused on developing and commercializing novel therapies designed to change the standard of care for urological pathologies. Since commencing operations, the Company has devoted substantially all of its efforts to securing intellectual property rights, performing research and development activities, including conducting clinical trials and manufacturing activities, hiring personnel, launching the Company’s first commercial product, *Jelmyto* (mitomycin) for pyelocalyceal solution, formerly known as UGN-101, clinical development of UGN-102, and raising capital to support and expand these activities.

On April 15, 2020, the U.S. Food and Drug Administration (“FDA”) granted expedited approval for *Jelmyto*, a first-in-class treatment indicated for adults with low-grade upper tract urothelial cancer (“low-grade UTUC”). *Jelmyto* consists of mitomycin, an established chemotherapy, and sterile hydrogel, using our proprietary sustained release *RTGel* technology. It has been designed to enable longer exposure of urinary tract tissue to mitomycin, thereby enabling the treatment of tumors by non-surgical means.

NOTE 2-BASIS OF PRESENTATION

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States. The consolidated financial statements include the accounts of UPL and its wholly owned subsidiary UPI. All material intercompany balances and transactions have been eliminated during consolidation.

The Company has experienced net losses since its inception and has an accumulated deficit of \$356.5 million and \$228.0 million as of December 31, 2020 and 2019, respectively. The Company expects to incur losses and have negative net cash flows from operating activities as it expands its portfolio and engages in further research and development activities, particularly conducting non-clinical studies and clinical trials.

The success of the Company depends on the ability to successfully commercialize its technologies to support its operations and strategic plan. Based on management’s cash flow projections the Company believes that its cash and cash equivalents and marketable securities are sufficient to fund the Company’s planned operations for at least the next 12 months. The Company will need to raise additional capital to finance the continued launch of *Jelmyto* and support its Phase 3 ATLAS trial. There can be no assurances that the Company will be able to secure such additional financing if at all, or at terms that are satisfactory to the Company, and that it will be sufficient to meet its needs. In the event the Company is not successful in obtaining sufficient funding, this could force us to delay, limit, or reduce our product development, commercialization efforts or other operations.

NOTE 3-SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The Company’s consolidated financial statements include the accounts of UPL and its subsidiary, UPI. Intercompany balances and transactions have been eliminated during consolidation.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. As applicable to these consolidated financial statements, the critical accounting estimates relate to the fair value of share-based compensation, measurement of revenue and estimate of uncertain tax positions.

Functional Currency

The U.S. dollar (“Dollar”) is the currency of the primary economic environment in which the operations of the Company are conducted. Therefore, the functional currency of the Company is the Dollar.

Accordingly, transactions in currencies other than the Dollar are measured and recorded in the functional currency using the exchange rate in effect at the date of the transaction. At the balance sheet date, monetary assets and liabilities that are denominated in currencies other than the Dollar are measured using the official exchange rate at the balance sheet date. The effects of foreign currency re-measurements are recorded in the consolidated statements of operations as “Interest and other income, net”

Cash and Cash Equivalents; Marketable Securities

The Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents consist primarily of money market funds and bank money market accounts and are stated at cost, which approximates fair value.

The Company classifies its marketable securities as available-for-sale in accordance with the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 320, “Investments — Debt and Equity Securities”. Available-for-sale debt securities are carried at fair value with unrealized gains and losses reported in other comprehensive income/loss within shareholders’ equity. Realized gains and losses are recorded as a component of interest and other income (expense), net. The cost of securities sold is based on the specific-identification method.

Short-term investments are valued using models or other valuation methodologies that use Level 2 inputs. These models are primarily industry-standard models that consider various assumptions, including time value, yield curve, volatility factors, default rates, current market and contractual prices for the underlying financial instruments, as well as other relevant economic measures. The majority of these assumptions are observable in the marketplace, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace.

For individual debt securities classified as available-for-sale securities where there has been a decline in fair value below amortized cost, the Company determines whether the decline resulted from a credit loss or other factors. The Company records impairment relating to credit losses through an allowance for credit losses, limited by the amount that the fair value is less than the amortized cost basis. Impairment that has not been recorded through an allowance for credit losses is recorded through other comprehensive income, net of applicable taxes.

Concentration of Credit Risk

Financial instruments, which potentially subject the Company to significant concentrations of credit risk, consist primarily of cash and cash equivalents and marketable securities. The primary objectives for the Company’s investment portfolio are the preservation of capital and the maintenance of liquidity. The Company does not enter into any investment transaction for trading or speculative purposes.

The Company’s investment policy limits investments to certain types of instruments such as certificates of deposit, money market instruments, obligations issued by the U.S. government and U.S. government agencies as well as corporate debt securities, and places restrictions on maturities and concentration by type and issuer. The Company maintains cash balances in excess of amounts insured by the Federal Deposit Insurance Corporation and concentrated within a limited number of financial institutions. The accounts are monitored by management to mitigate the risk.

The Company’s product sales are recognized through the Company’s arrangement with a single customer, a third-party national specialty distributor. The Company assesses the need for an allowance for doubtful accounts primarily based on creditworthiness, historical payment experience and general economic conditions. The Company has not experienced any credit losses related to this customer and has not currently recognized any allowance for doubtful accounts.

Income Taxes

The Company provides for income taxes based on pretax income, if any, and applicable tax rates available in the various jurisdictions in which it operates, including Israel and the U.S. Deferred taxes are computed using the asset and liability method. Under the asset and liability method, deferred income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and are measured using the currently enacted tax rates and laws. A valuation allowance is recognized to the extent that it is more likely than not that the deferred taxes will not be realized in the foreseeable future.

The Company follows a two-step approach in recognizing and measuring uncertain tax positions. After concluding that a particular filing position can be recognized (i.e., has a more-likely-than-not chance of being sustained), ASC 740-10-30-7 requires that the amount of benefit recognized be measured using a methodology based on the concept of cumulative probability. Under this methodology, the amount of benefit recorded represents the largest amount of tax benefit that is greater than 50% likely to be realized upon settlement with a taxing authority that has full knowledge of all relevant information. See Note 12 for further discussion related to income taxes.

Inventory

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. For *Jelmyto*, the Company commenced capitalization of inventory at the receipt of FDA approval.

The Company values its inventory at the lower of cost or net realizable value. The Company measures inventory approximating actual cost under a first-in, first-out basis. The Company assesses recoverability of inventory each reporting period to determine any write down to net realizable value resulting from excess or obsolete inventories.

Property and Equipment

Property and equipment are recorded at historical cost, net of accumulated depreciation, amortization and, if applicable, impairment charges. The Company reviews its property and equipment assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Property and equipment are depreciated over the following useful lives (in years):

	Useful Lives
Computers and software	3
Laboratory equipment	3-6.5
Furniture	5-16.5
Manufacturing equipment	2

Leasehold improvements are amortized on a straight-line basis over the shorter of their estimated useful lives or lease terms. See Note 8 for further discussion regarding property and equipment.

Leases

The Company is a lessee in several noncancelable operating leases, primarily for office space, office equipment and vehicles. The Company currently has no finance leases.

The Company accounts for leases in accordance with ASC Topic 842, "Leases". The Company determines if an arrangement is a lease at inception. Right-of-use ("ROU") assets and operating lease liabilities are recognized based on the present value of lease payments over the lease term as of the commencement date. Operating lease ROU assets are presented as operating lease right of use assets on the consolidated balance sheets. The current portion of operating lease liabilities is included in other current liabilities and the long-term portion is presented separately as operating lease liabilities on the consolidated balance sheets.

Lease expense is recognized on a straight-line basis for operating leases. Variable lease payments associated with the Company's leases are recognized when the event, activity, or circumstance in the lease agreement on which those payments are assessed occurs. Variable lease payments are presented as operating expense on the consolidated statements of operations in the same line item as expense arising from fixed lease payments.

The Company's lease terms may include options to extend the lease. The lease extensions are included in the measurement of the right of use asset and lease liability when it is reasonably certain that it will exercise that option.

Because most of the Company's leases do not provide an implicit rate of return, an incremental borrowing rate is used based on the information available at the commencement date in determining the present value of lease payments on an individual lease basis. The Company's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms.

The Company has lease agreements with lease and non-lease components.

The Company applied the modified retrospective transition method and elected the transition option to use the effective date of January 1, 2019 as the date of initial application ("Transition Date").

ROU assets for operating leases are periodically reviewed for impairment losses under ASC 360-10, "Property, Plant, and Equipment", to determine whether an ROU asset is impaired, and if so, the amount of the impairment loss to recognize.

Revenues

Product sales from *Jelmyto* are recognized as revenue under ASC 606 at the point in time that control of the product has been transferred to the customer, generally at the point the product has been delivered to the treating physician. All product sales of *Jelmyto* are recognized through the Company's arrangement with a single customer, a third-party national specialty distributor. Net revenues recognized include management's estimate of returns, consideration paid to the customer, chargebacks relating to differences between the wholesale acquisition cost and the contracted price offered to the end consumer, chargebacks relating to 340b drug pricing programs, Medicaid drug rebate programs, and the Company's co-pay assistance program, which are estimated based on industry benchmarking studies as well as the Company's historical experience.

The Company also derived revenues from its license and supply agreement with Allergan Pharmaceuticals International Limited ("Allergan"), a wholly owned subsidiary of Allergan plc which is now a part of AbbVie Inc. (the "Allergan/AbbVie Agreement"). Under the Allergan/AbbVie Agreement, the Company granted Allergan an exclusive license to develop, commercialize, and otherwise exploit products that contain reverse thermal hydrogel ("*RTGel*") and agreed to supply Allergan with pre-clinical and clinical quantities of the *RTGel* product, also referred to as the *RTGel* vials. See Note 11 for additional discussion related to the Company's license and collaboration agreements.

Research and Development Expenses

Research and development costs are expensed as incurred and consist primarily of the cost of salaries, share-based compensation expenses, payroll taxes and other employee benefits, subcontractors and materials used for research and development activities, including nonclinical studies, clinical trials, manufacturing costs and professional services. The costs of services performed by others in connection with the research and development activities of the Company, including research and development conducted by others on behalf of the Company, are included in research and development costs and expensed as the contracted work is performed. The Company accrues for costs incurred as the services are being provided by monitoring the status of the trial or project and the invoices received from its external service providers. The Company adjusts its accrual as actual costs become known. Where contingent milestone payments are due to third parties under research and development arrangements or license agreements, the milestone payment obligations are expensed when the milestone results are achieved.

Selling, General and Administrative Expenses

Selling, general and administrative expenses consist primarily of personnel costs (including share-based compensation related to directors, employees and consultants). Other significant costs include commercial, medical affairs, external professional service costs, facility costs, accounting and audit services, legal services and other consulting fees. Selling, general and administrative costs are expensed as incurred. The Company accrues for services provided by third parties related to the above expenses by monitoring the status of services provided and receiving estimates from its service providers and adjusting its accruals as actual costs become known.

Share-Based Compensation

Share-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense over the required service period, which is equal to the vesting period. The fair value of options is determined using the Black-Scholes option-pricing model. The fair value of a restricted stock unit (“RSU”) equaled the closing price of the Company’s ordinary shares on the grant date. The Company accounts for forfeitures as they occur in accordance with ASC Topic 718, “Compensation—Stock Compensation”.

The Company elected to recognize compensation costs for awards conditioned only on continued service that have a graded vesting schedule using the straight-line method and to value the awards based on the single-option award approach.

Net Loss per Ordinary Share

Basic net loss per share is computed by dividing the net loss attributable to ordinary shareholders by the weighted-average number of ordinary shares outstanding. Diluted net loss per share is computed similarly to basic net loss per share except that the denominator is increased to include the number of additional ordinary shares that would have been outstanding if the potential ordinary shares had been issued and if the additional ordinary shares were dilutive.

For all periods presented, potentially dilutive securities are excluded from the computation of fully diluted loss per share as their effect is anti-dilutive.

The following table summarizes the calculation of basic and diluted loss per common share for the periods presented (in thousands, except share and per share amounts):

	Year Ended December 31,	
	2020	2019
Basic and diluted:		
Loss attributable to equity holders of the Company	\$ 128,484	\$ 105,146
Loss attributable to equity holders of the Company, after deducting dividend accumulated for preferred shares	\$ 128,484	\$ 105,146
Weighted-average number of ordinary shares	21,780,826	20,528,727
Loss per ordinary share	\$ 5.90	\$ 5.12

Recently Adopted Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update, or ASU, No. 2016-13, Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments, or ASU 2016-13. ASU 2016-13 requires the Company to measure and recognize expected credit losses for certain financial instruments, including trade receivables, as an allowance that reflects the Company’s current estimate of credit losses expected to be incurred. For available-for-sale debt securities with unrealized losses, the standard requires allowances to be recorded through net income instead of directly reducing the amortized cost of the investment under the prior other-than-temporary impairment model.

The Company applied the modified retrospective transition method as of the date of initial application, January 1, 2020. As of December 31, 2020, the Company believes the cost basis for its marketable securities were recoverable in all material aspects and no credit impairments were recognized in the period. Similarly, the Company estimates minimal current expected credit losses on trade receivables and has not recognized any allowance for doubtful accounts in the period.

NOTE 4-OTHER FINANCIAL INFORMATION

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following as of December 31, 2020 and 2019 (in thousands):

	December 31, 2020	December 31, 2019
Accounts payable	\$ 3,271	\$ 4,694
Accrued sales reserves	382	—
Accrued clinical expenses	1,359	399
Accrued research and development costs	1,356	2,644
Accrued general and administrative expenses	2,440	2,767
Accrued other expense	1,215	682
Total accrued expenses and other current liabilities	\$ 10,023	\$ 11,186

Interest and Other Income (Expenses), Net

Interest and other income (expenses) consisted of the following as of December 31, 2020 and 2019 (in thousands):

	Year Ended December 31,	
	2020	2019
Interest income	1,986	4,616
Other finance expenses	(357)	(284)
Total interest and other income	\$ 1,629	\$ 4,332

NOTE 5-INVENTORIES

Inventories consist of the following as of December 31, 2020 and December 31, 2019 (in thousands):

	December 31, 2020	December 31, 2019
Raw materials	\$ 1,051	—
Finished goods	913	—
Total inventories	\$ 1,964	\$ —

NOTE 6-FAIR VALUE MEASUREMENTS

The Company follows authoritative accounting guidance, which among other things, defines fair value, establishes a consistent framework for measuring fair value and expands disclosure for each major asset and liability category measured at fair value on either a recurring or nonrecurring basis. Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability.

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.

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Level 3: Unobservable inputs that reflect the reporting entity's own assumptions.

The carrying amounts of the Company's other current assets, accounts payable and accrued liabilities are generally considered to be representative of their fair value because of the short-term nature of these instruments. No transfers between levels have occurred during the periods presented.

Assets and liabilities measured at fair value on a recurring basis based on Level 1 and Level 2 fair value measurement criteria as of December 31, 2020 are as follows (in thousands):

	Balance as of December 31, 2020	Fair Value Measurements Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Marketable securities:			
US government	\$ 29,186	\$ 29,186	\$ —
Corporate bonds	21,861	—	21,861
Money market funds(1)	39,744	39,744	—
Total marketable securities	\$ 90,791	\$ 68,930	\$ 21,861

(1) Included within cash and cash equivalents on the Company's consolidated balance sheets.

Assets and liabilities measured at fair value on a recurring basis based on Level 1 and Level 2 fair value measurement criteria as of December 31, 2019 are as follows (in thousands):

	Balance as of December 31, 2019	Fair Value Measurements Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Marketable securities:			
US government	\$ 66,094	\$ 66,094	\$ —
Corporate bonds	68,084	—	68,084
Commercial paper	7,658	—	7,658
Money market funds(1)	16,998	16,998	—
Certificates of deposit	4,108	—	4,108
Total marketable securities	\$ 162,942	\$ 83,092	\$ 79,850

(1) Included within cash and cash equivalents on the Company's consolidated balance sheets.

The Company's investments in money market funds are valued based on publicly available quoted market prices for identical securities as of December 31, 2020 and 2019.

NOTE 7-MARKETABLE SECURITIES

The following table summarizes the Company's marketable securities as of December 31, 2020 (in thousands):

	Amortized Cost Basis	Unrealized Gains	Fair Value
Marketable securities:			
US government	\$ 28,970	\$ 216	\$ 29,186
Corporate bonds	21,806	55	21,861
Money market funds(1)	39,744	—	39,744
Total marketable securities	\$ 90,520	\$ 271	\$ 90,791

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(1) Included within cash and cash equivalents on the Company's consolidated balance sheets.

The Company classifies its marketable securities as available-for-sale, and they consist of all debt securities. As of December 31, 2020, they were in a net unrealized gain position of \$0.3 million. Unrealized gains and losses on available-for-sale debt securities are included as a component of comprehensive loss.

As of December 31, 2020, the Company did not hold any marketable securities in an unrealized loss position. In accordance with the Company's general investment strategy, the Company does not intend to sell the investments before maturity. As of December 31, 2020, the Company believes the cost basis for its marketable securities were recoverable in all material aspects and no credit impairments were recognized in the period.

The Company's marketable securities as of December 31, 2020 mature at various dates through February 2022. The fair values of marketable securities by contractual maturity consist of the following (in thousands):

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Maturities within one year	\$ 88,898	\$ 114,386
Maturities after one year through three years	1,893	48,556
Total marketable securities	<u>\$ 90,791</u>	<u>\$ 162,942</u>

NOTE 8-PROPERTY AND EQUIPMENT

Property and equipment, consists of the following as of December 31, 2020 and 2019 (in thousands):

	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
Laboratory equipment	\$ 333	\$ 259
Computer equipment and software	1,676	416
Furniture	597	544
Leasehold improvements	609	530
Manufacturing equipment	226	226
	<u>3,441</u>	<u>1,975</u>
Less: accumulated depreciation and amortization	(1,395)	(998)
Property and equipment, net	<u>\$ 2,046</u>	<u>\$ 977</u>

Depreciation and amortization expense was \$0.4 million and \$0.3 million for the years ended December 31, 2020 and 2019, respectively.

NOTE 9-LEASES

Operating Leases

The Company has the following office and laboratory facility leases:

- In April 2016, UPL signed an addendum to its November 2014 lease agreement for the Company's executive offices located in Israel, in order to increase the office space rented and to extend the rent period until 2019. In March 2019, UPL exercised the agreement extension option and extended the rental period for an additional three years until August 2022.
- In September 2017, UPI entered into a new lease agreement for its office space in New York, which the Company previously used as its headquarters. The lease agreement commenced in October 2017 and terminates in February 2021. In October 2020, the Company committed to and announced a plan to close the New York office and fully impaired the associated right of use asset.

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- In April 2018, UPI entered into a new lease agreement for an office in Los Angeles, California. The lease commencement date was July 10, 2018 and terminates in March 2024. The landlord provided a tenant allowance for leasehold improvements of \$0.2 million that was accounted for as a lease incentive. The Company's remaining contractual obligation under this lease is approximately \$0.9 million as of December 31, 2020. In November 2019, UPI entered into a sublease for this office space, with a lease commencement date of January 1, 2020 and continuing until the end of the lease term in March 2024. The subtenants exercised their early access clause and moved into the premises the end of November 2019. The remaining rental payments to be received over the lease term is approximately \$0.7 million as of December 31, 2020. The Company accounts for the sublease as on operating lease in accordance with ASC 842-10-25-2 and ASC 842-10-25-3. The main lease was considered for impairment and the amount was determined to be immaterial.
- In November 2019, UPI entered into a new lease agreement for an office in Princeton, New Jersey, which the Company now uses as its headquarters. The lease commencement date was November 29, 2019 and the lease term is 38 months. The Company's remaining contractual obligation under this lease is approximately \$1.2 million as of December 31, 2020.

In addition, the Company leases operating office equipment and vehicles. The Company's operating leases may require minimum rent payments, contingent rent payments adjusted periodically for inflation, or rent payments equal to the greater of a minimum rent or contingent rent. The Company's leases do not contain any residual value guarantees or material restrictive covenants. The Company's leases expire at various dates from 2021 through 2023, with varying renewal and termination options.

The components of lease cost for the year ended December 31, 2020 were as follows (in thousands):

	Year Ended December 31, 2020
Operating lease cost	\$ 1,812
Sublease income	(224)
Variable lease cost	129
	<u>\$ 1,717</u>

The amounts recognized as of December 31, 2020 were as follows (in thousands):

	December 31, 2020
Right of use asset	\$ 2,158
Long-term lease liability	1,497
Other current liabilities	1,202

In October 2020, the Company committed to and announced a plan to close the New York office and recognized impairment losses of approximately \$0.2 million in relation to the associated right of use asset.

Supplemental information related to leases for the periods reported is as follows (in thousands):

	Year Ended December 31, 2020
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	1,726
Right-of-use assets obtained in exchange for new operating lease liabilities	135
Weighted-average remaining lease term of operating leases	2.26 years
Weighted-average discount rate of operating leases	5.38%

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As of December 31, 2020, maturities of lease liabilities were as follows (in thousands):

	<u>Operating Leases</u>
Years ending December 31,	
2021	\$ 1,307
2022	1,150
2023	357
2024	58
2025 and thereafter	—
Total future minimum lease payments	\$ 2,872
Less: Interest	(173)
Present value of lease liabilities	<u>\$ 2,699</u>

As of December 31, 2019, maturities of lease liabilities were as follows (in thousands):

	<u>Operating Leases</u>
Years ending December 31,	
2020	\$ 1,758
2021	1,269
2022	1,101
2023	348
2024 and thereafter	58
Total future minimum lease payments	<u>\$ 4,534</u>

Subleases

As of December 31, 2020, undiscounted cash flows to be received under the Company's operating sublease on an annual basis was as follows (in thousands):

	<u>Operating Leases</u>
Years ending December 31,	
2021	\$ 235
2022	243
2023	251
2024	49
2025 and thereafter	—
Total future minimum sublease payments	<u>\$ 778</u>

Sublease income is recognized net within operating expenses. Sublease income for the year ended December 31, 2020 was as follows (in thousands):

	<u>Year Ended</u> <u>December 31, 2020</u>
Sublease income from fixed lease payments	\$ 224

NOTE 10-REVENUE FROM PRODUCT SALES

Net product sales consist of the following for the year ended December 31, 2020 and 2019 (in thousands):

	<u>Year Ended</u>	
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<i>Jelmyto</i>	\$ 11,799	\$ —

NOTE 11- LICENSE AND COLLABORATION AGREEMENTS

Allergan/AbbVie Agreement

In October 2016, the Company entered into the Allergan/AbbVie Agreement and granted Allergan (now part of AbbVie) an exclusive worldwide license to research, develop, manufacture and commercialize pharmaceutical products that contain *RTGel* and clostridial toxins (including BOTOX®), alone or in combination with certain other active ingredients, referred to as the Licensed Products, which are approved for the treatment of adults with overactive bladder who cannot use or do not adequately respond to anticholinergics. Additionally, the Company granted Allergan a non-exclusive, worldwide license to use certain of the Company's trademarks as required for Allergan to practice its exclusive license with respect to the Licensed Products.

Under the Allergan/AbbVie Agreement, Allergan is solely responsible for costs and development of the Licensed Products and obtaining all regulatory approvals for Licensed Products worldwide, as well as worldwide commercialization of the Licensed Products after receiving the regulatory approval to do so. Allergan is required to use commercially reasonable efforts to develop and commercialize the Licensed Products for overactive bladder in certain major market countries.

Further, the Company is eligible to receive additional material milestone payments of up to an aggregate of \$200.0 million upon the successful completion of certain development, regulatory and commercial milestones. As of December 31, 2020, since inception of the Allergan/AbbVie Agreement the Company has received a total of \$25.0 million in milestone payments from Allergan. Allergan will pay the Company a tiered royalty in the low single digits based on worldwide annual net sales of Licensed Products, subject to certain reductions for the market entry of competing products and/or loss of the Company's patent coverage of Licensed Products. The Company is responsible for payments to any third party for certain *RTGel*-related third party intellectual properties.

Under the Allergan/AbbVie Agreement, Allergan granted the Company a non-exclusive, sublicensable, fully paid-up, perpetual, worldwide license under any improvements Allergan makes to the composition, formulation, or manufacture of *RTGel* for the research, development, manufacture and commercialization of any product containing *RTGel* and any active ingredient (other than a clostridial toxin) for all indications other than indications covered by the agreement and an exclusive, sublicensable, royalty-bearing (in low single digits), perpetual worldwide license under such improvements for use in the prevention or treatment of oncology indications.

In August 2020, the Company announced that the Phase 2 APOLLO trial did not meet the primary endpoint, it is believed to be the result of BOTOX not effectively permeating the urothelium. The Company and AbbVie are continuing to explore the potential use of *RTGel* in combination with other products in AbbVie's portfolio.

Agenus Agreement

In November 2019, the Company entered into a license agreement with Agenus Inc, pursuant to which Agenus granted to the Company an exclusive, worldwide (not including Argentina, Brazil, Chile, Colombia, Peru, Venezuela and their respective territories and possessions), royalty-bearing, sublicensable license under Agenus's intellectual property rights to develop, make, use, sell, import, and otherwise commercialize products incorporating a proprietary antibody of Agenus known as AGEN1884 for the treatment of cancers of the urinary tract via intravesical delivery. AGEN1884 is an anti-CTLA-4 antagonist that is currently being evaluated by Agenus as a monotherapy in PD-1 refractory patients and in combination with Agenus' anti-PD-1 antibody in solid tumors. Initially, the Company plans to develop AGEN1884 in combination with UGN-201 for the treatment of high-grade NMIBC cancer.

Pursuant to the license Agreement, the Company paid Agenus an upfront fee of \$10.0 million and has agreed to pay Agenus up to \$115.0 million upon achieving certain clinical development and regulatory milestones, up to \$85.0 million upon achieving certain commercial milestones, and royalties on net sales of licensed products in the 14%-20% range. The Company will be responsible for all development and commercialization activities. Under the terms of the license agreement, Agenus has agreed to use commercially reasonable efforts to supply AGEN1884 to the Company for use in preclinical studies or clinical trials.

Unless earlier terminated in accordance with the terms of the license agreement, the license agreement will expire on a product-by-product and country-by-country basis at the later of (a) the expiration of the last to expire valid claim of a licensed patent right that covers the licensed product in such country or (b) 15 years after the first commercial sale of the licensed product in such country. The Company may terminate the license agreement for convenience upon 180 days' written notice to Agenus. Either party may terminate the license agreement upon 60 days' notice to the other party if, prior to the first commercial sale of a licensed product, the Company substantially ceases to conduct development activities of the licensed products for nine consecutive months (and during such period, Agenus has complied with its obligations under the license agreement) other than in response to a requirement of an applicable regulatory authority or an event outside of the Company's control. In addition, either party may terminate the license agreement in the event of an uncured material breach of the other party.

The Company recorded the \$10.0 million milestone in acquired in-process research and development expenses for the year ended December 31, 2019.

NOTE 12-EMPLOYEE RIGHTS UPON RETIREMENT

In Israel, the Company is required by law to make severance payments upon dismissal of an employee or upon termination of employment in certain other circumstances.

The Company operates a number of post-employment defined contribution plans. A defined contribution plan is a program that benefits an employee after termination of employment, under which the Company regularly makes fixed payments to a separate and independent entity so that the Company has no legal or constructive obligation to pay additional contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The fund assets are not included in the Company's financial position.

The Company operates pension and severance compensation plans subject to Section 14 of the Israeli Severance Pay Law, 5723-1963. The plans are funded through payments to insurance companies or pension funds administered by trustees. In accordance with its terms, the plans meet the definition of a defined contribution plan, as defined above.

NOTE 13-SHAREHOLDERS' EQUITY

Ordinary Shares

The Company had 100.0 million ordinary shares authorized for issuance as of December 31, 2020 and 2019. The Company had 22.2 million and 21.0 million ordinary shares issued and outstanding as of December 31, 2020 and 2019, respectively. Each ordinary share is entitled to one vote. The holders of ordinary shares are also entitled to receive dividends whenever funds are legally available, when and if declared by the Board of Directors. Since its inception, the Company has not declared any dividends.

In January 2019, the Company completed an underwritten public offering of 4,207,317 of its ordinary shares, including 548,780 shares sold pursuant to the full exercise of the underwriters' option to purchase additional shares, at a price to the public of \$41.00 per share. The net proceeds to the Company from the offering were approximately \$161.4 million, after deducting the underwriting discounts and commissions and payment of other offering expenses.

In December 2019, the Company entered into a sales agreement (the "ATM Sales Agreement") with Cowen and Company, LLC ("Cowen"), pursuant to which the Company may from time to time offer and sell the Company's ordinary shares having an aggregate offering price of up to \$100.0 million to or through Cowen, acting as sales agent or principal. During the second quarter of 2020, the Company sold 700,000 ordinary shares under the ATM Sales Agreement, for gross proceeds of approximately \$16.6 million. The net proceeds to the Company after deducting sales commissions to Cowen and other issuance expenses were approximately \$15.8 million. The remaining capacity under the ATM Sales Agreement is approximately \$83.4 million.

NOTE 14-SHARE-BASED COMPENSATION

In October 2010, the Board approved a share option plan (the "Plan") for grants to Company employees, consultants, directors, and other service providers.

The grant of options to Israeli employees under the Plan is subject to the terms stipulated by Section 102 of the Israeli Income Tax Ordinance ("Section 102"). The option grants are subject to the track chosen by the Company, either the "regular income" track or

the “capital gains” track, as set out in Section 102. The Company registered the Plan under the capital gains track, which offers more favorable tax rates to the employees. As a result, and pursuant to the terms of Section 102, the Company is not allowed to claim as an expense for tax purposes the amounts credited to the employees in respect of options granted to them under the Plan, including amounts recorded as salary benefits in the Company’s accounts, with the exception of the work-income benefit component, if any, determined on grant date. For non-employees and for non-Israeli employees, the Plan is subject to Section 3(i) of the Israeli Income Tax Ordinance.

Employees are typically granted stock options and/or restricted stock units, or RSUs, upon commencement of employment. Also, eligible employees may receive an annual grant of options or RSU’s. Non-employee members of the Board typically receive a grant of RSUs and/or stock options annually. The term of any option granted under the Plan cannot exceed 10 years. Options shall not have an exercise price less than 100% of the fair market value of the Company’s ordinary shares on the grant date, and generally vest over a period of three years. If the individual possesses more than 10% of the combined voting power of all classes of equity of the Company, the exercise price shall not be less than 110% of the fair market value of an ordinary share of stock on the date of grant.

The Company’s RSU and option grants provide for accelerated or continued vesting in certain circumstances as defined in the plans and related grant agreements, including a termination in connection with a change in control. RSUs generally vest in a 33% increment upon the first anniversary of grant, and in either equal quarterly or annual amounts for the two years following the one-year anniversary of the grant date. Options generally vest in a 33% increment upon the first anniversary of the grant date, and in either equal quarterly or annual amounts for the two years following the one-year anniversary of the grant date.

In March 2017, the Board adopted the 2017 Equity Incentive Plan (the “2017 Plan”), which was approved by the shareholders in April 2017. The 2017 Plan provides for the grant of incentive stock options to the Company’s employees and for the grant of nonstatutory stock options, stock appreciation rights, restricted stock awards, RSU awards, performance share awards, performance cash awards, and other forms of share awards to the Company’s employees, directors and consultants.

The maximum number of ordinary shares that may initially be issued under the 2017 Plan is 1,400,000. In addition, the number of ordinary shares reserved for issuance under the 2017 Plan will automatically increase on January 1st of each calendar year, from January 1, 2018 through January 1, 2026, so that the number of such shares reserved for issuance will equal 12% of the total number of ordinary shares outstanding on the last day of the calendar month prior to the date of each automatic increase, or a lesser number of shares determined by the Board. The maximum number of ordinary shares that may be issued upon the exercise of stock options under the 2017 Plan is 5,600,000. On January 1, 2018, the share reserve increased by 250,167 to 1,650,167. On October 12, 2018, the Company increased the amount of registered ordinary shares of the Company’s 2017 Plan by 1,900,000 to 3,550,167. On June 8, 2020 the Company increased the amount of registered ordinary of the Company’s 2017 plan by 400,000 to 3,950,167.

On January 3, 2019, the Company appointed Elizabeth Barrett as its President and Chief Executive Officer. In connection with Ms. Barrett’s employment, she was granted 277,432 options to purchase the Company’s ordinary shares, at an exercise price of \$47.57, as well as 317,065 RSUs, with a combined grant-date fair value of \$24.1 million.

In May 2019, the Company adopted the UroGen Pharma Ltd. 2019 Inducement Plan (the “Inducement Plan”). Under the Inducement Plan, the Company is authorized to issue up to 900,000 ordinary shares pursuant to awards issued under the Inducement Plan. The only persons eligible to receive grants of Awards (as defined below) under the Inducement Plan are individuals who satisfy the standards for inducement grants under Nasdaq Marketplace Rule 5635(c)(4) or 5635(c)(3) and the related guidance under Nasdaq IM 5635-1, including individuals who were not previously an employee or director of the Company or are following a bona fide period of non-employment, in each case as an inducement material to such individual’s agreement to enter into employment with the Company. Under the Inducement Plan, an “Award” is a nonstatutory stock option, restricted stock unit or other right to receive ordinary shares pursuant to the Inducement Plan.

In June 2019, the Board approved grants of 70,000 options to its non-employee directors. Each then current non-employee director, including the Chairman of the Board, received a grant of 10,000 options. Each option is exercisable into one ordinary share of the Company’s stock at an exercise price of \$34.83 per share. The options vest quarterly over one year and expire 10 years from grant date. The grant date fair value of these options was approximately \$1.9 million.

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In December 2019, the Board approved a modification of options and RSU's for a consultant. The Company recorded an expense of \$0.9 million under general and administrative expenses with respect to options' modification. No compensation expense was taken in relation to the RSUs modification because the award vests upon a future performance condition that is not currently probable of occurring.

In June 2020, the Board approved grants of an aggregate of 70,000 options to its non-employee directors. Each non-employee director, including the Chairman of the Board, received a grant of 10,000 options. Each option is exercisable into one ordinary share of the Company's stock at an exercise price of \$28.24 per share. The options vest quarterly over one year and expire 10 years from the grant date. The grant date fair value of these options was approximately \$1.5 million.

Options granted:

Set forth below are grants made by the Company as of December 31, 2020. The majority of options vest over three years and expire on the tenth anniversary of the date of grant.

- a) During 2020, the Company granted 400,600 options with exercise prices ranging from \$16.50 to \$29.41 per share.
- b) During 2019, the Company granted 955,732 options with exercise prices ranging from \$33.21 to \$47.57 per share.

The fair value of options granted during 2020 and 2019 was \$6.7 and \$27.6 million, respectively.

The total unrecognized compensation cost of options as of December 31, 2020 was \$13.5 million, which is expected to be recognized over a weighted average period of 1.37 years.

The fair value of options granted was computed using the Black-Scholes model. The underlying data used for computing the fair value of the options are as follows:

	2020	2019
Value of ordinary shares	\$16.50-29.41	\$33.21-47.57
Dividend yield	0%	0%
Expected volatility	71.43%-79.80%	74.09%-80.52%
Risk-free interest rate	0.37%-1.35%	1.36%-2.62%
Expected term	5.9-10 years	5.8-10 years

The expected volatility is based on a mix of the Company's historical volatility and the historical volatility of comparable companies with similar attributes to the Company, including industry, stage of life cycle, size and financial leverage. The risk-free interest rate assumption is based on observed interest rates appropriate for the expected term of the options granted. The expected term is the length of time until the expected dates of exercising the options and is estimated for employees using the simplified method due to insufficient specific historical information of employees' exercise behavior, and for non-employees, and directors using the contractual term.

The following table summarizes the number of employee and non-employee options outstanding under the Plan for the years ended December 31, 2020 and 2019, and related information:

	Number of options	Weighted Average price per share
Outstanding as of January 1, 2019	2,522,981	\$ 26.16
Granted	955,732	41.96
Canceled/Forfeited	(183,725)	41.85
Exercised	(423,653)	9.10
Outstanding as of December 31, 2019	2,871,335	\$ 32.93
Granted	400,600	24.33
Canceled/Forfeited	(408,534)	44.68
Exercised	(137,070)	5.40
Outstanding as of December 31, 2020	2,726,331	\$ 31.29

UROGEN PHARMA, LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The intrinsic value of stock options exercised was \$2.3 million and \$14.2 million for the years ended December 31, 2020 and 2019, respectively.

The following table summarizes the outstanding and exercisable options as of December 31, 2020:

Exercise price per share	Options outstanding		Options exercisable	
	Number of options outstanding at end of year	Weighted average remaining contractual life	Number of options exercisable at end of year	Weighted average remaining contractual life
\$0.00 - 10.00	588,324	1.99	588,324	1.99
\$10.01 - 20.00	268,000	8.77	75,000	6.39
\$20.01 - 30.00	272,800	8.19	139,999	7.24
\$30.01 - 40.00	413,500	6.72	340,833	6.36
\$40.01 - 50.00	1,063,041	7.17	771,250	6.93
\$50.01 - 59.23	120,666	7.00	115,332	6.98
	<u>2,726,331</u>		<u>2,030,738</u>	

The aggregate intrinsic value of the total vested and exercisable options as of December 31, 2020 is \$7.7 million.

The following table summarizes information about RSU activity as of December 31, 2020:

	Outstanding Restricted Stock Units
Outstanding as of January 1, 2019	263,699
Granted	455,465
Vested and released	(183,975)
Forfeited	(15,762)
Outstanding as of December 31, 2019	519,427
Granted	591,480
Vested and released	(304,537)
Forfeited	(85,954)
Outstanding as of December 31, 2020	<u>720,416</u>

The fair value of RSUs granted during 2020 and 2019 was \$15.6 and \$19.9 million, respectively. The total unrecognized compensation cost of RSUs as of December 31, 2020 is \$17.6 million with a weighted average recognition period of 1.84 years.

The following table illustrates the effect of share-based compensation on the Statements of Operations:

	Year ended December 31,	
	2020	2019
Research and development expenses	\$ 6,432	\$ 8,291
Selling, general and administrative expenses	21,593	21,676
Total share-based compensation expense	<u>\$ 28,025</u>	<u>\$ 29,967</u>

NOTE 15-INCOME TAXES

The Company is taxed under Israeli tax laws:

Corporate tax rate

The applicable Israeli tax rate relevant to the Company for 2018 and thereafter is 23%.

For financial reporting purposes, the expense for current income taxes consists of the following:

	<u>2020</u>	<u>2019</u>
Current taxes:		
U.S. Federal	\$ 3,218	-
U.S. State	156	-
Total current taxes	<u>\$ 3,374</u>	<u>-</u>

Deferred income taxes:

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company and its subsidiary deferred tax assets are as follows:

	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
In respect of:		
Net operating loss carryforward	\$ 57,607	\$ 33,817
Research and development expenses	5,362	4,591
Stock-based compensation	9,278	6,543
Issuance costs	978	2,063
In-process research and development	2,329	2,749
Right of use asset	(372)	(800)
Lease Liability	473	896
Accrued expenses	1,589	762
Depreciation of fixed assets	(299)	(90)
Other	18	62
Less—valuation allowance	(76,963)	(50,593)
Net deferred tax assets	<u>\$ —</u>	<u>\$ —</u>

The change in valuation allowance for the years ended December 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Balance at the beginning of the year	\$ (50,593)	\$ (28,249)
Changes during the year	(26,370)	(22,344)
Balance at the end of the year	<u>\$ (76,963)</u>	<u>\$ (50,593)</u>

The main reconciling item between the statutory tax rates of the Company and the effective rate is the share-based compensation

UROGEN PHARMA, LTD.
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, the provision for a full valuation allowance in respect of tax benefits from carryforward tax losses due to the uncertainty of the realization of such tax benefits, and expense related to uncertain tax positions. A reconciliation of the Company's statutory tax rate to effective tax is as follows:

	December 31,	
	2020	2019
Pretax income	\$ (125,110)	\$ (105,146)
Statutory rate	23%	23%
Income tax expense/(benefit) at statutory rate	(28,775)	(24,184)
Additional tax (tax saving) in respect of:		
Non-deductible expenses	1,439	2,076
Different tax rate of foreign subsidiaries	17	20
Uncertain tax positions	2,717	-
Change in valuation allowance	26,370	22,344
Other	1,607	(257)
Income tax expense	<u>\$ 3,374</u>	<u>\$ -</u>

The Internal Revenue Code contains provisions that may limit our use of federal net operating loss carryforwards if significant changes occur in the constructive stock ownership of UroGen Pharma Inc. In the event it has had an "ownership change" within the meaning of Section 382 of the Code, utilization of its net operating loss carryforwards could be restricted under Section 382 of the Code and similar state provisions. Such limitations could result in the expiration of the net operating carryforwards incurred before 2018 before their utilization.

Losses for tax purposes carried forward to future years

As of December 31, 2020, and December 31, 2019, the Company had approximately \$250.2 and \$151.9 million of net carryforward tax losses, respectively, available to reduce future taxable income without limitation of use.

Uncertain tax positions

A reconciliation of the beginning and ending amount of uncertain tax positions is as follows:

	2020	2019
Uncertain tax positions at the beginning of the year	-	-
Gross increases — tax positions in current period	2,717	-
Gross increases — tax positions in prior period	-	-
Uncertain tax positions at the end of the year	<u>2,717</u>	<u>-</u>

The balances of uncertain tax positions as of December 31, 2020 would affect the Company's effective tax rate if recognized.

The Company has recorded liabilities for uncertain tax positions of \$2.7 million as of December 31, 2020 for tax positions relating to transfer pricing between affiliated entities. The Company recognizes interest accrued and penalties related to uncertain tax positions as a component of income tax expense. As of December 31, 2020, the Company has accrued \$0.7 million of interest and penalties related to uncertain tax positions.

The Company operates on a global basis and is subject to tax laws and regulations in the US and Israel. The estimate of the Company's tax liabilities relating to uncertain tax positions requires management to assess uncertainties and to make judgments about the application of complex tax laws and regulations, expectations regarding the outcome of tax authority examinations, as well as the ultimate measurement of potential liabilities.

The uncertain tax positions are reviewed quarterly and adjusted as events occur that could affect potential liabilities for additional taxes, including lapsing of applicable statutes of limitations, correspondence with tax authorities, proposed assessments by tax authorities, identification of new issues, and issuance of new legislation or regulations. The Company believes that adequate amounts of tax have been provided in income tax expense for any adjustments that may result from its uncertain tax positions. Based upon the information currently available, the Company does not reasonably expect changes in its existing uncertain tax positions in the next 12 months and have recorded the gross uncertain tax positions as a long-term liability.

The Company has received final tax assessments up to and including its 2014 tax year.

NOTE 16-RELATED PARTIES

There were no related party transactions for the year ended December 31, 2020 or 2019.

NOTE 17-COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Company enters into contracts that contain a variety of indemnifications with its employees, licensors, suppliers and service providers. Further, the Company indemnifies its directors and officers who are, or were, serving at the Company's request in such capacities. The Company's maximum exposure under these arrangements is unknown as of December 31, 2020 and 2019. The Company does not anticipate recognizing any significant losses relating to these arrangements.

Grants from the Israeli Innovation Authority in Israel ("IIA")

The Company has received grants from the IIA for research and development funding. Up until 2007, the IIA participation in the funding of the Company's operations was by grants provided to Granot Ventures, a government supported technology incubator, as part of the Israeli Ministry of Industry and Commerce Director General Directive 8.2. Since 2008, the funding was provided directly to Company.

On January 12, 2020, the IIA Office of Chief Scientist approved the Company's request to unwind its obligation to the IIA regarding grants that were loaned to the Company between January 2004 and September 2016. The total payment under the IIA approval, net of the royalties already paid, \$6.6 million, was fully paid during the first quarter of 2020 and recognized as research and development expense. Based on this payment, the Company will have full freedom to transfer IIA-funded technology or manufacture products developed with IIA-funded technology outside of the State of Israel. Other than the commitment to continue at least 75% of its based R&D jobs in Israel (at the time of settlement) for a period of at least three years, all other obligations with the IIA ceased to exist as per the agreement.

Separation Agreement

On September 7, 2020, the Company entered into a Separation Agreement with Peter Pfreundschuh, the Company's Chief Financial Officer, which sets forth the terms of Mr. Pfreundschuh's termination of employment with the Company, effective as of October 15, 2020. The arrangement includes cash severance, a pro rata portion of the target annual bonus for calendar year 2020 contingent on certain performance conditions, and partial acceleration of share-based compensation. The Company recognized \$0.7 million during the year ended December 31, 2020 in relation to this arrangement.

NOTE 18-SUBSEQUENT EVENTS

In January 2021, the Company announced that it entered into a three-year strategic research collaboration agreement with MD Anderson focusing on UGN-302 as an investigational treatment for high-grade NMIBC. Under the agreement, MD Anderson and the Company will collaborate on the design and conduct of non-clinical and clinical studies with oversight from a joint steering committee. The Company will provide funding, developmental candidates, and other support. Pursuant to the agreement, the Company made an upfront payment to MD Anderson of \$500,000.

In March 2021, the Company announced a transaction with RTW Investments ("RTW") totaling \$75.0 million in funding for the Company to support the launch of Jelmyto and the development of UGN-102. RTW will provide the Company with an upfront cash payment of \$75.0 million and will receive tiered future payments based on global annual net product sales of Jelmyto and UGN-102, if approved.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive and financial officers (our principal executive officer and principal financial officer, respectively), evaluated the effectiveness of our disclosures controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of December 31, 2020. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure.

Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of December 31, 2020, our principal executive officer and principal financial officer concluded that, as of such date, our disclosure controls and procedures were effective at a reasonable assurance level.

Management’s Annual Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has assessed the effectiveness of our internal control over financial reporting based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2013 framework). Based on our evaluation, management has concluded that our internal control over financial reporting was effective as of December 31, 2020.

Inherent Limitations of Internal Controls

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Changes in Internal Control over Financial Reporting

We regularly review our system of internal control over financial reporting and make changes to our processes and systems to improve controls and increase efficiency, while ensuring that we maintain an effective internal control environment. Changes may include such activities as implementing new, more efficient systems, consolidating activities, and migrating processes. During the quarter ended December 31, 2020, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this Item and not set forth below will be set forth in the section headed “—Election of Directors” and “Information Regarding the Board of Directors and Corporate Governance” in our definitive Proxy Statement for our 2021 Annual Meeting of Shareholders to be filed with the SEC by April 30, 2021, or Proxy Statement, and is incorporated in this Annual Report by reference.

We have adopted a code of ethics for directors, officers (including our principal executive officer, principal financial officer and principal accounting officer) and employees, known as the Corporate Code of Ethics and Conduct. The Corporate Code of Ethics and Conduct is available on our website at <http://www.urogen.com> under the Corporate Governance section of our Investors page. We will promptly disclose on our website (i) the nature of any amendment to the policy that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions and (ii) the nature of any waiver, including an implicit waiver, from a provision of the policy that is granted to one of these specified individuals, the name of such person who is granted the waiver and the date of the waiver. Shareholders may request a free copy of the Corporate Code of Ethics and Conduct from c/o UroGen Pharma Ltd., 400 Alexander Park Dr., Princeton, NJ 08540.

Item 11. Executive Compensation

The information required by this Item will be set forth in the section headed “Executive Compensation” in our Proxy Statement and is incorporated in this Annual Report by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item will be set forth in the section headed “Security Ownership of Certain Beneficial Owners and Management” in our Proxy Statement and is incorporated in this Annual Report by reference.

Information regarding our equity compensation plans will be set forth in the section headed “Executive Compensation” in our Proxy Statement and is incorporated in this Annual Report by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item will be set forth in the section headed “Transactions With Related Persons” in our Proxy Statement and is incorporated in this Annual Report by reference.

Item 14. Principal Accountant Fees and Services

The information required by this Item will be set forth in the section headed “—Ratification of Selection of Independent Registered Public Accounting Firm” in our Proxy Statement and is incorporated in this Annual Report by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a)(1) Financial Statements.

The response to this portion of Item 15 is set forth under Part II, Item 8 above.

(a)(2) Financial Statement Schedules.

All schedules have been omitted because they are not required or because the required information is given in the Financial Statements or Notes thereto set forth under Item 8 above.

(a)(3) Exhibits.

Exhibit Number	Exhibit Description
2.1	Asset Purchase Agreement, dated October 1, 2015, between the Registrant and Telormedix SA (incorporated by reference to Exhibit 10.4 to the Registrant's Registration Statement on Form F-1 (File No. 333-217201), filed with the SEC on April 7, 2017).
3.1	Articles of Association of the Registrant (incorporated by reference to Exhibit 3.1 to the Registrant's Report on Form 6-K (File No. 001-38079), filed with the SEC on May 18, 2017).
4.1	Reference is made to Exhibit 3.1.
4.2	Description of the Registrant's Ordinary Shares (incorporated by reference to Exhibit 4.2 to the Registrant's Annual Report on Form 8-K (File No. 001-38079), filed with the SEC on March 2, 2020).
4.3	Investors' Rights Agreement, dated September 18, 2014, as amended on October 1, 2015 and April 12, 2016, among the Registrant and the Registrant's shareholders (incorporated by reference to Exhibit 10.3 to the Registrant's Registration Statement on Form F-1 (File No. 333-217201), filed with the SEC on April 7, 2017).
10.1*	Form of Officer Indemnity and Exculpation Agreement (incorporated by reference to Exhibit 99.2 to the Registrant's Report Form 6-K (File No. 001-38079), filed with the SEC on July 13, 2018).
10.2*	Amended and Restated 2010 Israeli Share Option Plan (incorporated by reference to Exhibit 4.2 to the Registrant's Annual Report on Form 20-F (File No. 001-38079), filed with the SEC on March 15, 2018).
10.3*	2017 Equity Incentive Plan, as amended (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-38079), filed with the SEC on June 10, 2020).
10.4*	2017 Israeli Equity Incentive Sub Plan to the 2017 Equity Incentive Plan (incorporated by reference to Exhibit 10.7 to the Registrant's Registration Statement on Form F-1 (File No. 333-217201), filed with the SEC on April 7, 2017).
10.5	UroGen Pharma Ltd. 2019 Inducement Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-38079), filed with the SEC on May 28, 2019).
10.6	Form of Stock Option Grant Notice and Stock Option Agreement under the UroGen Pharma Ltd. 2019 Inducement Plan (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K (File No. 001-38079), filed with the SEC on May 28, 2019).
10.7	Form of Restricted Stock Unit Grant Notice and Restricted Stock Unit Agreement under the UroGen Pharma Ltd. 2019 Inducement Plan (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K (File No. 001-38079), filed with the SEC on May 28, 2019).
10.8*	Employment Agreement by and between the Registrant and Elizabeth Barrett, dated as of January 3, 2019 (incorporated by reference to Exhibit 10.9 to the Registrant's Annual Report on Form 10-K (File No. 001-38079), filed with the SEC on February 28, 2019).

- 10.9* [Employment Agreement by and between the Registrant and Mark Schoenberg, dated as of December 5, 2017 \(incorporated by reference to Exhibit 10.12 to the Registrant's Annual Report on Form 10-K \(File No. 001-38079\), filed with the SEC on February 28, 2019\).](#)
- 10.10† [License Agreement, dated as of October 7, 2016, by and between the Registrant and Allergan Pharmaceuticals International Limited \(incorporated by reference to Exhibit 10.5 to the Registrant's Registration Statement on Form F-1 \(File No. 333-217201\), filed with the SEC on April 7, 2017\).](#)
- 10.11†† [License Agreement, dated November 8, 2019, by and between the Registrant and Agenus Inc. \(incorporated by reference to Exhibit 10.14 to the Registrant's Annual Report on Form 10-K \(File No. 001-38079\), filed with the SEC on March 2, 2020\).](#)
- 10.12 [Lease Agreement, dated November 4, 2019, by and between the Registrant and Witman Properties, L.L.C. and Alexander Road at Davanne, L.L.C. \(incorporated by reference to Exhibit 10.15 to the Registrant's Annual Report on Form 10-K \(File No. 001-38079\), filed with the SEC on March 2, 2020\).](#)
- 10.13*# Separation Agreement between the Company and Stephen Mullennix, dated March 20, 2020 (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-38079), filed with the SEC on March 23, 2020).
- 10.14*# Separation Agreement between the Company and Peter Pfreundschuh, dated September 8, 2020 (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-38079), filed with the SEC on September 9, 2020).
- 10.15* Employment Agreement between the Company and Molly Henderson, dated September 3, 2020 (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K (File No. 001-38079), filed with the SEC on September 9, 2020).
- 10.16* Employment Agreement between the Company and Jason Smith, dated August 12, 2020 (incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-38079), filed with the SEC on November 9, 2020).
- 21.1 [Subsidiary of the Registrant.](#)
- 23.1 [Consent of PricewaterhouseCoopers LLP, an independent registered public accounting firm.](#)
- 23.2 [Consent of Kesselman & Kesselman, a member firm of PricewaterhouseCoopers International Limited.](#)
- 24.1 [Power of Attorney \(see signature page hereto\).](#)
- 31.1 [Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 31.2 [Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 32.1 [Certifications of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 101 The following financial information from the Annual Report on Form 10-K of UroGen Pharma Ltd. for the year ended December 31, 2020, formatted in Inline XBRL (extensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Changes in Shareholders Equity, (iv) Consolidated Statements of Cash Flows, and (v) the Notes to Consolidated Financial Statements.
- 104 The cover page to this Annual Report on Form 10-K has been formatted in Inline XBRL
- * Management contract or compensatory plan.
- † Registrant has been granted confidential treatment for certain portions of this exhibit. This exhibit omits the information subject to this confidentiality treatment. Omitted portions have been filed separately with the SEC.
- †† Certain portions of this exhibit have been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K.
- # Schedules have been omitted pursuant to Item 601(a)(5) of Regulation S-K. A copy of any omitted schedules will be furnished to the SEC upon request.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

UROGEN PHARMA, LTD.

March 18, 2021

By: /s/ Elizabeth Barrett
Elizabeth Barrett
Chief Executive Officer

SIGNATURES AND POWER OF ATTORNEY

We, the undersigned directors and officers of UroGen Pharma, Ltd. (the "Company"), hereby severally constitute and appoint Elizabeth Barrett and Molly Henderson, and each of them singly, our true and lawful attorneys, with full power to them, and to each of them singly, to sign for us and in our names in the capacities indicated below, any and all amendments to this Annual Report on Form 10-K, and to file or cause to be filed the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as each of us might or could do in person, and hereby ratifying and confirming all that said attorneys, and each of them, or their substitute or substitutes, shall do or cause to be done by virtue of this Power of Attorney.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Name</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Elizabeth Barrett</u> Elizabeth Barrett	Chief Executive Officer, Director (Principal Executive Officer)	March 18, 2021
<u>/s/ Molly Henderson</u> Molly Henderson	Chief Financial Officer (Principal Financial and Accounting Officer)	March 18, 2021
<u>/s/ Arie Belldegrun</u> Arie Belldegrun, M.D.	Chairman	March 18, 2021
<u>/s/ Cynthia Butitta</u> Cynthia Butitta	Director	March 18, 2021
<u>/s/ Fred E. Cohen</u> Fred E. Cohen	Director	March 18, 2021
<u>/s/ Kathryn Falberg</u> Kathryn Falberg	Director	March 18, 2021
<u>/s/ Stuart Holden</u> Stuart Holden, M.D.	Director	March 18, 2021
<u>/s/ Ran Nussbaum</u> Ran Nussbaum	Director	March 18, 2021
<u>/s/ Shawn C. Tomasello</u> Shawn C. Tomasello	Director	March 18, 2021

UroGen Pharma Ltd.
Subsidiary of the Registrant

Urogen Pharma, Inc., a Delaware corporation.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-235642) and Form S-8 (Nos. 333-243750, 333-232034, 333-227812, 333-222955, 333-221212 and 333-218992) of UroGen Pharma Ltd. of our report dated March 18, 2021 relating to the financial statements, which appears in this Form 10-K.

/s/PricewaterhouseCoopers LLP
Florham Park, New Jersey
March 18, 2021

*Kesselman & Kesselman, Trade Tower, 25 Hamered Street, Tel-Aviv 6812508, Israel,
P.O Box 50005 Tel-Aviv 6150001 Telephone: +972 -3- 7954555, Fax:+972 -3- 7954556, www.pwc.com/il*

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-235642) and Form S-8 (Nos. 333-243750, 333-232034, 333-227812, 333-222955, 333-221212 and 333-218992) of UroGen Pharma Ltd. of our report dated March 2, 2020 relating to the financial statements, which appears in this Form 10-K.

Tel-Aviv, Israel
March 18, 2021

/s/ Kesselman & Kesselman
Certified Public Accountants (Isr.)
A member firm of PricewaterhouseCoopers International
Limited

*Kesselman & Kesselman, Trade Tower, 25 Hamered Street, Tel-Aviv 6812508, Israel,
P.O. Box 50005 Tel-Aviv 6150001 Telephone: +972 -3- 7954555, Fax: +972 -3- 7954556, www.pwc.com/il*

CERTIFICATIONS

I, Elizabeth Barrett, certify that:

1. I have reviewed this Annual Report on Form 10-K of UroGen Pharma Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in exchange act rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 18, 2021

/s/ Elizabeth Barrett
Elizabeth Barrett
Chief Executive Officer

CERTIFICATIONS

I, Molly Henderson, certify that:

1. I have reviewed this Annual Report on Form 10-K of UroGen Pharma Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in exchange act rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 18, 2021

/s/ Molly Henderson
Molly Henderson
Chief Financial Officer

CERTIFICATION

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the “Exchange Act”) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), Elizabeth Barrett, Chief Executive Officer of UroGen Pharma Ltd. (the “Company”), and Molly Henderson, Chief Financial Officer of the Company, each hereby certifies that, to the best of his or her knowledge:

1. The Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2020, to which this Certification is attached as Exhibit 32.1 (the “Annual Report”), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and
2. The information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 18, 2021

IN WITNESS WHEREOF, the undersigned have set their hands hereto as of the 18th day of March, 2021.

/s/ Elizabeth Barrett

Elizabeth Barrett

Chief Executive Officer

/s/ Molly Henderson

Molly Henderson

Chief Financial Officer

“This certification accompanies the Form 10-K to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of UroGen Pharma Ltd. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-K), irrespective of any general incorporation language contained in such filing.”