Innovation In Ophthalmology

Jefferies 2019 Healthcare Conference

June 6, 2019
Disclaimers and Notices

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, that involve substantial risks and uncertainties including statements regarding INVELTYS® (lotepronol etabonate ophthalmic suspension) 1% for the treatment of inflammation and pain following ocular surgery and the development and regulatory status of KPI-121 0.25% for the temporary relief of the signs and symptoms of dry eye disease. All statements, other than statements of historical facts, contained in this presentation, including statements regarding our strategy, future operations, future financial position, future revenue, projected costs, prospects, plans and objectives of management, are forward-looking statements. The words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “plan,” “predict,” “project,” “target,” “potential,” “will,” “would,” “could,” “should,” “continue” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements as a result of various risks and uncertainties including, but not limited to: whether the Company will be able to successfully implement its commercialization plans for INVELTYS; whether the market opportunity for INVELTYS is consistent with the Company’s expectations and market research; uncertainties inherent in the availability and timing of data from ongoing clinical trials, and the results of such trials, including STRIDE 3; whether any additional clinical trials will be initiated or required for KPI-121 0.25% prior to approval of the NDA, or at all, and whether the NDA will be approved; the Company’s ability execute on the commercial launch of INVELTYS on the timeline expected, or at all; whether the Company's cash resources will be sufficient to fund the Company's foreseeable and unforeseeable operating expenses and capital expenditure requirements for the Company's expected timeline; other matters that could affect the availability or commercial potential of INVELTYS and the Company's product candidates, including KPI-121 0.25%; and other important factors, any of which could cause the Company's actual results to differ from those contained in the forward-looking statements, discussed in the “Risk Factors” section of the Company’s Annual Report on Form 10-K, most recently filed Quarterly Report on Form 10-Q and other filings the Company makes with the Securities and Exchange Commission.

All information in this presentation is as of June 6, 2019, and should not be considered current after such date. We do not assume any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.
AMPPLIFY™ Technology Overview
In the Eye, AMPPLIFY™ Particles Penetrate Through Tear Film Mucins to Enhance Drug Delivery to Target Ocular Tissues

Traditional suspension eye drops adhere to mucins and can be rapidly cleared through blinking.

Drug particles formulated with AMPPLIFY™ Drug Delivery Technology are designed to enhance penetration through the mucus barrier and deliver increased concentrations of drug to the target ocular tissues.
Leveraging LE-MPP to Enhance Delivery to Target Ocular Tissues

- Loteprednol Etabonate (LE) is a potent steroid with improved safety characteristics
  - Clinical efficacy limited by poor penetration into ocular tissues

- AMPPLIFY technology increases LE penetration to cornea and aqueous humor by ~4x

- INVELTYS™: Approved Product for Post-Surgical Pain & Inflammation with BID Dosing

- KPI-121 0.25%: Candidate for Dry Eye Disease

Preclinical data from rabbit studies
INVELTYS™: FIRST AND ONLY Approved BID Post-Surgical Steroid
Steroids are Standard of Care for Treating Inflammation & Pain Following Ocular Surgery

- Eye care professionals (ECPs) report prescribing steroids in greater than 90% of cataract, glaucoma and refractive surgeries*

- Ocular steroids are typically prescribed 4x/day, which can lead to issues with adherence to the steroid regimen

- ECPs often make efficacy/safety tradeoffs when choosing a steroid

Source: *Kala Quantitative Physician Market Research 2018, n=100 Ophthalmologists
INVELTYS Is The First & Only Post-Surgical Steroid With BID Dosing

- INVELTYS Launch Meeting week of Jan 28th
- Launch WAC price of $225/Rx
- Ophthalmology Sales organization and Corporate Account team calling on customers
- Commercial and Medicare co-pay assistance programs for eligible patients

INVELTYS is indicated to treat inflammation and pain following **ALL** ocular surgeries

INVELTYS is the **FIRST AND ONLY** post-surgical steroid shown to be effective and approved with BID dosing

INVELTYS has an excellent safety and tolerability profile, with IOP results similar to placebo
The Ocular Surgery Market is Large and Growing

- ~8.2M ocular surgery procedures in 2018 in the U.S.; projected to grow at a CAGR of 4.1%
- Branded products account for ~25% of prescriptions and ~60% of gross sales
- At current branded prices, the market is estimated to be valued at ~$1.7B
- Approximately 6,500 Eye Care Professionals (ECPs) account for 80% of the target surgical business
- Steroid market payer mix is ~50% Commercial/Cash and ~38% Medicare

Our Market Research Indicates INVELTYS Could Address Key Treatment Gaps with Current Products*

- Currently ECPs make tradeoffs when selecting ocular steroids for patients
  - Some steroids are viewed to be efficacious but carry a higher risk of IOP increases
  - Others are perceived to be less effective but with a more favorable IOP profile
- INVELTYS is viewed to address key unmet needs
  - Strong efficacy
  - Favorable safety profile
  - BID dosing
- 88% of ophthalmologists report they believe INVELTYS will offer an advantage over existing treatment options

**Source:** *Kala Quantitative Physician Market Research 2018, n=100 Ophthalmologists*
Surveyed Ophthalmologists Rate the INVELTYS Profile as Highly Compelling and Express Strong Intent to Prescribe*

- Ophthalmologists indicated that INVELTYS will be an important addition to their treatment options
- 81% of Ophthalmologists report that they are “ Likely” to “Extremely Likely” to prescribe INVELTYS
- Ophthalmologists stated a 46% peak preference share for INVELTYS
- Future generic availability of Lotemax® and Durezol® still results in a stated peak preference share of 40% for INVELTYS

We expect INVELTYS peak net revenues in the U.S. to be in excess of $300M

Source: *Kala Quantitative Physician Market Research 2018, n=100 Ophthalmologists
INVELTYS Prescriptions and Market Share Achieving Strong Growth Over the First 20 Weeks of Launch; Clinical Experience Feedback is Positive

- Branded NRx market share is 5.3%
- Branded TRx market share is 4.9%
- TRX and NRX will track similarly as use is acute post-operative indication

Source: Symphony PHAST week ending 5/24/2019
INVELTYS Rxs Over in the First 20 Weeks of Launch

- Branded NRx share of 5.3% just 20 weeks into launch
- INVELTYS has unrestricted market access in ~41% of Commercial lives and ~23% of Medicare Part D lives
- Contract negotiations are ongoing in both channels with most unrestricted coverage anticipated to begin in 2020
  - ~14% of INVELTYS prescriptions have been successfully reimbursed through Medicare Part D health plans
- Over 18,000 patients have utilized the co-pay assistance program to have immediate access to INVELTYS

Source: Symphony PHAST week ending 5/24/2019, McKesson Coupon Data as of 5/24/2019
KPI-121 0.25% for Dry Eye Disease
Dry Eye Is An Inflammation Driven Ocular Surface Disease

~90% of surveyed dry eye patients experience flares and the majority have multi-day episodes¹

- Dry eye disease is a chronic, episodic disease of ocular inflammation
  - Ocular surface inflammation and tear film instability lead to discomfort, visual disturbances, hyperemia, and tissue damage

- ~33 million people in the U.S. with dry eye, ~16 million of whom are diagnosed²

- For most patients, dry eye is an episodic disease, not one of continual symptoms
  - Patients have symptom “flares” that wax and wane in response to environmental triggers
  - For these patients, chronic therapy may not be necessary or appropriate

- Currently there is no approved product for the short-term rapid relief of episodic flares

¹Kala survey of 503 diagnosed dry eye patients, December 2017
²Source for dry eye disease market data: Epidemiology research commissioned by Kala and performed by a third party
Statistically Significant Improvements in Primary Sign Endpoint in Phase 2 and Both Phase 3 Trials

**Phase 2 Secondary Endpoint**

- Baseline Day 15
  - Vehicle (n=77)
  - KPI-121 0.25% (n=73)

  p=0.0090

**STRIDE 1 Primary Sign Endpoint**

- Baseline Day 15
  - Vehicle (n=455)
  - KPI-121 0.25% (n=458)

  p<0.0001

**STRIDE 2 Primary Sign Endpoint**

- Baseline Day 15
  - Vehicle (n=453)
  - KPI-121 0.25% (n=452)

  p<0.0001

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1Statistical significance achieved (p=0.0405) for Phase 2 primary sign endpoint (conjunctival hyperemia at Day 29)
Statistically Significant Improvement in Ocular Discomfort in STRIDE 1; Positive Treatment Effect Observed in Phase 2

1 Using statistical analysis defined in STRIDE 1/2 Statistical Analysis Plan (comparison of 3 day means)
2 Using pre-specified statistical analysis as per Statistical Analysis Plan (comparison of 3 day means)
Statistically Significant Improvements in Ocular Discomfort in Patients with More Severe Baseline Discomfort in STRIDE 1

Statistical significance achieved for second predefined primary symptom endpoint in STRIDE 1 but not for key secondary symptom endpoint in STRIDE 2
KPI-121 0.25% Was Well-Tolerated and Demonstrated Similar IOP Profile to Vehicle in Both STRIDE 1 and 2

### AEs Reported by >1% of Patients

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<th>STRIDE 1</th>
<th>STRIDE 2</th>
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<tr>
<td></td>
<td>KPI-121 0.25%</td>
<td>Vehicle</td>
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<tr>
<td>Instillation site pain</td>
<td>28/459 (6.1%)</td>
<td>28/456 (6.1%)</td>
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<td>Eye irritation</td>
<td>5/459 (1.1%)</td>
<td>7/456 (1.5%)</td>
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<td>Vision blurred</td>
<td>26/453 (5.7%)</td>
<td>20/452 (4.4%)</td>
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<td>1/453 (0.2%)</td>
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### Number of Patients with IOP Increase > 5 mmHg Leading to IOP ≥ 21 mmHg

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<td></td>
<td>KPI-121 0.25%</td>
<td>Vehicle</td>
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<td></td>
<td>2/455 (0.4%)</td>
<td>2/453 (0.4%)</td>
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<td>5/448 (1.1%)</td>
<td>0/448 (0.0%)</td>
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<td>7/903 (0.8%)</td>
<td>2/901 (0.2%)</td>
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STRIDE 3 Study Initiated in July 2018; Similar Design to STRIDE 1 & 2 With Focus on Symptom Endpoints

Key Aspects of STRIDE 3 Study Design:

- Similar design to STRIDE 1 and 2
- Specific modifications made to inclusion/exclusion criteria to address key factors which are expected to improve the probability of success
- Independent primary endpoints of Day 15 Ocular Discomfort in ITT population and severe subgroup
  - Achieving either endpoint should satisfy symptom requirement
- Topline results anticipated in Q4 2019
Dry Eye Flares – Market Potential

~33M Total US Dry Eye Patients
~16M Diagnosed Dry Eye Patients
~14M Patients Experience Flares
~345M Treatable Flare Days/Year

US DED Prevalence Data (Kala Epidemiology Research*)
90% of DED patients experience flares (Kala Market Research**)
Patients experience a median of ~6 flares per year, each lasting an average of ~4 days (Kala Market Research†)

U.S. Market for Dry Eye Flares††:
~$8.6B Market Potential

*Epidemiology research commissioned by Kala and performed by a third party.
**Based on a survey of 503 patients commissioned by Kala and performed by a third party.
†Based on a survey of 297 patients commissioned by Kala and performed by a third party.
††Assuming $350 WAC for a 2-week Rx
Summary

**INVELTYS™:** First and ONLY BID ocular steroid

~8.2M ocular surgery procedures in the U.S. in 2018, projected to grow at a 4.1% CAGR over the next 5 years

**KPI-121 0.25%:** Potential first-line Rx therapy to treat dry eye flares

~33M dry eye sufferers in U.S.

Source for ocular surgery market data: Market Scope
Source for dry eye disease market data: Epidemiology research commissioned by Kala and performed by a third party
Thank You