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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

(Mark One)

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

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

For the fiscal year ended December 31, 2016

OR

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

For the transition period from _____ to _____

OR

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

Date of event requiring this shell company report _____

Commission file number 001-37773

MERUS N.V.

(Exact name of Registrant as specified in its charter and translation of Registrant's name into English)

N/A
(Translation of Registrant's name into English)

The Netherlands
(Jurisdiction of incorporation or organization)

Yalelaan 62
3584 CM Utrecht
The Netherlands
(Address of principal executive offices)

Ton Logtenberg
Chief Executive Officer
Merus N.V.
Yalelaan 62
3584 CM Utrecht
The Netherlands
Tel: +31 30 253 8800
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Name of each exchange on which registered
Common shares, nominal value €0.09 per share	**The Nasdaq Stock Market LLC**

Securities registered or to be registered pursuant to Section 12(g) of the Act. None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act. None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

Common shares, nominal value €0.09 per share: 16,085,851 as of December 31, 2016

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

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. ☐ 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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). ☐ Yes ☐ No

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

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ Emerging growth company ☒

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, 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. ☐

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☐ International Financial Reporting Standards as issued by the International Accounting Standards Board ☒ Other ☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. ☐ Item 17 ☐ Item 18

If this is an Annual Report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

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GENERAL INFORMATION

All references in this Annual Report on Form 20-F, or the Annual Report, to "Merus," the "Company," "we," "us" and "our" refer to Merus N.V. and its consolidated subsidiary.

PRESENTATION OF FINANCIAL AND OTHER DATA

We report under International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or the IASB. None of the financial statements in this Annual Report were prepared in accordance with generally accepted accounting principles in the United States. We present our financial statements in euros and in accordance with IFRS. 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. All references in this Annual Report to "$," "US$," and "U.S. dollars" mean U.S. dollars and all references to "€" and "euros" mean euros, unless otherwise noted.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report contains statements that constitute forward-looking statements. All statements other than statements of historical facts contained in this Annual Report, including statements regarding our future results of operations and financial position, business strategy, prospective products, product approvals, research and development costs, timing and likelihood of success, plans and objectives of management for future operations and future results of anticipated products, are forward-looking statements. We make such forward-looking statements pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and other federal securities laws. These statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "expect," "plan," "anticipate," "could," "intend," "target," "contemplate," "believe," "estimate," "predict," "potential" or "continue" or the negative of these terms or other similar expressions. The forward-looking statements in this Annual Report are only predictions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations. These forward-looking statements speak only as of the date of this report and are subject to a number of risks, uncertainties and assumptions described under the sections in this report titled "Risk Factors" and "Operating and Financial Review and Prospects" and elsewhere in this report. These forward-looking statements are subject to numerous risks, including, without limitation, the following:

- our operations as a clinical-stage company with a limited operating history and a history of operating losses;
- uncertainty about the initiation, timing, progress and results of clinical trials of our bispecific antibody candidates, including regarding when results of such trials will be made public;
- our expectations related to payments and clinical development under our collaboration agreement with Incyte Corporation;
- our plans to pursue research and development of our lead bispecific antibody candidate, MCLA-128, for the treatment of patients with various solid tumors;
- our plans to pursue research and development of our second bispecific antibody candidate, MCLA-117, for the treatment of patients with acute myeloid leukemia, or AML;

- the potential advantages of MCLA-128 for the treatment of patients with various solid tumors;
- the potential advantages of MCLA-117 for the treatment of patients with AML;
- the timing or likelihood of regulatory filings and approvals for any of our bispecific antibody candidates;
- our ability to establish sales, marketing and distribution capabilities for any of our bispecific antibody candidates for which we may obtain regulatory approval;
- our ability to establish and maintain manufacturing arrangements for our bispecific antibody candidates;
- the scope of protection we are able to establish and maintain for intellectual property rights covering our bispecific antibody candidates and related technology;
- our ability to defend against any claims by third parties that we are infringing upon their intellectual property rights;
- our estimates regarding expenses, future revenues, capital requirements and our need for additional financing;
- the rate and degree of market acceptance of our bispecific antibody candidates;
- the impact of government laws and regulations on our business;
- our competitive position; and
- other risk factors discussed in this Annual Report.

This Annual Report contains 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.

PART I

Item 1 Identity of Directors, Senior Management and Advisers.

Not applicable.

Item 2 Offer Statistics and Expected Timetable.

Not applicable.

Item 3 Key Information.

A. Selected Financial Data.

The following selected consolidated financial data should be read in conjunction with "Operating and Financial Review and Prospects," our consolidated financial statements and related notes, and other financial information included in this Annual Report. We have derived the consolidated statement of profit or loss and comprehensive loss data and the statement of financial position data as of December 31, 2016, 2015, and 2014 from our audited financial statements included elsewhere in this Annual Report. Our historical results are not necessarily indicative of the results that should be expected in the future.

	Year Ended December 31,		
	2016	2015	2014
	(euros in thousands, except share and per share data)		
Statement of Profit or Loss and Comprehensive Loss Data:			
Revenue	€ 2,719	€ 1,977	€ 1,303
Research and development costs	(18,991)	(16,350)	(12,388)
Management and administration costs	(4,258)	(768)	(550)
Other expenses	(7,142)	(7,898)	(5,785)
Operating result	(27,672)	(23,039)	(17,420)
Finance income (expenses)	(19,556)	(145)	11
Result before tax	(47,228)	(23,184)	(17,409)
Other comprehensive income	8	—	—
Total comprehensive loss for the year	€ (47,220)	€ (23,184)	€ (17,409)
Basic (and diluted) loss per share(1)	€ (3.57)	€ (3.95)	€ (6.15)
Weighted average shares outstanding, basic and diluted(2)	13,236,649	5,871,248	2,829,500

(1) Basic loss per share and diluted loss per share are the same because outstanding options would be anti-dilutive due to our net losses in these periods.
(2) Includes preferred shares issued and outstanding as of December 31, 2014 and December 31, 2015.

	As of December 31,		
	2016	2015	2014
	(euros in thousands)		
Statement of Financial Position Data:			
Cash and cash equivalents	€ 56,917	€ 32,851	€ 1,568
Total assets	72,310	35,494	3,540
Total liabilities	38,280	7,192	7,099
Accumulated loss	(107,295)	(63,382)	(40,765)
Total equity (deficit)	34,031	28,302	(3,559)

Exchange Rate Information

Our business is primarily conducted in the European Union, and we maintain our books and records in euros. We have presented our results of operations in euros. In this Annual Report, translations from euros to U.S. dollars were made at the rate of 0.9182 to $1.00, the official exchange rate quoted as of April 25, 2017 by the European Central Bank. Such U.S. dollar amounts are not necessarily indicative of the amount of U.S. dollars that could actually have been purchased upon exchange of euros at the dates indicated.

The following table presents information on the exchange rates between the euro and the U.S. dollar for the periods indicated:

	Period end	Average for period	Low	High
	(euros per U.S. dollar)			
Year Ended December 31:				
2012	0.758	0.778	0.743	0.827
2013	0.725	0.753	0.724	0.783
2014	0.824	0.754	0.717	0.824
2015	0.917	0.901	0.826	0.954
2016	0.949	0.907	0.864	0.965

	Low	High
	(euros per U.S. dollar)	
Month Ended:		
October 31, 2016	0.8900	0.9198
November 30, 2016	0.9013	0.9480
December 31, 2016	0.9292	0.9694
January 31, 2017	0.9304	0.9629
February 28, 2017	0.9252	0.9512
March 31, 2017	0.9184	0.9511
April 2017 (through April 25)	0.9182	0.9454

B. Capitalization and Indebtedness.

Not applicable.

C. Reasons for the Offer and Use of Proceeds.

Not applicable.

D. Risk Factors.

You should carefully consider the risks and uncertainties described below and the other information in this Annual Report. Our business, financial condition or results of operations could be materially and adversely affected if any of these risks occur.

Risks Related to Our Business and Industry

We are a clinical-stage company and have incurred significant losses since our inception. We expect to incur losses for the foreseeable future and may never achieve or maintain profitability.

We are a clinical-stage immuno-oncology company with a limited operating history. We have incurred net losses of €47.0 million, €23.2 million, and €17.4 million for the years ended December 31, 2016, 2015, and 2014,

respectively. As of December 31, 2016, we had an accumulated loss of €107.3 million. Our losses have resulted principally from expenses incurred in research and development of our bispecific antibody candidates and from general and administrative expenses that we have incurred while building our business infrastructure. We expect to continue to incur significant operating losses for the foreseeable future as we continue our research and development efforts and seek to obtain regulatory approval and commercialization of our bispecific antibody candidates. We anticipate that our expenses will increase substantially as we:

- conduct the Phase 1/2 clinical trial of MCLA-128, our lead bispecific antibody candidate;
- conduct the Phase 1 clinical trial of MCLA-117, our second bispecific antibody candidate;
- continue the research and development of our other bispecific antibody candidates, including completing pre-clinical studies and commencing clinical trials for MCLA-158;
- seek to enhance our technology platform, which generates our pipeline of Biclonics, and discover and develop additional bispecific antibody candidates;
- seek regulatory approvals for any bispecific antibody candidates that successfully complete clinical trials;
- potentially establish a sales, marketing and distribution infrastructure and scale-up manufacturing capabilities to commercialize any products for which we may obtain regulatory approvals;
- maintain, expand and protect our intellectual property portfolio;
- secure, maintain and/or obtain freedom to operate for our technologies and products;
- add clinical, scientific, operational, financial and management information systems and personnel, including personnel to support our product development and potential future commercialization efforts and to support our operation as a public company; and
- experience any delays or encounter any issues with any of the above, including but not limited to failed studies, complex results, safety issues or other regulatory challenges.

To date, we have financed our operations primarily through the initial public offering of our common shares, private placements of equity securities, upfront and milestone payments, funding from patient organizations and governmental bodies, and borrowings from bank and bridge loan financings. We have devoted a significant portion of our financial resources and efforts to developing our Biclonics technology platform, identifying potential bispecific antibody candidates and conducting pre-clinical studies and initiating our clinical trials of MCLA-128 and MCLA-117. We are in the early stages of development of our bispecific antibody candidates, and we have not completed development of any Biclonics or any other drugs or biologics.

To become and remain profitable, we must succeed in developing and eventually commercializing products that generate significant revenue. This will require us to be successful in a range of challenging activities, including completing pre-clinical testing and clinical trials of our bispecific antibody candidates, discovering and developing additional bispecific antibody candidates, obtaining regulatory approval for any bispecific antibody candidates that successfully complete clinical trials, establishing manufacturing and marketing capabilities and ultimately selling any products for which we may obtain regulatory approval. We are only in the preliminary stages of most of these activities. We may never succeed in these activities and, even if we do, may never generate revenue that is significant enough to achieve profitability.

Because of the numerous risks and uncertainties associated with pharmaceutical product and biological development, we are unable to accurately predict the timing or amount of increased expenses or when, or if, we will be able to achieve profitability. If we are required by the U.S. Food and Drug Administration, or the FDA, or the European Medicines Agency, or EMA, or other regulatory authorities to perform studies in addition to those we currently anticipate, or if there are any delays in completing our clinical trials or the development of any of our bispecific antibody candidates, our expenses could increase and revenue could be further delayed.

Even if we do generate product royalties or product sales, we may never achieve or sustain profitability on a quarterly or annual basis. Our failure to sustain profitability would depress the market price of our common shares and could impair our ability to raise capital, expand our business, diversify our product offerings or continue our operations.

We will need additional funding in order to complete development of our bispecific antibody candidates and commercialize our products, if approved. If we are unable to raise capital when needed, we could be forced to delay, reduce or eliminate our product development programs or commercialization efforts.

We expect our expenses to increase in connection with our ongoing activities, particularly as we conduct the Phase 1/2 clinical trial of MCLA-128 and the Phase 1 clinical trial of MCLA-117, and continue to research, develop and initiate clinical trials of MCLA-158 and our other bispecific antibody candidates. In addition, if we obtain regulatory approval for any of our bispecific antibody candidates, we expect to incur significant commercialization expenses related to product manufacturing, marketing, sales and distribution. Furthermore, we continue to incur additional costs associated with operating as a public company. 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 could be forced to delay, reduce or eliminate our research and development programs or any future commercialization efforts.

Based on our current clinical development plans, we expect our existing cash and cash equivalents to last well into 2019. For this assessment, we have taken into consideration the proceeds from the initial public offering of our common shares, which closed in May 2016, as well as the payments we have received in 2017 under our collaboration agreement with Incyte Corporation. We have based this estimate on assumptions that may prove to be wrong, and we could use our capital resources sooner than we currently expect. Our future capital requirements will depend on many factors, including:

- the cost, progress and results of the Phase 1/2 clinical trial of MCLA-128 and the Phase 1 clinical trial of MCLA-117;
- the success of our collaboration with Incyte Corporation, or Incyte, to develop bispecific antibodies candidates;
- the cost of manufacturing clinical supplies of our bispecific antibody candidates;
- the scope, progress, results and costs of pre-clinical development, laboratory testing and clinical trials for our other bispecific antibody candidates, including MCLA-158;
- the costs, timing and outcome of regulatory review of any of our bispecific antibody candidates;
- the costs and timing of future commercialization activities, including manufacturing, marketing, sales and distribution, for any of our bispecific antibody candidates for which we receive marketing approval;
- the costs and timing of preparing, filing and prosecuting patent applications, maintaining and enforcing our intellectual property rights and defending any intellectual property-related claims, including any claims by third parties that we are infringing upon their intellectual property rights;
- the costs and timing of securing, maintaining and/or obtaining freedom to operate for our technologies and products;
- the revenue, if any, received from commercial sales of our bispecific antibody candidates for which we receive marketing approval;
- the effect of competing technological and market developments; and
- the extent to which we acquire or invest in businesses, products and technologies, including our collaboration with Incyte and any other licensing or collaboration arrangements for any of our bispecific antibody candidates.

We depend heavily on the success of our bispecific antibody candidates, and we cannot give any assurance that any of our bispecific antibody candidates will receive regulatory approval, which is necessary before they can be commercialized. If we, Incyte, or any other strategic partners we may enter into collaboration agreements with for the development and commercialization of our bispecific antibody candidates, are unable to commercialize our bispecific antibody candidates, or experience significant delays in doing so, our business, financial condition and results of operations will be materially adversely affected.

We have invested a significant portion of our efforts and financial resources in the development of bispecific antibody candidates using our Biclonics technology platform. Our ability to generate royalty and product revenues, which we do not expect will occur for at least the next several years, if ever, will depend heavily on the successful development and eventual commercialization of these bispecific antibody candidates, which may never occur. We currently generate no revenues from sales of any products, and we may never be able to develop or commercialize a marketable product. Each of our bispecific antibody candidates will require additional clinical development, management of clinical, pre-clinical and manufacturing activities, regulatory approval in multiple jurisdictions, obtaining manufacturing supply, building of a commercial organization, substantial investment and significant marketing efforts before we generate any revenues from product sales. We are not permitted to market or promote any of our bispecific antibody candidates before we receive regulatory approval from the FDA, the EMA or comparable foreign regulatory authorities, and we may never receive such regulatory approval for any of our bispecific antibody candidates. The success of our bispecific antibody candidates will depend on several factors, including the following:

- for bispecific antibody candidates which we may license to others, such as to Incyte, the successful efforts of those parties in completing clinical trials of, receipt of regulatory approval for and commercialization of such bispecific antibody candidates;
- for the bispecific antibody candidates to which we retain rights under a collaboration agreement, completion of pre-clinical studies and clinical trials of, receipt of marketing approvals for, establishment of commercial manufacturing capabilities of and successful commercialization of such bispecific antibody candidates; and
- for all of our bispecific antibody candidates, if and when approved, acceptance of our bispecific antibody candidates by patients, the medical community and third-party payors, effectively competing with other therapies, a continued acceptable safety profile following approval and qualifying for, maintaining, enforcing and defending our intellectual property rights and claims.

If we or our collaborators, as applicable, do not achieve one or more of these factors in a timely manner or at all, we could experience significant delays or an inability to successfully commercialize our bispecific antibody candidates, which would materially adversely affect our business, financial condition and results of operations.

We have not previously submitted a Biologics License Application, or BLA, to the FDA, the EMA, or similar regulatory approval filings to comparable foreign authorities, for any bispecific antibody candidate, and we cannot be certain that any of our bispecific antibody candidates will be successful in clinical trials or receive regulatory approval. Further, our bispecific antibody candidates may not receive regulatory approval even if they are successful in clinical trials. If we do not receive regulatory approvals for our bispecific antibody candidates, we may not be able to continue our operations. Even if we successfully obtain regulatory approvals to market one or more of our bispecific antibody candidates, our revenues will be dependent, in part, upon the size of the markets in the territories for which we gain regulatory approval and have commercial rights. If the markets for patient subsets that we are targeting are not as significant as we estimate, we may not generate significant revenues from sales of such products, if approved.

We plan to seek regulatory approval to commercialize our bispecific antibody candidates both in the United States and the EU, and potentially in additional foreign countries. While the scope of regulatory approval is

similar in other countries, to obtain separate regulatory approval in many other countries we must comply with numerous and varying regulatory requirements of such countries regarding safety and efficacy and governing, among other things, clinical trials and commercial sales, pricing and distribution of our bispecific antibody candidates, and we cannot predict success in these jurisdictions.

The Biclonics technology platform is an unproven, novel approach to the production of molecules for therapeutic intervention.

We have not, nor to our knowledge has any other company, received regulatory approval for a therapeutic based on a full-length human bispecific IgG approach. We cannot be certain that our approach will lead to the development of approvable or marketable products. In addition, our Biclonics may have different effectiveness rates in various indications and in different geographical areas. Finally, the FDA, the EMA or other regulatory agencies may lack experience in evaluating the safety and efficacy of products based on Biclonics therapeutics, which could result in a longer than expected regulatory review process, increase our expected development costs and delay or prevent commercialization of our bispecific antibody candidates.

Our Biclonics technology platform relies on third parties for biological materials. Some biological materials have not always met our expectations or requirements, and any disruption in the supply of these biological materials could materially adversely affect our business. Although we have control processes and screening procedures, biological materials are susceptible to damage and contamination and may contain active pathogens. Improper storage of these materials, by us or any third-party suppliers, may require us to destroy some of our raw materials or products.

Failure to successfully validate, develop and obtain regulatory approval for companion diagnostics could harm our development strategy.

We may seek to identify patient subsets within a disease category who may derive selective and meaningful benefit from the bispecific antibody candidates we are developing. In collaboration with partners, we may develop companion diagnostics to help us to more accurately identify patients within a particular subset, both during our clinical trials and in connection with the commercialization of our bispecific antibody candidates. Companion diagnostics are subject to regulation by the FDA, the EU legislative bodies, and comparable foreign regulatory authorities as medical devices and typically require separate regulatory approval prior to commercialization. We intend to develop companion diagnostics in collaboration with third parties and are dependent on the scientific insights and sustained cooperation and effort of our third-party collaborators in developing and obtaining approval for these companion diagnostics. We and our collaborators may encounter difficulties in developing and obtaining approval for the companion diagnostics, including issues relating to selectivity/specificity, analytical validation, reproducibility or clinical validation. Any delay or failure by us or our collaborators to develop or obtain regulatory approval of the companion diagnostics could delay or prevent approval of our bispecific antibody candidates. In addition, our collaborators may encounter production difficulties that could constrain the supply of the companion diagnostics, and both they and we may have difficulties gaining acceptance of the use of the companion diagnostics in the clinical community. If such companion diagnostics fail to gain market acceptance, it would have an adverse effect on our ability to derive revenues from sales of our products. In addition, the diagnostic company with whom we contract may decide to discontinue selling or manufacturing the companion diagnostic that we anticipate using in connection with development and commercialization of our bispecific antibody candidates or our relationship with such diagnostic company may otherwise terminate. We may not be able to enter into arrangements with another diagnostic company to obtain supplies of an alternative diagnostic test for use in connection with the development and commercialization of our bispecific antibody candidates or do so on commercially reasonable terms, which could adversely affect and/or delay the development or commercialization of our bispecific antibody candidates.

Our limited operating history may make it difficult for you to evaluate the success of our business to date and to assess our future viability.

Since our inception in 2003, we have devoted a significant portion of our resources to developing MCLA-128, MCLA-117 and our other bispecific antibody candidates, building our intellectual property portfolio, developing our supply chain, planning our business, raising capital and providing general and administrative support for these operations. We commenced the Phase 1/2 clinical trial of MCLA-128, our lead bispecific antibody candidate, in February 2015, and commenced the Phase 1 clinical trial of MCLA-117, our second bispecific antibody candidate, in May 2016, but have not completed any clinical trials for any bispecific antibody candidate. We have not yet demonstrated our ability to successfully complete any Phase 1 clinical trial, Phase 2 clinical trial or any Phase 3 or other pivotal clinical trials, obtain regulatory approvals, manufacture a commercial scale product or arrange for a third party to do so on our behalf or conduct sales and marketing activities necessary for successful product commercialization. Additionally, we expect our financial condition and operating results to continue to fluctuate significantly from quarter to quarter and year to year due to a variety of factors, many of which are beyond our control. Consequently, any predictions you make about our future success or viability may not be as accurate as they could be if we had a longer operating history.

Raising additional capital may cause dilution to our holders, restrict our operations or require us to relinquish rights to our technologies or bispecific antibody candidates.

Until such time, if ever, as we can generate substantial product revenues, we expect to finance our cash needs through public equity or debt financing or other sources, and upfront and milestone payments, if any, received under our collaboration with Incyte and any other future licenses or collaborations, together with our existing cash and cash equivalents. In order to accomplish our business objectives and further develop our product pipeline, we will, however, need to seek additional funds and we may raise additional capital through the sale of equity or convertible debt securities. In such an event, your ownership interest will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect your rights as a holder of our common shares. 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 additional funds through collaborations, strategic alliances or marketing, distribution or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams or bispecific antibody candidates or to grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds 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 bispecific antibody candidates that we would otherwise prefer to develop and market ourselves.

Any additional fundraising efforts may divert our management from their day-to-day activities, which may adversely affect our ability to develop and commercialize our bispecific antibody 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 adversely affect 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 common shares to decline. The sale of additional equity or convertible securities would dilute all of our shareholders. 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 collaborators or others at an earlier stage than otherwise would be desirable and we may be required to relinquish rights to some of our technologies or bispecific antibody candidates or otherwise agree to terms unfavorable to us, any of which may have a material adverse effect on our business, operating results and prospects.

If we are unable to obtain funding on a timely basis, we may be required to significantly curtail, delay or discontinue one or more of our research or development programs or the commercialization of any of our bispecific antibody candidates, or be unable to expand our operations or otherwise capitalize on our business opportunities, as desired, which could materially affect our business, financial condition and results of operations.

Our business may become subject to economic, political, regulatory and other risks associated with international operations

As a company based in the Netherlands, our business is subject to risks associated with conducting business internationally. Almost all of our suppliers and collaborative and clinical trial relationships are located outside the United States. Accordingly, our future results could be harmed by a variety of factors, including:

- economic weakness, including inflation, or political instability, in particular, in non-U.S. economies and markets;
- differing regulatory requirements for drug approvals in non-U.S. countries;
- differing jurisdictions could present different issues for securing, maintaining and/or obtaining freedom to operate in such jurisdictions;
- potentially reduced protection for intellectual property rights;
- difficulties in compliance with non-U.S. laws and regulations;
- changes in non-U.S. regulations and customs, tariffs and trade barriers;
- changes in non-U.S. currency exchange rates of the euro and currency controls;
- changes in a specific country's or region's political or economic environment;
- trade protection measures, import or export licensing requirements or other restrictive actions by U.S. or non-U.S. governments;
- differing reimbursement regimes and price controls in certain non-U.S. markets;
- negative consequences from changes in tax laws;
- compliance with tax, employment, immigration and labor laws for employees living or traveling abroad;
- workforce uncertainty in countries where labor unrest is more common than in the United States;
- difficulties associated with staffing and managing international operations, including differing labor relations;
- production shortages resulting from any events affecting raw material supply or manufacturing capabilities abroad; and
- business interruptions resulting from geo-political actions, including war and terrorism, or natural disasters including earthquakes, typhoons, floods and fires.

Exchange rate fluctuations or abandonment of the euro currency may materially affect our results of operations and financial condition.

Due to the international scope of our operations, fluctuations in exchange rates, particularly between the euro and the U.S. dollar, may adversely affect us. Although we are based in the Netherlands, we source research and development, manufacturing, consulting and other services from several countries. Further, potential future revenue may be derived from abroad, particularly from the United States. Additionally, our funding has mainly come from the United States. As a result, our business and share price may be affected by fluctuations in foreign

exchange rates between the euro and these other currencies, which may also have a significant impact on our reported results of operations and cash flows from period to period. Currently, we do not have any exchange rate hedging arrangements in place.

In addition, the possible abandonment of the euro by one or more members of the EU could materially affect our business in the future. Despite measures taken by the EU to provide funding to certain EU member states in financial difficulties and by a number of European countries to stabilize their economies and reduce their debt burdens, it is possible that the euro could be abandoned in the future as a currency by countries that have adopted its use. This could lead to the re-introduction of individual currencies in one or more EU member states, or in more extreme circumstances, the dissolution of the EU. The effects on our business of a potential dissolution of the EU, the exit of one or more EU member states from the EU or the abandonment of the euro as a currency, are impossible to predict with certainty, and any such events could have a material adverse effect on our business, financial condition and results of operations.

Risks Related to the Development and Clinical Testing of Our Bispecific Antibody Candidates

All of our bispecific antibody candidates are in pre-clinical or early-stage clinical development. Clinical drug development is a lengthy and expensive process with uncertain timelines and uncertain outcomes. If clinical trials of our bispecific antibody candidates, particularly MCLA-128 and MCLA-117, are prolonged or delayed, we or our collaborators may be unable to obtain required regulatory approvals, and therefore be unable to commercialize our bispecific antibody candidates on a timely basis or at all.

To obtain the requisite regulatory approvals to market and sell any of our bispecific antibody candidates, we or our collaborator for such candidates must demonstrate through extensive pre-clinical studies and clinical trials that our products are safe and effective in humans. Clinical testing is expensive and can take many years to complete, and its outcome is inherently uncertain. Failure can occur at any time during the clinical trial process. The results of pre-clinical studies and early-stage clinical trials of our bispecific antibody candidates may not be predictive of the results of later-stage clinical trials. Bispecific antibody candidates in later stages of clinical trials may fail to show the desired safety and efficacy traits despite having progressed through pre-clinical studies and initial clinical trials. A number of companies in the biopharmaceutical industry have suffered significant setbacks in advanced clinical trials due to lack of efficacy or adverse safety profiles, notwithstanding promising results in earlier trials. Our future clinical trial results may not be successful.

To date, we have not completed any clinical trials required for the approval of any of our bispecific antibody candidates. Although we initiated a Phase 1/2 clinical trial of MCLA-128 in February 2015 and a Phase 1 clinical trial of MCLA-117 in May 2016, and we are planning to initiate clinical trials for our other bispecific antibody candidates, we may experience delays in our ongoing clinical trials and we do not know whether planned clinical trials will begin on time, need to be redesigned, enroll 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 the following:

- delays in or failure to reach agreement on acceptable terms with prospective contract research organizations, or CROs, and clinical trial sites, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and trial sites;
- delays in establishing the appropriate dosage levels in clinical trials;
- delays in or failure to recruit suitable patients to participate in a trial;
- the difficulty in certain countries in identifying the sub-populations that we are trying to treat in a particular trial, which may delay enrollment and reduce the power of a clinical trial to detect statistically significant results;
- lower than anticipated retention rates of patients and volunteers in clinical trials;
- failure to have patients complete a trial or return for post-treatment follow-up;

- clinical sites deviating from trial protocol or dropping out of a trial;
- adding new clinical trial sites;
- safety or tolerability concerns could cause us or our collaborators, as applicable, to suspend or terminate a trial if we or our collaborators find that the participants are being exposed to unacceptable health risks;
- delays in or failure to obtain regulatory approval to commence a trial;
- delays in or failure to obtain institutional review board, or IRB, approval at each site;
- our third-party research contractors failing to comply with regulatory requirements or meet their contractual obligations to us in a timely manner, or at all;
- changes in regulatory requirements, policies and guidelines;
- manufacturing sufficient quantities of bispecific antibody candidate for use in clinical trials;
- the quality or stability of the bispecific antibody candidate falling below acceptable standards;
- changes in the treatment landscape for our target indications that may make our bispecific antibody candidates no longer relevant;
- third party actions claiming infringement by our bispecific antibody candidates in clinical trials outside of the United States and obtaining injunctions interfering with our progress; and
- business interruptions resulting from geo-political actions, including war and terrorism, or natural disasters including earthquakes, typhoons, floods and fires.

We could encounter delays if a clinical trial is suspended or terminated by us, by the IRBs or Ethics Committees of the institutions in which such trials are being conducted, by the Data Review Committee or Data Safety Monitoring Board for such trial or by the FDA, the Competent Authorities of the EEA Member States (the 28 EU Member States plus Iceland, Liechtenstein and Norway) or other regulatory authorities. Such authorities may impose such a suspension or termination due to a number of factors, including failure to conduct the clinical trial in accordance with regulatory requirements or our clinical protocols, inspection of the clinical trial operations or trial site by the FDA, EEA competent Authorities or other 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 the completion of, or termination of, any clinical trial of our bispecific antibody candidates, the commercial prospects of our bispecific antibody candidates will be harmed, and our ability to generate product revenues from any of these bispecific antibody candidates will be delayed. In addition, any delays in completing our clinical trials will increase our costs, slow down our bispecific antibody candidate development and approval process and jeopardize our ability to commence product sales and generate revenues. Significant clinical trial delays could also allow our competitors to bring products to market before we do or shorten any periods during which we have the exclusive right to commercialize our bispecific antibody candidates and impair our ability to commercialize our bispecific antibody candidates and may harm our business and results of operations.

Any of these occurrences may harm our business, financial condition and prospects significantly. 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 bispecific antibody candidates.

Clinical trials must be conducted in accordance with the FDA, the EU and other applicable regulatory authorities' legal requirements, regulations or guidelines, and are subject to oversight by these governmental agencies and Ethics Committees or IRBs at the medical institutions where the clinical trials are conducted. In addition, clinical trials must be conducted with supplies of our bispecific antibody candidates produced under

current good manufacturing practice, or cGMP, requirements and other regulations. Furthermore, we rely on CROs and clinical trial sites to ensure the proper and timely conduct of our clinical trials and while we have agreements governing their committed activities, we have limited influence over their actual performance. We depend on our collaborators and on medical institutions and CROs to conduct our clinical trials in compliance with Good Clinical Practice, or GCP, requirements. To the extent our collaborators or the CROs fail to enroll participants for our clinical trials, fail to conduct the study to GCP standards or are delayed for a significant time in the execution of trials, including achieving full enrollment, we may be affected by increased costs, program delays or both, which may harm our business. In addition, clinical trials that are conducted in countries outside the EU and the United States may subject us to further delays and expenses as a result of increased shipment costs, additional regulatory requirements and the engagement of non-EU and non-U.S. CROs, as well as expose us to risks associated with clinical investigators who are unknown to the FDA or the EMA, and different standards of diagnosis, screening and medical care.

Our bispecific antibody candidates may have serious adverse, undesirable or unacceptable side effects which may delay or prevent marketing approval. If such side effects are identified during the development of our bispecific antibody candidates or following approval, if any, we may need to abandon our development of such bispecific antibody candidates, the commercial profile of any approved label may be limited, or we may be subject to other significant negative consequences following marketing approval, if any.

Undesirable side effects that may be caused by our bispecific antibody candidates could cause us or regulatory authorities to interrupt, delay or halt clinical trials and could result in a more restrictive label or the delay or denial of regulatory approval by the FDA, the EMA or other comparable foreign authorities. In February 2015, we commenced a Phase 1/2 clinical trial in Europe of our lead bispecific antibody candidate, MCLA-128, for the treatment of various solid tumors. To date, patients treated with MCLA-128 have experienced mild to moderate adverse reactions that may be related to the treatment, including infusion-related reactions, diarrhea, vomiting, fatigue, skin rash, sore mouth and shortness of breath. There have been two serious adverse events in the Phase 1/2 clinical trial of MCLA-128, reported as infusion-related reactions one of which was readily reversible and the other, an allergic reaction, which resulted in death in a patient with significant underlying comorbidities. Patients treated with our bispecific antibody candidates require pre-treatment with corticosteroids to mitigate potential side effects. In May 2016, we commenced a Phase 1 clinical trial in Europe of our bispecific antibody MCLA-117. To date, in this ongoing clinical study in patients with acute myeloid leukemia, no serious adverse events have been reported attributed to the drug. Results of our trials could reveal a high and unacceptable severity and prevalence of these or other side effects. In such an event, our trials could be suspended or terminated and the FDA, the EMA, EEA Competent Authorities, or comparable foreign regulatory authorities could order us to cease further development of or deny approval of our bispecific antibody candidates for any or all targeted indications. The drug-related side effects could affect patient recruitment or the ability of enrolled patients to complete the trial or result in potential product liability claims. Any of these occurrences may harm our business, financial condition and prospects significantly. Additionally, if any of our bispecific antibody candidates receives marketing approval and we or others later identify undesirable or unacceptable side effects caused by such products, a number of potentially significant negative consequences could result, including:

- regulatory authorities may withdraw approvals of such products and require us to take our approved product off the market;
- regulatory authorities may require the addition of labeling statements, specific warnings, a contraindication or field alerts to physicians and pharmacies;
- regulatory authorities may require a medication guide outlining the risks of such side effects for distribution to patients, or that we implement a risk evaluation and mitigation strategy, or REMS, plan to ensure that the benefits of the product outweigh its risks;
- we may be required to change the way the product is administered, conduct additional clinical trials or change the labeling of the product;
- we may be subject to limitations on how we may promote the product;

- sales of the product may decrease significantly;
- we may be subject to litigation or product liability claims; and
- our reputation may suffer.

Any of these events could prevent us, our collaborators or our potential future partners from achieving or maintaining market acceptance of the affected product or could substantially increase commercialization costs and expenses, which in turn could delay or prevent us from generating significant revenue from the sale of our products.

Adverse events in the field of oncology could damage public perception of our bispecific antibody candidates and negatively affect our business.

The commercial success of our products will depend in part on public acceptance of the use of cancer immunotherapies. Adverse events in clinical trials of our bispecific antibody candidates or in clinical trials of others developing similar products and the resulting publicity, as well as any other adverse events in the field of oncology that may occur in the future, could result in a decrease in demand for any products that we may develop.

Future adverse events in immuno-oncology or the biopharmaceutical industry could also result in greater governmental regulation, stricter labeling requirements and potential regulatory delays in the testing or approvals of our products. Any increased scrutiny could delay or increase the costs of obtaining regulatory approval for our bispecific antibody candidates.

We depend on enrollment of patients in our clinical trials for our bispecific antibody candidates. If we are unable to enroll patients in our clinical trials, our research and development efforts and business, financial condition and results of operations could be materially adversely affected.

Successful and timely completion of clinical trials will require that we enroll a sufficient number of patient candidates. In the Phase 1 clinical trial of MCLA-128 that we commenced in February 2015, we plan to enroll up to 200 patients with various solid tumors that are relapsed or refractory to at least one prior regimen of available standard treatment or for whom no curative therapy is available. In the Phase 1 clinical trial of MCLA-117 that commenced in May 2016, we plan to enroll up to 50 adult patients with AML. Trials may be subject to delays as a result of patient enrollment taking longer than anticipated or patient withdrawal.

Patient enrollment depends on many factors, including the size and nature of the patient population, eligibility criteria for the trial, the proximity of patients to clinical sites, the design of the clinical protocol, the availability of competing clinical trials, the availability of new drugs approved for the indication the clinical trial is investigating, and clinicians' and patients' perceptions as to the potential advantages of the drug being studied in relation to other available therapies. These factors may make it difficult for us to enroll enough patients to complete our clinical trials in a timely and cost-effective manner. Delays in the completion of any clinical trial of our bispecific antibody candidates will increase our costs, slow down our bispecific antibody candidate development and approval process and delay or potentially jeopardize our ability to commence product sales and generate revenue. In addition, some 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 bispecific antibody candidates.

We may become exposed to costly and damaging liability claims, either when testing our bispecific antibody candidates in the clinic or at the commercial stage; and our product liability insurance may not cover all damages from such claims.

We are exposed to potential product liability and professional indemnity risks that are inherent in the research, development, manufacturing, marketing and use of pharmaceutical products. Currently, we have no

products that have been approved for commercial sale; however, the current and future use of bispecific antibody candidates by us and our corporate collaborators in clinical trials, and the sale of any approved products in the future, may expose us to liability claims. These claims might be made by patients that use the product, healthcare providers, pharmaceutical companies, our corporate collaborators or others selling such products. Any claims against us, regardless of their merit, could be difficult and costly to defend and could materially adversely affect the market for our bispecific antibody candidates or any prospects for commercialization of our bispecific antibody candidates.

Although the clinical trial process is designed to identify and assess potential side effects, it is always possible that a drug, even after regulatory approval, may exhibit unforeseen side effects. If any of our bispecific antibody candidates were to cause adverse side effects during clinical trials or after approval of the bispecific antibody candidate, we may be exposed to substantial liabilities. Physicians and patients may not comply with any warnings that identify known potential adverse effects and patients who should not use our bispecific antibody candidates.

Although we maintain adequate product liability insurance for our bispecific antibody candidates, it is possible that our liabilities could exceed our insurance coverage. We intend to expand our insurance coverage to include the sale of commercial products if we obtain marketing approval for any of our bispecific antibody candidates. However, we may not be able to maintain insurance coverage at a reasonable cost or obtain insurance coverage that will be adequate to satisfy any liability that may arise. If a successful product liability claim or series of claims is brought against us for uninsured liabilities or in excess of insured liabilities, our assets may not be sufficient to cover such claims and our business operations could be impaired.

Should any of the events described above occur, this could have a material adverse effect on our business, financial condition and results of operations.

The regulatory approval processes of the FDA, the EMA and comparable foreign authorities are lengthy, time consuming and inherently unpredictable, and if we are ultimately unable to obtain regulatory approval for our bispecific antibody candidates, our business will be substantially harmed.

The time required to obtain approval by the FDA, the EMA and comparable foreign authorities is unpredictable but typically takes many years following the commencement of clinical trials and depends upon numerous factors, including the substantial discretion of the regulatory authorities. In addition, approval policies, regulations, or the type and amount of clinical data necessary to gain approval may change during the course of a bispecific antibody candidate's clinical development and may vary among jurisdictions. We have not obtained regulatory approval for any bispecific antibody candidate and it is possible that none of our existing bispecific antibody candidates or any bispecific antibody candidates we may seek to develop in the future will ever obtain regulatory approval.

Our bispecific antibody candidates could fail to receive regulatory approval for many reasons, including the following:

- the FDA, the EMA or comparable foreign regulatory authorities may disagree with the design or implementation of our clinical trials;
- we may be unable to demonstrate to the satisfaction of the FDA, the EMA or comparable foreign regulatory authorities that a bispecific antibody candidate is safe and effective for its proposed indication;
- the results of clinical trials may not meet the level of statistical significance required by the FDA, the EMA or comparable foreign regulatory authorities for approval;
- we may be unable to demonstrate that a bispecific antibody candidate's clinical and other benefits outweigh its safety risks;

- the FDA, the EMA or comparable foreign regulatory authorities may disagree with our interpretation of data from pre-clinical studies or clinical trials;
- the data collected from clinical trials of our bispecific antibody candidates may not be sufficient to support the submission of a BLA or other submission or to obtain regulatory approval in the United States, the EU or elsewhere;
- the FDA, the EMA or comparable foreign regulatory authorities may fail to approve the manufacturing processes or facilities of third-party manufacturers with which we contract for clinical and commercial supplies;
- the FDA, the EMA or comparable foreign regulatory authorities may fail to approve the companion diagnostics we contemplate developing with collaborators; and
- the approval policies or regulations of the FDA, the EMA or comparable foreign regulatory authorities may significantly change in a manner rendering our clinical data insufficient for approval.

This lengthy approval process as well as the unpredictability of future clinical trial results may result in our failing to obtain regulatory approval to market any of our bispecific antibody candidates, which would significantly harm our business, results of operations and prospects. The FDA, the EMA and other regulatory authorities have substantial discretion in the approval process, and determining when or whether regulatory approval will be obtained for any of our bispecific antibody candidates. Even if we believe the data collected from clinical trials of our bispecific antibody candidates are promising, such data may not be sufficient to support approval by the FDA, the EMA or any other regulatory authority.

In addition, even if we were to obtain approval, regulatory authorities may approve any of our bispecific antibody candidates for fewer or more limited indications than we request, may not approve the price we intend to charge for our products, may grant approval contingent on the performance of costly post-marketing clinical trials, or may approve a bispecific antibody candidate with a label that does not include the labeling claims necessary or desirable for the successful commercialization of that bispecific antibody candidate. Any of the foregoing scenarios could materially harm the commercial prospects for our bispecific antibody candidates.

Even if our bispecific antibody candidates obtain regulatory approval, we will be subject to ongoing obligations and continued regulatory review, which may result in significant additional expense. Additionally, our bispecific antibody candidates, if approved, could be subject to 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.

If the FDA, the EMA or a comparable foreign regulatory authority approves any of our bispecific antibody candidates, the manufacturing processes, labeling, packaging, distribution, adverse event reporting, storage, advertising, promotion and recordkeeping for the product 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 cGMPs and GCPs for any clinical trials that we conduct post-approval, all of which may result in significant expense and limit our ability to commercialize such products. In addition, any regulatory approvals that we receive for our bispecific antibody candidates may also be subject to limitations on the approved indicated uses for which the product may be marketed or to the conditions of approval, or contain requirements for potentially costly post-marketing testing, including Phase 4 clinical trials, and surveillance to monitor the safety and efficacy of the bispecific antibody candidate.

If there are changes in the application of legislation or regulatory policies, or if problems are discovered with a product or our manufacture of a product, or if we or one of our distributors, licensees or co-marketers fails to comply with regulatory requirements, the regulators could take various actions. These include imposing fines on us, imposing restrictions on the product or its manufacture and requiring us to recall or remove the product from the market. The regulators could also suspend or withdraw our marketing authorizations, requiring us to

conduct additional clinical trials, change our product labeling or submit additional applications for marketing authorization. If any of these events occurs, our ability to sell such product may be impaired, and we may incur substantial additional expense to comply with regulatory requirements, which could materially adversely affect our business, financial condition and results of operations.

We may not be successful in our efforts to use and expand our technology platform to build a pipeline of bispecific antibody candidates.

A key element of our strategy is to use and expand our Biclonics technology platform to build a pipeline of bispecific antibody candidates and progress these bispecific antibody candidates through clinical development for the treatment of a variety of different types of diseases. Although our research and development efforts to date have resulted in a pipeline of bispecific antibody candidates directed at various cancers, we may not be able to develop bispecific antibody candidates that are safe and effective. Even if we are successful in continuing to build our pipeline, the potential bispecific antibody candidates that we identify may not be suitable for clinical development, including as a result of being shown to have harmful side effects or other characteristics that indicate that they are unlikely to be products that will receive marketing approval and achieve market acceptance. If we do not continue to successfully develop and begin to commercialize bispecific antibody candidates, we will face difficulty in obtaining product revenues in future periods, which could result in significant harm to our financial position and adversely affect our share price.

Even if we obtain marketing approval of any of our bispecific antibody candidates in a major pharmaceutical market such as the United States or the EU, we may never obtain approval or commercialize our products in other major markets, which would limit our ability to realize their full market potential.

In order to market any products in a country or territory, we must establish and comply with numerous and varying regulatory requirements of such countries or territories regarding safety and efficacy. Clinical trials conducted in one country may not be accepted by regulatory authorities in other countries, and regulatory approval in one country does not mean that regulatory approval will be obtained in any other country. Approval procedures vary among countries and can involve additional product testing and validation and additional administrative review periods. Seeking regulatory approvals in all major markets could result in significant delays, difficulties and costs for us and may require additional pre-clinical studies or clinical trials which would be costly and time consuming. Regulatory requirements can vary widely from country to country and could delay or prevent the introduction of our products in those countries. Satisfying these and other regulatory requirements is costly, time consuming, uncertain and subject to unanticipated delays. In addition, our failure to obtain regulatory approval in any country may delay or have negative effects on the process for regulatory approval in other countries. We currently do not have any bispecific antibody candidates approved for sale in any jurisdiction, whether in the Netherlands, the United States or any other international markets, and we do not have experience in obtaining regulatory approval in international markets. If we fail to comply with regulatory requirements in international markets or to obtain and maintain required approvals, our target market will be reduced and our ability to realize the full market potential of our products will be harmed.

Due to our limited resources and access to capital, we must, and have in the past decided to, prioritize development of certain bispecific antibody candidates over other potential candidates. These decisions may prove to have been wrong and may adversely affect our revenues.

Because we have limited resources and access to capital to fund our operations, we must decide which bispecific antibody candidates to pursue and the amount of resources to allocate to each. Our decisions concerning the allocation of research, collaboration, management and financial resources toward particular compounds, bispecific antibody candidates or therapeutic areas may not lead to the development of viable commercial products and may divert resources away from better opportunities. Similarly, our decisions to delay, terminate or collaborate with third parties in respect of certain product development programs may also prove not to be optimal and could cause us to miss valuable opportunities. If we make incorrect determinations regarding

the market potential of our bispecific antibody candidates or misread trends in the biopharmaceutical industry, in particular for our lead bispecific antibody candidates, our business, financial condition and results of operations could be materially adversely affected.

Because we are subject to environmental, health and safety laws and regulations, we may become exposed to liability and substantial expenses in connection with environmental compliance or remediation activities which may adversely affect our business and financial condition.

Our operations, including our research, development, testing and manufacturing activities, are subject to numerous environmental, health and safety laws and regulations. These laws and regulations govern, among other things, the controlled use, handling, release and disposal of, and the maintenance of a registry for, hazardous materials and biological materials, such as chemical solvents, human cells, carcinogenic compounds, mutagenic compounds and compounds that have a toxic effect on reproduction, laboratory procedures and exposure to blood-borne pathogens. If we fail to comply with such laws and regulations, we could be subject to fines or other sanctions.

As with other companies engaged in activities similar to ours, we face a risk of environmental liability inherent in our current and historical activities, including liability relating to releases of or exposure to hazardous or biological materials. Environmental, health and safety laws and regulations are becoming more stringent. We may be required to incur substantial expenses in connection with future environmental compliance or remediation activities, in which case, our production and development efforts may be interrupted or delayed and our financial condition and results of operations may be materially adversely affected.

Our employees, independent contractors, principal investigators, CROs, consultants, vendors and collaboration partners may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements, which could have a material adverse effect on our business.

We are exposed to the risk that our employees, independent contractors, principal investigators, CROs, consultants, vendors and collaboration partners may engage in fraudulent conduct or other illegal activities. Misconduct by these parties could include intentional, reckless and/or negligent conduct or unauthorized activities that violate: (i) the regulations of the FDA, the EMA and other regulatory authorities, including those laws that require the reporting of true, complete and accurate information to such authorities; (ii) manufacturing standards; (iii) federal and state data privacy, security, fraud and abuse and other healthcare laws and regulations in the United States and abroad; or (iv) laws that require the reporting of true, complete and accurate financial information and data. Specifically, sales, marketing and business arrangements in the healthcare industry are subject to extensive laws and regulations intended to prevent fraud, misconduct, kickbacks, self-dealing and other abusive practices. These laws and regulations may restrict or prohibit a wide range of pricing, discounting, marketing and promotion, sales commission, customer incentive programs and other business arrangements. Activities subject to these laws could also involve the improper use or misrepresentation of information obtained in the course of clinical trials or creating fraudulent data in our pre-clinical studies or clinical trials, which could result in regulatory sanctions and cause serious harm to our reputation. 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 comply with such laws or regulations. Additionally, we are subject to the risk that a person or government could allege such fraud or other misconduct, even if none occurred. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business and results of operations, including the imposition of significant civil, criminal and administrative penalties, damages, monetary fines, disgorgements, possible exclusion from participation in Medicare, Medicaid and other U.S. federal healthcare programs, individual imprisonment, other sanctions, 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.

Our research and development activities could be affected or delayed as a result of possible restrictions on animal testing.

Certain laws and regulations require us to test our bispecific antibody candidates on animals before initiating clinical trials involving humans. Animal testing activities have been the subject of controversy and adverse publicity. Animal rights groups and other organizations and individuals have attempted to stop animal testing activities by pressing for legislation and regulation in these areas and by disrupting these activities through protests and other means. To the extent the activities of these groups are successful, our research and development activities may be interrupted, delayed or become more expensive.

Risks Related to Regulatory Approval of Our Bispecific Antibody Candidates

Enacted and future legislation may increase the difficulty and cost for us to obtain marketing approval of and commercialize our bispecific antibody candidates and may affect the prices we may set. The successful commercialization of our bispecific antibody candidates will depend in part on the extent to which governmental authorities and health insurers establish adequate coverage and reimbursement levels and pricing policies.

In the United States, the EU, and other foreign jurisdictions, there have been, and we expect there will continue to be, a number of legislative and regulatory changes and proposed changes to the healthcare system that could affect our future results of operations. In particular, there have been and continue to be a number of initiatives at the United States federal and state levels that seek to reduce healthcare costs and improve the quality of healthcare. For example, in March 2010, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act, or collectively the ACA, was enacted, which substantially changes the way healthcare is financed by both governmental and private insurers. Among the provisions of the ACA, those of greatest importance to the pharmaceutical and biotechnology industries include the following:

- an annual, non-deductible fee on any entity that manufactures or imports certain branded prescription drugs and biologic agents, which is apportioned among these entities according to their market share in certain government healthcare programs;
- a new Medicare Part D coverage gap discount program, in which manufacturers must agree to offer 50% point-of-sale discounts off 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;
- new requirements to report certain financial arrangements with physicians and certain others, including reporting "transfers of value" made or distributed to prescribers and other healthcare providers and reporting investment interests held by physicians and their immediate family members;
- an increase in the statutory minimum rebates a manufacturer must pay under the Medicaid Drug Rebate Program to 23.1% and 13.0% of the average manufacturer price for branded and generic drugs, respectively;
- a new methodology by which rebates owed by manufacturers under the Medicaid Drug Rebate Program are calculated for drugs that are inhaled, infused, instilled, implanted or injected;
- extension of a manufacturer's 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 certain individuals with income at or below 133% of the federal poverty level, thereby potentially increasing a manufacturer's Medicaid rebate liability;
- expansion of the entities eligible for discounts under the Public Health Service pharmaceutical pricing program;

- a new Patient-Centered Outcomes Research Institute to oversee, identify priorities in, and conduct comparative clinical effectiveness research, along with funding for such research;
- creation of the Independent Payment Advisory Board which has authority to recommend certain changes to the Medicare program that could result in reduced payments for prescription drugs and those recommendations could have the effect of law unless overruled by a supermajority vote of Congress; and
- establishment of a Center for Medicare Innovation at the Centers for Medicare & Medicaid Services, or CMS, to test innovative payment and service delivery models to lower Medicare and Medicaid spending, potentially including prescription drug spending.

In addition, other legislative changes have been proposed and adopted in the United States since the ACA was enacted. On August 2, 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 of 2% per fiscal year. These reductions went into effect on April 1, 2013 and, due to subsequent legislative amendments to the statute will remain in effect through 2025 unless additional Congressional action is taken. On January 2, 2013, the American Taxpayer Relief Act of 2012 was signed into law, which, among other things, further reduced Medicare payments to several types of providers, including hospitals, imaging centers and cancer treatment centers, and increased the statute of limitations period for the government to recover overpayments to providers from three to five years. These new laws may result in additional reductions in Medicare and other health care funding, which could have a material adverse effect on our customers and accordingly, our financial operations.

Moreover, payment methodologies, including payment for companion diagnostics, may be subject to changes in healthcare legislation and regulatory initiatives. For example, CMS began bundling the Medicare payments for certain laboratory tests ordered while a patient received services in a hospital outpatient setting and, beginning in 2018, CMS will pay for clinical laboratory services based on a weighted average of reported prices that private payors, Medicare Advantage plans, and Medicaid Managed Care plans pay for laboratory services. In addition, recently there has been heightened governmental scrutiny over the manner in which manufacturers set prices for their marketed products, which has resulted in several Congressional inquiries and proposed bills designed to, among other things, bring more transparency to product pricing, review the relationship between pricing and manufacturer patient programs, and reform government program reimbursement methodologies for drug products. For example, the 21st Century Cures Act changed the reimbursement methodology for infusion drugs and biologics furnished through durable medical equipment in an attempt to remedy over- and underpayment of certain products. We expect that additional U.S. federal healthcare reform measures will be adopted in the future, any of which could limit the amounts that the U.S. federal government will pay for healthcare products and services, which could result in reduced demand for our bispecific antibody candidates or additional pricing pressures.

Individual states in the United States have also become increasingly aggressive in passing legislation and implementing 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. Legally mandated price controls on payment amounts by third-party payors or other restrictions could harm our business, results of operations, financial condition and prospects. In addition, regional healthcare authorities and individual hospitals are increasingly using bidding procedures to determine what pharmaceutical products and which suppliers will be included in their prescription drug and other healthcare programs. This could reduce the ultimate demand for our products or put pressure on our product pricing, which could negatively affect our business, results of operations, financial condition and prospects.

In the EU, similar political, economic and regulatory developments may affect our ability to profitably commercialize our current or any future products. In addition to continuing pressure on prices and cost containment measures, legislative developments at the EU or member state level may result in significant additional requirements or obstacles that may increase our operating costs. The delivery of healthcare in the EU, including the establishment and operation of health services and the pricing and reimbursement of medicines, is almost exclusively a matter for national, rather than EU, law and policy. National governments and health service providers have different priorities and approaches to the delivery of health care and the pricing and reimbursement of products in that context. In general, however, the healthcare budgetary constraints in most EU member states have resulted in restrictions on the pricing and reimbursement of medicines by relevant health service providers. Coupled with ever-increasing EU and national regulatory burdens on those wishing to develop and market products, this could prevent or delay marketing approval of our bispecific antibody candidates, restrict or regulate post-approval activities and affect our ability to commercialize any products for which we obtain marketing approval. In international markets, reimbursement and healthcare payment systems vary significantly by country, and many countries have instituted price ceilings on specific products and therapies.

The policies of the FDA or similar regulatory authorities may change and additional government regulations may be enacted that could prevent, limit or delay regulatory approval of our product candidates. For example, in December 2016, the 21st Century Cures Act, or Cures Act, was signed into law. The Cures Act, among other things, is intended to modernize the regulation of drugs and biologics and spur innovation, but it has not yet been implemented and its ultimate implementation is unclear. If we or our collaborators are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if we or our collaborators are not able to maintain regulatory compliance, our bispecific antibody candidates may lose any regulatory approval that may have been obtained and we may not achieve or sustain profitability, which would adversely affect our business.

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 abroad. For example, certain policies of the current presidential administration may impact our business and industry. Namely, the current presidential administration has taken several executive actions, including the issuance of a number of Executive Orders, that could impose significant burdens on, or otherwise materially delay, FDA's ability to engage in routine regulatory and oversight activities such as implementing statutes through rulemaking, issuance of guidance, and review and approval of marketing applications. Notably, on January 30, 2017, an executive order was issued, applicable to all executive agencies, including the FDA, that requires that for each notice of proposed rulemaking or final regulation to be issued in fiscal year 2017, the agency shall identify at least two existing regulations to be repealed, unless prohibited by law. These requirements are referred to as the "two-for-one" provisions. This Executive Order includes a budget neutrality provision that requires the total incremental cost of all new regulations in the 2017 fiscal year, including repealed regulations, to be no greater than zero, except in limited circumstances. For fiscal years 2018 and beyond, the Executive Order requires agencies to identify regulations to offset any incremental cost of a new regulation and approximate the total costs or savings associated with each new regulation or repealed regulation. In interim guidance issued by the Office of Information and Regulatory Affairs within OMB on February 2, 2017, the administration indicates that the "two-for-one" provisions may apply not only to agency regulations, but also to significant agency guidance documents. Moreover, on February 24, 2017, an Executive Order was issued requiring each agency to designate a regulatory reform officer and create a regulatory reform task force to evaluate existing regulations and make recommendations regarding their repeal, replacement, or modification. It is difficult to predict how these requirements will be implemented, and the extent to which they will impact the FDA's ability to exercise its regulatory authority. If these executive actions impose constraints on FDA's ability to engage in oversight and implementation activities in the normal course, our business may be negatively impacted.

We may be subject to healthcare laws, regulation and enforcement; our failure to comply with these laws could harm our results of operations and financial conditions.

Although we do not currently have any products on the market, if we obtain FDA approval for any of our bispecific antibody candidates and begin commercializing those products in the United States, our operations may be directly, or indirectly through our customers and third-party payors, subject to various U.S. federal and state healthcare laws and regulations, including, without limitation, the U.S. federal Anti-Kickback Statute. Healthcare providers, physicians and others play a primary role in the recommendation and prescription of any products for which we obtain marketing approval. These laws may impact, among other things, our proposed sales, marketing and education programs and constrain the business of financial arrangements and relationships with healthcare providers, physicians and other parties through which we market, sell and distribute our products for which we obtain marketing approval. In addition, we may be subject to patient data privacy and security regulation by both the U.S. federal government and the states in which we conduct our business. Finally, we may be subject to additional healthcare, statutory and regulatory requirements and enforcement by foreign regulatory authorities in jurisdictions in which we conduct our business. The laws that may affect our ability to operate include:

- the U.S. federal Anti-Kickback Statute, which prohibits, among other things, persons or entities from knowingly and willfully soliciting, offering, receiving or paying any remuneration (including any kickback, bribe, or certain rebate), directly or indirectly, overtly or covertly, in cash or in kind, to induce or reward 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, under U.S. federal and state healthcare programs such as Medicare and Medicaid. A person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation;
- the U.S. federal false claims and civil monetary penalties laws, including the civil False Claims Act, which, among other things, impose criminal and civil penalties, including through civil whistleblower or *qui tam* actions, against individuals or entities for, among other things, knowingly presenting, or causing to be presented, to the U.S. federal government, claims for payment or approval that are false or fraudulent , knowingly making, using or causing to be made or used, a false record or statement material to a false or fraudulent claim, or from knowingly making a false statement to avoid, decrease or conceal an obligation to pay money to the U.S. federal government. In addition, the government may assert that a claim including items and services resulting from a violation of the U.S. federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the False Claims Act;
- the U.S. federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, which imposes criminal and civil liability for, among other things, knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program, 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; similar to the U.S. federal Anti-Kickback Statute, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation;
- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009, or HITECH, and its implementing regulations, and as amended again by the Final HIPAA Omnibus Rule, Modifications to the HIPAA Privacy, Security, Enforcement and Breach Notification Rules Under HITECH and the Genetic Information Nondiscrimination Act; Other Modifications to the HIPAA Rules, published in January 2013, which imposes certain obligations, including mandatory contractual terms, with respect to safeguarding the privacy, security and transmission of individually identifiable health information without appropriate authorization by covered entities subject to the rule, such as health plans, healthcare clearinghouses and healthcare providers as well as their business associates that perform certain services involving the use or disclosure of individually identifiable health information;

- the U.S. federal Food, Drug and Cosmetic Act, or FDCA, which prohibits, among other things, the adulteration or misbranding of drugs, biologics and medical devices;
- the U.S. federal legislation commonly referred to as Physician Payments Sunshine Act, enacted as part of the ACA, and its implementing regulations, which requires certain manufacturers of drugs, devices, biologics and medical supplies that are reimbursable under Medicare, Medicaid, or the Children's Health Insurance Program to report annually to the CMS information related to certain payments and other transfers of value to physicians (defined to include doctors, dentists, optometrists, podiatrists and chiropractors) and teaching hospitals, as well as ownership and investment interests held by the physicians described above and their immediate family members;
- analogous state laws and regulations, including: state anti-kickback and false claims laws, which may apply to our business practices, including but not limited to, research, distribution, sales and marketing arrangements and claims involving healthcare items or services reimbursed by any third-party payor, including private insurers; state laws that require pharmaceutical companies to comply with the pharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the U.S. federal government, or otherwise restrict payments that may be made to healthcare providers and other potential referral sources; state laws and regulations that require drug manufacturers to file reports relating to pricing and marketing information, and that requires the tracking and reporting of gifts and other remuneration and items of value provided to healthcare professionals and entities; and state laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts; and
- European and other foreign law equivalents of each of the laws, including reporting requirements detailing interactions with and payments to healthcare providers.

Ensuring that our internal operations and future business arrangements with third parties comply with applicable healthcare laws and regulations could 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. If our operations are found to be in violation of any of the laws described above or any other governmental laws and regulations that may apply to us, we may be subject to significant penalties, including civil, criminal and administrative penalties, damages, fines, exclusion from U.S. government funded healthcare programs, such as Medicare and Medicaid, disgorgement, individual imprisonment, contractual damages, reputational harm, diminished profits, and the curtailment or restructuring of our operations. If any of the physicians or other providers or entities with whom we expect to do business is found not to be in compliance with applicable laws, they may be subject to criminal, civil or administrative sanctions, including exclusions from government funded healthcare programs and imprisonment. If any of the above occur, it could adversely affect our ability to operate our business and our results of operations. Further, defending against any such actions can be costly, time-consuming and may require significant personnel resources. Therefore, even if we are successful in defending against any such actions that may be brought against us, our business may be impaired.

Risks Related to Commercialization of Our Bispecific Antibody Candidates

We operate in highly competitive and rapidly changing industries, which may result in others discovering, developing or commercializing competing products before or more successfully than we do.

The biopharmaceutical and pharmaceutical industries are highly competitive and subject to significant and rapid technological change. Our success is highly dependent on our ability to discover, develop and obtain marketing approval for new and innovative products on a cost-effective basis and to market them successfully. In doing so, we face and will continue to face intense competition from a variety of businesses, including large, fully integrated pharmaceutical companies, specialty pharmaceutical companies and biopharmaceutical

companies, academic institutions, government agencies and other private and public research institutions in Europe, the United States and other jurisdictions. These organizations may have significantly greater resources than we do and conduct similar research, seek patent protection and establish collaborative arrangements for research, development, manufacturing and marketing of products that compete with our bispecific antibody candidates.

With the proliferation of new drugs and therapies into oncology, we expect to face increasingly intense competition as new technologies become available. If we fail to stay at the forefront of technological change, we may be unable to compete effectively. Any bispecific antibody candidates that we successfully develop and commercialize will compete with existing therapies and new therapies that may become available in the future. The highly competitive nature of and rapid technological changes in the biotechnology and pharmaceutical industries could render our bispecific antibody candidates or our technology obsolete, less competitive or uneconomical. Our competitors may, among other things:

- have significantly greater financial, manufacturing, marketing, drug development, technical and human resources than we do;
- develop and commercialize products that are safer, more effective, less expensive, more convenient or easier to administer, or have fewer or less severe side effects;
- obtain quicker regulatory approval;
- establish superior proprietary positions covering our products and technologies;
- implement more effective approaches to sales and marketing; or
- form more advantageous strategic alliances.

Should any of these factors occur, our business, financial condition and results of operations could be materially adversely affected.

In addition, any collaborators may decide to market and sell products that compete with the bispecific antibody candidates that we have agreed to license to them, and any competition by our collaborators could also have a material adverse effect on our future business, financial condition and results of operations.

Smaller and other early stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. These third parties compete with us in recruiting and retaining qualified scientific and management personnel, establishing clinical trial sites and patient registration for clinical trials, as well as in acquiring technologies complementary to, or necessary for, our programs.

If we fail to obtain orphan drug designation or obtain or maintain orphan drug exclusivity for our products, our competitors may sell products to treat the same conditions and our revenue will be reduced.

Under the Orphan Drug Act, the FDA may designate a product as an orphan drug if it is intended to treat a rare 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 EU, the EMA's Committee for Orphan Medicinal Products, or COMP, grants orphan drug designation to promote the development of products that are intended for the diagnosis, prevention or treatment of a life-threatening or chronically debilitating condition affecting not more than five in 10,000 persons in the EU. Additionally, designation is granted for products intended for the diagnosis, prevention or treatment of a life-threatening, seriously debilitating or serious and chronic condition when, without incentives, it is unlikely that sales of the drug in the EU would be sufficient to justify the necessary investment in developing the drug or biological product or where there is no satisfactory method of diagnosis, prevention or treatment, or, if such a method exists, the medicine must be of significant benefit to those affected by the condition.

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 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. In the EU, orphan drug designation entitles a party to financial incentives such as reduction of fees or fee waivers and ten years of market exclusivity following drug or biological product approval. This period may be reduced to six years if the orphan drug designation criteria are no longer met, including where it is shown that the product is sufficiently profitable not to justify maintenance of market exclusivity.

We plan to seek orphan drug designation from the FDA and the EMA for MCLA-117 for the treatment of AML. Even if we are able to obtain orphan designation for MCLA-117 in the United States and/or the EU, we may not be the first to obtain marketing approval for any particular orphan indication due to the uncertainties associated with developing pharmaceutical products. In addition, exclusive marketing rights in the United States may be limited if we seek approval for an indication broader than the orphan-designated indication or may be lost if the FDA later determines that the request for designation was materially defective or if the manufacturer is unable to assure sufficient quantities of the product to meet the needs of patients with the rare disease or condition. Further, even if we obtain orphan drug exclusivity for a product, that exclusivity may not effectively protect the product from competition because different drugs with different active moieties can be approved for the same condition. Even after an orphan drug is approved, the FDA or the EMA can subsequently approve the same drug with the same active moiety for the same condition if the FDA or the EMA concludes that the later drug is safer, more effective, or makes a major contribution to patient care. Orphan drug designation neither shortens the development time or regulatory review time of a drug nor gives the drug any advantage in the regulatory review or approval process. In addition, while we intend to seek orphan drug designation for MCLA-117 for the treatment of AML, we may never receive such designation.

The successful commercialization of our bispecific antibody candidates will depend in part on the extent to which governmental authorities and health insurers establish adequate coverage, reimbursement levels and pricing policies. Failure to obtain or maintain adequate coverage and reimbursement for our bispecific antibody candidates, if approved, could limit our ability to market those products and decrease our ability to generate revenue.

The availability and adequacy of coverage and reimbursement by governmental healthcare programs such as Medicare and Medicaid, private health insurers and other third-party payors are essential for most patients to be able to afford products such as our bispecific antibody candidates, assuming approval. Our ability to achieve acceptable levels of coverage and reimbursement for products by governmental authorities, private health insurers and other organizations will have an effect on our ability to successfully commercialize, and attract additional collaboration partners to invest in the development of our bispecific antibody candidates. 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. We cannot be sure that coverage and reimbursement in the United States, the EU or elsewhere will be available for any product that we may develop, and any reimbursement that may become available may be decreased or eliminated in the future. Third-party payors increasingly are challenging prices charged for pharmaceutical products and services, and many third-party payors may refuse to provide coverage and reimbursement for particular drugs when an equivalent generic drug or a less expensive therapy is available. It is possible that a third-party payor may consider our bispecific antibody candidate and other therapies as substitutable and only offer to reimburse patients for the less expensive product. Even if we show improved efficacy or improved convenience of administration with our bispecific antibody candidate, pricing of existing drugs may limit the amount we will be able to charge for our bispecific antibody candidate. These payors may deny or revoke the reimbursement status of a given drug product or establish prices for new or existing marketed products at levels that are too low to enable us to realize an appropriate return on our investment in product development. If reimbursement is not

available or is available only at limited levels, we may not be able to successfully commercialize our bispecific antibody candidates, and may not be able to obtain a satisfactory financial return on products that we may develop.

There is significant uncertainty related to the insurance coverage and reimbursement of newly approved products. In the United States, third-party payors, including private and governmental payors, such as the Medicare and Medicaid programs, play an important role in determining the extent to which new drugs and biologics will be covered. The Medicare and Medicaid programs increasingly are used as models for how private payors and other governmental payors develop their coverage and reimbursement policies for drugs and biologics. Some third-party payors may require pre-approval of coverage for new or innovative devices or drug therapies before they will reimburse health care providers who use such therapies. It is difficult to predict at this time what third-party payors will decide with respect to the coverage and reimbursement for our bispecific antibody candidates.

Obtaining and maintaining reimbursement status is time-consuming and costly. No uniform policy 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 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. Furthermore, rules and regulations regarding reimbursement change frequently, in some cases at short notice, and we believe that changes in these rules and regulations are likely.

Outside the United States, international operations are generally subject to extensive governmental price controls and other market regulations, and we believe the increasing emphasis on cost-containment initiatives in Europe, Canada, and other countries has and will continue to put pressure on the pricing and usage of our bispecific antibody candidates. In many countries, the prices of medical products are subject to varying price control mechanisms as part of national health systems. Other countries allow companies to fix their own prices for medical products, but monitor and control company profits. Additional foreign price controls or other changes in pricing regulation could restrict the amount that we are able to charge for our bispecific antibody candidates. Accordingly, in markets outside the United States, the reimbursement for our products may be reduced compared with the United States and may be insufficient to generate commercially reasonable revenue and profits.

Moreover, increasing efforts by governmental and third-party payors in the United States and abroad to cap or reduce healthcare costs may cause such organizations to limit both coverage and the level of reimbursement for newly approved products and, as a result, they may not cover or provide adequate payment for our bispecific antibody candidates. We expect to experience pricing pressures in connection with the sale of any of our bispecific antibody candidates due to the trend toward managed healthcare, the increasing influence of health maintenance organizations, and additional legislative changes. The downward pressure on healthcare costs in general, particularly prescription drugs and surgical procedures and other treatments, has become very intense. As a result, increasingly high barriers are being erected to the entry of new products.

Our products may not gain market acceptance, in which case we may not be able to generate product revenues, which will materially adversely affect our business, financial condition and results of operations.

Even if the FDA, the EMA or any other regulatory authority approves the marketing of any bispecific antibody candidates that we develop on our own or with a collaboration partner, physicians, healthcare providers, patients or the medical community may not accept or use them. If these products do not achieve an adequate level of acceptance, we may not generate significant product revenues or any profits from operations. The degree of market acceptance of any of our bispecific antibody candidates will depend on a variety of factors, including:

- the timing of market introduction;

- the number and clinical profile of competing products;
- our ability to provide acceptable evidence of safety and efficacy;
- the prevalence and severity of any side effects;
- relative convenience and ease of administration;
- cost-effectiveness;
- patient diagnostics and screening infrastructure in each market;
- marketing and distribution support;
- availability of adequate coverage, reimbursement and adequate payment from health maintenance organizations and other insurers, both public and private; and
- other potential advantages over alternative treatment methods.

If our bispecific antibody candidates fail to gain market acceptance, this will have a material adverse impact on our ability to generate revenues to provide a satisfactory, or any, return on our investments. Even if some products achieve market acceptance, the market may prove not to be large enough to allow us to generate significant revenues.

We currently have no marketing, sales or distribution infrastructure. If we are unable to develop sales, marketing and distribution capabilities on our own or through collaborations, or if we fail to achieve adequate pricing and/or reimbursement we will not be successful in commercializing our bispecific antibody candidates.

We currently have no marketing, sales and distribution capabilities because all of our bispecific antibody candidates are still in clinical or pre-clinical development. If any of our bispecific antibody candidates are approved, we intend either to establish a sales and marketing organization with technical expertise and supporting distribution capabilities to commercialize our bispecific antibody candidates, or to outsource this function to a third party. Either of these options would be expensive and time consuming. These costs may be incurred in advance of any approval of our bispecific antibody candidates. In addition, we may not be able to hire a sales force that is sufficient in size or has adequate expertise in the medical markets that we intend to target. Any failure or delay in the development of our internal sales, marketing and distribution capabilities would adversely impact the commercialization of our products.

To the extent that we enter into collaboration agreements with respect to marketing, sales or distribution, our product revenue may be lower than if we directly marketed or sold any approved products. In addition, any revenue we receive will depend in whole or in part upon the efforts of these third-party collaborators, which may not be successful and are generally not within our control. If we are unable to enter into these arrangements on acceptable terms or at all, we may not be able to successfully commercialize any approved products. If we are not successful in commercializing any approved products, either on our own or through collaborations with one or more third parties, our future product revenue will suffer and we may incur significant additional losses.

We have never commercialized a bispecific antibody candidate before and may lack the necessary expertise, personnel and resources to successfully commercialize our products on our own or together with suitable collaborators.

We have never commercialized a bispecific antibody candidate, and we currently have no sales force, marketing or distribution capabilities. To achieve commercial success for the bispecific antibody candidates which we may license to others, we will rely on the assistance and guidance of those collaborators. For bispecific antibody candidates for which we retain commercialization rights, we will have to develop our own sales, marketing and supply organization or outsource these activities to a third party.

Factors that may affect our ability to commercialize our bispecific antibody candidates on our own include recruiting and retaining adequate numbers of effective sales and marketing personnel, obtaining access to or persuading adequate numbers of physicians to prescribe our bispecific antibody candidates and other unforeseen costs associated with creating an independent sales and marketing organization. Developing a sales and marketing organization will be expensive and time-consuming and could delay the launch of our bispecific antibody candidates. We may not be able to build an effective sales and marketing organization. If we are unable to build our own distribution and marketing capabilities or to find suitable partners for the commercialization of our bispecific antibody candidates, we may not generate revenues from them or be able to reach or sustain profitability.

Our bispecific antibody candidates for which we intend to seek approval as a biologic products may face competition sooner than anticipated.

The Patient Protection and Affordable Care Act, signed into law on March 23, 2010, includes a subtitle called the Biologics Price Competition and Innovation Act of 2009, or BPCIA, which created an abbreviated approval pathway for biological products that are biosimilar to or interchangeable with an FDA-licensed reference biological product. Under the BPCIA, an application for a biosimilar product may not be submitted to the FDA until four years following the date that the reference product was first licensed by the FDA. In addition, the approval of a biosimilar product may not be made effective by the FDA until 12 years from the date on which the reference product was first licensed. During this 12-year period of exclusivity, another company may still market a competing version of the reference product if the FDA approves a full BLA for the competing product containing the sponsor's own pre-clinical data and data from adequate and well-controlled clinical trials to demonstrate the safety, purity and potency of their product. The law is complex and is still being interpreted and implemented by the FDA. As a result, its ultimate impact, implementation, and meaning are subject to uncertainty. While it is uncertain when such processes intended to implement BPCIA may be fully adopted by the FDA, any such processes could have a material adverse effect on the future commercial prospects for our biological products.

We believe that any of our bispecific antibody candidates approved as a biological product under a BLA should qualify for the 12-year period of exclusivity. However, there is a risk that this exclusivity could be shortened due to congressional action or otherwise, or that the FDA will not consider our bispecific antibody candidates to be reference products for competing products, potentially creating the opportunity for generic competition sooner than anticipated. Other aspects of the BPCIA, some of which may impact the BPCIA exclusivity provisions, have also been the subject of recent litigation. Moreover, the extent to which a biosimilar, once approved, will be substituted for any one of our reference products in a way that is similar to traditional generic substitution for non-biological products is not yet clear, and will depend on a number of marketplace and regulatory factors that are still developing.

Risks Related to Our Dependence on Third Parties

We rely, and expect to continue to rely, on third parties, including independent clinical investigators and CROs, to conduct our pre-clinical studies and clinical trials. If these third parties do not successfully carry out their contractual duties or meet expected deadlines, we may not be able to obtain regulatory approval for or commercialize our bispecific antibody candidates and our business could be substantially harmed.

We have relied upon and plan to continue to rely upon third parties, including independent clinical investigators and third-party CROs, to conduct our pre-clinical studies and clinical trials and to monitor and manage data for our ongoing pre-clinical and clinical programs. We rely on these parties for execution of our pre-clinical studies and clinical trials, and control only certain aspects of their activities. Nevertheless, we are responsible for ensuring that each of our studies and trials is conducted in accordance with the applicable protocol, legal, regulatory and scientific standards, and our reliance on these third parties does not relieve us of our regulatory responsibilities. We and our third party contractors and CROs are required to comply with good clinical practice, or GCP, requirements, which are regulations and guidelines enforced by the FDA, the Competent Authorities of the Member States of the EEA, and comparable foreign regulatory authorities for all of our products in clinical development. Regulatory authorities enforce these GCPs through periodic inspections of trial sponsors, principal investigators and trial sites. If we or any of our CROs fail to comply with applicable GCPs, the clinical data generated in our clinical trials may be deemed unreliable and the FDA, the EMA or comparable foreign regulatory authorities may require us to perform additional clinical trials before approving our marketing applications. We cannot assure you that upon inspection by a given regulatory authority, such regulatory authority will determine that any of our clinical trials comply with GCP regulations. In addition, our clinical trials must be conducted with product produced under cGMP regulations. Our failure to comply with these regulations may require us to repeat clinical trials, which would delay the regulatory approval process.

Further, these investigators and CROs are not our employees and we will not be able to control, other than by contract, the amount of resources, including time, which they devote to our bispecific antibody candidates and clinical trials. If independent investigators or CROs fail to devote sufficient resources to the development of our bispecific antibody candidates, or if their performance is substandard, it may delay or compromise the prospects for approval and commercialization of any bispecific antibody candidates that we develop. In addition, the use of third-party service providers requires us to disclose our proprietary information to these parties, which could increase the risk that this information will be misappropriated.

Our CROs have the right to terminate their agreements with us in the event of an uncured material breach. In addition, some of our CROs have an ability to terminate their respective agreements with us if it can be reasonably demonstrated that the safety of the subjects participating in our clinical trials warrants such termination, if we make a general assignment for the benefit of our creditors or if we are liquidated.

If any of our relationships with these third-party CROs terminate, we may not be able to enter into arrangements with alternative CROs or to do so on commercially reasonable terms. If CROs 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, our clinical trials may be extended, delayed or terminated and we may not be able to obtain regulatory approval for or successfully commercialize our bispecific antibody candidates. As a result, our results of operations and the commercial prospects for our bispecific antibody candidates would be harmed, our costs could increase and our ability to generate revenues could be delayed.

Switching or adding additional CROs involves additional cost and requires management time and focus. In addition, there is a natural transition period when a new CRO commences work. As a result, delays occur, which can materially impact our ability to meet our desired clinical development timelines. Though we carefully manage our relationships with our CROs, there can be no assurance that we will not encounter similar challenges or delays in the future or that these delays or challenges will not have a material adverse impact on our business, financial condition and prospects.

The collaboration and license agreement, or the Collaboration Agreement, with Incyte Corporation, or Incyte, is important to our business. If suitable bispecific antibody candidates are not identified for further development and commercialization activities under the Collaboration Agreement, or if we or Incyte fail to adequately perform under the Collaboration Agreement, or if we or Incyte terminate the Collaboration Agreement, the development and commercialization of our bispecific antibody candidates would be delayed or terminated and our business would be adversely affected.

The Collaboration Agreement may be terminated:

- in its entirety or on a program-by-program basis by Incyte for convenience;
- in its entirety or on a program-by-program basis by either party due to a material breach of the Collaboration Agreement, or any one or more programs under the Collaboration Agreement, as applicable; and
- on a program-by-program basis (but not in its entirety), by either party if the other party challenges the terminating party's patents for such program, and such challenge is not withdrawn within 30 days.

If the Collaboration Agreement is terminated with respect to one or more programs, all rights in the terminated programs revert to us, subject to payment to Incyte of a reverse royalty of between 0% and 4% on sales of future products, depending on the stage of development as of the date of termination, if we elect to pursue development and commercialization of bispecific antibody products arising from the terminated programs.

Termination of the Collaboration Agreement could cause significant delays in our product development and commercialization efforts, which could prevent us from commercializing our bispecific antibody candidates without first expanding our internal capabilities, or entering into another agreement with a third party. Any suitable alternative collaboration or license agreement would take considerable time to negotiate and could also be on less favorable terms to us. In addition, under the Collaboration Agreement, Incyte agreed to conduct certain clinical development activities. If the Collaboration Agreement were to be terminated, and whether or not we identify another suitable collaboration partner, we may need to seek additional financing to support the research and development of any terminated products so that we may continue development activities, or we may be forced to discontinue development of terminated products, each of which could have a material adverse effect on our business.

Under the Collaboration Agreement, we are dependent upon Incyte to successfully develop and commercialize bispecific antibody candidates that are identified for further development under the Collaboration Agreement. With the exception of those programs where we retain certain co-development rights, we have limited ability to influence or control Incyte's development and commercialization activities or the resources it allocates to development of bispecific antibody product candidates identified under the Collaboration Agreement. Our interests and Incyte's interests may differ or conflict from time to time, or we may disagree with Incyte's level of effort or resource allocation. Incyte may internally prioritize programs under development within the collaboration differently than we would, or it may not allocate sufficient resources to effectively or optimally develop or commercialize bispecific antibody candidates arising from such programs. If these events were to occur, our ability to receive revenue from the commercialization of products arising from such programs would be reduced, and our business would be adversely affected.

If we fail to enter into new strategic relationships our business, financial condition, commercialization prospects and results of operations may be materially adversely affected.

Our product development programs and the potential commercialization of our bispecific antibody candidates will require substantial additional cash to fund expenses. Therefore, for some of our bispecific antibody candidates, we may decide to enter into new collaborations with pharmaceutical or biopharmaceutical companies for the development and potential commercialization of those bispecific antibody candidates. For

instance, in December 2016, we entered into the Collaboration Agreement with Incyte to develop and commercialize up to eleven bispecific antibody candidates. In addition, in April 2014, we entered into a strategic research and license agreement with ONO Pharmaceutical Co., Ltd., or ONO, under which we granted ONO an exclusive, worldwide, royalty-bearing license to research, test, make, use and market bispecific antibody candidates based on our Biclonics technology platform with undisclosed targets.

We face significant competition in seeking appropriate collaborators. Collaborations are complex and time-consuming to negotiate and document. We may also be restricted under existing and future collaboration agreements from entering into agreements on certain terms with other potential collaborators. We may not be able to negotiate collaborations on acceptable terms, or at all. If that were to occur, we may have to curtail the development of a particular bispecific antibody candidate, reduce or delay its development program or one or more of our other development programs, delay its potential commercialization or reduce the scope of our sales or marketing activities, or increase our expenditures and undertake development or commercialization activities at our own expense. If we elect to increase our expenditures to fund development or commercialization activities on our own, we may need to obtain additional capital, which may not be available to us on acceptable terms or at all. If we do not have sufficient funds, we will not be able to bring our bispecific antibody candidates to market and generate product revenue. If we do enter into a new collaboration agreement, we could be subject to the following risks, each of which may materially harm our business, commercialization prospects and financial condition:

- we may not be able to control the amount and timing of resources that the collaboration partner devotes to the product development program;
- the collaboration partner may experience financial difficulties;
- we may be required to relinquish important rights such as marketing, distribution and intellectual property rights;
- a collaboration partner could move forward with a competing product developed either independently or in collaboration with third parties, including our competitors; or
- business combinations or significant changes in a collaboration partner's business strategy may adversely affect our willingness to complete our obligations under any arrangement.

We currently rely on third-party suppliers and other third parties for production of our bispecific antibody candidates and our dependence on these third parties may impair the advancement of our research and development programs and the development of our bispecific antibody candidates. Moreover, we intend to rely on third parties to produce commercial supplies of any approved bispecific antibody candidate and our commercialization of any of our bispecific antibody candidates could be stopped, delayed or made less profitable if those third parties fail to obtain approval of the FDA or comparable regulatory authorities, fail to provide us with sufficient quantities of bispecific antibody product or fail to do so at acceptable quality levels or prices or fail to otherwise complete their duties in compliance with their obligations to us or other parties.

We rely on and expect to continue to rely on third-party contract manufacturing organizations, or CMOs, for the supply of current good manufacturing practice-grade, or cGMP-grade, clinical trial materials and commercial quantities of our bispecific antibody candidates and products, if approved. We have contracted with biopharmaceutical CMOs Boehringer Ingelheim for the manufacturing of MCLA-128 and MCLA-117 and CMC Biologics for the manufacturing of MCLA-158. Reliance on third-party providers may expose us to more risk than if we were to manufacture bispecific antibody candidates ourselves. The facilities used by our contract manufacturers to manufacture our bispecific antibody candidates must be approved by the FDA pursuant to inspections that will be conducted after we submit our NDA to the FDA. We do not control the manufacturing process of, and are completely dependent on, our contract manufacturing partners for compliance with cGMP for the manufacture of our bispecific antibody candidates. If our contract manufacturers cannot successfully manufacture material that conforms to our specifications and the strict regulatory requirements of the FDA or others, they will not be able to secure and/or maintain regulatory approval for their manufacturing facilities. In

addition, we have no control over the ability of our contract manufacturers to maintain adequate quality control, quality assurance and qualified personnel. If the FDA or a comparable foreign regulatory authority does not approve these facilities for the manufacture of our bispecific antibody candidates or if it withdraws any such approval in the future, we may need to find alternative manufacturing facilities, which would significantly impact our ability to develop, obtain regulatory approval for or market our bispecific antibody candidates, if approved. In addition, any failure to achieve and maintain compliance with these laws, regulations and standards could subject us to the risk that we may have to suspend the manufacturing of our bispecific antibody candidates or that obtained approvals could be revoked, which would adversely affect our business and reputation. Furthermore, third-party providers may breach existing agreements they have with us because of factors beyond our control. They may also terminate or refuse to renew their agreement because of their own financial difficulties or business priorities, at a time that is costly or otherwise inconvenient for us. If we were unable to find an adequate replacement or another acceptable solution in time, our clinical trials could be delayed or our commercial activities could be harmed. In addition, the fact that we are dependent on our collaborators, our suppliers and other third parties for the manufacture, filling, storage and distribution of our bispecific antibody candidates means that we are subject to the risk that the products may have manufacturing defects that we have limited ability to prevent or control. The sale of products containing such defects could adversely affect our business, financial condition and results of operations.

Growth in the costs and expenses of components or raw materials may also adversely influence our business, financial condition and results of operations. Supply sources could be interrupted from time to time and, if interrupted, there is no guarantee that supplies could be resumed (whether in part or in whole) within a reasonable timeframe and at an acceptable cost or at all.

We rely on our manufacturers to purchase from third-party suppliers the materials necessary to produce our bispecific antibody candidates for our clinical trials. There are a limited number of suppliers for raw materials that we use to manufacture our drugs and there may be a need to assess alternate suppliers to prevent a possible disruption of the manufacture of the materials necessary to produce our bispecific antibody candidates for our clinical trials, and if approved, ultimately for commercial sale. We do not have any control over the process or timing of the acquisition of these raw materials by our manufacturers. Moreover, we currently do not have any agreements for the commercial production of these raw materials. Although we generally do not begin a clinical trial unless we believe we have a sufficient supply of a bispecific antibody candidate to complete the clinical trial, any significant delay in the supply of a bispecific antibody candidate, or the raw material components thereof, for an ongoing clinical trial due to the need to replace a third-party manufacturer could considerably delay completion of our clinical trials, product testing and potential regulatory approval of our bispecific antibody candidates. If our manufacturers or we are unable to purchase these raw materials after regulatory approval has been obtained for our bispecific antibody candidates, the commercial launch of our bispecific antibody candidates would be delayed or there would be a shortage in supply, which would impair our ability to generate revenues from the sale of our bispecific antibody candidates.

We rely on our manufacturers and other subcontractors to comply with and respect the proprietary rights of others in conducting their contractual obligations for us. If our manufacturers or other subcontractors fail to acquire the proper licenses or otherwise infringe third party proprietary rights in the course of completing their contractual obligations to us, we may have to find alternative manufacturers or defend against claims of infringement, either of which would significantly impact our ability to develop, obtain regulatory approval for or market our bispecific antibody candidates, if approved.

Risks Related to Intellectual Property and Information Technology

We rely on patents and other intellectual property rights to protect our technology, including bispecific antibody candidates and Biclonics technology platform, the enforcement, defense and maintenance of which may be challenging and costly. Failure to enforce or protect these rights adequately could harm our ability to compete and impair our business.

Our commercial success depends in part on obtaining and maintaining patents and other forms of intellectual property rights for technology, including our bispecific antibody and antibody candidates, products and methods used to manufacture those antibody and antibody candidates, the methods for treating patients using those products, among other aspects of our technology or on licensing-in such rights. Failure to protect or to obtain, maintain or extend adequate patent and other intellectual property rights could materially adversely affect our ability to develop and market our products and bispecific antibody candidates.

The patent prosecution process is expensive and time-consuming, and we and our current or future licensors, licensees or collaboration partners 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 our licensors, licensees or collaboration partners 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. Further, the issuance, scope, validity, enforceability and commercial value of our and our current or future licensors', licensees' or collaboration partners' patent rights are highly uncertain. Our and our licensors' pending and future patent applications may not result in patents being issued which protect our technology or products, in whole or in part, or which effectively prevent others from commercializing competitive technologies and products. The patent examination process may require us or our licensors, licensees or collaboration partners to narrow the scope of the claims of our or our licensors', licensees' or collaboration partners' pending and future patent applications, which may limit the scope of patent protection that may be obtained. We cannot assure you that all of the potentially relevant prior art relating to our patents and patent applications has been found. If such prior art exists, it can invalidate a patent or prevent a patent from issuing from a pending patent application. Even if patents do successfully issue and even if such patents cover our bispecific antibody candidates, third parties may initiate opposition, interference, re-examination, post-grant review, inter partes review, nullification or derivation action in court or before patent offices, or similar proceedings challenging the validity, enforceability or scope of such patents, which may result in the patent claims being narrowed or invalidated. Our and our licensors', licensees' or collaboration partners' patent applications cannot be enforced against third parties practicing the technology claimed in such applications unless and until a patent issues from such applications, and then only to the extent the issued claims cover the technology.

Because patent applications are confidential for a period of time after filing, and some remain so until issued, we cannot be certain that we or our licensors were the first to file any patent application related to our technology, including a bispecific antibody candidate. Furthermore, if third parties have filed such patent applications on or before March 15, 2013, an interference proceeding can be initiated by such third parties to determine who was the first to invent any of the subject matter covered by the patent claims of our applications. If third parties have filed such applications after March 15, 2013, a derivation proceeding can be initiated by such third parties to determine whether our invention was derived from theirs. Even where we have a valid and enforceable patent, we may not be able to exclude others from practicing our invention where the other party can show that they used the invention in commerce before our filing date or the other party benefits from a compulsory license.

Issued patents covering one or more of our products or the Biclonics technology platform could be found invalid or unenforceable if challenged in court.

To protect our competitive position, we may from time to time need to resort to litigation in order to enforce or defend any patents or other intellectual property rights owned by or licensed to us, or to determine or challenge the scope or validity of patents or other intellectual property rights of third parties. As enforcement of

intellectual property rights is difficult, unpredictable and expensive, we may fail in enforcing our rights—in which case our competitors may be permitted to use our technology without being required to pay us any license fees. In addition, however, litigation involving our patents carries the risk that one or more of our patents will be held invalid (in whole or in part, on a claim-by-claim basis) or held unenforceable. Such an adverse court ruling could allow third parties to commercialize our products or methods, or our Biclonics technology platform, and then compete directly with us, without payment to us.

If we were to initiate legal proceedings against a third party to enforce a patent covering one of our products or methods, the defendant could counterclaim that our patent is invalid and/or unenforceable. In patent litigation in the United States or in Europe, defendant counterclaims alleging invalidity and/or unenforceability are commonplace. Grounds for a validity challenge could be an alleged failure to meet any of several statutory requirements, for example, lack of novelty, obviousness or non-enablement. Grounds for an unenforceability assertion could be an allegation that someone connected with prosecution of the patent withheld relevant information from the U.S. Patent and Trademark Office, or made a misleading statement, during prosecution. The outcome following legal assertions of invalidity and unenforceability during patent litigation 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. 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 one or more of our technologies, products, methods or certain aspects of our Biclonics technology platform. Such a loss of patent protection could have a material adverse impact on our business. Patents and other intellectual property rights also will not protect our technology if competitors design around our protected technology without infringing our patents or other intellectual property rights.

Intellectual property rights of third parties could adversely affect our ability to commercialize our bispecific antibody candidates, such that we could be required to litigate or obtain licenses from third parties in order to develop or market our bispecific antibody candidates. Such litigation or licenses could be costly or not available on commercially reasonable terms.

Our competitive position may suffer if patents issued to third parties or other third-party intellectual property rights cover our methods or products or elements thereof, our manufacture or uses relevant to our development plans, our bispecific antibody candidates, or other attributes of our bispecific antibody candidates or our technology. In such cases, we may not be in a position to develop or commercialize products or bispecific antibody candidates unless we successfully pursue litigation to nullify or invalidate the third-party intellectual property right concerned, or enter into a license agreement with the intellectual property right holder, if available on commercially reasonable terms. In addition, we are aware of issued patents and pending patent applications held by third parties that may be construed as covering some of our bispecific antibody candidates. We believe that if such patents or patent applications (if issued as currently pending) were asserted against us, we would have counterclaims and defenses against such claims, including non-infringement, the affirmative defense of safe harbor designed to protect activity undertaken to obtain federal regulatory approval of a drug, including under 35 U.S.C. § 271(e) and similar foreign statutes, patent invalidity and/or unenforceability. However, if such counterclaims and defenses were not successful and such patents were successfully asserted against us such that they are found to be valid and enforceable, and infringed by our bispecific antibody candidates, unless we obtain a license to such patents, which may not be available on commercially reasonable terms or at all, we could be prevented from continuing to develop or commercialize our products. We could also be required to pay substantial damages. Similarly, the targets of our bispecific antibody candidates have also been the subject of research by many companies, which have filed patent applications or have patents related to such targets and their uses. There can be no assurance any such patents will not be asserted against us or that we will not need to seek licenses from such third parties. We may not be able to secure such licenses on acceptable terms, if at all, and any such litigation would be costly and time-consuming.

It is also possible that we failed to identify relevant patents or applications. For example, U.S. applications filed before November 29, 2000 and certain U.S. applications filed after that date that will not be filed outside the

United States remain confidential until patents issue. Patent applications in the United States and elsewhere are published approximately 18 months after the earliest filing for which priority is claimed, with such earliest filing date being commonly referred to as the priority date. Therefore, patent applications covering our products or platform technology could have been filed by others without our knowledge. Furthermore, we operate in a highly competitive field, and given our limited resources, it is unreasonable to monitor all patent applications purporting to gain broad coverage in the areas in which we are active. Additionally, pending patent applications which have been published can, subject to certain limitations, be later amended in a manner that could cover our platform technologies, our methods, products or the use of our products.

Third party intellectual property right holders, including our competitors, may actively bring infringement claims against us. The granting of orphan drug status in respect of any of our bispecific antibody candidates does not guarantee our freedom to operate and is separate from our risk of possible infringement of third parties' intellectual property rights. We may not be able to successfully settle or otherwise resolve such infringement claims. If we are unable to successfully settle future claims on terms acceptable to us, we may be required to engage or continue costly, unpredictable and time-consuming litigation and may be prevented from or experience substantial delays in marketing our products.

If we fail in any such dispute, in addition to being forced to pay damages, we or our licensees may be temporarily or permanently prohibited from commercializing any of our bispecific antibody candidates that are held to be infringing. We might, if possible, also be forced to redesign bispecific antibody candidates so that we no longer infringe the third-party intellectual property rights. Any of these events, even if we were ultimately to prevail, could require us to divert substantial financial and management resources that we would otherwise be able to devote to our business.

In addition, if the breadth or strength of protection provided by our or our licensors' or collaboration partners' patents and patent applications is threatened, it could dissuade companies from collaborating with us to license, develop or commercialize current or future bispecific antibody candidates. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation.

Our ability to compete may be adversely affected if we are unsuccessful in defending against any claims by competitors or others that we are infringing upon their intellectual property rights, such as if Regeneron Pharmaceuticals, Inc. is successful in an appeal of its lawsuit alleging that we are infringing its U.S. Patent No. 8,502,018.

The various markets in which we plan to operate are subject to frequent and extensive litigation regarding patents and other intellectual property rights. In addition, many companies in intellectual property-dependent industries, including those producing therapeutics to treat and potentially cure cancer, have employed intellectual property litigation as a means to gain an advantage over their competitors. As a result, we may be required to defend against claims of intellectual property infringement that may be asserted by our competitors against us and, if the outcome of any such litigation is adverse to us, it may affect our ability to compete effectively. For example, we are involved in litigation with Regeneron in which Regeneron has alleged that we are infringing one of its patents. The trial court has entered judgment stating that we are not infringing Regeneron's patent and that Regeneron's patent is invalid. Further, the trial court ruled and entered judgment that Regeneron's patent was procured through inequitable conduct and is unenforceable. Regeneron appealed all three decisions. On February 13, 2017, the United States Court of Appeals for the Federal Circuit held oral argument on these judgments. A decision is expected by mid-2017. The European counterpart of this patent has been reinstated with amended claims by the Technical Board of Appeal for the European Patent Office, or EPO, after an appeal by Regeneron. Regeneron also initiated a lawsuit against us in the Netherlands which has been stayed. For further descriptions of these legal proceedings, see "*Business—Legal Proceedings*."

Our involvement in litigation, and in any interferences, opposition proceedings or other intellectual property proceedings inside and outside of the United States may divert management from focusing on business

operations, could cause us to spend significant amounts of money and may have no guarantee of success. Any current and potential intellectual property litigation also could force us to do one or more of the following:

- stop selling, incorporating, manufacturing or using our products in the United States and/or other jurisdictions that use the subject intellectual property;
- obtain from a third party asserting its intellectual property rights, a license to sell or use the relevant technology, which license may not be available on reasonable terms, or at all, or may be non-exclusive thereby giving our competitors access to the same technologies licensed to us;
- redesign those products or processes that use any allegedly infringing or misappropriated technology, which may result in significant cost or delay to us, or which redesign could be technically infeasible; or
- pay damages, including the possibility of treble damages in a patent case if a court finds us to have willfully infringed certain intellectual property rights.

We are aware that significant number of patents and patent applications may exist relating to aspects of therapeutic antibody technologies filed by, and issued to, third parties, including, but not limited to Regeneron.

We cannot assure you that we will ultimately prevail if any of this third-party intellectual property is asserted against us, or in the current U.S. or Dutch patent infringement lawsuits. Further, Regeneron has raised opposition proceedings against our patent estate in jurisdictions including Europe, Japan and Australia. The European and Japanese patent oppositions have been resolved in our favor and the outcome of the Australian opposition is expected in the first half of 2017. A notice of appeal was filed by Regeneron at the EPO to appeal the outcome of the European proceedings. Similarly, we cannot assure you that we will ultimately prevail in these opposition proceedings brought by Regeneron against our intellectual property.

Intellectual property litigation could cause us to spend substantial resources and distract our personnel from their normal responsibilities.

Even if resolved in our favor, litigation or other legal proceedings relating to intellectual property claims may cause us to incur significant expenses and could distract our technical and management personnel from their normal responsibilities. In addition, there could be public announcements of the results of hearings, motions or other interim proceedings or developments and if securities analysts or investors perceive these results to be negative, we could have a substantial adverse effect on the price of our common shares. Such litigation or proceedings could substantially increase our operating losses and reduce our resources available for development activities. We may not have sufficient financial or other resources to adequately conduct such litigation or proceedings. Some of our competitors may be able to sustain the costs of such litigation or proceedings more effectively than we can because of their substantially greater financial resources. Uncertainties resulting from the initiation and continuation of patent litigation or other proceedings could have a material adverse effect on our ability to compete in the marketplace.

We may not be successful in obtaining or maintaining necessary rights to our bispecific antibody candidates through acquisitions and in-licenses.

We currently have rights to the intellectual property, including patent applications relating to our bispecific antibody candidates. Because our programs may require the use of proprietary rights held by third parties, the growth of our business will likely depend in part on our ability to acquire, in-license, maintain or use these proprietary rights. In addition, our bispecific antibody candidates may require specific formulations to work effectively and efficiently and the rights to these formulations may be held by others. We may be unable to acquire or in-license any compositions, methods of use, processes, or other third-party intellectual property rights from third parties that we identify as necessary for our bispecific antibody candidates. The licensing and acquisition of third-party intellectual property rights is a competitive area, and a number of more established companies are also pursuing strategies to license or acquire third-party intellectual property rights that we may

consider attractive. These established companies may have a competitive advantage over us due to their size, cash resources, and greater clinical development and commercialization capabilities.

For example, we sometimes collaborate with U.S. and non-U.S. academic institutions to accelerate our pre-clinical research or development under written agreements with these institutions. Typically, these institutions provide us with an option to negotiate a license to any of the institution's rights in technology resulting from the collaboration. Regardless of such option, we may be unable to negotiate a license within the specified timeframe or under terms that are acceptable to us. If we are unable to do so, the institution may offer the intellectual property rights to other parties, potentially blocking our ability to pursue our applicable bispecific antibody candidate or program.

In addition, companies that perceive us to be a competitor may be unwilling to assign or license rights to us. We also may be unable to license or acquire third-party intellectual property rights on terms that would allow us to make an appropriate return on our investment. If we are unable to successfully obtain a license to third-party intellectual property rights necessary for the development of a bispecific antibody candidate or program, we may have to abandon development of that bispecific antibody candidate or program and our business and financial condition could suffer.

If our trademarks and trade names are not adequately protected, then we may not be able to build name recognition in our markets of interest and our business may be adversely affected.

Our registered or unregistered trademarks or trade names may be challenged, infringed, circumvented or declared generic or determined to be infringing on other marks. We may not be able to protect our rights to these trademarks and trade names, which we need to build name recognition by potential partners or customers in our markets of interest. Over the long term, if we are unable to establish name recognition based on our trademarks and trade names, then we may not be able to compete effectively and our business may be adversely affected. If other entities use trademarks similar to ours in different jurisdictions, or have senior rights to ours, it could interfere with our use of our current trademarks throughout the world.

If we do not obtain protection under the Hatch-Waxman Amendments and similar non-U.S. legislation for extending the term of patents covering each of our bispecific antibody candidates, our business may be materially harmed.

Patents have a limited lifespan. In the United States, if all maintenance fees are timely paid, the natural expiration of a patent is generally 20 years from its earliest U.S. non-provisional filing date. Various extensions may be available, but the life of a patent, and the protection it affords, is limited. Even if patents covering our bispecific antibody candidates are obtained, once the patent life has expired for a product, we may be open to competition from competitive medications, including biosimilar or generic medications. Given the amount of time required for the development, testing and regulatory review of new bispecific antibody candidates, patents protecting such candidates might expire before or shortly after such candidates are commercialized. As a result, our owned and licensed patent portfolio may not provide us with sufficient rights to exclude others from commercializing products similar or identical to ours.

Depending upon the timing, duration and conditions of FDA marketing approval of our bispecific antibody candidates, one or more of our U.S. patents may be eligible for limited patent term extension under the Drug Price Competition and Patent Term Restoration Act of 1984, referred to as the Hatch-Waxman Amendments, and similar legislation in the EU. The Hatch-Waxman Amendments permit a patent term extension of up to five years for a patent covering an approved product as compensation for effective patent term lost during product development and the FDA regulatory review process. However, we may not receive an extension if we fail to apply within applicable deadlines, fail to apply prior to expiration of relevant patents or otherwise fail to satisfy applicable requirements. Moreover, the length of the extension could be less than we request. If we are unable to obtain patent term extension or the term of any such extension is less than we request, the period during which

we can enforce our patent rights for that product will be shortened and our competitors may obtain approval to market competing products sooner. As a result, our revenue from applicable products could be reduced, possibly materially.

We enjoy only limited geographical protection with respect to certain patents and may face difficulties in certain jurisdictions, which may diminish the value of intellectual property rights in those jurisdictions.

We generally file our first patent application (*i.e.*, priority filing) at the EPO. International applications under the Patent Cooperation Treaty, or PCT, are usually filed within 12 months after the priority filing. Based on the PCT filing, national and regional patent applications may be filed in additional jurisdictions where we believe our bispecific antibody candidates may be marketed. We have so far not filed for patent protection in all national and regional jurisdictions where such protection may be available. In addition, we may decide to abandon national and regional patent applications before grant. Finally, the grant proceeding of each national/regional patent is an independent proceeding which may lead to situations in which applications might in some jurisdictions be refused by the relevant patent offices, while granted by others. It is also quite common that depending on the country, the scope of patent protection may vary for the same bispecific antibody candidate and/or technology.

Competitors may use our and our licensors' or collaboration partners' 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 and our licensors or collaboration partners have patent protection, but enforcement is not as strong as that in the United States. These products may compete with our bispecific antibody candidates, and our and our licensors' or collaboration partners' patents or other intellectual property rights may not be effective or sufficient to prevent them from competing.

The laws of some jurisdictions do not protect intellectual property rights to the same extent as the laws in the United States and the EU, and many companies have encountered significant difficulties in protecting and defending such rights in such jurisdictions. If we or our licensors encounter difficulties in protecting, or are otherwise precluded from effectively protecting, the intellectual property rights important for our business in such jurisdictions, the value of these rights may be diminished and we may face additional competition from others in those jurisdictions.

Some countries have compulsory licensing laws under which a patent owner may be compelled to grant licenses to third parties. In addition, some countries limit the enforceability of patents against government agencies or government contractors. In these countries, the patent owner may have limited remedies, which could materially diminish the value of such patent. If we or any of our licensors is forced to grant a license to third parties with respect to any patents relevant to our business, our competitive position may be impaired and our business and results of operations may be adversely affected.

Intellectual property rights do not necessarily address all potential threats to our competitive advantage.

The degree of future protection afforded by our intellectual property rights is uncertain because intellectual property rights have limitations, and may not adequately protect our business, or permit us to maintain our competitive advantage. The following examples are illustrative:

- others may be able to make compounds that are the same as or similar to our bispecific antibody candidates but that are not covered by the claims of the patents that we own or have exclusively licensed.
- the patents of third parties may have an adverse effect on our business.
- we or our licensors or any future strategic partners might not have been the first to conceive or reduce to practice the inventions covered by the issued patent or pending patent application that we own or have exclusively licensed.

- we or our licensors or any future strategic partners might not have been the first to file patent applications covering certain of our inventions.
- others may independently develop similar or alternative technologies or duplicate any of our technologies without infringing our intellectual property rights.
- it is possible that our pending patent applications will not lead to issued patents.
- issued patents that we own or have exclusively licensed may not provide us with any competitive advantage, or may be held invalid or unenforceable, as a result of legal challenges by our competitors.
- our competitors might conduct research and development activities in countries where we do not have patent rights and then use the information learned from such activities to develop competitive products for sale in our major commercial markets.
- third parties performing manufacturing or testing for us using our products or technologies could use the intellectual property of others without obtaining a proper license.
- we may not develop additional technologies that are patentable.

Changes in patent laws or patent jurisprudence could diminish the value of patents in general, thereby impairing our ability to protect our products.

As is the case with other biopharmaceutical companies, our success is heavily dependent on intellectual property, particularly patents. Obtaining and enforcing patents in the biopharmaceutical industry involve both technological complexity and legal complexity. Therefore, obtaining and enforcing biopharmaceutical patents is costly, time-consuming and inherently uncertain.

In September 2011, the America Invents Act, or the AIA, was enacted in the United States, resulting in significant changes to the U.S. patent system. An important change introduced by the AIA was a transition 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, which went into effect on March 16, 2013. Therefore, a third party that now files a patent application in the USPTO before we do could be awarded a patent covering an invention of ours even if we created the invention before it was created by the third party. While we are cognizant of the time from invention to filing of a patent application, circumstances could prevent us from promptly filing patent applications for our inventions.

Among some of the other changes introduced by the AIA were changes that limit where a patentee may file a patent infringement suit and providing 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 U.S. federal courts 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. The AIA and its continued implementation could increase the uncertainties and costs surrounding the prosecution of our patent applications, and the patent applications of our collaboration partners or licensors, and the enforcement or defense of our issued patents.

Additionally, the U.S. Supreme Court has ruled on several patent cases, either narrowing the scope of patent protection available in certain circumstances or weakening 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. 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 could weaken our ability to obtain new patents or to enforce our existing patents and

patents that we might obtain in the future. Similarly, there is complexity and uncertainty related to European patent laws. For example, the European Patent Convention was amended in April 2010 to limit the time permitted for filing divisional applications. In addition, the EP patent system is relatively stringent in the type of amendments that are allowed during prosecution. These limitations and requirements could adversely affect our ability to obtain new patents in the future that may be important for our business.

Confidentiality agreements with employees and others may not adequately prevent disclosure of trade secrets and protect other proprietary information.

We consider proprietary trade secrets and/or confidential know-how and unpatented know-how to be important to our business. We may rely on trade secrets and/or confidential know-how to protect our technology, especially where patent protection is believed to be of limited value. However, trade secrets and/or confidential know-how are difficult to maintain as confidential.

To protect this type of information against disclosure or appropriation by competitors, our policy is to require our employees, consultants, contractors and advisors to enter into confidentiality agreements with us. However, current or former employees, consultants, contractors and advisers may unintentionally or willfully disclose our confidential information to competitors, and confidentiality agreements may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. Enforcing a claim that a third party obtained illegally and is using trade secrets and/or confidential know-how is expensive, time consuming and unpredictable. The enforceability of confidentiality agreements may vary from jurisdiction to jurisdiction. Furthermore, if a competitor lawfully obtained or independently developed any of our trade secrets, we would have no right to prevent such competitor from using that technology or information to compete with us, which could harm our competitive position. Additionally, if the steps taken to maintain our trade secrets are deemed inadequate, we may have insufficient recourse against third parties for misappropriating the trade secret.

Failure to obtain or maintain trade secrets and/or confidential know-how trade protection could adversely affect our competitive position. Moreover, our competitors may independently develop substantially equivalent proprietary information and may even apply for patent protection in respect of the same. If successful in obtaining such patent protection, our competitors could limit our use of our trade secrets and/or confidential know-how.

Under certain circumstances and to guarantee our freedom to operate, we may also decide to publish some know-how to prevent others from obtaining patent rights covering such know-how.

We may be subject to claims by third parties asserting that our employees or we have misappropriated their intellectual property, or claiming ownership of what we regard as our own intellectual property.

Many of our employees, including our senior management, were previously employed at universities or at other biopharmaceutical companies, including our competitors or potential competitors. Some of these employees executed proprietary rights, non-disclosure and non-competition agreements in connection with such previous employment. Although we try to ensure that our employees do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that we or these employees have used or disclosed confidential information or intellectual property, including trade secrets or other proprietary information, of any such employee's former employer. Litigation may be necessary to defend against these claims.

If we fail in prosecuting or defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel or sustain damages. Such intellectual property rights could be awarded to a third party, and we could be required to obtain a license from such third party to commercialize our technology or products. Such a license may not be available on commercially reasonable terms or at all. Even if we successfully prosecute or defend against such claims, litigation could result in substantial costs and distract management.

Obtaining and maintaining our patent protection depends on compliance with various procedural, document submission, 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.

Periodic maintenance and annuity fees on any issued patent are due to be paid to the USPTO and foreign patent agencies in several stages over the lifetime of the patent. 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 application process. While an inadvertent lapse can in many cases be cured by payment of a late fee or by other means in accordance with the applicable rules, there are 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. Non-compliance events that could result in abandonment or lapse of a patent or patent application include failure to respond to official actions within prescribed time limits, non-payment of fees and failure to properly legalize and submit formal documents. If we or our licensors or collaboration partners fail to maintain the patents and patent applications covering our bispecific antibody candidates, our competitors might be able to enter the market, which would have an adverse effect on our business.

Our information technology systems could face serious disruptions that could adversely affect our business.

Despite the implementation of security measures, our internal computer systems and those of our current and future contractors and consultants are vulnerable to damage from computer viruses, unauthorized access, natural disasters, terrorism, war and telecommunication and electrical failures. While we are not aware of any such material system failure, accident or security breach to date, if such an event were to occur and cause interruptions in our operations, it could result in a material disruption of our development programs and our business operations. For example, the loss of clinical trial data from completed or future clinical trials could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data. Likewise, we rely on third parties to manufacture our product candidates and conduct clinical trials, and similar events relating to their computer systems could also have a material adverse effect on our business. To the extent that any disruption or security breach were to result 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 and commercialization of our product candidates could be delayed.

Risks Related to Employee Matters and Managing Growth

Our future growth and ability to compete depends on retaining our key personnel and recruiting additional qualified personnel.

Our success depends upon the continued contributions of our key management, scientific and technical personnel, many of whom have been instrumental for us and have substantial experience with our therapies and related technologies. These key management individuals include the members of our management board. For example, our founder and Chief Executive Officer, Ton Logtenberg, holds a Ph.D. in medical biology, was a professor in the Department of Immunology at Utrecht University and co-founded the Dutch biotechnology company, Crucell N.V.

The loss of key managers and senior scientists could delay our research and development activities. In addition, the competition for qualified personnel in the biopharmaceutical and pharmaceutical field is intense, and our future success depends upon our ability to attract, retain and motivate highly-skilled scientific, technical and managerial employees. We face competition for personnel from other companies, universities, public and private research institutions and other organizations. If our recruitment and retention efforts are unsuccessful in the future, it may be difficult for us to implement business strategy, which could have a material adverse effect on our business.

We expect to expand our development, regulatory and sales and marketing capabilities, and as a result, we may encounter difficulties in managing our growth, which could disrupt our operations.

We expect to experience significant growth in the number of our employees and the scope of our operations, particularly in the areas of drug development, regulatory affairs and sales and marketing. To manage our anticipated future growth, we must continue to implement and improve our managerial, operational and financial systems, expand our facilities and continue to recruit and train additional qualified personnel. Due to our limited financial resources and the limited experience of our management team in managing a company with such anticipated growth, we may not be able to effectively manage the expansion of our operations or recruit and train additional qualified personnel. The expansion of our operations may lead to significant costs and may divert our management and business development resources. Any inability to manage growth could delay the execution of our business plans or disrupt our operations.

Risks Related to Our Common Shares

The price of our common shares may be volatile and may fluctuate due to factors beyond our control.

The share price of publicly traded emerging biopharmaceutical and drug discovery and development companies has been highly volatile and is likely to remain highly volatile in the future. The market price of our common shares may fluctuate significantly due to a variety of factors, including:

- positive or negative results of testing and clinical trials by us, strategic partners or competitors;
- delays in entering into strategic relationships with respect to development and/or commercialization of our bispecific antibody candidates or entry into strategic relationships on terms that are not deemed to be favorable to us;
- technological innovations or commercial product introductions by us or competitors;
- changes in government regulations;
- developments concerning proprietary rights, including patents and litigation matters;
- public concern relating to the commercial value or safety of any of our bispecific antibody candidates;
- financing or other corporate transactions;
- publication of research reports or comments by securities or industry analysts;
- general market conditions in the pharmaceutical industry or in the economy as a whole; or
- other events and factors, many of which are beyond our control.

These and other market and industry factors may cause the market price and demand for our securities to fluctuate substantially, regardless of our actual operating performance, which may limit or prevent investors from readily selling their common shares and may otherwise negatively affect the liquidity of our common shares. In addition, the stock market in general, and biopharmaceutical companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of these companies.

We will continue to incur increased costs as a result of operating as a public company with limited liability (naamloze vennootschap), and our management board will be required to devote substantial time to new compliance initiatives and corporate governance practices.

As a public company, and particularly after we no longer qualify as an emerging growth company, we will continue to incur significant legal, accounting and other expenses related to our operation as a public company. The Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the listing

requirements of The NASDAQ Global Market, or NASDAQ, and other applicable securities rules and regulations impose various requirements on non-U.S. reporting public companies, including the establishment and maintenance of effective disclosure and financial controls and corporate governance practices. Our management board and other personnel will need to continue to devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations have and will continue to increase our legal and financial compliance costs and will make some activities more time-consuming and costly.

We estimate that our incremental costs resulting from operating as a public company, including compliance with these rules and regulations, for the year ended December 31, 2016 was €1.8 million and will be between €1.0 million and €2.0 million per year going forward. However, these rules and regulations are often subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, we will be required to furnish a report by our management board on our internal control over financial reporting with our next Annual Report on Form 20-F. While we remain an emerging growth company, we will not be required to include an attestation report on internal control over financial reporting issued by our independent registered public accounting firm. To achieve compliance with Section 404 within the prescribed period, we are engaged in a process to document and evaluate our internal control over financial reporting, which is both costly and challenging. In this regard, we need to continue to dedicate internal resources and have engaged outside consultants and adopted a detailed work plan to assess and document the adequacy of internal control over financial reporting, continue steps to improve control processes as appropriate, validate through testing that controls are functioning as documented and implement a continuous reporting and improvement process for internal control over financial reporting. Despite our efforts, there is a risk that we will not be able to conclude, within the prescribed timeframe or at all, that our internal control over financial reporting is effective as required by Section 404. If we identify one or more material weaknesses, it could result in an adverse reaction in the financial markets due to a loss of confidence in the reliability of our financial statements.

We have identified material weaknesses in our internal control over financial reporting that could, if not remediated, result in material misstatements in our financial statements and cause shareholders to lose confidence in our financial and other public reporting, which would harm our business and the trading price of our common shares.

Effective internal controls over financial reporting are necessary for us to provide reliable financial reports and, together with adequate disclosure controls and procedures, are designed to prevent fraud. Any failure to implement required new or improved controls, or difficulties encountered in their implementation could cause us to fail to meet our reporting obligations. In addition, any testing by us conducted in connection with Section 404, or any subsequent testing by our independent registered public accounting firm, may reveal deficiencies in our internal control over financial reporting that are deemed to be material weaknesses or that may require prospective or retroactive changes to our financial statements or identify other areas for further attention or improvement. However, for as long as we are an "emerging growth company," our independent registered public accounting firm will not be required to test the effectiveness of our internal control over financial reporting in connection with an auditor attestation pursuant to Section 404. While our management will be required to assess the effectiveness of our internal controls annually, an independent assessment of the effectiveness of our internal controls could detect problems that our management's assessment might not. In its review of our internal control over financial reporting in connection with the annual audit for 2016, our management identified the following material weaknesses: insufficient accounting resources required to fulfill IFRS and SEC reporting requirements and the absence of comprehensive IFRS accounting policies and financial reporting procedures. As a result, our management concluded that our disclosure controls and procedures were not effective as of December 31, 2016. We are continuing to conduct a thorough review of our internal control over financial reporting. Following this

review, management intends to develop a plan to address the material weaknesses identified by management. See "Item 15 Controls and Procedures." If the material weaknesses identified by our management are not remediated, or if other undetected material weaknesses in our internal controls exist, it could result in material misstatements in our financial statements requiring us to restate previously issued financial statements. In addition, these material weaknesses, and any resulting restatements, could cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our common shares.

Members of our management board, members of our supervisory board, and certain shareholders affiliated with members of our supervisory board may be able to exercise significant control over us, and the interests of our other shareholders may conflict with the interests of our existing shareholders.

As of December 31, 2016, our management board, supervisory board and shareholders affiliated with members of our supervisory board, in the aggregate, owned approximately 39% of our common shares. Depending on the level of attendance at our general meetings of shareholders, these shareholders may be in a position to determine the outcome of decisions taken at any such general meeting. Any shareholder or group of shareholders controlling more than 50% of the share capital present and voting at our general meetings of shareholders may control any shareholder resolution requiring a simple majority, including the appointment of supervisory board members, certain decisions relating to our capital structure, the approval of certain significant corporate transactions and amendments to our Articles of Association. Among other consequences, this concentration of ownership may have the effect of delaying or preventing a change in control and might therefore negatively affect the market price of our common shares.

In addition, in the event we receive an offer from a third party to acquire us or prior to our soliciting an offer from, or negotiating terms with, any third party, with respect to a sale or license of two of our undisclosed product candidates in pre-clinical development, we must first notify one of our existing shareholders of such opportunity and negotiate in good faith with such shareholder the terms of a purchase or license agreement for such product candidates. This obligation may have the effect of delaying or preventing a change in control of us that shareholders may consider favorable, including transactions in which shareholders might otherwise receive a premium for your shares.

Future sales, or the possibility of future sales, of a substantial number of our common shares could adversely affect the price of the shares.

We have entered into a registration rights agreement pursuant to which we agreed, under certain circumstances, to file a registration statement to register the resale of the shares held by certain of our existing shareholders, as well as to cooperate in certain public offerings of such shares. In addition, we have registered and intend to continue to register all common shares that we may issue under our equity compensation plans. Once registered, these common shares can be freely sold in the public market upon issuance, subject to volume limitations applicable to affiliates who hold such shares. In addition, in connection with entering into the Collaboration Agreement, we entered into a Share Subscription Agreement with Incyte, pursuant to which we issued and sold to Incyte 3,200,000 of our common shares. Incyte's ability to sell these common shares is subject to certain limitations, including a lock-up agreement and limitations on the volume of shares that may be sold during a given time period. However, future sales of a substantial number of our common shares, or the perception that such sales will occur, could cause a decline in the market price of our common shares.

Provisions of our Articles of Association or Dutch corporate law might deter acquisition bids for us that might be considered favorable and prevent or frustrate any attempt to replace or remove the then management board and supervisory board.

Provisions of our Articles of Association may make it more difficult for a third party to acquire control of us or effect a change in our management board or supervisory board. These provisions include:

- the authorization of a class of preferred shares that may be issued to a friendly party;

- staggered four-year terms of our supervisory board members, whereby reappointment is limited to two times;
- a provision that our management board and supervisory board members may only be removed by the general meeting of shareholders by a two-thirds majority of votes cast representing more than 50% of our outstanding share capital (unless the removal was proposed by the supervisory board); and
- a requirement that certain matters, including an amendment of our Articles of Association, may only be brought to our shareholders for a vote upon a proposal by our management board that has been approved by our supervisory board.

Our anti-takeover provision may prevent a beneficial change of control.

We adopted an anti-takeover measure pursuant to which our management board may, subject to supervisory board approval but without shareholder approval, issue (or grant the right to acquire) cumulative preferred shares. We may issue an amount of cumulative preferred shares up to 100% of our issued capital immediately prior to the issuance of such cumulative preferred shares. In such event, the cumulative preferred shares (or right to acquire cumulative preferred shares) will be issued to a separate, special purpose foundation, which will be structured to operate independently of us. We have granted a right to acquire such number of cumulative preferred shares as we may issue to such special purpose foundation.

The cumulative preferred shares will be issued to the foundation for their nominal value, of which only 25% will be due upon issuance. The voting rights of our shares are based on nominal value and as we expect our shares to continue to trade substantially in excess of nominal value, cumulative preferred shares issued at nominal value can obtain significant voting power for a substantially reduced price and thus be used as a defensive measure. These cumulative preferred shares will have both a liquidation and dividend preference over our common shares and will accrue cash dividends at a fixed rate. The management board may issue these cumulative preferred shares to protect us from influences that do not serve our best interests and threaten to undermine our continuity, independence and identity. These influences may include a third-party acquiring a significant percentage of our common shares, the announcement of a public offer for our common shares, other concentration of control over our common shares or any other form of pressure on us to alter our strategic policies. If the management board determines to issue the cumulative preferred shares to such a foundation, the foundation's articles of association provide that it will act to serve the best interests of us, our associated business and all parties connected to us, by opposing any influences that conflict with these interests and threaten to undermine our continuity, independence and identity. This foundation is structured to operate independently of us.

We do not expect to pay cash dividends in the foreseeable future.

We have not paid any cash dividends since our incorporation. Even if future operations lead to significant levels of distributable profits, we currently intend that any earnings will be reinvested in our business and that cash dividends will not be paid until we have an established revenue stream to support continuing cash dividends. Payment of any future dividends to shareholders will in addition effectively be at the discretion of the general meeting, upon proposal of the management board, which proposal is subject to the approval of the supervisory board after taking into account various factors including our business prospects, cash requirements, financial performance and new product development. In addition, payment of future cash dividends may be made only if our shareholders' equity exceeds the sum of our paid-in and called-up share capital plus the reserves required to be maintained by Dutch law or by our Articles of Association. Accordingly, investors cannot rely on cash dividend income from our common shares and any returns on an investment in our common shares will likely depend entirely upon any future appreciation in the price of our common shares.

Holders of our common shares outside the Netherlands may not be able to exercise preemptive rights.

In the event of an increase in our share capital, holders of our common shares are generally entitled under Dutch law to full preemptive rights, unless these rights are excluded either by a resolution of the general meeting

of shareholders, or by a resolution of the management board (if the management board has been designated by the general meeting of shareholders for this purpose). Certain holders of our common shares outside the Netherlands, in particular U.S. holders of our common shares, may not be able to exercise preemptive rights unless a registration statement under the Securities Act is declared effective with respect to our common shares issuable upon exercise of such rights or an exemption from the registration requirements is available.

The rights of our shareholders may be different from the rights of shareholders in companies governed by the laws of U.S. jurisdictions.

We are a Dutch public company with limited liability (*naamloze vennootschap*). Our corporate affairs are governed by our Articles of Association and by the laws governing companies incorporated in the Netherlands. The rights of shareholders and the responsibilities of members of our management board and supervisory board may be different from the rights and obligations of shareholders in companies governed by the laws of U.S. jurisdictions. In the performance of its duties, our management board and supervisory board are required by Dutch law to consider the interests of our company, its shareholders, its employees and other stakeholders, in all cases with due observation of the principles of reasonableness and fairness. It is possible that some of these parties will have interests that are different from, or in addition to, the interests of our shareholders.

We are not obligated to and do not comply with all the best practice provisions of the Dutch Corporate Governance Code. This may affect the rights of our shareholders.

We are subject to the Dutch Corporate Governance Code, or the DCGC. The DCGC contains both principles and best practice provisions for management boards, supervisory boards, shareholders and general meetings of shareholders, financial reporting, auditors, disclosure, compliance and enforcement standards. The DCGC applies to all Dutch companies listed on a government-recognized stock exchange, whether in the Netherlands or elsewhere, including NASDAQ. The principles and best practice provisions apply to our management board and our supervisory board (in relation to role and composition, conflicts of interest and independence requirements, board committees and remuneration), shareholders and the general meeting of shareholders (for example, regarding anti-takeover protection and our obligations to provide information to our shareholders) and financial reporting (such as external auditor and internal audit requirements). We do not comply with all the best practice provisions of the DCGC. As a result, the rights of our shareholders may be affected and our shareholders may not have the same level of protection as a shareholder in another Dutch public company with limited liability (*naamloze vennootschap*) listed in the Netherlands that fully complies with the DCGC.

Claims of U.S. civil liabilities may not be enforceable against us.

We are incorporated under the laws of the Netherlands. Substantially all of our assets are located outside the United States. The majority of our management board members and supervisory board members reside outside the United States. The United States and the Netherlands currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. With respect to choice of court agreements in civil or commercial matters, we note that the Hague Convention on Choice of Court Agreements entered into force for the Netherlands, but has not entered into force for the United States. Consequently, a final judgment for payment given by a court in the United States, whether or not predicated solely upon U.S. securities laws, would not automatically be recognized or enforceable in the Netherlands. In order to obtain a judgment which is enforceable in the Netherlands, the party in whose favor a final and conclusive judgment of the U.S. court has been rendered will be required to file its claim with a court of competent jurisdiction in the Netherlands. Such party may submit to the Dutch court the final judgment rendered by the U.S. court. If and to the extent that the Dutch court finds that the jurisdiction of the U.S. court has been based on grounds which are internationally acceptable and that proper legal procedures have been observed, the court of the Netherlands will, in principle, give binding effect to the judgment of the U.S. court, unless such judgment contravenes principles of public policy of the Netherlands or is irreconcilable with a judgement of a Dutch court or foreign court that is acknowledged in the Netherlands. Dutch courts may deny the recognition and

enforcement of punitive damages or other awards. Moreover, a Dutch court may reduce the amount of damages granted by a U.S. court and recognize damages only to the extent that they are necessary to compensate actual losses or damages. Enforcement and recognition of judgments of U.S. courts in the Netherlands are solely governed by the provisions of the Dutch Code of Civil Procedure (*Wetboek van Burgerlijke Rechtsvordering*). As a result of the above, it may not be possible for investors to effect service of process within the United States upon us or members of our management board or supervisory board or certain experts named herein who are residents of the Netherlands or countries other than the United States or to enforce any judgments against the same obtained in U.S. courts in civil and commercial matters, including judgments under the U.S. federal securities laws.

We are a foreign private issuer and, as a result, we will not be subject to U.S. proxy rules and will be subject to Exchange Act reporting obligations that, to some extent, are more lenient and less frequent than those of a U.S. domestic public company.

We report under the Securities Exchange Act of 1934, as amended, or the Exchange Act, as a non-U.S. company with foreign private issuer status. Because we qualify as a foreign private issuer under the Exchange Act, we are exempt from certain provisions of the Exchange Act that are applicable to U.S. domestic public companies, including (i) the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act; (ii) the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time; and (iii) the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q containing unaudited financial and other specified information, or current reports on Form 8-K, upon the occurrence of specified significant events. In addition, foreign private issuers are not required to file their annual report on Form 20-F until 120 days after the end of each fiscal year, while U.S. domestic issuers that are accelerated filers are required to file their annual report on Form 10-K within 75 days after the end of each fiscal year. Foreign private issuers are also exempt from the Regulation Fair Disclosure, aimed at preventing issuers from making selective disclosures of material information. As a result of the above, our shareholders may not have the same protections afforded to shareholders of companies that are not foreign private issuers. However, we are subject to Dutch laws and regulations with regard to such matters and furnish quarterly unaudited financial information to the SEC on Form 6-K.

As a foreign private issuer and as permitted by the listing requirements of NASDAQ, we rely on certain home country governance practices rather than the corporate governance requirements of NASDAQ.

We qualify as a foreign private issuer. As a result, in accordance with the listing requirements of NASDAQ, we rely on home country governance requirements and certain exemptions thereunder rather than relying on the corporate governance requirements of NASDAQ. In accordance with Dutch law and generally accepted business practices, our Articles of Association do not provide quorum requirements generally applicable to general meetings of shareholders. To this extent, our practice varies from the requirement of NASDAQ Listing Rule 5620(c), which requires an issuer to provide in its bylaws for a generally applicable quorum, and that such quorum may not be less than one-third of the outstanding voting stock. Although we must provide shareholders with an agenda and other relevant documents for the general meeting of shareholders, Dutch law does not have a regulatory regime for the solicitation of proxies and the solicitation of proxies is not a generally accepted business practice in the Netherlands, thus our practice will vary from the requirement of NASDAQ Listing Rule 5620(b). In addition, we have opted out of certain Dutch shareholder approval requirements for the issuance of securities in connection with certain events such as the acquisition of stock or assets of another company, the establishment of or amendments to equity-based compensation plans for employees, a change of control of us and certain private placements. To this extent, our practice varies from the requirements of NASDAQ Rule 5635, which generally requires an issuer to obtain shareholder approval for the issuance of securities in connection with such events. Accordingly, our shareholders may not have the same protections afforded to shareholders of companies that are subject to these NASDAQ requirements.

We may lose our foreign private issuer status which would then require us to comply with the Exchange Act's domestic reporting regime and cause us to incur significant legal, accounting and other expenses.

We are a foreign private issuer and therefore we are not required to comply with all of the periodic disclosure and current reporting requirements of the Exchange Act applicable to U.S. domestic issuers. If we no longer qualify as a foreign private issuer as of end of the second quarter of a fiscal year, we would be required to comply with all of the periodic disclosure and current reporting requirements of the Exchange Act applicable to U.S. domestic issuers as of the start of the following fiscal year. In order to maintain our current status as a foreign private issuer, (a) a majority of our common shares must be either directly or indirectly owned of record by non-residents of the United States or (b)(i) a majority of our executive officers or directors may not be United States citizens or residents, (ii) more than 50 percent of our assets cannot be located in the United States and (iii) our business must be administered principally outside the United States. If we lost this status, we would be required to comply with the Exchange Act reporting and other requirements applicable to U.S. domestic issuers, which are more detailed and extensive than the requirements for foreign private issuers. We may also be required to make changes in our corporate governance practices in accordance with various SEC and NASDAQ rules. The regulatory and compliance costs to us under U.S. securities laws if we are required to comply with the reporting requirements applicable to a U.S. domestic issuer may be significantly higher than the cost we would incur as a foreign private issuer. As a result, we expect that a loss of foreign private issuer status would increase our legal and financial compliance costs and would make some activities highly time consuming and costly. We also expect that if we were required to comply with the rules and regulations applicable to U.S. domestic issuers, it would make it more difficult and expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These rules and regulations could also make it more difficult for us to attract and retain qualified members of our supervisory board.

We are an "emerging growth company," and we cannot be certain if the reduced reporting requirements applicable to "emerging growth companies" will make our common shares less attractive to investors.

We are an "emerging growth company," as defined in the JOBS Act. For as long as we continue to be an "emerging growth company," we may take advantage of exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies," including not being required to comply with the auditor attestation requirements of Section 404, exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. As an "emerging growth company," we are not required to report selected financial data for periods prior to the earliest audited financial statements presented in the registration statement for the initial public offering of our common shares. As a result, we only have to present selected financial data for periods starting with the year ended December 31, 2014. Public companies that are not emerging growth companies must present selected financial data for a five-year period. We may take advantage of these exemptions until we are no longer an "emerging growth company." We could be an "emerging growth company" for up to five years, although circumstances could cause us to lose that status earlier, including if the aggregate market value of our common shares held by non-affiliates exceeds $700 million as of the end of our second fiscal quarter, in which case we would no longer be an "emerging growth company" as of the fiscal year-end. We cannot predict if investors will find our common shares less attractive because we may rely on these exemptions. If some investors find our common shares less attractive as a result, there may be a less active trading market for our common shares and the price of our common shares may be more volatile.

If securities or industry analysts publish inaccurate or unfavorable research about our business, the price of our common shares and our trading volume could decline.

The trading market for our common shares depends in part on the research and reports that securities or industry analysts publish about us or our business. If one or more of the analysts who cover us downgrade our common shares or publish inaccurate or unfavorable research about our business, the price of our common shares

would likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, demand for our common shares could decrease, which might cause the price of our common shares and trading volume to decline.

We may be classified as a passive foreign investment company for U.S. federal income tax purposes, which could result in adverse U.S. federal income tax consequences to U.S. investors in the common shares.

Based on the current and anticipated value of our assets, including goodwill, and the composition of our income, assets and operations, we do not believe we were a "passive foreign investment company," or PFIC, for the current taxable year and for our taxable year ended December 31, 2016. However, the application of the PFIC rules is subject to uncertainty in several respects, and we cannot assure you that the U.S. Internal Revenue Service, or the IRS, will not take a contrary position. A non-U.S. company will be considered a PFIC for any taxable year if (i) at least 75% of its gross income is passive income, or (ii) at least 50% of the value of its assets (based on an average of the quarterly values of the assets during a taxable year) is attributable to assets that produce or are held for the production of passive income. The value of our assets generally is determined by reference to the market price of our common shares, which may fluctuate considerably. In addition, the composition of our income and assets is affected by how, and how quickly, we spend the cash we raise. If we were to be treated as a PFIC for any taxable year during which a U.S. Holder (as defined below under "Item 10.E Taxation") holds a common share, certain adverse U.S. federal income tax consequences could apply to such U.S. Holder. See "Item 10.E Taxation."

Item 4 Information on the Company.

A. History and Development of the Company

We were incorporated as Merus B.V. under the laws of the Netherlands on June 16, 2003 as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*). Upon the initial public offering of our common shares on May 19, 2016, we converted to a Dutch public company with limited liability (*naamloze vennootschap*) and changed our name to Merus N.V. Our principal executive offices are located at Yalelaan 62, 3584 CM Utrecht, The Netherlands. Our telephone number at this address is +31 30 253 8800. Our website address is *www.merus.nl*. Information contained on, or that can be accessed through, our website does not constitute a part of this Annual Report. We have included our website address in this Annual Report solely as an inactive textual reference.

Our agent for service of process in the United States is National Corporate Research, Ltd., whose address is 10 E. 40th Street, 10th floor, New York, New York 10016.

In May 2016, we completed the initial public offering of our common shares, or IPO. In connection with our IPO, our common shares were listed on The NASDAQ Global Market under the symbol "MRUS." See "Item 14.E. Use of Proceeds" for more information on our IPO.

Our principal capital expenditures for the years ended December 31, 2016, 2015 and 2014 were €0.5 million, €0.1 million and €0.2 million, respectively. These capital expenditures primarily consisted of laboratory equipment and leasehold improvements. We expect our capital expenditures to increase in absolute terms in the near term as we continue to advance our research and development programs and grow our operations. We anticipate our capital expenditure in 2017 to be financed from the cash flows from operating activities, proceeds of our initial public offering and our collaboration with Incyte Corporation. For more information on our capital expenditures, see the section of this Annual Report titled "Item 6.B.—Liquidity and Capital Resources—Capital Expenditures."

B. Business Overview

We are a clinical-stage immuno-oncology company developing innovative bispecific antibody therapeutics. Our pipeline of full-length human bispecific antibody candidates, which we refer to as Biclonics, are generated from our technology platform. By binding to two different targets, Biclonics can be designed to simultaneously block receptors that drive tumor cell growth and survival and to mobilize the patient's immune response by activating various killer cells to eradicate tumors. In our pre-clinical studies, our bispecific antibody candidates were effective in killing tumor cells, a result that we believe supports their potential efficacy in the treatment of cancer. In February 2015, we commenced a Phase 1/2 clinical trial of our lead bispecific antibody candidate, MCLA-128, for the treatment of HER2-expressing solid tumors, and we expect to report top-line results from this trial in the second half of 2017. In May 2016, we commenced a Phase 1 clinical trial of our second bispecific antibody candidate, MCLA-117, for the treatment of acute myeloid leukemia, or AML. We are also developing MCLA-158, a bispecific antibody candidate that is designed to bind to cancer stem cells expressing leucine-rich repeat-containing G protein-coupled receptor 5, or Lgr5, and epidermal growth factor receptors, or EGFR, for the potential treatment of colorectal cancer, and plan to submit a Clinical Trials Application, or CTA, to the European Medicines Agency, or EMA, by the end of 2017 to initiate a Phase 1/2 clinical trial in Europe. Additionally, we have several other bispecific antibody candidates in pre-clinical development that bind to combinations of immunomodulatory molecules, including PD-1 and PD-L1, both of which we believe play a significant role in treating cancer. Each of these bispecific antibody candidates are designed to bind to targets believed to be useful in the treatment of cancer with an intention to establish efficacy and obtain information for submission to the FDA.

Our Biclonics technology platform enables rapid functional screening of large collections of Biclonics which allows us to identify lead candidates with multiple mechanisms of action. The Biclonics format retains the IgG format of conventional mAbs and is designed to preserve the format's key features, including stability, long half-life and low immunogenicity, when developing our bispecific antibody candidates. We leverage industry-standard manufacturing processes and infrastructure to efficiently produce Biclonics.

Our lead bispecific antibody candidate, MCLA-128, is currently in a Phase 1/2 clinical trial in Europe for the treatment of various solid tumors, including breast, gastric and ovarian cancers. We believe MCLA-128 has the potential to be a more effective treatment of HER2-expressing solid tumors than existing therapies due to its ability to inhibit cellular growth factor receptors on tumor cells and simultaneously involve immune system cells to attack tumor cells. MCLA-128 is designed to bind to and block growth factor receptors known as HER2 and HER3, as well as recruit immune killer cells, such as NK cells and macrophages. In our pre-clinical studies, MCLA-128 was more effective in inhibiting heregulin-driven tumor growth than HER2 or HER3 mAbs, as well as their combinations and a combination of currently approved HER2 mAbs. The production of heregulin, which is the ligand for HER3, has been widely shown to cause cancer cells to grow and become resistant to treatment with HER2-targeted therapies. Our Phase 1/2 clinical trial of MCLA-128 will assess its safety, tolerability and anti-tumor activity. In the dose escalation phase of the trial, the recommended dose of MCLA-128 was established. In this ongoing study, preliminary data showed that MCLA-128 is well tolerated with a very good safety profile. Preliminary efficacy data suggests consistent antitumor activity in heavily pretreated metastatic breast cancer patients progressing on HER2 therapies. We expect to report top-line results from the Phase 1/2 trial in the second half of 2017.

Our second bispecific antibody candidate, MCLA-117, is currently in a Phase 1 clinical trial in Europe for the treatment of AML. AML generally has a poor prognosis and limited progress has been made in disease outcomes despite a growing AML patient population. Clinical and pre-clinical studies suggest that treatment-resistant leukemic stem cells are a potential cause of disease relapse. MCLA-117 binds to CD3, a cell-surface molecule present on all T-cells, and to CLEC12A, a cell surface molecule present on approximately 90 to 95% of AML tumor cells and stem cells in newly diagnosed and relapsed patients. MCLA-117 is designed to recruit and activate T-cells to kill AML tumor cells and stem cells. In our pre-clinical studies, MCLA-117 killed tumor cells in blood samples of AML patients. We plan to seek orphan drug designation for MCLA-117

for the treatment of AML from the U.S. Food and Drug Administration, or FDA, and the European Medicines Agency, or EMA. We expect to report top-line results from this Phase 1 trial in the first half of 2018. We are also currently evaluating MCLA-117 for the treatment of myelodysplastic syndrome, or MDS, in pre-clinical studies.

In addition to MCLA-128 and MCLA-117, we are developing MCLA-158, a bispecific antibody candidate that is designed to bind to cancer stem cells expressing Lgr5 and EGFR, for the potential treatment of colorectal cancer. We are conducting pre-clinical studies of MCLA-158 and plan to submit a CTA to the EMA by the end of 2017 to initiate a Phase 1/2 clinical trial in Europe. MCLA-158 is designed to kill cancer stem cells using two different mechanisms of action. The first mechanism of action involves blocking growth and survival pathways in tumor stem cells. The second mechanism of action involves the recruitment and enhancement of immune effector cells.

Our Strategy

Our goal is to become a leading immuno-oncology company developing bispecific antibodies to treat and potentially cure various types of cancer. Our business strategy comprises the following components:

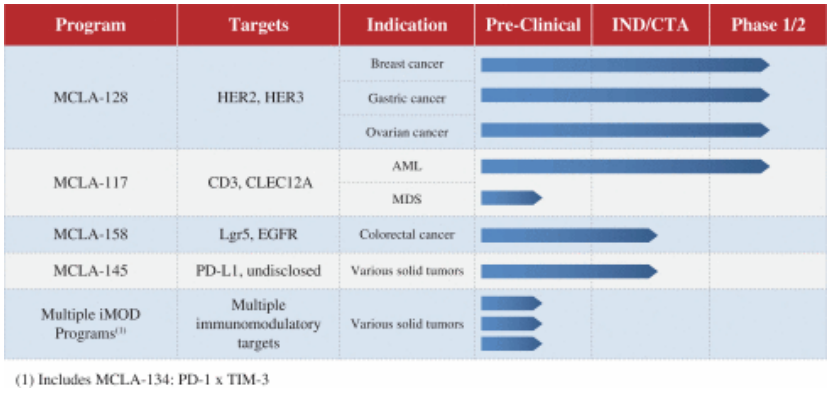
- ***Rapidly develop our lead bispecific antibody candidate, MCLA-128, for the treatment of solid tumors.*** We are developing MCLA-128 for the treatment of patients with HER2-expressing solid tumors, including breast, colorectal, ovarian, endometrial, gastric and non-small cell lung cancer. We commenced a Phase 1/2 clinical trial of MCLA-128 in Europe in February 2015. In the dose escalation phase of the trial, the recommended dose of MCLA-128 was established. In this ongoing study, preliminary data showed that MCLA-128 is well tolerated with a very good safety profile. Preliminary efficacy data suggests consistent antitumor activity in heavily pretreated metastatic breast cancer patients progressing on HER2 therapies. We submitted an IND application to the FDA for MCLA-128 in the fourth quarter of 2016 to expand the Phase 1/2 clinical trial to a site in the United States. We expect to report top-line data from this Phase 1/2 trial in the second half of 2017. If the results of the Phase 1/2 clinical trial are favorable, we intend to commence a single agent and/or combination Phase 2 clinical trial in the United States for MCLA-128. We believe that if MCLA-128 is successfully developed and obtains regulatory approval, it has the potential to address disease-specific challenges that are not currently being met by existing therapies.
- ***Successfully develop our second bispecific antibody candidate, MCLA-117, for the treatment of AML.*** We are developing MCLA-117 for the treatment of patients with AML. We commenced a Phase 1 clinical trial of MCLA-117 in Europe in May 2016 for the treatment of patients with AML to assess its safety, tolerability and anti-tumor activity. We expect to report top-line results from this Phase 1 trial in the first half of 2018. If the results of this clinical trial are favorable, we intend to submit an IND to the FDA and initiate a Phase 2 clinical trial in the United States. We plan to seek orphan drug designation from the FDA and the EMA for MCLA-117 for the treatment of AML. We believe that if MCLA-117 is successfully developed and obtains regulatory approval, it has the potential to transform the treatment of AML. We are also currently evaluating MCLA-117 for the treatment of MDS in pre-clinical studies.
- ***Accelerate the internal discovery and development of additional immunotherapeutic bispecific antibody candidates.*** We believe we are well positioned to expand our pipeline of Biclonics for the treatment of other forms of cancer. Our platform enables rapid functional screening of large collections of Biclonics which allows us to identify lead candidates with multiple mechanisms of action that have the potential to kill tumor cells with high potency. We are currently evaluating Biclonics that target various combinations of checkpoint inhibitory molecules, such as PD-1, PD-L1 and other checkpoint inhibitors, as well as combinations of checkpoint inhibitory and co-stimulatory molecules, and combinations of molecules present on cancer stem cells in pre-clinical studies. We believe that binding to combinations of checkpoint inhibitory and/or co-stimulatory molecules provides Biclonics with the potential to activate tumor-specific T-cells to effectively kill tumor cells. In addition, by developing

Biclonics that attack and kill cancer stem cells, we believe that we may be able to eliminate the cells that cause relapse of tumor growth. We are conducting pre-clinical studies of MCLA-158 and plan to submit a CTA to the EMA by the end of 2017 to initiate a Phase 1/2 clinical trial in Europe. In addition to these target combinations, we intend to use our platform to evaluate new Biclonics combinations. In addition to MCLA-158, we intend to advance at least one of our bispecific antibody candidates through pre-clinical development and into clinical trials by the end of 2018.

- ***Seek strategic collaborative relationships.*** We intend to continue to seek strategic collaborations to facilitate the capital-efficient development of our Biclonics technology platform and to identify potential target combinations in immuno-oncology and other therapeutic areas. We have entered into collaborations with Incyte and ONO Pharmaceutical Co., Ltd., a Japanese pharmaceutical company, to develop bispecific antibody candidates based on our Biclonics technology platform and plan to work with other collaborators to validate and expand the use of our Biclonics platform and the development of bispecific antibody candidates. We believe these collaborations could potentially provide significant funding to advance our bispecific antibody candidate pipeline while allowing us to benefit from the development expertise of our collaborators.

Our Product Pipeline

We intend to use our technology platform to develop Biclonics for the treatment of various types of cancer. The following table summarizes our bispecific antibody candidate pipeline:



(1) Includes MCLA-134: PD-1 x TIM-3

Overview of Existing Immunotherapeutics

Despite a number of advances in the past decade, a significant unmet need in cancer still exists. While targeted antibody therapeutics have been successful in treating some cancers, the therapeutic effects of almost all such therapies are transient. Cancer cells are able to adapt in order to escape recognition and elimination by the immune system, thereby contributing to tumor growth and progression. Acquired resistance to cancer therapies remains a significant clinical problem with patients frequently relapsing and the tumors metastasizing to other organs.

Immunotherapy is a new class of cancer treatment that works to harness the intrinsic powers of the immune system to fight tumor cells. There are several immunotherapies that engage various aspects of the immune system such as: (1) monoclonal antibodies with enhanced ADCC, (2) bispecific T-cell engaging molecules, (3) immunomodulatory monoclonal antibodies and (4) CAR-T and TCR therapies. While each of these therapies varies in its mechanism of action, these therapies rely on specific components of the innate or adaptive immune system to kill tumor cells or counteract signals produced by cancer cells that suppress immune responses. The

potential of immunotherapeutic approaches is best demonstrated by the long durable remissions, exceeding 10 years, observed after checkpoint inhibitor treatment in a subset of patients with advanced melanoma. More recent evidence from clinical trials suggests that a growing list of cancers will respond to checkpoint inhibitors.

Monoclonal Antibodies with Enhanced ADCC. Monoclonal antibodies bind to a single target expressed by tumor cells and have been modified to more efficiently attract immune effector cells, such as NK cells and macrophages, to effectively kill tumor cells. Several mAbs with enhanced ADCC for the treatment of solid and leukemic tumors have yielded promising results in clinical trials.

By binding to a single target, mAbs with enhanced ADCC depend on the expression of that target on the tumor and normal tissues to leverage the advantage of enhanced tumor cell-killing while minimizing toxicity. Ideal targets for antibodies would be solely expressed by the diseased cell and not by normal cells. Unfortunately, many of these targets are also expressed by healthy tissues. By binding to a single target, mAbs with enhanced ADCC potentially can induce autoimmune toxicity, so-called “on-target, off-tumor” toxicity.

Bispecific T-Cell Engaging Molecules. Bispecific T-cell engaging molecules enhance a patient’s immune response to tumors by re-targeting T-cells to tumor cells. These molecules have been developed for a variety of both hematological and solid tumors and are currently in clinical trials. We are aware of a bispecific T-cell engaging molecule therapeutic that has received regulatory approval for the treatment of acute lymphoblastic leukemia as well as additional bispecific T-cell engaging molecules that are currently in clinical development.

Most T-cell engaging molecules in development are currently based on antibody fragments connected by a flexible linker and, unlike Biclonics, do not utilize the advantages of the full-length IgG format. These molecules may have shorter half-lives than conventional mAbs, which could require continuous infusion of the molecule or could pose manufacturing and immunogenicity challenges.

Immunomodulatory mAbs. Immunotherapeutic strategies have been shown in clinical trials to increase the ability of the immune system to recognize and eradicate tumor cells. Among these treatment strategies, immunomodulatory mAbs that enhance the function of T-cells have achieved noteworthy results for multiple types of cancers. Immunomodulatory mAbs that bind to molecules involved in T-cell inhibition are called checkpoint inhibitors because they block normally negative regulators of T-cell immunity. These checkpoint inhibitors target molecules such as the cytotoxic T-lymphocyte antigen 4, or CTLA-4, and PD-1. Additionally, immunomodulatory mAbs that bind to co-stimulatory molecules involved in T-cell activation, such as the tumor necrosis factor receptors OX40 and CD137, have shown tumor cell-killing activity in pre-clinical animal models of cancer and are currently being evaluated in early-stage clinical trials. Combinations of immunomodulatory mAbs have been observed to enhance the anti-cancer response in pre-clinical studies and in clinical trials of patients with various tumor types, but have also been observed to result in more pronounced toxicities. We believe that Biclonics have the potential to capture the benefits of combinations of immunomodulatory mAbs, combined with more specific targeting to tumor-specific T-cells and tumor cells, thereby potentially diminishing the toxic side effects and providing a cost-effective two-in-one therapeutic for the treatment of cancer patients.

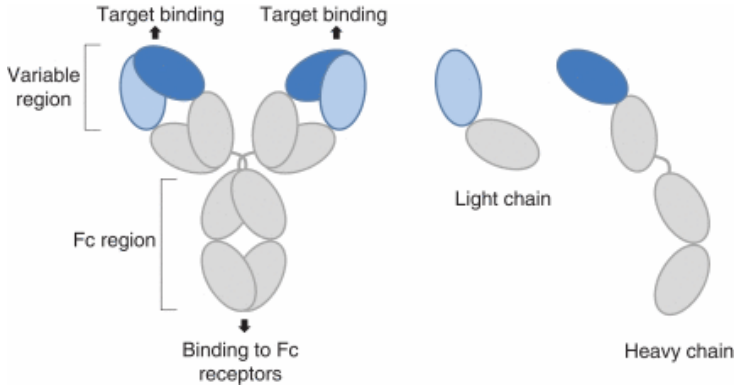
CAR-T and TCR Therapies. T-cells recognize diseased cells by receptors engaging with antigens that are present on cancer cells. CAR-T therapy entails genetically engineering T-cells to express synthetic chimeric antigen receptors, or CARs, that direct T-cells to antigens on the surface of cancer cells. The T-cell receptor, or TCR, modifies T-cells to express high-affinity tumor specific TCRs that recognize intra-cellular antigens present on the surface of target cells. In early-stage clinical trials, CAR-T and TCR therapies have been observed to have anti-tumor activity in a narrow spectrum of hematologic cancers.

We believe a key limitation of CAR-T and TCR therapies is the need to retrieve non-compromised immune effector cells from a cancer patient, which requires a complex and costly individualized process to develop the therapy. These challenges limit their potential and use in a variety of indications, including the treatment of solid tumors.

To address patient populations not responding to single-antibody based drugs, there is an increased focus on synergistically combining immunotherapeutics in the scientific community and from biopharmaceutical companies. Opportunities to create innovative antibody-based therapeutics lie in several technology advances, including bispecific antibodies that bind to multiple targets, Fc-optimization, which enhances the body's immune system to mediate the killing of cancer cells, and antibody drug conjugates, or ADCs.

Background on Antibodies

The conventional antibody is a Y-shaped molecule that consists of two identical heavy chains and two identical light chains, as shown in the figure below. These four chains pair to form two variable regions that bind to antigens, or targets, and a constant region, which includes a region known as the Fc, that binds to receptors present on effector cells in the immune system. In conventional mAbs, the variable regions are identical and bind to the same targets.



In bispecific antibodies, the variable regions can be modified to bind to two different targets. To achieve this in the full-length IgG format, two different heavy chains and two identical light chains, also referred to as the common light chain, are combined.

In both conventional mAbs and IgG bispecific antibodies, the Fc region can bind to Fc receptors present on effector cells. This binding results in the recruitment and activation of immune effector cells and amplifies the immune system's response to antigens bound by the variable region of the antibody. This process is called antibody dependent cytotoxicity, or ADCC. The Fc region can be modified to enhance ADCC so as to generate a more potent immune response against a particular target.

Our Biclonics Platform

We have a pipeline of Biclonics generated from our technology platform. Our platform enables the rapid identification of immunotherapeutics with the potential to produce tumor cell-killing activity, and allows for the flexible and rapid generation of Biclonics against any particular target pair.

By binding to two different targets, Biclonics can be designed to block receptors that drive tumor cell growth and survival and to mobilize the patient's immune response by activating various killer cells to eradicate tumors. We believe our Biclonics platform allows us to approach cancer treatment through multiple modes of action:

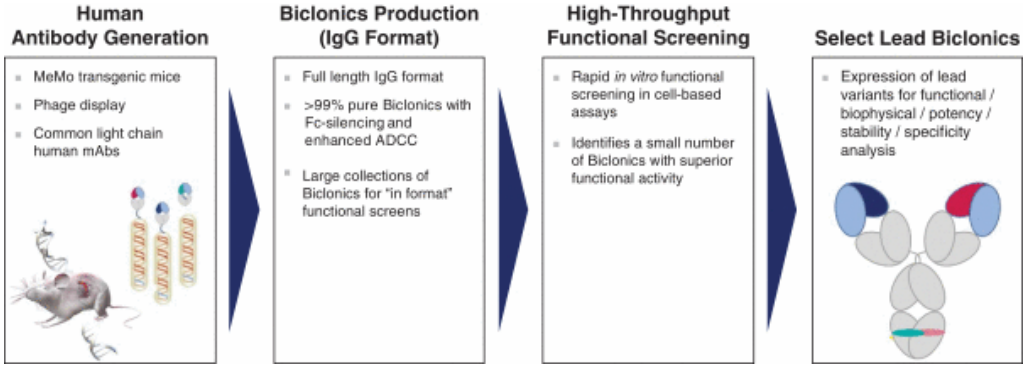
- Blocking combinations of growth factor receptors that drive tumor cell growth and relapse while simultaneously recruiting immune effector cells through enhanced ADCC. Biclonics may be generated

for various combinations of growth factor receptors that play a role in tumors with different molecular profiles, while a modification in the Fc region of the Biclonics facilitates the enhanced recruitment of immune effector cells, such as NK cells and macrophages, to directly kill tumor cells through ADCC.

- ***Activating T-cells to kill tumor cells by binding to CD3 expressed on T-cells and a tumor-associated target.*** CD3 is a cell-surface molecule present on all T-cells. Biclonics that are designed to simultaneously bind to CD3 and a tumor-associated target, which allows for T-cell recruitment and engagement to selectively kill tumor cells.
- ***Blocking two checkpoint inhibitory pathways for more efficient T-cell activation.*** Cancer cells are able to block the tumor-killing function of T-cells through the expression of inhibitory molecules. Scientific research has shown that combinations of mAbs are more potent than single mAbs when used against these inhibitory molecules to unblock and revive this mechanism of T-cells which kills tumor cell targets. Biclonics can be designed to prevent the blocking of T-cells by cancer cells while retaining the advantages of specific targeting in the tumor environment.
- Blocking a checkpoint inhibitory pathway while simultaneously providing a co-stimulatory signal for more efficient activation of T-cells. In addition to being blocked by inhibitory molecules, tumor specific T-cells may simultaneously require an activation signal to engage in tumor cell-killing. Biclonics can be designed to concurrently alleviate the blocking of T-cells and deliver the signals required to activate the killing potential of T-cells.
- Simultaneously targeting a growth factor receptor expressed by tumor cells and an immunomodulatory molecule involved in blocking tumor-specific T-cells. Growth factor receptors like epidermal growth factor receptors, or EGFR, and HER2 are expressed on many tumors. Biclonics can be designed to target such growth factor receptors while delivering an activation signal or de-blocking signal to T-cells.

Our process to select lead Biclonics for clinical development takes approximately 12 months and is illustrated below. We use our human antibody generation and Biclonics production technologies to rapidly build large collections of Biclonics directed against particular target pairs. We then test these collections in cell-based functional assays to identify Biclonics that have differentiated modes of action. We select the most potent Biclonics and evaluate them in multiple *in vitro* and *in vivo* assays to identify lead candidates for clinical development.

Selection of Lead Biclonics



Our Biclonics technology platform includes the following:

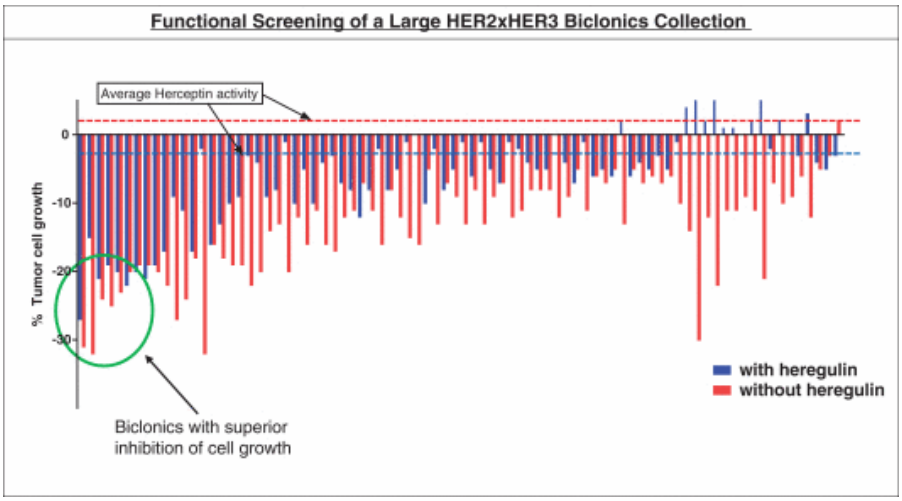
- ***Human antibody generation.*** Our human antibody platform is comprised of transgenic mice, which we refer to as MeMo, which are used to generate human antibodies and phage display for the generation of panels of common light chain human mAbs. MeMo harnesses the power of the *in vivo* immune system to directly yield antibodies with high potency, specificity, solubility and low immunogenicity. Using our human antibody generation technology, we produce large and diverse panels of high-affinity antibodies against a broad variety of targets. We believe this approach enhances the discovery and development of high-quality human antibodies that, through the common light chain, are ready to be inserted into the Biclonics format.

- ***The full-length Immunoglobulin G format.*** The Biclonics format retains several of the favorable attributes of conventional human IgG mAbs, including their stability and predictability during manufacturing as well as their long half-life and low immunogenicity during treatment of patients. Biclonics consist of two different heavy chains that need to stably form, or heterodimerize, inside a manufacturing cell line. We insert amino acids with opposite charges in each of these heavy chains to efficiently drive this process. The use of a single, or common, light chain in all human antibodies derived from MeMo is designed to have the heavy chains pair with the correct, common light chain to form functional antigen binding regions. The combination of these approaches prevents the need for additional, more artificial techniques, such as the use of linkers or chemical reactions, to force the pairing of different parts of the bispecific antibody. The resulting Biclonics are bispecific heterodimeric IgG antibodies that closely mimic IgG antibodies that are produced naturally by the immune system.

  The Biclonics format enables us to make modifications to the Fc region of the IgG antibody in order to enhance or limit effector functions associated with this part of the molecule. This strategy has been successfully executed with conventional therapeutic mAbs. In order to enhance efficacy and promote immunotherapeutic activity, we can use genetically altered cell lines used in production to generate Biclonics that are enhanced for ADCC, resulting in the improved ability to recruit NK cells and macrophages. This ADCC enhancement has been made to our lead bispecific antibody candidate, MCLA-128. In order to improve safety and tolerability, we can modify our Biclonics to prevent the excessive release of signaling proteins called cytokines, which can overstimulate the immune system. This process is called Fc-silencing as it blocks the ability of our Biclonics to bind to certain protein receptors on cells, known as Fc receptors, which are associated with cytokine release. We utilize Fc silencing in the design of our bispecific antibody candidate, MCLA-117.

- ***High-throughput functional screening.*** The panels of target-specific human antibodies are introduced as pairs of DNA constructs into mammalian cells. The common light chain format and modified Fc region of the IgG antibody ensure the secretion of pure Biclonics into the cell culture medium. The medium of thousands of cell cultures is harvested and individually used in cell- and tissue-based functional assays to identify Biclonics with differentiated modes of action.

For example, the chart below shows the results of a pre-clinical study in which 495 different Biclonics targeting HER2 and HER3 were functionally screened against tumor cell samples, with and without heregulin present. From the 80 candidates depicted in the chart, 40 exhibited superior inhibition of cell growth compared to Herceptin, a drug commonly prescribed for the treatment of breast cancer, and were selected in the process leading to identification of MCLA-128.



Benefits of Biclonics

We believe our Biclonics technology platform provides the following benefits:

- ***Biclonics are stable, bispecific, full-length human IgG antibodies with no linkers or fusion proteins.*** Biclonics retain the IgG format of antibodies that are produced naturally by the immune system. Additionally, in contrast to many other bispecific antibody formats, Biclonics do not require linkers to force the correct pairing of heavy and light chains or exploit fusion proteins to add functionality to the molecule. These qualities minimize time-consuming engineering efforts and allow us to create Biclonics with predictable behavior during pre-clinical development.
- ***Biclonics preserve the stability, behavior and adaptability of normal IgG antibodies.*** Biclonics are based on the robust and commonly used IgG format to yield the favorable *in vivo* qualities associated with conventional mAbs, such as stability, long half-life and low immunogenicity. As a result, our Biclonics format provides attractive options for dosage schedules and methods of administration, rendering them compatible with multiple modes of action for the efficient killing of tumor cells. Further, the IgG format allows us to apply previously established technologies to further optimize our Biclonics for therapeutic use.
- ***Biclonics can be reliably manufactured with high yields.*** Because our Biclonics retain the IgG format of antibodies, our Biclonics are manufactured using the large-scale industry-standard processes that are also used for the production of conventional mAbs, and the yields of Biclonics we obtain are comparable to those of normal IgG antibodies. In stable cell lines, we are able to obtain over 90% of bispecific antibody formation using these processes and the IgG-based purification process results in greater than 99.8% purity for our Biclonics.
- ***Our Biclonics technology platform allows for functional evaluation of Biclonics in the relevant therapeutic format leading to the discovery of therapeutic candidates with differentiated properties***. Our Biclonics technology platform enables rapid functional screening of large collections

of bispecific antibodies which allows us to identify lead candidates with multiple mechanisms of action that have the potential to effectively kill tumor cells with high potency. This is an important step in the identification of lead bispecific antibody candidates with functionalities that compare favorably against other forms of immunotherapeutics, such as conventional mAbs as well as their combinations.

Our Bispecific Antibody Candidate Portfolio

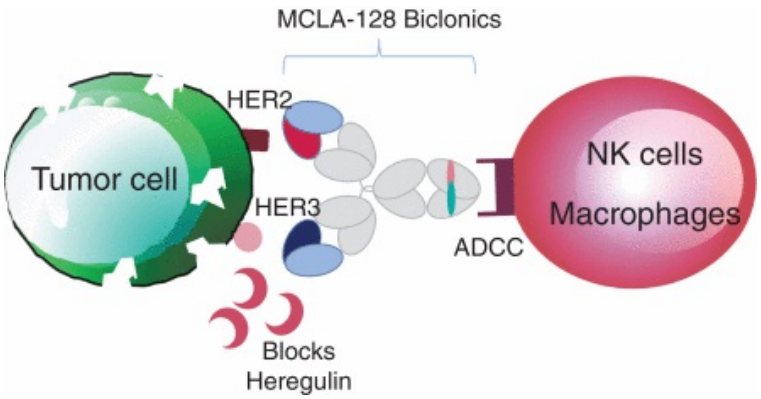
Our lead bispecific antibody candidate, MCLA-128, commenced a Phase 1/2 clinical trial in Europe for the treatment of patients with solid tumors in February 2015. Additionally, we commenced a Phase 1 clinical trial in Europe of our second bispecific antibody candidate, MCLA-117, for the treatment of patients with AML in May 2016, and we have several other bispecific antibody candidates in pre-clinical development, including MCLA-158 for which we intend to submit a CTA to the EMA by the end of 2017 to initiate a Phase 1/2 clinical trial in Europe.

MCLA-128

MCLA-128 is an ADCC-enhanced Biclonics that is designed to bind to HER2 and HER3-expressing solid tumor cells, including breast, colorectal and ovarian tumor cells. The scientific rationale for targeting HER2, or human epidermal growth factor receptor 2, and HER3, or human epidermal growth factor receptor 3, is that HER2 is amplified in many solid tumors and is associated with poor prognosis and the activation of HER3 causes cancer cells to be or to become resistant to treatment. On the surface of tumor cells, HER2 preferably pairs, or dimerizes, with HER3, and the resulting pair drives malignant progression of HER2-expressing cancer cells. Heregulin, which is the ligand for HER3, causes cancer cells to grow and become resistant to treatment with HER2-targeted therapies.

We have designed MCLA-128 to overcome the inherent and acquired resistance of tumor cells to HER2-targeted therapies using two different mechanisms. The first mechanism blocks growth and survival pathways to stop tumor expansion, while preventing tumor cells from escaping through activation of the HER3/heregulin pathway. The second mechanism, enhanced ADCC, involves the recruitment and enhancement of immune effector cells, such as NK cells and macrophages, to directly kill the tumor through a modification of the Fc region. This dual mechanism of action is illustrated in the graphic below.

MCLA-128 Mechanism of Action



We believe that MCLA-128 has the potential to be a more effective treatment of HER2-expressing solid tumors than existing therapies due to its ability to inhibit cellular growth factor receptors on tumor cells and simultaneously recruit cells of the immune system to attack tumor cells.

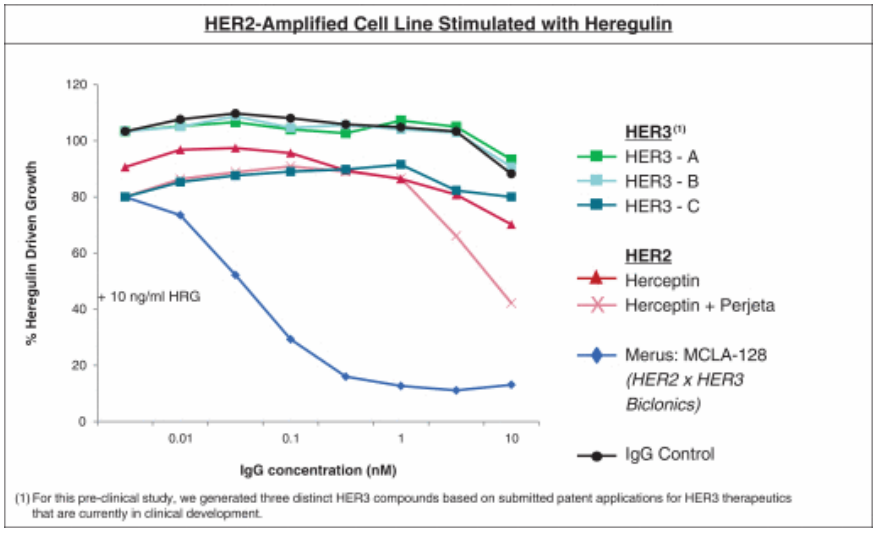
Market Overview

The National Cancer Institute estimates that 246,660 new cases of female breast cancer, 134,490 new cases of colorectal cancer, 224,390 new cases of lung cancer, 22,280 new cases of ovarian cancer, 76,960 new cases of bladder cancer and 26,370 new cases of stomach cancer were diagnosed in the United States in 2016. Based on a market survey we commissioned from Specialized Medical Services-oncology BV in 2012, we estimate that HER2 is expressed in 28% of cases of breast cancer, 34% of cases of colorectal cancer, 22% of cases of lung cancer, 25% of cases of ovarian cancer, 45% of cases of bladder cancer and 23% of cases of stomach cancer. Herceptin, Avastin, and Erbitux are drugs commonly prescribed for the treatment of these types of cancers. Worldwide sales of these drugs in 2014 were approximately $6.8 billion, $7.0 billion and $1.9 billion, respectively.

Pre-Clinical Studies

In our pre-clinical studies of HER2-expressing tumor cell lines, we measured the impact of MCLA-128 on heregulin-driven growth and cellular changes, characterized by a metastatic phenotype. In these studies, we observed that both growth and metastatic characteristics were poorly blocked by therapeutic mAbs targeting HER2 and HER3, while the application of MCLA-128 resulted in the inhibition of heregulin induced changes in cultures of cancer cells. MCLA-128 also blocked activation of two key signaling pathways for the growth and survival of tumor cells more effectively than the combination of the currently approved therapeutic HER2 mAbs, Herceptin (trastuzumab) and Perjeta (pertuzumab).

As shown in the chart below, the administration of MCLA-128 reduced heregulin-driven tumor growth at significantly lower concentrations than mAbs targeting HER2 or HER3 and the combination of Herceptin and Perjeta.

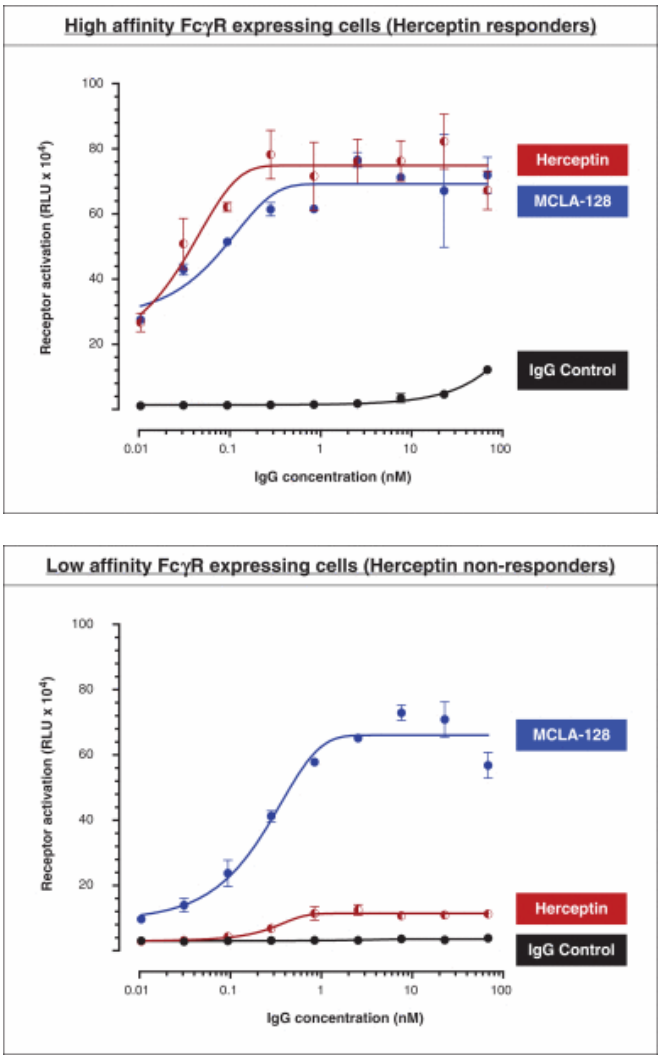


MCLA-128 also blocked phosphorylation and activation of key proteins in the signaling pathways for the cell growth and survival of cancer cell lines, a result that was not observed with the combination of HER2 mAbs, Herceptin and Perjeta.

We also studied the ADCC activity of MCLA-128 in cell lines expressing different types of Fc receptors. As shown in the two charts below, because MCLA-128 is ADCC enhanced, it was able to bind and activate Fc

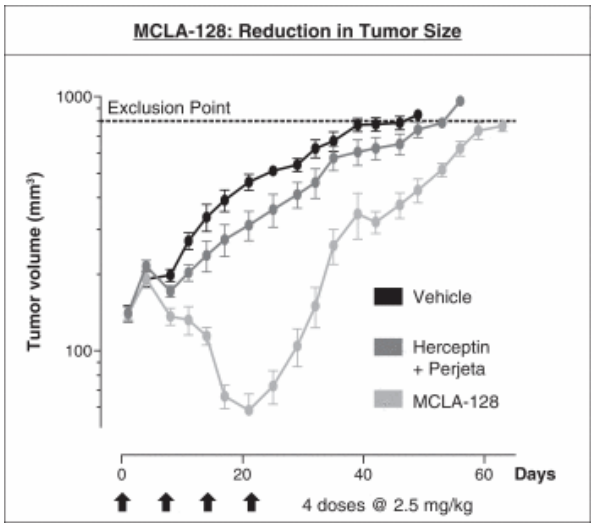
receptors required for the recruitment of immune killer cells regardless of the receptor affinity of the patient. Studies have estimated that more than 50% of the patient population carry Fc receptors that are of low affinity and are poorly activated by therapeutic antibodies such as Herceptin. We have observed in our pre-clinical studies that MCLA-128 was also more potent than Herceptin in activating immune killer cells carrying low affinity Fc receptors.

Fc Receptor Activation by MCLA-128 (FcγR Subtype)

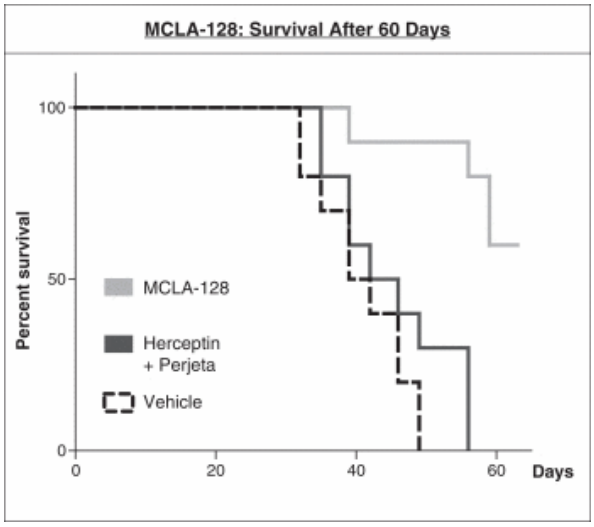


In the pre-clinical studies, we also compared the ability of MCLA-128 to inhibit the *in vivo* growth of cell lines such as JIMT-1, which is an aggressive breast cancer line resistant to HER2-targeted therapies. In these studies, we administered four doses of MCLA-128 at 2.5 mg/kg. The MCLA-128-treated mice experienced as

high as a 58% reduction of their tumor size during the 21-day treatment period, compared to a less than 11% reduction after administration of a combination of Herceptin and Perjeta. Regrowth of the tumor was observed after treatment was halted on day 21. This result is illustrated in the chart below.



Analysis of tumors taken from mice at day 21 showed that HER3 signaling was effectively blocked when treated with MCLA-128 whereas no effect was observed with the combination of Herceptin and Perjeta. Pre-clinical studies are currently being conducted to evaluate whether tumor suppression can be sustained by continuing treatment over the 60 day observation period. In addition, a higher percentage (60%) of mice treated with MCLA-128 survived beyond 60 days than mice receiving either the vehicle or the combination of Herceptin and Perjeta. This result is illustrated in the chart below.



Clinical Development of MCLA-128

In February 2015, we commenced an open-label Phase 1/2 clinical trial of MCLA-128 in Europe for the treatment of HER2-expressing solid tumors. The first part of the trial, the dose escalation phase, is complete. In Part 1 of this trial, MCLA-128 was well-tolerated up to the highest tested dose of 900 mg, and we observed a favorable safety profile and early positive data of efficacy. The cumulative safety and available pharmacokinetic, or PK, data, along with the aid of a PK simulation study, were used to support a recommended dose for a Phase 2 clinical trial of 750 mg, administered over 120 minutes, which we are using in Part 2 of this trial. We intend to enroll up to 200 evaluable patients with breast, ovarian endometrial and non-small cell lung cancers in Part 2 of this trial, to further study the safety, tolerability and clinical efficacy of MCLA-128. The trial is designed to enroll patients with solid tumors that are relapsed or refractory to at least one prior regimen of available standard treatment or for whom no curative therapy is available. We plan to conduct the trial in at least six clinical sites.

For this Phase 1/2 trial, we have implemented an exploratory biomarker investigation using tumor tissue and blood samples from patients. The biomarkers we are evaluating include heregulin expression, HER2 and HER3 receptor expression and PI3K/AKT pathway activation status, which refers to an intracellular pathway regulating processes such as cell survival, cell proliferation and cell growth. We believe this approach, in conjunction with genetic profiling, will allow for the validation of biomarker assays and will provide guidance for enrolling additional patients based on relevant biomarkers.

The primary endpoint of Part 1 of our clinical trial was to determine the maximum tolerated dose and/or the maximum recommended dose of MCLA-128. The secondary endpoints of Part 1 consisted of:

- the pharmacodynamic, or PD, response to MCLA-128 in tumor tissue and/or surrogate tissues;
- the PK profile, including total exposure, maximum concentration clearance, volume of distribution and half-life;
- the serum concentration of anti-drug antibodies to MCLA-128; and
- the frequency and nature of adverse events.

We also evaluated other anti-tumor parameters, such as:

- the objective response rate, or ORR, which is the proportion of patients in whom a complete response or partial response was observed;
- the clinical benefit rate, or CBR, which is the proportion of patients in whom a complete response, partial response, or stable disease was observed (where the stable disease duration is a minimum of 16 weeks/4 months) according to standard criteria;
- the duration of response, or DOR, which is the time from the initial response until documented tumor progression;
- progression free survival, or PFS, which is the time from treatment initiation to objective tumor progression or death from any cause; and
- patient survival rates.

As of March 31, 2017, we have enrolled a total of 26 patients in the trial. In this ongoing study, preliminary data has shown that MCLA-128 is well tolerated with a very good safety profile. To date, patients treated with MCLA-128 have experienced mild to moderate adverse reactions that may be related to treatment, including infusion-related reactions, diarrhea, vomiting, fatigue, skin rash, sore mouth and shortness of breath. There have been two serious adverse events, reported as infusion-related reactions one of which was readily reversible and the other, an allergic reaction, which resulted in death in a patient with significant underlying comorbidities. Preliminary efficacy data suggests consistent antitumor activity in heavily pretreated metastatic breast cancer patients progressing on HER2 therapies.

We expect to report interim safety and efficacy results from Part 2 of this trial in the first half of 2017. However, interim results of a clinical trial do not necessarily predict final results. If the results of the Phase 1/2 clinical trial are favorable, we intend to expand the current clinical trial or commence a new single agent and/or combination Phase 2 clinical trial in the United States and EU.

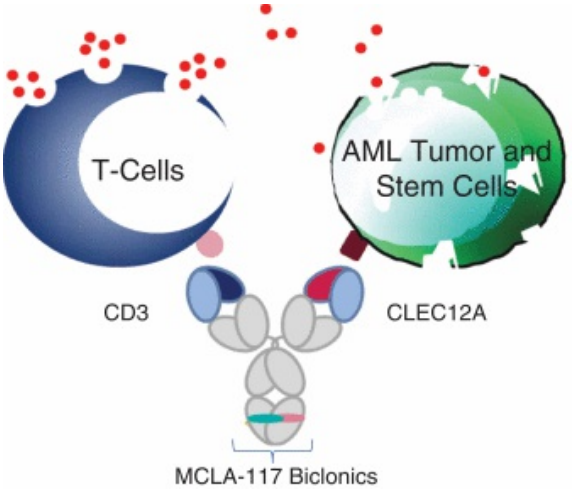
MCLA-117

MCLA-117 for AML

MCLA-117 is a Biclonics that is designed to bind to CD3, a cell-surface molecule present on all T-cells, and to CLEC12A, a cell surface molecule present on AML tumor cells and stem cells. CLEC12A is not found on normal blood stem cells nor on cells that give rise to red blood cells and platelets nor is it present on other non-hematopoietic cells in the body. This is in contrast to the expression patterns of CD123 and CD33, which are present on normal blood stem cells, and in the case of CD33, also the cells that give rise to red blood cells and platelets. Both CD123 and CD33 are being explored as targets for AML therapy. We believe that the expression pattern of CLEC12A makes it an attractive and differentiated molecule for targeted therapy in cancer patients. Moreover, CLEC12A is expressed on approximately 90 to 95% of newly diagnosed and relapsed cases of AML, and we believe that many patients with AML could potentially benefit from treatment with MCLA-117.

By binding to CD3 and CLEC12A, MCLA-117 is designed to recruit and activate T-cells to kill CLEC12A-expressing AML tumor cells and stem cells. AML tumor stem cells are thought to be resistant to current chemotherapeutic treatment regimens, and the inability to eliminate these cells with conventional therapies is thought to significantly contribute to disease relapse in AML patients. We believe that elimination of this leukemic stem cell population by treatment with MCLA-117 may prevent recurrence of the tumor. The mechanism of action of MCLA-117 is illustrated in the graphic below.

MCLA-117 Mechanism of Action

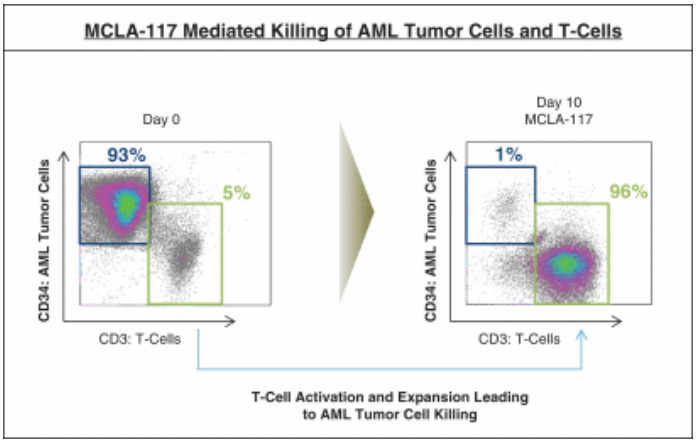


Unlike some other bispecific antibody formats, the full-length IgG format of MCLA-117 and its associated longer half-life keeps it from having to be administered through continuous infusion using infusion pumps. In addition, through Fc-silencing, MCLA-117 is designed to avoid binding to Fc receptors present on macrophages and other blood cells that could result in toxicity.

We believe that MCLA-117 could be developed as induction therapy, as consolidation therapy to treat minimal residual disease and as rescue therapy for patients with relapsed or refractory AML. We intend to explore its use both as a single agent and in combination with commonly used chemotherapy agents and other treatment regimens of AML. We expect the safety profile of MCLA-117 to be favorable based on the restricted expression of CLEC12A in human tissues which is anticipated to result in manageable neutropenia. We also expect infusion related reactions based on the observed level of cytokine release upon co-culture with blood cells, which can be mitigated by gradual dose increments and by providing co-medication when required. As CLEC12A is not expressed on megakaryocyte and erythroid progenitor cells, we expect the application of MCLA-117 would not result in a decrease of platelet counts or red blood cells.

In our pre-clinical studies, MCLA-117 specifically targeted and killed AML tumor cells mediated by a high affinity of the Biclonics for CLEC12A and a relatively low affinity for CD3. In these studies, MCLA-117 recruits T-cells to selectively kill tumor cells in blood samples of AML patients containing an unfavorable ratio of T-cells to AML tumor cells. We observed that 1,000 ng/ml of MCLA-117 was sufficient to induce the elimination of tumor cells.

As shown in the figure below, treatment of an AML patient's blood samples with MCLA-117 resulted in the efficient killing of AML tumor cells in our pre-clinical studies. An unmanipulated primary blood sample containing both CLEC12A positive patient tumor cells and T-cells was cultured for 10 days with either a dosage of 1,000 ng/ml of MCLA-117 or a dosage of a control Biclonics that does not bind to CLEC12A but retains CD3 binding activity. On day 10, the percentage of AML tumor cells in the culture dish dosed with MCLA-117 had decreased from 93% to 1% while the proportion of T-cells had increased from 5% to 95%, indicating that CD3 positive T-cells had been effectively activated to proliferate, engage and kill the AML tumor cells by MCLA-117. In contrast, the percentage of AML tumor cells in the culture dish dosed with a control Biclonics had slightly decreased from 93% to 81% while the proportion of T-cells had only increased from 5% to 16%, indicating that binding to CLEC12A by MCLA-117 was required to result in the efficient killing of AML tumor cells.



We commenced a Phase 1 clinical trial in Europe of MCLA-117 in May 2016 for the treatment of patients with AML to assess its safety, tolerability and anti-tumor activity. For the Phase 1 clinical trial, we plan to enroll adult patients with all AML subtypes. Patients with relapsed or refractory disease and newly diagnosed, untreated AML patients who are older than 65 years and are usually not eligible as candidates for intensive or conventional approved treatments would all be eligible for enrollment in the trial. We expect to enroll approximately 50 patients in this trial, consisting of up to 31 patients in Part 1, the dose escalation phase, and up to 15 patients in Part 2, the safety dose expansion phase. The primary endpoint of the Phase 1 trial is the assessment of the safety

and tolerability of MCLA-117 in order to determine the maximum tolerated dose and frequency of administration. The secondary endpoints include:

- the assessment of the PK profile of an MCLA-117 intravenous infusion as a single agent;
- the investigation of the PD effects of MCLA-117;
- the determination of incidence and serum titer of anti-drug antibodies against MCLA-117; and
- the evaluation of the preliminary efficacy and anti-leukemic activity of MCLA-117.

We expect to report interim safety and preliminary activity results from Part 1 of this Phase 1 trial by the end of 2017. However, interim results of a clinical trial do not necessarily predict final results.

We expect to report top-line data from this Phase 1 trial in the first half of 2018. If the results of the clinical trial are favorable, we intend to submit an IND to the FDA and initiate a Phase 2 clinical trial in the United States. We believe MCLA-117 may qualify for orphan drug designation in the United States and in Europe for the treatment of AML, and we plan to seek orphan drug designation from the FDA and the EMA for the treatment of AML.

MCLA-117 for MDS

We are also currently evaluating MCLA-117 for the treatment of MDS in pre-clinical studies. MDS is a disease that occurs when the blood-forming cells in the bone marrow lose the ability to develop normally. Patients with MDS have lower numbers of one or more types of cells in the blood such as red blood cells and platelets and are at higher risk to develop AML. Similar to AML, we believe that the expression pattern of CLEC12A makes it an attractive and differentiated molecule for targeted therapy in patients with MDS. CLEC12A is expressed on approximately 89% of patients with MDS, and we believe that many patients with MDS could potentially benefit from treatment with MCLA-117.

MCLA-158

MCLA-158 is an ADCC-enhanced Biclonics that is designed to bind to Lgr5 and EGFR-expressing cancer stem cells for the treatment of solid tumors, including colorectal cancer. Cancer stem cells are a subpopulation of long-lived and chemo-resistant cells that contribute to the growth and metastatic potential of a tumor. Cancer stem cells have the capacity to divide and give rise to new cancer stem cells via a process called self-renewal, the capacity to differentiate or change into the other cells that form the bulk of the tumor and an ability to withstand chemotherapy and radiation exposure. We believe these features make cancer stem cells an attractive therapeutic target to overcome the inherent and acquired resistance of tumors to conventional therapies.

In 2012, colorectal cancer was the third most common cancer worldwide. Patients with metastatic disease have a mean survival time of less than two years. Approximately 90% of all colorectal cancers display mutational activation of the Wnt pathway. The Wnt pathway is critical for the maintenance of stem cells and has been linked to cancer. Lgr5 is an amplifying receptor of the Wnt pathway, is over-expressed in approximately 70% of advanced colorectal cancers and is correlated with lymph node metastases. Lgr5 expression is higher in metastatic tumors and associated with tumor-initiating cells or cancer stem cells. Lgr5 positive cells are highly mitotically active and are expected to be particularly dependent on growth and survival factors that activate EGFR.

We have designed MCLA-158 to target cancer stem cells expressing Lgr5 and EGFR using two different mechanisms of action. The first mechanism of action blocks growth and survival pathways in cancer stem cells. The second mechanism of action, enhanced ADCC, involves the recruitment and enhancement of immune effector cells to directly kill cancer stem cells that persist in solid tumors, such as colorectal cancer, and cause relapse and metastasis.

In our pre-clinical studies, we used our proprietary technology combined with high content imaging to identify MCLA-158 after screening more than 500 bispecific antibodies for activity in more than 20 patient-derived colorectal cancer organoids. Organoids are cell cultures based on cancer cells from patients that mimic the physiology of tumor growth and depend on the presence of cancer stem cells for their maintenance. In our pre-clinical studies, MCLA-158 was significantly more potent than EGFR-targeting mAbs, such as cetuximab, and small molecule inhibitors of the PI3K and MAPK signaling pathways in inhibiting the growth of patient-derived colorectal cancer organoids. In our cell culture studies, MCLA-158 selectively blocked the ability of colorectal cancer organoids to regrow after serial passaging, suggesting that MCLA-158 has the potential to eliminate stem cells in vitro.

In our pre-clinical studies MCLA-158 has been observed to be selectively more active in human tumor-derived organoids than in organoids derived from normal human colon. The activity of MCLA-158 on the tumor organoid size was more than 100 times greater than on the normal colon organoids. In contrast, the activity of cetuximab was similar to the activity of MCLA-158 on normal colon organoids and 20 to 100 times less than the activity of MCLA-158 on tumor organoids. We observed this result on three additional normal colon organoids and four tumor organoids, three of which were derived from metastatic lesions.

Based on our pre-clinical studies to date and the expression pattern of Lgr5 and EGFR and their known roles in tumor progression, we believe that MCLA-158 has the potential to improve the survival outcome of patients with metastatic colorectal cancer, non-small cell lung cancer, ovarian cancer and potentially other solid tumors.

We plan to continue to conduct pre-clinical studies on MCLA-158 and to submit a CTA to the EMA by the end of 2017 to initiate a Phase 1/2 clinical trial for MCLA-158 in Europe.

Other Bispecific Antibody Candidates

MCLA-134

MCLA-134 is a Biclonics that is designed to bind to a combination of two immunomodulatory targets expressed by T-cells, PD-1 and TIM-3. MCLA-134 is designed to activate unresponsive tumor infiltrating T-cells to kill cancer cells.

MCLA-145

MCLA-145 is a Biclonics that is designed to bind to a tumor-associated target with an immunomodulatory target involved in checkpoint inhibition. MCLA-145 is designed to simultaneously reverse immune system suppression at the tumor site while attracting immune effector cells to directly kill the targeted tumor. MCLA-145 is being developed under our collaboration with Incyte Corporation.

Pre-Clinical Discovery Programs

We intend to leverage our Biclonics technology platform to identify multiple additional bispecific antibody candidates and advance them to clinical development. Each of these bispecific antibody candidates are designed to bind to targets believed to be useful in the treatment of cancer with an intention to establish efficacy and obtain information for submission to the FDA. Our current focus is on a number of immunotherapeutic targets and pathways that have demonstrated promising tumor killing ability in early-stage clinical trials and scientific literature. We are currently evaluating Biclonics that target combinations of checkpoint inhibitory molecules, such as PD-1, PD-L1 and other checkpoint inhibitors, as well as combinations of checkpoint inhibitory and co-stimulatory molecules, and combinations of molecules present on cancer stem cells. Using our platform, we will continue to evaluate new targets and combinations to identify potential candidates with the highest immunotherapeutic potential and select those candidates to be advanced into clinical trials.

Collaboration Agreements

As part of our business strategy, we intend to continue to seek research collaborations in order to derive further value from our Biclonics platform and more fully exploit its potential.

Incyte Corporation

We have entered into a collaboration and license agreement, or the Collaboration Agreement, with Incyte Corporation, or Incyte. Under the terms of the Collaboration Agreement, we and Incyte have agreed to collaborate with respect to the research, discovery and development of bispecific antibodies utilizing our proprietary bispecific technology platform. The collaboration encompasses up to 11 independent programs, including some of our current preclinical immuno-oncology discovery programs. For one of the current preclinical programs, or Program 1, we retain the exclusive right to develop and commercialize products and product candidates in the United States, while Incyte has the exclusive right to develop and commercialize products and product candidates arising from such program outside the United States. For Program 1, we and Incyte will conduct and share equally the costs of mutually agreed global development activities and will be solely responsible for independent development activities in our respective territories. We have the option to co-fund development of products arising from one specified program, and subject to certain conditions, to a second specified program, in each case exchange for a share of profits in the United States, as well as the right to participate in a specified proportion of detailing activities in the United States for one of such programs. In addition, if Program 1 fails to complete IND-enabling toxicology studies successfully, we will be granted an additional option to co-fund development of a specified program other than Program 1 in exchange for a share of profits in the United States. If we exercise our co-funding option for a program, we would be responsible for funding 35% of the associated future global development costs and, for certain of such programs, would be responsible for reimbursing Incyte for certain development costs incurred prior to the option exercise. All products as to which we have exercised our option to co-fund development would be subject to joint development plans and overseen by a joint development committee, with Incyte having final determination as to such plans in cases of dispute.

For each program other than Program 1, where we have not elected to co-fund development or where we do not have such a co-funding option, Incyte is solely responsible for all costs of global development and commercialization activities. We retain the rights to our bispecific technology platform as well as clinical and pre-clinical candidates and future programs emerging from our platform that are outside the scope of the Collaboration Agreement.

In January 2017, upon the Collaboration Agreement becoming effective, Incyte made an upfront non-refundable payment to us of $120 million for the rights granted under the Collaboration Agreement. For each program as to which we do not have commercialization or co-development rights, we are eligible to receive up to $100 million in future contingent development and regulatory milestones and up to $250 million in commercialization milestones, as well as tiered royalties ranging from 6% to 10% of global net sales. For each program as to which we have exercised our option to co-fund development, we are eligible to receive a 50% share of profits (or sustain 50% of any losses) in the United States and tiered royalties ranging from 6% to 10% of net sales of products outside of the United States. If we opt to cease co-funding a program as to which we exercised our co-development option, then we will no longer receive a share of profits in the United States but will be eligible to receive the same milestones from the co-funding termination date and the same tiered royalties described above with respect to non-co-developed programs and, depending on the stage at which we choose to cease co-funding development costs, additional royalties ranging up to 4% of net sales in the United States. For Program 1, for which we retain all commercial rights in the United States, we and Incyte are each eligible to receive tiered royalties on net sales in the other's territory at rates ranging from 6% to 10%.

The Collaboration Agreement will continue on a program-by-program basis until we have no royalty payment obligations with respect to such program or, if earlier, the termination of the Collaboration Agreement

or any program in accordance with the terms of the Collaboration Agreement. The Collaboration Agreement may be terminated in its entirety, or on a program-by-program basis, by Incyte for convenience. The Collaboration Agreement may also be terminated by either party under certain other circumstances, including material breach, or on a program-by-program basis for patent challenge of patents under the applicable program, in each case as set forth in the Collaboration Agreement. If the Collaboration Agreement is terminated in its entirety or with respect to one or more programs, all rights in the terminated programs revert to us, subject to payment to Incyte of a reverse royalty of up to 4% on sales of future products, if we elect to pursue development and commercialization of products arising from the terminated programs.

In connection with the Collaboration Agreement, we entered into a Share Subscription Agreement with Incyte, pursuant to which, in January 2017, we issued and sold to Incyte 3,200,000 common shares for an aggregate purchase price of $80.0 million.

ONO Pharmaceutical

In April 2014, we entered into a strategic research and license agreement with ONO, under which we granted ONO an exclusive, worldwide, royalty-bearing license to research, test, make, use and market bispecific antibody candidates, if approved, based on our Biclonics technology platform with undisclosed targets.

ONO paid us a non-refundable upfront fee of €1.0 million, and we are eligible to receive up to an aggregate of €34.0 million in milestone payments upon achievement of specified research and clinical development milestones. To date, we have achieved three of the specified pre-clinical milestones under this research and license agreement and have received an aggregate of €1.8 million in milestone payments. For products commercialized under this agreement, if any, we are also eligible to receive a mid-single digit royalty on net sales. For a designated period, which may include limited time periods following termination of this agreement, in certain circumstances we and our affiliates are prohibited from researching, developing or commercializing bispecific antibodies against the undisclosed target combinations that are the subject of this agreement. ONO also provides funding for our research and development activities under an agreed-upon plan. This research and license agreement will expire after all milestone payments have been received and all related patent rights have expired, unless terminated earlier. ONO has the right to terminate this agreement at any time for any reason, with or without cause. The licenses granted to ONO may convert to royalty-free, fully-paid, perpetual licenses if ONO terminates the agreement for uncured material breach.

Manufacturing

Our Biclonics technology platform relies on third parties for biological materials. We currently generate batches of lead bispecific antibody candidates in our own laboratories for initial pre-clinical studies using standardized procedures. We rely on and expect to continue to rely on third-party contract manufacturing organizations, or CMOs, for the supply of current good manufacturing practice-grade, or cGMP-grade, clinical trial materials and commercial quantities of our bispecific antibody candidates and products, if approved. We currently do not have any agreements for the commercial production of raw materials, but we have contracted biopharmaceutical CMOs Boehringer Ingelheim for the manufacturing of MCLA-128 and MCLA-117 and CMC Biologics for the manufacturing of MCLA-158. We believe that the standardized Biclonics manufacturing process can be transferred to a number of other CMOs for the production of clinical and commercial supplies of our Biclonics in the ordinary course of business.

Sales and Marketing

We have not yet defined our sales, marketing or product distribution strategy for MCLA-128, MCLA-117 or any of our other bispecific antibody candidates because our bispecific antibody candidates are still in pre-clinical or early-stage clinical development. Our commercial strategy may include the use of strategic partners, distributors, a contract sale force, or the establishment of our own commercial and specialty sales force. We plan to further evaluate these alternatives as we approach approval for one of our bispecific antibody candidates.

Competition

We compete directly with companies that focus on immuno-oncology and companies dedicating their resources to novel forms of cancer therapies. We also face competition from academic research institutions, governmental agencies and other various public and private research institutions. With the proliferation of new drugs and therapies into oncology, we expect to face increasingly intense competition as new technologies become available. Any bispecific antibody candidates that we successfully develop and commercialize will compete with existing therapies and new therapies that may become available in the future.

Many of our competitors have significantly greater financial, manufacturing, marketing, drug development, technical and human resources than we do. Mergers and acquisitions in the pharmaceutical, biotechnology and diagnostic industries may result in even more resources being concentrated among a smaller number of our competitors. Smaller or early stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. These competitors also compete with us in recruiting and retaining top qualified scientific and management personnel and establishing clinical trial sites and patient registration for clinical trials, as well as in acquiring technologies complementary to, or necessary for, our programs.

The key competitive factors affecting the success of all of our therapeutic bispecific antibody candidates, if approved, are likely to be their efficacy, safety, dosing convenience, price, the effectiveness of companion diagnostics in guiding the use of related therapeutics, the level of generic competition and the availability of reimbursement from government and other third-party payors.

Our commercial opportunity could be reduced or eliminated if our competitors develop and commercialize products that are safer, more effective, less expensive, more convenient or easier to administer, or have fewer or less severe effects than any products that we may develop. Our competitors also may obtain FDA, EMA or other regulatory approval for their products more rapidly than we may obtain approval for ours, which could result in our competitors establishing a strong market position before we are able to enter the market. Even if our bispecific antibody candidates achieve marketing approval, they may be priced at a significant premium over competitive products if any have been approved by then.

In addition to currently marketed therapies, there are also a number of products in late-stage clinical development to treat cancer, including other bispecific antibodies or similar molecules. Our closest competitors in this area include Affimed N.V., OncoMed Pharmaceuticals, Inc., Genmab A/S, MacroGenics, Inc., Merrimack Pharmaceuticals, Inc., Regeneron Pharmaceuticals, Inc. and Xencor, Inc. These bispecific antibody candidates in development may provide efficacy, safety, dosing convenience and other benefits that are not provided by currently marketed therapies. As a result, they may provide significant competition for any of our bispecific antibody candidates for which we obtain marketing approval.

Intellectual Property

We strive to protect and enhance the proprietary technologies, inventions, and improvements that we believe are important to our business, including seeking, maintaining, and defending patent rights, whether developed internally or licensed from third parties. Our policy is to seek to protect our proprietary position by, among other methods, pursuing and obtaining patent protection in the United States and in jurisdictions outside of the United States related to our proprietary technology, inventions, improvements, platforms and bispecific antibody candidates that are important to the development and implementation of our business.

As of April 15, 2017, our patent portfolio related to our bispecific antibody candidate MCLA-128 consists of one PCT application, filed on February 27, 2015 which entered national phases in the United States, Europe and 17 other foreign countries with an expected expiry not earlier than February 27, 2035. Claims are directed to MCLA-128 composition of matter and methods of using MCLA-128 to treat subjects (at risk of) having a ErbB-2

and/or ErbB3 positive tumor. In addition, 3 priority patent application filings covering further methods of using MCLA-128 to treat patients were filed on March 31, 2017.

As of April 15, 2017, our patent portfolio related to our bispecific antibody candidate MCLA-117 consists of a first PCT application, filed on September 27, 2013, which entered national phases in the United States, Europe and 14 other foreign countries with an expected expiry not earlier than September 27, 2033. In addition, we filed a second PCT application related to MCLA-117 on July 10, 2016, which is expected to enter national phases in 2017. Claims are directed to the MCLA-117 composition of matter and methods of using MCLA-117 in the treatment or prevention of MDS, chronic myelogenous leukemia, or CML, or AML.

As of April 15, 2017, our patent portfolio related to our bispecific antibody candidate MCLA-158 consists of one PCT filed on October 21, 2016 and is expected to enter national phases in the United States, Europe and approximately 14 other foreign countries with an expiry no earlier than October 23, 2036. Claims are directed to the MCLA-158 composition of matter and methods of using MCLA-158 in the treatment or prevention of various solid tumors.

As of April 15, 2017, our patent portfolio related to our MeMo mouse consists of four pending U.S. applications, 11 issued foreign patents including one issued European patent that has been validated in many countries, and 12 pending foreign applications, all with an expected expiry not earlier than June 29, 2029. Claims are directed to a common light chain mouse and methods of producing antibodies by exposing the mouse to an antigen. Opposition against our issued Australian, European and Japanese patents have been filed by Regeneron Pharmaceuticals, Inc. The European and Japanese oppositions have been in resolved in our favor, and. Regeneron has filed a notice of appeal against the decision of the European Opposition Division. The outcome of the Australian opposition is expected in the first half of 2017.

We plan to continue to expand our intellectual property estate by filing patent applications directed to dosage forms, methods of treatment and additional compositions created or identified from our technology platforms and ongoing development of our bispecific antibody candidates. Specifically, we seek patent protection in the United States and internationally for novel compositions of matter directed to aspects of the molecules, basic structures and processes for manufacturing these molecules and the use of these molecules in a variety of therapies.

Our patent portfolio is intended to cover, but is not limited to, the composition of matter of our bispecific antibody candidates, their methods of use, the technology platforms used to generate them, related technologies and/or other aspects of the inventions that are important to our business. We also rely on trademarks, trade secrets and careful monitoring of our proprietary information to protect aspects of our business that are not amenable to, or that we do not consider appropriate for, patent protection.

We also rely on know-how, continuing technological innovation and in-licensing opportunities to develop, strengthen, and maintain our proprietary positions.

Our success will depend on our ability to obtain and maintain patent and other proprietary protection for commercially important technology, inventions and know-how related to our business, defend and enforce our patents, maintain our licenses to use intellectual property owned by third parties, preserve the confidentiality of our trade secrets and operate without infringing the valid and enforceable patents and other proprietary rights of third parties. For important factors related to our proprietary technology, inventions, improvements, platforms and bispecific antibody candidates, please see the section entitled “Risk Factors—Risks Related to Intellectual Property and Information Technology.”

We also rely on trade secret protection for our confidential and proprietary information. Although we take steps to protect our confidential and proprietary information as trade secrets, including through contractual means with our employees and consultants, third parties may independently develop substantially equivalent proprietary

information and techniques or otherwise gain access to our trade secrets or disclose our technology. Thus, we may not be able to meaningfully protect our trade secrets. It is our policy to require our employees, consultants, outside scientific collaborators, sponsored researchers and other advisors to execute confidentiality agreements upon the commencement of employment or consulting relationships with us. These agreements provide that all confidential information concerning our business or financial affairs developed or made known to the individual during the course of the individual's relationship with us is to be kept confidential and not disclosed to third parties except in specific circumstances. In the case of employees, such agreements provide that all inventions conceived by the individual while providing services to us are assigned to us.

Government Regulation

We are subject to extensive regulation. We expect our bispecific antibody candidates to be regulated as biologics. Biological products are subject to regulation under the Federal Food, Drug, and Cosmetic Act, or FD&C Act, and the Public Health Service Act, or PHS Act, and other federal, state, local and foreign statutes and regulations. Both the FD&C Act and the PHS Act and their corresponding regulations govern, among other things, the testing, manufacturing, safety, efficacy, labeling, packaging, storage, record keeping, distribution, reporting, advertising and other promotional practices involving biological products.

U.S. Biological Products Development Process

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

- completion of extensive nonclinical, sometimes referred to as pre-clinical laboratory tests, and pre-clinical animal trials and applicable requirements for the humane use of laboratory animals and formulation studies in accordance with applicable regulations, including good laboratory practices, or GLPs;
- submission to the FDA of an investigational new drug, or IND, application, which must become effective before human clinical trials may begin;
- performance of adequate and well-controlled human clinical trials according to the FDA's regulations commonly referred to as good clinical practice, or GCP, regulations and any additional requirements for the protection of human research subjects and their health information, to establish the safety and efficacy of the proposed biological product for its intended use;
- submission to the FDA of a BLA for marketing approval that includes substantive evidence of safety, purity, and potency from results of nonclinical testing and clinical trials;
- satisfactory completion of an FDA inspection of the manufacturing facility or facilities where the biological product is produced to assess compliance with current Good Manufacturing Practice, or cGMP, requirements to assure that the facilities, methods and controls are adequate to preserve the biological product's identity, strength, quality and purity;
- potential FDA audit of the nonclinical and clinical trial sites that generated the data in support of the BLA; and
- FDA review and approval, or licensure, of the BLA.

Before testing any biological bispecific antibody candidate in humans, the bispecific antibody candidate enters the pre-clinical testing stage. Pre-clinical tests, also referred to as nonclinical trials, include laboratory evaluations of product chemistry, toxicity and formulation, as well as animal studies to assess the potential safety and activity of the bispecific antibody candidate. The conduct of the pre-clinical tests must comply with federal regulations and requirements including GLPs.

The clinical trial sponsor must submit the results of the pre-clinical tests, together with manufacturing information, analytical data, any available clinical data or literature and a proposed clinical protocol, to the FDA as part of the IND. Some pre-clinical testing may continue even after the IND is submitted. The IND automatically becomes effective 30 days after receipt by the FDA, unless the FDA places the clinical trial on a clinical hold within that 30-day time period. In such a case, the IND sponsor and the FDA must resolve any outstanding concerns before the clinical trial can begin. The FDA may also impose clinical holds on a biological bispecific antibody candidate at any time before or during clinical trials due to safety concerns or non-compliance. If the FDA imposes a clinical hold, trials may not recommence without FDA authorization and then only under terms authorized by the FDA.

Clinical trials involve the administration of the biological bispecific antibody candidate to healthy volunteers or patients under the supervision of qualified investigators, generally physicians not employed by or under the trial sponsor's control. Clinical trials are conducted under protocols detailing, among other things, the objectives of the clinical trial, dosing procedures, subject selection and exclusion criteria, and the parameters to be used to monitor subject safety, including stopping rules that assure a clinical trial will be stopped if certain adverse events should occur. Each protocol and any amendments to the protocol must be submitted to the FDA as part of the IND. Clinical trials must be conducted and monitored in accordance with the FDA's regulations comprising the GCP requirements, including the requirement that all research subjects provide informed consent. Further, each clinical trial must be reviewed and approved by an independent institutional review board, or IRB, at or servicing each institution at which the clinical trial will be conducted. An IRB is charged with protecting the welfare and rights of trial participants and considers such items as whether the risks to individuals participating in the clinical trials are minimized and are reasonable in relation to anticipated benefits. The IRB also approves the form and content of the informed consent that must be signed by each clinical trial subject or his or her legal representative and must monitor the clinical trial until completed.

Human clinical trials are typically conducted in three sequential phases that may overlap or be combined:

- Phase 1. The biological bispecific antibody candidate is initially introduced into healthy human subjects and tested for safety. In the case of some products for severe or life-threatening diseases, especially when the product may be too inherently toxic to ethically administer to healthy volunteers, the initial human testing is often conducted in patients.
- Phase 2. The biological bispecific antibody candidate is evaluated in a limited patient population to identify possible adverse effects and safety risks, to preliminarily evaluate the efficacy of the product for specific targeted diseases and to determine dosage tolerance, optimal dosage and dosing schedule.
- Phase 3. Clinical trials are undertaken to further evaluate dosage, clinical efficacy, potency, and safety in an expanded patient population at geographically dispersed clinical trial sites. These clinical trials are intended to establish the overall risk/benefit ratio of the product and provide an adequate basis for product labeling.

Post-approval clinical trials, sometimes referred to as Phase 4 clinical trials, may be conducted after initial marketing approval. These clinical trials are used to gain additional experience from the treatment of patients in the intended therapeutic indication, particularly for long-term safety follow-up.

During all phases of clinical development, regulatory agencies require extensive monitoring and auditing of all clinical activities, clinical data, and clinical trial investigators. Annual progress reports detailing the results of the clinical trials must be submitted to the FDA. Written IND safety reports must be promptly submitted to the FDA and the investigators for serious and unexpected adverse events, any findings from other trials, tests in laboratory animals or *in vitro* testing that suggest a significant risk for human subjects, or any clinically important increase in the rate of a serious suspected adverse reaction over that listed in the protocol or investigator brochure. The sponsor must submit an IND safety report within 15 calendar days after the sponsor determines that the information qualifies for reporting. The sponsor also must notify the FDA of any unexpected fatal or life-threatening suspected adverse reaction within seven calendar days after the sponsor's initial receipt

of the information. The FDA or the sponsor or its data safety monitoring board may suspend a clinical trial at any time on various grounds, including a finding that the research subjects or patients are being exposed to an unacceptable health risk. Similarly, an IRB can suspend or terminate approval of a clinical trial at its institution if the clinical trial is not being conducted in accordance with the IRB's requirements or if the biological bispecific antibody candidate has been associated with unexpected serious harm to patients.

There are also requirements governing the reporting of ongoing clinical trials and completed clinical trial results to public registries. Sponsors of clinical trials of FDA-regulated products, including biologics, are required to register and disclose certain clinical trial information, which is publicly available at www.clinicaltrials.gov. Information related to the product, patient population, phase of investigation, trial sites and investigators, and other aspects of the clinical trial is then made public as part of the registration. Sponsors are also obligated to discuss the results of their clinical trials after completion. Disclosure of the results of these trials can be delayed until the new product or new indication being studied has been approved.

Concurrent with clinical trials, companies usually complete additional animal trials and must also develop additional information about the physical characteristics of the biological bispecific antibody candidate as well as finalize a process for manufacturing the product in commercial quantities in accordance with cGMP requirements. To help reduce the risk of the introduction of adventitious agents with use of biological products, the PHS Act emphasizes the importance of manufacturing control for products whose attributes cannot be precisely defined. The manufacturing process must be capable of consistently producing quality batches of the bispecific antibody candidate and, among other things, the sponsor must develop methods for testing the identity, strength, quality, potency and purity of the final biological product. Additionally, appropriate packaging must be selected and tested and stability studies must be conducted to demonstrate that the biological bispecific antibody candidate does not undergo unacceptable deterioration over its shelf life.

U.S. Review and Approval Processes

After the completion of clinical trials of a biological bispecific antibody candidate, FDA approval of a BLA must be obtained before commercial marketing of the biological product. The BLA must include results of product development, laboratory and animal trials, human trials, information on the manufacture and composition of the product, proposed labeling and other relevant information. In addition, under the Pediatric Research Equity Act, or PREA, a BLA or supplement to a BLA must contain data to assess the safety and effectiveness of the biological bispecific antibody candidate 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. A sponsor who is planning to submit a marketing application for a drug or biological product that includes a new active ingredient, new indication, new dosage form, new dosing regimen or new route of administration submit an initial Pediatric Study Plan, or PSP, within sixty days after an end-of-Phase 2 meeting or as may be agreed between the sponsor and FDA. Unless otherwise required by regulation, PREA does not apply to any biological product for an indication for which orphan designation has been granted.

Under the Prescription Drug User Fee Act, or PDUFA, as amended, each BLA must be accompanied by a user fee. The FDA adjusts the PDUFA user fees on an annual basis. Fee waivers or reductions are available in certain circumstances, including a waiver of the application fee for the first application filed by a small business. Additionally, no user fees are assessed on BLAs for products designated as orphan drugs, unless the product also includes a non-orphan indication.

Within 60 days following submission of the application, the FDA reviews a BLA submitted to determine if it is substantially complete before the agency accepts it for filing. The FDA may refuse to file any BLA that it deems incomplete or not properly reviewable at the time of submission and may request additional information. In this event, the BLA must be resubmitted with the additional information. The resubmitted application also is subject to review before the FDA accepts it for filing. Once the submission is accepted for filing, the FDA begins an in-depth substantive review of the BLA. The FDA reviews the BLA to determine, among other things,

whether the proposed product is safe and potent, or effective, for its intended use, and has an acceptable purity profile, and whether the product is being manufactured in accordance with cGMP requirements to assure and preserve the product's identity, safety, strength, quality, potency and purity. The FDA may refer applications for novel biological products or biological products that present difficult questions of safety or efficacy to an advisory committee, typically a panel that includes clinicians and other experts, for review, evaluation and 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. During the biological product approval process, the FDA also will determine whether a Risk Evaluation and Mitigation Strategy, or REMS, is necessary to assure the safe use of the biological bispecific antibody candidate. If the FDA concludes a REMS is needed, the sponsor of the BLA must submit a proposed REMS; the FDA will not approve the BLA without a REMS, if required.

Before approving a BLA, the FDA will inspect the facilities at which the product is manufactured. The FDA will not approve the product unless it determines that the manufacturing processes and facilities are in compliance with cGMP requirements and adequate to assure consistent production of the product within required specifications. Additionally, before approving a BLA, the FDA will typically inspect one or more clinical sites to assure that the clinical trials were conducted in compliance with IND trial requirements and GCP requirements.

Notwithstanding the submission of relevant data and information, the FDA may ultimately decide that the BLA does not satisfy its regulatory criteria for approval and deny approval. Data obtained from clinical trials are not always conclusive and the FDA may interpret data differently than the applicant interprets the same data. If the FDA decides not to approve the BLA in its present form, the FDA will issue a complete response letter that usually describes all of the specific deficiencies in the BLA identified by the FDA. The deficiencies identified may be minor, for example, requiring labeling changes, or major, for example, requiring additional clinical trials. Additionally, the complete response letter may include recommended actions that the applicant might take to place the application in a condition for approval. If a complete response letter is issued, the applicant may either resubmit the BLA, addressing all of the deficiencies identified in the letter, or withdraw the application.

If a product receives regulatory approval, the approval may be significantly limited to specific diseases and dosages or the indications for use may otherwise be limited, which could restrict the commercial value of the product. Further, the FDA may require that certain contraindications, warnings or precautions be included in the product labeling. The FDA may impose restrictions and conditions on product distribution, prescribing, or dispensing in the form of a REMS, or otherwise limit the scope of any approval. In addition, the FDA may require post marketing clinical trials, sometimes referred to as Phase IV clinical trials, designed to further assess a biological product's safety and effectiveness, and testing and surveillance programs to monitor the safety of approved products that have been commercialized.

One of the performance goals agreed to by the FDA under the PDUFA is to review 90% of standard BLAs in 10 months from the filing date and 90% of priority BLAs in six months from the filing date, whereupon a review decision is to be made. The FDA does not always meet its PDUFA goal dates for standard and priority BLAs and its review goals are subject to change from time to time. The review process and the PDUFA goal date may be extended by three months if the FDA requests or the BLA sponsor otherwise provides additional information or clarification regarding information already provided in the submission within the last three months before the PDUFA goal date.

Orphan Drug Designation

The FDA may grant orphan drug designation to drugs intended to treat a rare disease or condition that affects fewer than 200,000 individuals in the United States, or if it affects more than 200,000 individuals in the United States, there is no reasonable expectation that the cost of developing and marketing the drug for this type of disease or condition will be recovered from sales in the United States. Orphan product designation must be requested before submitting a BLA. After the FDA grants orphan product designation, the identity of the

therapeutic agent and its potential orphan use are disclosed publicly by the FDA. Orphan product designation does not convey any advantage in or shorten the duration of the regulatory review and approval process.

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 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 with orphan exclusivity is unable to assure sufficient quantities of the approved orphan designated product. Competitors, however, may receive approval of different products for the indication for which the orphan product has exclusivity or obtain approval for the same product but for a different indication for which the orphan product has exclusivity. Orphan product exclusivity also could block the approval of one of our products for seven years if a competitor obtains approval of the same biological product as defined by the FDA or if our bispecific antibody candidate is determined to be contained within the competitor's product for the same indication or disease. If a drug or biological product designated as an orphan product receives marketing approval for an indication broader than what is designated, it may not be entitled to orphan product exclusivity.

Expedited Development and Review Programs

The FDA has a Fast Track program that is intended to expedite or facilitate the process for reviewing new biological products that meet certain criteria. Specifically, new biological products are eligible for Fast Track designation if they are intended to treat a serious or life-threatening disease or condition and demonstrate the potential to address unmet medical needs for the disease or condition. Fast Track designation applies to the combination of the product and the specific indication for which it is being studied. The sponsor of a new biologic may request that the FDA designate the biologic as a Fast Track product at any time during the clinical development of the product. Unique to a Fast Track product, the FDA may consider for review sections of the marketing application on a rolling basis before the complete application is submitted, if the sponsor provides a schedule for the submission of the sections of the application, the FDA agrees to accept sections of the application and determines that the schedule is acceptable, and the sponsor pays any required user fees upon submission of the first section of the application.

Any product submitted to the FDA for marketing, including under a Fast Track program, may be eligible for other types of FDA programs intended to expedite development and review, such as priority review and accelerated approval. Any product is eligible for priority review if it has the potential to provide safe and effective therapy where no satisfactory alternative therapy exists or a significant improvement in the treatment, diagnosis or prevention of a disease compared to marketed products. The FDA will attempt to direct additional resources to the evaluation of an application for a new biological product designated for priority review in an effort to facilitate the review. Additionally, a product may be eligible for accelerated approval. Biological products studied for their safety and effectiveness in treating serious or life-threatening illnesses and that provide meaningful therapeutic benefit over existing treatments may be eligible for 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 a clinical endpoint other than survival or irreversible morbidity or mortality or other clinical benefit, 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 may require that a sponsor of a biological product subject to accelerated approval perform adequate and well-controlled post-marketing clinical trials. 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. Fast Track designation, priority review and accelerated approval do not change the standards for approval but may expedite the development or approval process.

In addition, under the provisions of the Food and Drug Administration Safety and Innovation Act, or FDASIA, enacted in 2012, the FDA established a Breakthrough Therapy Designation which is intended to expedite the development and review of products that treat serious or life-threatening diseases or conditions. A breakthrough therapy is defined as a drug that is intended, alone or in combination with one or more other drugs, to treat a serious or life-threatening disease or condition, and preliminary clinical evidence indicates that the drug may demonstrate substantial improvement over existing therapies on one or more clinically significant endpoints, such as substantial treatment effects observed early in clinical development. The designation includes all of the features of Fast Track designation, as well as more intensive FDA interaction and guidance. The Breakthrough Therapy Designation is a distinct status from both accelerated approval and priority review, but these can also be granted to the same bispecific antibody candidate if the relevant criteria are met. The FDA must take certain actions, such as holding timely meetings and providing advice, intended to expedite the development and review of an application for approval of a breakthrough therapy. All requests for breakthrough therapy designation will be reviewed within 60 days of receipt, and FDA will either grant or deny the request.

Fast Track designation, priority review, accelerated approval and breakthrough therapy designation do not change the standards for approval but may expedite the development or approval process. Even if we receive one of these designations for our bispecific antibody candidates, the FDA may later decide that our bispecific antibody candidates no longer meet the conditions for qualification. In addition, these designations may not provide us with a material commercial advantage.

Post-Approval Requirements

Maintaining substantial compliance with applicable federal, state, and local statutes and regulations requires the expenditure of substantial time and financial resources. Rigorous and extensive FDA regulation of biological products continues after approval, particularly with respect to cGMP requirements. We will rely, and expect to continue to rely, on third parties for the production of clinical and commercial quantities of any products that we may commercialize. Manufacturers of our products are required to comply with applicable requirements in the cGMP regulations, including quality control and quality assurance and maintenance of records and documentation. Other post-approval requirements applicable to biological products include record-keeping requirements, reporting of adverse effects, and reporting updated safety and efficacy information.

We also must comply with the FDA's advertising and promotion requirements, such as those related to direct-to-consumer advertising, the prohibition on promoting products for uses or in patient populations that are not described in the product's approved labeling (known as "off-label use"), industry-sponsored scientific and educational activities, and promotional activities involving the internet. Discovery of previously unknown problems or the failure to comply with the applicable regulatory requirements may result in restrictions on the marketing of a product or withdrawal of the product from the market as well as possible civil or criminal sanctions. Failure to comply with the applicable U.S. requirements at any time during the product development process, approval process or after approval, may subject an applicant or manufacturer to administrative or judicial civil or criminal sanctions and adverse publicity. FDA sanctions could include refusal to approve pending applications, withdrawal of an approval, clinical hold, warning or untitled letters, product recalls, product seizures, total or partial suspension of production or distribution, injunctions, fines, refusals of government contracts, mandated corrective advertising or communications with doctors, debarment, restitution, disgorgement of profits, or civil or criminal penalties.

Biological product manufacturers and other entities involved in the manufacture and distribution of approved biological products are required to register their establishments with the FDA and certain state agencies, and are subject to periodic unannounced inspections by the FDA and certain state agencies for compliance with cGMP requirements and other laws. Accordingly, manufacturers must continue to expend time, money, and effort in the area of production and quality control to maintain cGMP compliance. In addition, changes to the manufacturing process or facility generally require prior FDA approval before being implemented and other types of changes to the approved product, such as adding new indications and additional labeling claims, are also subject to further FDA review and approval.

U.S. Patent Term Restoration and Marketing Exclusivity

Depending upon the timing, duration and specifics of the FDA approval of the use of our bispecific antibody candidates, some of our U.S. patents may be eligible for limited patent term extension under the Drug Price Competition and Patent Term Restoration Act of 1984, commonly referred to as the Hatch-Waxman Amendments. The Hatch-Waxman Amendments permit a patent restoration term of up to five years as compensation for patent term lost during product development and the FDA regulatory review process. However, patent term restoration cannot extend the remaining term of a patent beyond a total of 14 years from the product's approval date. The patent term restoration period is generally one-half the time between the effective date of an IND and the submission date of a BLA plus the time between the submission date of a BLA and the approval of that application, except that the review period is reduced by any time during which the applicant failed to exercise due diligence. Only one patent applicable to an approved biological product is eligible for the extension and the application for the extension must be submitted prior to the expiration of the patent and within a 60 day period from the date the product is first approved for commercial marketing. The U.S. PTO, in consultation with the FDA, reviews and approves the application for any patent term extension or restoration. In the future, we may apply for restoration of patent term for one of our currently owned patents to add patent life beyond its current expiration date, depending on the expected length of the clinical trials and other factors involved in the filing of the relevant BLA; however, there can be no assurance that any such extension will be granted to us.

Biosimilars and Exclusivity

The Biologics Price Competition and Innovation Act of 2009, or BPCIA, which created an abbreviated approval pathway for biological products that are biosimilar to or interchangeable with an FDA-licensed reference biological product. To date, only five biosimilars have been licensed under the BPCIA, although numerous biosimilars have been approved in Europe. The FDA has issued several guidance documents outlining an approach to review and approval of biosimilars.

Biosimilarity, which requires that there be no clinically meaningful differences between the biological product and the reference product in terms of safety, purity, and potency, can be shown through analytical studies, animal studies, and a clinical trial or studies. Interchangeability requires that a product is biosimilar to the reference product and the product must demonstrate that it can be expected to produce the same clinical results as the reference product in any given patient and, for products that are administered multiple times to an individual, the biologic and the reference biologic may be alternated or switched after one has been previously administered without increasing safety risks or risks of diminished efficacy relative to exclusive use of the reference biologic. However, complexities associated with the larger, and often more complex, structures of biological products, as well as the processes by which such products are manufactured, pose significant hurdles to implementation of the abbreviated approval pathway that are still being worked out by the FDA.

Under the BPCIA, an application for a biosimilar product may not be submitted to the FDA until four years following the date that the reference product was first licensed by the FDA. In addition, the approval of a biosimilar product may not be made effective by the FDA until 12 years from the date on which the reference product was first licensed. During this 12-year period of exclusivity, another company may still market a competing version of the reference product if the FDA approves a full BLA for the competing product containing the sponsor's own pre-clinical data and data from adequate and well-controlled clinical trials to demonstrate the safety, purity and potency of their product. The BPCIA also created certain exclusivity periods for biosimilars approved as interchangeable products. At this juncture, it is unclear whether products deemed "interchangeable" by the FDA will, in fact, be readily substituted by pharmacies, which are governed by state pharmacy law.

A biological product can also obtain pediatric market exclusivity in the United States. Pediatric exclusivity, if granted, adds six months to existing exclusivity periods and patent terms. This six-month exclusivity, which runs from the end of other exclusivity protection or patent term, may be granted based on the voluntary completion of a pediatric trial in accordance with an FDA-issued "Written Request" for such a trial.

The BPCIA is complex and only beginning to be interpreted and implemented by the FDA. In addition, recent government proposals have sought to reduce the 12-year reference product exclusivity period. Other aspects of the BPCIA, some of which may impact the BPCIA exclusivity provisions, have also been the subject of recent litigation. As a result, the ultimate impact, implementation, and meaning of the BPCIA is subject to significant uncertainty.

FDA Regulation of Companion Diagnostics

We expect that our bispecific antibody candidates may require use of an *in vitro* diagnostic to identify appropriate patient populations for our products. These diagnostics, often referred to as companion diagnostics, are regulated as medical devices. In the United States, the FD&C Act and its implementing regulations, and other federal and state statutes and regulations govern, among other things, medical device design and development, pre-clinical and clinical testing, premarket clearance or approval, registration and listing, manufacturing, labeling, storage, advertising and promotion, sales and distribution, export and import, and post-market surveillance. Unless an exemption applies, diagnostic tests require marketing clearance or approval from the FDA prior to commercial distribution. The two primary types of FDA marketing authorization applicable to a medical device are premarket notification, also called 510(k) clearance, and premarket approval, or PMA approval. We expect that any companion diagnostic developed for our bispecific antibody candidates will utilize the PMA pathway.

If use of companion diagnostic is essential to safe and effective use of a drug or biologic product, then the FDA generally will require approval or clearance of the diagnostic contemporaneously with the approval of the therapeutic product. On August 6, 2014, the FDA issued a final guidance document addressing the development and approval process for "*In Vitro* Companion Diagnostic Devices." According to the guidance, for novel candidates such as our bispecific antibody candidates, a companion diagnostic device and its corresponding drug or biologic candidate should be approved or cleared contemporaneously by FDA for the use indicated in the therapeutic product labeling. The guidance also explains that a companion diagnostic device used to make treatment decisions in clinical trials of a drug generally will be considered an investigational device, unless it is employed for an intended use for which the device is already approved or cleared. If used to make critical treatment decisions, such as patient selection, the diagnostic device generally will be considered a significant risk device under the FDA's Investigational Device Exemption, or IDE, regulations. Thus, the sponsor of the diagnostic device will be required to comply with the IDE regulations. According to the guidance, if a diagnostic device and a drug are to be studied together to support their respective approvals, both products can be studied in the same investigational study, if the study meets both the requirements of the IDE regulations and the IND regulations. The guidance provides that depending on the details of the study plan and subjects, a sponsor may seek to submit an IND alone, or both an IND and an IDE.

The FDA has generally required companion diagnostics intended to select the patients who will respond to cancer treatment to obtain approval of a PMA for that diagnostic simultaneously with approval of the therapeutic. The review of these *in vitro* companion diagnostics in conjunction with the review of a cancer therapeutic involves coordination of review by the FDA's Center for Biologics Evaluation and Research and by the FDA's Center for Devices and Radiological Health. The PMA process, including the gathering of clinical and pre-clinical data and the submission to and review by the FDA, can take several years or longer. It involves a rigorous premarket review during which the applicant must prepare and provide the FDA with reasonable assurance of the device's safety and effectiveness and information about the device and its components regarding, among other things, device design, manufacturing and labeling. PMA applications are subject to an application fee. In addition, PMAs for certain devices must generally include the results from extensive pre-clinical and adequate and well-controlled clinical trials to establish the safety and effectiveness of the device for each indication for which FDA approval is sought. In particular, for a diagnostic, the applicant must demonstrate that the diagnostic produces reproducible results when the same sample is tested multiple times by multiple users at multiple laboratories. As part of the PMA review, the FDA will typically inspect the manufacturer's facilities for compliance with the Quality System Regulation, or QSR, which imposes elaborate testing, control, documentation and other quality assurance requirements.

If the FDA evaluations of both the PMA application and the manufacturing facilities are favorable, the FDA will either issue an approval letter or an approvable letter, which usually contains a number of conditions that must be met in order to secure the final approval of the PMA, such as changes in labeling, or specific additional information, such as submission of final labeling, in order to secure final approval of the PMA. If the FDA concludes that the applicable criteria have been met, the FDA will issue a PMA for the approved indications, which can be more limited than those originally sought by the applicant. The PMA can include post-approval conditions that the FDA believes necessary to ensure the safety and effectiveness of the device, including, among other things, restrictions on labeling, promotion, sale and distribution.

If the FDA's evaluation of the PMA or manufacturing facilities is not favorable, the FDA will deny approval of the PMA or issue a not approvable letter. A not approvable letter will outline the deficiencies in the application and, where practical, will identify what is necessary to make the PMA approvable. The FDA may also determine that additional clinical trials are necessary, in which case the PMA approval may be delayed for several months or years while the trials are conducted and then the data submitted in an amendment to the PMA. Once granted, PMA approval may be withdrawn by the FDA if compliance with post approval requirements, conditions of approval or other regulatory standards is not maintained or problems are identified following initial marketing. PMA approval is not guaranteed, and the FDA may ultimately respond to a PMA submission with a not approvable determination based on deficiencies in the application and require additional clinical trial or other data that may be expensive and time-consuming to generate and that can substantially delay approval.

After a device is placed on the market, it remains subject to significant regulatory requirements. Medical devices may be marketed only for the uses and indications for which they are cleared or approved. Device manufacturers must also establish registration and device listings with the FDA. A medical device manufacturer's manufacturing processes and those of its suppliers are required to comply with the applicable portions of the QSR, which cover the methods and documentation of the design, testing, production, processes, controls, quality assurance, labeling, packaging and shipping of medical devices. Domestic facility records and manufacturing processes are subject to periodic unscheduled inspections by the FDA. The FDA also may inspect foreign facilities that export products to the United States.

Government Regulation Outside of the United States

In addition to regulations in the United States, we will be subject to a variety of regulations in other jurisdictions governing, among other things, clinical trials and any commercial sales and distribution of our products. Because biologically sourced raw materials are subject to unique contamination risks, their use may be restricted in some countries.

Whether or not we obtain FDA approval for a product, we must obtain the requisite approvals from regulatory authorities in foreign countries prior to the commencement of clinical trials or marketing of the product in those countries. Certain countries outside of the United States have a similar process that requires the submission of a clinical trial application much like the IND prior to the commencement of human clinical trials. In the European Union, for example, a CTA must be submitted to each country's national health authority and an independent ethics committee, much like the FDA and the IRB, respectively. Once the CTA is approved in accordance with a country's requirements, clinical trial development may proceed.

The requirements and process governing the conduct of clinical trials, product licensing, pricing and reimbursement vary from country to country. In all cases, the clinical trials are conducted in accordance with GCP and the applicable regulatory requirements and the ethical principles that have their origin in the Declaration of Helsinki.

To obtain regulatory approval of an investigational biological product under European Union regulatory systems, we must submit a marketing authorization application. The application used to file the BLA in the United States is similar to that required in the European Union, with the exception of, among other things,

country-specific document requirements. The European Union also provides opportunities for market exclusivity. For example, in the European Union, upon receiving marketing authorization, new chemical entities generally receive eight years of data exclusivity and an additional two years of market exclusivity. If granted, data exclusivity prevents regulatory authorities in the European Union from referencing the innovator's data to assess a generic application. During the additional two-year period of market exclusivity, a generic marketing authorization can be submitted, and the innovator's data may be referenced, but no generic product can be marketed until the expiration of the market exclusivity. However, there is no guarantee that a product will be considered by the European Union's regulatory authorities to be a new chemical entity, and products may not qualify for data exclusivity. Products receiving orphan designation in the European Union can receive ten years of market exclusivity, during this period, no marketing authorization application may be accepted and no marketing authorization may be granted for a similar medicinal product for the same indication. An orphan product can also obtain an additional two years of market exclusivity in the European Union for pediatric studies. No extension to any supplementary protection certificate can be granted on the basis of pediatric studies for orphan indications.

The criteria for designating an "orphan medicinal product" in the European Union are similar in principle to those in the United States. Under Article 3 of Regulation (EC) 141/2000, a medicinal product may be designated as orphan if (1) it is intended for the diagnosis, prevention or treatment of a life-threatening or chronically debilitating condition; (2) either (a) such condition affects no more than five in 10,000 persons in the European Union when the application is made, or (b) the product, without the benefits derived from orphan status, would not generate sufficient return in the European Union to justify investment; and (3) there exists no satisfactory method of diagnosis, prevention or treatment of such condition authorized for marketing in the European Union, or if such a method exists, the product will be of significant benefit to those affected by the condition, as defined in Regulation (EC) 847/2000. Orphan medicinal products are eligible for financial incentives such as reduction of fees or fee waivers and are, upon grant of a marketing authorization, entitled to ten years of market exclusivity for the approved therapeutic indication. The application for orphan drug designation must be submitted before the application for marketing authorization. The applicant will receive a fee reduction for the marketing authorization application if the orphan drug designation has been granted, but not if the designation is still pending at the time the marketing authorization is submitted. Orphan drug designation does not convey any advantage in, or shorten the duration of, the regulatory review and approval process.

The 10-year market exclusivity may be reduced to six years if, at the end of the fifth year, it is established that the product no longer meets the criteria for orphan designation, for example, if the product is sufficiently profitable not to justify maintenance of market exclusivity. Additionally, marketing authorization may be granted to a similar product for the same indication at any time if:

- the second applicant can establish that its product, although similar, is safer, more effective or otherwise clinically superior;
- the applicant consents to a second orphan medicinal product application; or
- the applicant cannot supply enough orphan medicinal product.

For other countries outside of the European Union, such as countries in Eastern Europe, Latin America or Asia, the requirements governing the conduct of clinical trials, product licensing, pricing and reimbursement vary from country to country. In all cases, again, the clinical trials are conducted in accordance with GCP and the applicable regulatory requirements and the ethical principles that have their origin in the Declaration of Helsinki.

If we fail to comply with applicable foreign regulatory requirements, we may be subject to, among other things, fines, suspension or withdrawal of regulatory approvals, product recalls, seizure of products, operating restrictions and criminal prosecution.

Other Healthcare Laws

In addition to FDA restrictions on marketing of pharmaceutical and biological products, other U.S. federal and state healthcare regulatory laws restrict business practices in the biopharmaceutical industry, which include, but are not limited to, state and federal anti-kickback, false claims, data privacy and security, and physician payment and drug pricing transparency laws.

The federal Anti-Kickback Statute prohibits, among other things, any person or entity from knowingly and willfully offering, paying, soliciting, receiving or providing any remuneration, directly or indirectly, overtly or covertly, to induce or in return for purchasing, leasing, ordering, or arranging for or recommending the purchase, lease, or order of any item or service reimbursable, in whole or in part, under Medicare, Medicaid or other federal healthcare programs. The term "remuneration" has been broadly interpreted to include anything of value. The Anti-Kickback Statute has been interpreted to apply to arrangements between pharmaceutical manufacturers on the one hand and prescribers, purchasers, and formulary managers on the other. Although there are a number of statutory exceptions and regulatory safe harbors protecting some common activities from prosecution, the exceptions and safe harbors are drawn narrowly. Practices that involve remuneration that may be alleged to be intended to induce prescribing, purchases, or recommendations may be subject to scrutiny if they do not meet the requirements of a statutory or regulatory exception or safe harbor. 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 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 its facts and circumstances. Several courts have interpreted the statute's intent requirement to mean that if any one purpose of an arrangement involving remuneration is to induce referrals of federal healthcare covered business, the statute has been violated.

Additionally, the intent standard under the Anti-Kickback Statute was amended by the ACA to a stricter standard such that a person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation. In addition, the ACA codified case law that a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the federal civil False Claims Act. The majority of states also have anti-kickback laws, which establish similar prohibitions and in some cases may apply to items or services reimbursed by any third-party payor, including commercial insurers.

The federal false claims and civil monetary penalties laws, including the civil False Claims Act, prohibit any person or entity from, among other things, knowingly presenting, or causing to be presented, a false, fictitious or fraudulent claim for payment to, or approval by, the federal government, knowingly making, using, or causing to be made or used a false record or statement material to a false or fraudulent claim to the federal government, or from knowingly making a false statement to avoid, decrease or conceal an obligation to pay money to the U.S. federal government. A claim includes "any request or demand" for money or property presented to the U.S. government. Actions under the civil False Claims Act may be brought by the Attorney General or as a qui tam action by a private individual in the name of the government. Violations of the civil False Claims Act can result in very significant monetary penalties and treble damages. Several pharmaceutical and other healthcare companies have been prosecuted under these laws for, among other things, allegedly providing free product to customers with the expectation that the customers would bill federal programs for the product. Other companies have been prosecuted for causing false claims to be submitted because of the companies' marketing of products for unapproved (*e.g.*, off-label) uses. In addition, the civil monetary penalties statute imposes penalties against any person who 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. Many states also have similar fraud and abuse statutes or regulations that apply to items and services reimbursed under Medicaid and other state programs, or, in several states, apply regardless of the payor. Given the significant size of actual and potential settlements, it is expected that the government authorities will continue to devote substantial resources to investigating healthcare providers' and manufacturers' compliance with applicable fraud and abuse laws.

The federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, created additional federal criminal statutes that prohibit, among other actions, knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program, including private third-party payors, knowingly and willfully embezzling or stealing from a healthcare benefit program, willfully obstructing a criminal investigation of a healthcare offense, and knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items or services. Similar to the U.S. federal Anti-Kickback Statute, the ACA broadened the reach of certain criminal healthcare fraud statutes created under HIPAA by amending the intent requirement such that a person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation.

In addition, there has been a recent trend of increased federal and state regulation of payments made to physicians and certain other healthcare providers. The ACA imposed, among other things, new annual reporting requirements through the Physician Payments Sunshine Act for covered manufacturers for certain payments and "transfers of value" provided to physicians and teaching hospitals, as well as ownership and investment interests held by physicians and their immediate family members. Failure to submit timely, accurately and completely the required information for all payments, transfers of value and ownership or investment interests may result in civil monetary penalties of up to an aggregate of $150,000 per year and up to an aggregate of $1 million per year for "knowing failures." Covered manufacturers must submit reports by the 90th day of each subsequent calendar year. In addition, certain states require implementation of compliance programs and compliance with the pharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government, impose restrictions on marketing practices, and/or tracking and reporting of pricing and marketing information as well as gifts, compensation and other remuneration or items of value provided to physicians and other healthcare professionals and entities.

We may also 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 respective implementing regulations, including the Final HIPAA Omnibus Rule published on January 25, 2013, impose specified requirements relating to the privacy, security and transmission of individually identifiable health information held by covered entities and their business associates. Among other things, HITECH made HIPAA's security standards directly applicable to "business associates," defined as independent contractors or agents of covered entities that create, receive, maintain or transmit protected health information in connection with providing a service for or on behalf of a covered entity. HITECH also increased the civil and criminal penalties that may be imposed against covered entities, business associates and possibly other persons, 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 attorney's fees and costs associated with pursuing federal civil actions. In addition, state laws govern the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and may not have the same requirements, thus complicating compliance efforts.

If our operations are found to be in violation of any of such laws or any other governmental regulations that apply to us, we may be subject to penalties, including, without limitation, administrative, civil and criminal penalties, damages, fines, disgorgement, contractual damages, reputational harm, diminished profits and future earnings, the curtailment or restructuring of our operations, exclusion from participation in federal and state healthcare programs and individual imprisonment, any of which could adversely affect our ability to operate our business and our financial results.

To the extent that any of our bispecific antibody candidates, once approved, are sold in a foreign country, we may be subject to similar foreign laws and regulations, which may include, for instance, applicable post-marketing requirements, including safety surveillance, anti-fraud and abuse laws, and implementation of corporate compliance programs and reporting of payments or other transfers of value to healthcare professionals.

Coverage and Reimbursement

Significant uncertainty exists as to the coverage and reimbursement status of any pharmaceutical or biological products for which we obtain regulatory approval. In the United States and markets in other countries, patients who are prescribed treatments for their conditions and providers performing the prescribed services generally rely on third-party payors to reimburse all or part of the associated healthcare costs. Patients are unlikely to use our products unless coverage is provided and reimbursement is adequate to cover a significant portion of the cost of our products. Sales of any products for which we receive regulatory approval for commercial sale will therefore depend, in part, on the availability of coverage and adequate reimbursement from third-party payors. Third-party payors include government authorities, managed care plans, private health insurers and other organizations.

In the United States, the process for determining whether a third-party payor will provide coverage for a pharmaceutical or biological product typically is separate from the process for setting the price of such product or for establishing the reimbursement rate that the payor will pay for the product once coverage is approved. Third-party payors may limit coverage to specific products on an approved list, also known as a formulary, which might not include all of the FDA-approved products for a particular indication. A decision by a third-party payor not to cover our bispecific antibody candidates could reduce physician utilization of our products once approved and have a material adverse effect on our sales, results of operations and financial condition. Moreover, a third-party payor's decision to provide coverage for a pharmaceutical or biological product does not imply that an adequate reimbursement rate will be approved. Adequate third-party reimbursement may not be available to enable us to maintain price levels sufficient to realize an appropriate return on our investment in product development. Additionally, coverage and reimbursement for new products can differ significantly from payor to payor. One third-party payor's decision to cover a particular medical product or service does not ensure that other payors will also provide coverage for the medical product or service, or will provide coverage at an adequate reimbursement rate. As a result, the coverage determination process will require us to provide scientific and clinical support for the use of our products to each payor separately and will be a time-consuming process.

In the European Union, governments influence the price of products through their pricing and reimbursement rules and control of national health care systems that fund a large part of the cost of those products to consumers. Some jurisdictions operate positive and negative list systems under which products may only be marketed once a reimbursement price has been agreed to by the government. To obtain reimbursement or pricing approval, some of these countries may require the completion of clinical trials that compare the cost effectiveness of a particular product candidate to currently available therapies. Other member states allow companies to fix their own prices for medicines, but monitor and control company profits. The downward pressure on health care costs in general, particularly prescription products, has become very intense. As a result, increasingly high barriers are being erected to the entry of new products. In addition, in some countries, cross border imports from low-priced markets exert a commercial pressure on pricing within a country.

The containment of healthcare costs has become a priority of federal, state and foreign governments, and the prices of pharmaceutical or biological products have been a focus in this effort. Third-party payors are increasingly challenging the prices charged for medical products and services, examining the medical necessity and reviewing the cost-effectiveness of pharmaceutical or biological products, medical devices and medical services, in addition to questioning safety and efficacy. If these third-party payors do not consider our products to be cost-effective compared to other available therapies, they may not cover our products after FDA approval or, if they do, the level of payment may not be sufficient to allow us to sell our products at a profit.

Healthcare Reform

A primary trend in the U.S. healthcare industry and elsewhere is cost containment. Government authorities and other third-party payors have attempted to control costs by limiting coverage and the amount of reimbursement for particular medical products. For example, in March 2010, the ACA was enacted, which,

among other things, increased the minimum Medicaid rebates owed by most manufacturers under the Medicaid Drug Rebate Program; introduced a new methodology by which rebates owed by manufacturers under the Medicaid Drug Rebate Program are calculated for drugs that are inhaled, infused, instilled, implanted or injected; extended the Medicaid Drug Rebate Program to utilization of prescriptions of individuals enrolled in Medicaid managed care plans; imposed mandatory discounts for certain Medicare Part D beneficiaries as a condition for manufacturers' outpatient drugs coverage under Medicare Part D; subjected drug manufacturers to new annual fees based on pharmaceutical companies' share of sales to federal healthcare programs; and created a new Patient Centered Outcomes Research Institute to oversee, identify priorities in, and conduct comparative clinical effectiveness research, along with funding for such research.

We expect that other healthcare reform measures that may be adopted in the future, may result in additional reductions in Medicare and other healthcare findings, more rigorous coverage criteria and lower reimbursement, new payment methodologies and additional downward pressure on the price that we receive for any approved product. Any reduction in reimbursement from Medicare or other government-funded programs may result in a similar reduction in payments from private payors. Moreover, recently there has been heightened governmental scrutiny over the manner in which manufacturers set prices for their marketed products, which have resulted in several recent Congressional inquiries and proposed bills designed to, among other things, bring more transparency to product pricing, review the relationship between pricing and manufacturer patient programs, and reform government program reimbursement methodologies for pharmaceutical and biological products. Individual states in the United States have also become increasingly aggressive in passing legislation and implementing 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. The implementation of cost containment measures or other healthcare reforms may prevent us from being able to generate revenue, attain profitability or commercialize our drugs.

Additionally, on August 2, 2011, the Budget Control Act of 2011 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 included aggregate reductions of Medicare payments to providers of 2% per fiscal year, which went into effect on April 1, 2013 and, due to subsequent legislative amendments to the statute will stay in effect through 2025 unless additional Congressional action is taken. On January 2, 2013, the American Taxpayer Relief Act was signed into law, which, among other things, further reduced Medicare payments to several providers, including hospitals, imaging centers and cancer treatment centers, and increased the statute of limitations period for the government to recover overpayments to providers from three to five years.

We expect that additional state and federal healthcare reform measures will be adopted in the future, any of which could limit the amounts that federal and state governments will pay for healthcare products and services, which could result in reduced demand for our products once approved or additional pricing pressures.

C. Organizational Structure.

We have one wholly-owned subsidiary, Merus US, Inc., which is incorporated in the United States in the State of Delaware.

D. Property, Plants and Equipment.

We lease approximately 11,130 square feet of office and laboratory space in Utrecht, the Netherlands. This facility serves as our corporate headquarters and central laboratory facility. The lease for this space expires on April 22, 2021.

Environmental Issues

For information on environmental issues that may affect our utilization of our Dutch facility, please see the section of this Annual Report titled "Item 3.D. Risk Factors—Risks Related to Our Business and Industry—*Because we are subject to environmental, health and safety laws and regulations, we may become exposed to liability and substantial expenses in connection with environmental compliance or remediation activities which may adversely affect our business and financial condition*."

Item 4A. Unresolved Staff Comments.

Not applicable.

Item 5 Operating and Financial Review and Prospects.

A. Operating Results

Overview

We are a clinical-stage immuno-oncology company developing innovative bispecific antibody therapeutics. Our pipeline of full-length human bispecific antibody candidates, which we refer to as Biclonics, are generated from our technology platform. By binding to two different antigens, or targets, Biclonics can be designed to simultaneously block receptors that drive tumor cell growth and survival and to mobilize the patient's immune response by activating various killer cells to eradicate tumors. In our pre-clinical studies, our bispecific antibody candidates were effective in killing tumor cells, a result that we believe supports their potential efficacy in the treatment of cancer. In February 2015, we commenced a Phase 1/2 clinical trial of our lead bispecific antibody candidate, MCLA-128, for the treatment of HER2-expressing solid tumors, and we expect to report top-line results from this trial in the second half of 2017. In May 2016, we commenced a Phase 1 clinical trial of our second bispecific antibody candidate, MCLA-117, for the treatment of acute myeloid leukemia, or AML. We are also developing MCLA-158 for the potential treatment of colorectal cancer, and plan to submit a Clinical Trial Application to the European Medicines Agency by the end of 2017 to initiate a Phase 1/2 clinical trial in Europe. Additionally, we have several other bispecific antibody candidates in pre-clinical development that bind to combinations of immunomodulatory molecules.

Since our inception in June 2003, we have devoted a significant portion of our financial resources and efforts to developing our Biclonics technology platform, identifying potential bispecific antibody candidates and conducting pre-clinical studies and initiating and conducting our clinical trials of MCLA-128 and MCLA-117. We do not currently have any approved products and have never generated any revenue from product sales. To date, we have financed our operations through (i) the initial public offering of our common shares, (ii) private placements of equity securities, (iii) upfront, milestone and expense reimbursement payments received from our collaborators under our research and license agreements, (iv) funding from patient organizations and governmental bodies and (v) bank and bridge loans. Since our inception, we have raised net proceeds of $53.3 million from the initial public offering of our common shares, gross proceeds of €171.3 million from private placements of equity securities, received aggregate gross proceeds of €125.9 million from our collaborators, received €4.2 million in grants from patient organizations and governmental bodies and received €1.5 million in proceeds from bank loan financings. As of December 31, 2016, we had cash and cash equivalents of € 56.9 million.

In December 2016, we entered into a collaboration and license agreement, or the Collaboration Agreement, with Incyte Corporation, or Incyte. Under the terms of the Collaboration Agreement, we and Incyte agreed to collaborate with respect to the research, discovery and development of bispecific antibodies utilizing our proprietary bispecific technology platform. The collaboration encompasses up to 11 independent programs, including two of our current preclinical immuno-oncology discovery programs. In January 2017, upon the Collaboration Agreement becoming effective, Incyte made an upfront non-refundable payment to us of $120

million. For more on the Collaboration Agreement, see "Collaboration Agreements" below. In connection with the Collaboration Agreement, we entered into a Share Subscription Agreement, pursuant to which, in January 2017, we issued and sold to Incyte 3,200,000 common shares for an aggregate purchase price of $80.0 million.

In May 2016, we completed the initial public offering of our common shares and issued 6,139,926 common shares, including 639,926 common shares issued upon the partial exercise of the underwriters of their option to purchase additional shares, for net proceeds to us, after deducting underwriting discounts and commissions and offering expenses, of $53.3 million.

In August 2015, we entered into a subscription agreement pursuant to which we sold an aggregate of 3,482,550 of our Class C preferred shares to new and existing investors for aggregate gross proceeds of €41.6 million and our €8.0 million existing convertible bridge loan fully converted into 667,334 Class C preferred shares in connection with the consummation of the first tranche of this private placement. In connection with the initial public offering of our common shares, all of the Class C preferred shares converted to common shares.

We are a clinical-stage company and have not generated any revenue from product sales. Our ability to generate revenue sufficient to achieve profitability will depend heavily on the successful development and eventual commercialization of one or more of our bispecific antibody candidates. Since our inception, we have incurred significant operating losses. For the years ended December 31, 2016 and 2015, we incurred net losses of €47.2 million and €23.2 million, respectively. As of December 31, 2016, we had an accumulated loss of €107.3 million.

We expect to incur significant expenses and operating losses for the foreseeable future as we advance our bispecific antibody candidates from discovery through pre-clinical development and into clinical trials, and seek regulatory approval and pursue commercialization of any approved bispecific antibody candidate. In addition, if we obtain regulatory approval for any of our bispecific antibody candidates, we expect to incur significant commercialization expenses related to product manufacturing, marketing, sales and distribution. In addition, we may incur expenses in connection with the in-license or acquisition of additional bispecific antibody candidates. Furthermore, we expect to continue to incur additional costs associated with operating as a public company, including significant legal, accounting, investor relations and other expenses that we did not incur as a private company.

As a result, we will need additional financing to support our continuing operations. Until such time as we can generate significant revenue from product sales, if ever, we expect to finance our operations through a combination of public or private equity or debt financings or other sources, which may include collaborations with third parties. Adequate additional financing may not be available to us on acceptable terms, or at all. Our inability to raise capital as and when needed would have a negative impact on our financial condition and our ability to pursue our business strategy. We will need to generate significant revenue to achieve profitability, and we may never do so.

Based on our current clinical development plans, we expect our existing cash and cash equivalents to last well into 2019. For this assessment, we have taken into consideration the proceeds from the initial public offering of our common shares, which closed in May 2016, as well as the payments we have received in 2017 under our collaboration agreement with Incyte Corporation. See "Item 5.B—Liquidity and Capital Resources."

Collaboration Agreements

As part of our business strategy, we intend to continue to seek strategic collaborations to facilitate the capital-efficient development of our Biclonics technology platform and to identify potential target combinations in immuno-oncology and other therapeutic areas. We believe that these collaborations could potentially provide significant funding to advance our bispecific antibody candidate pipeline while allowing us to benefit from the development expertise of our collaborators.

Incyte Corporation

We have entered into a collaboration and license agreement, or the Collaboration Agreement, with Incyte Corporation, or Incyte. Under the terms of the Collaboration Agreement, we and Incyte have agreed to collaborate with respect to the research, discovery and development of bispecific antibodies utilizing our proprietary bispecific technology platform. The collaboration encompasses up to 11 independent programs, including some of our current preclinical immuno-oncology discovery programs. For one of the current preclinical programs, or Program 1, we retain the exclusive right to develop and commercialize products and product candidates in the United States, while Incyte has the exclusive right to develop and commercialize products and product candidates arising from such program outside the United States. For Program 1, we and Incyte will conduct and share equally the costs of mutually agreed global development activities and will be solely responsible for independent development activities in our respective territories. We have the option to co-fund development of products arising from one specified program, and subject to certain conditions, to a second specified program, in each case exchange for a share of profits in the United States, as well as the right to participate in a specified proportion of detailing activities in the United States for one of such programs. In addition, if Program 1 fails to complete IND-enabling toxicology studies successfully, we will be granted an additional option to co-fund development of a specified program other than Program 1 in exchange for a share of profits in the United States. If we exercise our co-funding option for a program, we would be responsible for funding 35% of the associated future global development costs and, for certain of such programs, would be responsible for reimbursing Incyte for certain development costs incurred prior to the option exercise. All products as to which we have exercised our option to co-fund development would be subject to joint development plans and overseen by a joint development committee, with Incyte having final determination as to such plans in cases of dispute.

For each program other than Program 1, where we have not elected to co-fund development or where we do not have such a co-funding option, Incyte is solely responsible for all costs of global development and commercialization activities. We retain the rights to our bispecific technology platform as well as clinical and pre-clinical candidates and future programs emerging from our platform that are outside the scope of the Collaboration Agreement.

In January 2017, upon the Collaboration Agreement becoming effective, Incyte made an upfront non-refundable payment to us of $120 million for the rights granted under the Collaboration Agreement. For each program as to which we do not have commercialization or co-development rights, we are eligible to receive up to $100 million in future contingent development and regulatory milestones and up to $250 million in commercialization milestones, as well as tiered royalties ranging from 6% to 10% of global net sales. For each program as to which we have exercised our option to co-fund development, we are eligible to receive a 50% share of profits (or sustain 50% of any losses) in the United States and tiered royalties ranging from 6% to 10% of net sales of products outside of the United States. If we opt to cease co-funding a program as to which we exercised our co-development option, then we will no longer receive a share of profits in the United States but will be eligible to receive the same milestones from the co-funding termination date and the same tiered royalties described above with respect to non-co-developed programs and, depending on the stage at which we choose to cease co-funding development costs, additional royalties ranging up to 4% of net sales in the United States. For Program 1, for which we retain all commercial rights in the United States, we and Incyte are each eligible to receive tiered royalties on net sales in the other's territory at rates ranging from 6% to 10%.

The Collaboration Agreement will continue on a program-by-program basis until we have no royalty payment obligations with respect to such program or, if earlier, the termination of the Collaboration Agreement or any program in accordance with the terms of the Collaboration Agreement. The Collaboration Agreement may be terminated in its entirety, or on a program-by-program basis, by Incyte for convenience. The Collaboration Agreement may also be terminated by either party under certain other circumstances, including material breach, or on a program-by-program basis for patent challenge of patents under the applicable program, in each case as set forth in the Collaboration Agreement. If the Collaboration Agreement is terminated in its entirety or with

respect to one or more programs, all rights in the terminated programs revert to us, subject to payment to Incyte of a reverse royalty of up to 4% on sales of future products, if we elect to pursue development and commercialization of products arising from the terminated programs.

In connection with the Collaboration Agreement, we entered into a Share Subscription Agreement with Incyte, pursuant to which, in January 2017, we issued and sold to Incyte 3,200,000 common shares for an aggregate purchase price of $80.0 million.

ONO Pharmaceutical

In April 2014, we entered into a strategic research and license agreement with ONO Pharmaceutical Co., Ltd., or ONO, under which we granted ONO an exclusive, worldwide, royalty-bearing license to research, test, make, use and market bispecific antibody candidates based on our Biclonics technology platform with undisclosed targets.

ONO paid us a non-refundable upfront fee of €1.0 million. We are eligible to receive up to an aggregate of €34.0 million in milestone payments upon achievement of specified research and clinical development milestones. To date, we have achieved two of the specified pre-clinical milestones under this research and license agreement and have received an aggregate of €1.8 million in milestone payments. For products commercialized under this agreement, if any, we are also eligible to receive a mid-single digit royalty on net sales. For a designated period, which may include limited time periods following termination of this agreement, in certain circumstances we and our affiliates are prohibited from researching, developing or commercializing bispecific antibodies against the undisclosed target combinations that are the subject of this agreement. This research and license agreement will expire after all milestone payments have been received and all related patent rights have expired, unless terminated earlier. ONO also provides funding for our research and development activities under an agreed-upon plan. ONO has the right to terminate this agreement at any time for any reason, with or without cause. The licenses granted to ONO may convert to royalty-free, fully-paid, perpetual licenses if ONO terminates the agreement for uncured material breach.

Financial Operations Overview

Revenue

To date, our revenue has consisted principally of license revenue and collaboration revenue and revenue from several government grants, primarily with respect to research and development activities related to the use of our Biclonics technology in various indication areas. For 2016, 2015, and 2014, all of our license revenue and collaboration revenue was generated under our agreements with ONO. Our research and license agreements comprise elements of upfront license fees, milestone payments based on development and sales and royalties based on product sales. In addition, our research and license agreement contemplates our involvement in the ongoing research and development for some of our partnered bispecific antibody candidates, for which ONO provides funding for the services rendered.

Our grant income is related to subsidies received from various institutions that support research and development organizations. The grants are obtained for specific research projects and require upfront application. We currently have three research and development grants for which a total consideration of €1.4 million was recognized.

We have no products approved for sale. Other than the sources of revenue described above, we do not expect to receive any revenue from any bispecific antibody candidates that we develop, including MCLA-128 and MCLA-117 and our pre-clinical bispecific antibody candidates, until we obtain regulatory approval and commercialize such products, or until we potentially enter into collaborative agreements with third parties for the development and commercialization of such candidates.

Research and Development Costs

Research and development costs consist principally of:

- salaries for research and development staff and related expenses, including share-based compensation expenses;
- costs for production of preclinical compounds and drug substances by contract manufacturers;
- fees and other costs paid to contract research organizations, or CROs, in connection with additional preclinical testing and the performance of clinical trials;
- costs of related facilities, materials and equipment;
- costs associated with obtaining and maintaining patents and other intellectual property; and
- amortization and depreciation of tangible and intangible fixed assets used to develop our product candidates.

We incur various external expenses under our research and license agreements for material and services consumed in the development of our partnered bispecific antibody candidates. Under our research and license agreements, ONO reimburses us for these external expenses and compensates us for time spent on the project by our employees. We recognize these reimbursements and compensation as revenue. External expenses that are not reimbursed are recognized as research and development expenses in the period in which they are incurred. Government grants are recognized when there is reasonable assurance that the conditions underlying the grant have been met and that the grant will be received. Government grants to cover research and development expenses incurred are recognized as revenue proportionally over the periods during which the related research and development expenses are incurred.

We expect our total research and development expenses in 2017 will be approximately €39.9 million and will primarily relate to the following key programs:

- *MCLA-128*. In February 2015, we commenced a Phase 1/2 clinical trial in Europe of MCLA-128 in patients with HER-2 expressing solid tumors, including breast cancer, colorectal cancer and ovarian cancer. We anticipate that our research and development expenses will increase substantially as we continue to enroll patients for the trial.
- *MCLA-117*. In May 2016, we commenced a Phase 1 clinical trial in Europe of MCLA-117 in patients with AML. We anticipate that our research and development expenses will increase substantially in connection with the commencement of this trial.
- *Other development programs*. Our other research and development expenses relate to our pre-clinical studies of our other bispecific antibody candidates, MCLA-158, MCLA-134 and MCLA-145, as well as other early research projects. These expenses primarily consist of costs for production of the pre-clinical compounds and generating clinical grade material as well as costs paid to CROs in conjunction with pre-clinical studies.

For the years ended December 31, 2016, 2015, and 2014, we spent €19.0 million, €16.4 million, and €12.4 million, respectively, on research and development costs. For the same time periods, we spent €6.7 million, €3.2 million, and €5.5 million on MCLA-128, respectively, and €3.3 million, €6.6 million, and €1.4 million on MCLA-117, respectively. Our research and development expenses may vary substantially from period to period based on the timing of our research and development activities, including due to timing of initiation of clinical trials and enrollment of patients in clinical trials.

Research and development expenses are expected to increase as we advance the clinical development of MCLA-128 and MCLA-117 and further advance the research and development of our pre-clinical bispecific antibody candidates and other earlier stage products. The successful development of our bispecific antibody candidates is highly uncertain. At this time, we cannot reasonably estimate the nature, timing and estimated costs

of the efforts that will be necessary to complete the development of, or the period, if any, in which material net cash inflows may commence from, any of our bispecific antibody candidates. This is due to numerous risks and uncertainties associated with developing drugs, including the uncertainty of:

- the scope, rate of progress and expense of our research and development activities;
- clinical trials and early-stage results;
- the terms and timing of regulatory approvals;
- the expense of filing, prosecuting, defending and enforcing patent claims and other intellectual property rights; and
- the ability to market, commercialize and achieve market acceptance for MCLA-128, MCLA-117 or any other bispecific antibody candidate that we may develop in the future.

Any of these variables with respect to the development of MCLA-128, MCLA-117 or any other bispecific antibody candidate that we may develop could result in a significant change in the costs and timing associated with the development of MCLA-128, MCLA-117 or such other bispecific antibody candidate. For example, if the FDA, the EMA or other regulatory authority were to require us to conduct pre-clinical and clinical studies beyond those which we currently anticipate will be required for the completion of clinical development or if we experience significant delays in enrollment in any clinical trials, we could be required to expend significant additional financial resources and time on the completion of our clinical development programs.

Management and Administration Costs

Our management and administration costs consist principally of salaries for employees other than research and development staff, including share-based compensation expenses. We expect that our management and administration costs will increase in the future as our business expands and we increase our headcount to support the expected growth in our operating activities. In addition, we expect to grant share-based compensation awards to key management personnel and other employees.

Other Expenses

Other expenses consist principally of:

- professional fees for auditors and other consulting expenses not related to research and development activities;
- professional fees for legal services, including litigation costs, not related to the protection and maintenance of our intellectual property;
- cost of facilities, communication and office expenses;
- information technology services; and
- amortization and depreciation of tangible and intangible fixed assets not related to research and development activities.

We expect our other expenses will increase in the future as we expand our operating activities and we continue to incur additional costs associated with operating as a public company. These public company-related increases include costs of additional legal fees, accounting and audit fees, management board and supervisory board liability insurance premiums and costs related to investor relations.

Finance Income (Expenses)

Finance income consists of interest earned on our cash and cash equivalents. Finance expenses consist primarily of interest accrued on our outstanding indebtedness.

Results of Operations

Comparison of Years Ended December 31, 2015 and 2016

The below table summarizes our results of operations for the years ended December 31, 2015 and 2016.

	Year Ended December 31	
	2016	2015
	(euros in thousands)	
Revenue	€ 2,719	€ 1,977
Research and development costs	(18,991)	(16,350)
Management and administration costs	(4,258)	(768)
Other expenses	(7,142)	(7,898)
Operating result	(27,672)	(23,039)
Finance income (expenses)	(19,556)	(145)
Result after taxation	(47,228)	(23,184)
Other comprehensive income	8	—
Total comprehensive loss for the year	€(47,220)	€(23,184)

Revenue

Revenue increased €0.7 million during the year ended December 31, 2016 as compared to the year ended December 31, 2015. The increase was primarily attributable to the €0.7 million increase in grant revenue, mainly related due to additional research activities performed under the FP7 grant, a research grant provided by the European Union.

Research and Development Costs

Research and development costs increased €2.6 million during the year ended December 31, 2016 as compared to the year ended December 31, 2015. The increase was primarily due to the following:

- a decrease of €3.9 million related to our MCLA-117 program, due primarily to higher manufacturing costs at our CRO in 2015;
- an increase of €3.5 million in expenses in connection with various pre-clinical and discovery programs; and
- an increase of €2.1 million related to our MCLA-128 program, due primarily to lower manufacturing costs at our CRO and costs associated with pre-clinical studies.
- An increase of €0.9 million relates to additional payroll expenses in research & development due to increased staffing and additional equity compensation expense.

Management and Administration Costs

Management and administration costs increased €3.5 million during the year ended December 31, 2016 as compared to the year ended December 31, 2015. The increase was primarily attributable to an increase in employee headcount and compensation-related expenses for non-research and development personnel, including an increase in share-based compensation.

Other Expenses

Other expenses decreased €0.8 million during the year ended December 31, 2016 as compared to the year ended December 31, 2015. The decrease was primarily attributable to a decrease of €2.9 million in professional fees for legal services, partially offset by an increase of €2.1 million in other general expenses partially as a result of the IPO.

Finance Income/(Expenses)

Financial expenses are mainly related to the accounting impact on the financial derivative recognized under the Incyte collaboration. As a result of the agreement, an additional loss of €19.2 million was included related to the revaluation of the obligation to deliver shares to Incyte in 2017. Finance income increased €0.2 million during the year ended December 31, 2016 as compared to the year ended December 31, 2015, due to a decrease in financial expense of €0.1 million from the repayment of a bridge loan between our Series B and Series C Preferred Shares, as well as an increase of interest income of €0.1 million due to improved cash balance.

Comparison of Years Ended December 31, 2015 and 2014

The below table summarizes our results of operations for the years ended December 31, 2015 and 2014.

	Year Ended December 31	
	2015	2014
	(euros in thousands)	
Revenue	€ 1,977	€ 1,303
Research and development costs	(16,350)	(12,388)
Management and administration costs	(768)	(550)
Other expenses	(7,898)	(5,785)
Operating result	(23,039)	(17,420)
Finance income (expenses)	(145)	11
Result after taxation	€(23,184)	€(17,409)

Revenue

Revenue increased €0.7 million during the year ended December 31, 2015 as compared to the year ended December 31, 2014. The increase was primarily attributable to the €0.7 million increase in license revenue and collaboration revenue generated under our research and license agreement with ONO, due primarily to our achievement of two of the pre-clinical milestones specified in the agreement.

Research and Development Costs

Research and development costs increased €4.0 million during the year ended December 31, 2015 as compared to the year ended December 31, 2014. The increase was primarily due to the following:

- an increase of €5.2 million related to our MCLA-117 program, due primarily to higher manufacturing costs at our CRO and costs associated with pre-clinical studies; and
- an increase of €1.1 million in expenses in connection with various pre-clinical and discovery programs; partially offset by
- a decrease of €2.3 million related to our MCLA-128 program, due primarily to lower manufacturing costs at our CRO and costs associated with pre-clinical studies.

Management and Administration Costs

Management and administration costs increased €0.2 million during the year ended December 31, 2015 as compared to the year ended December 31, 2014. The increase was primarily attributable to an increase in employee headcount and compensation-related expenses for non-research and development personnel, including an increase in share-based compensation.

Other Expenses

Other expenses increased €2.1 million during the year ended December 31, 2015 as compared to the year ended December 31, 2014. The increase was primarily attributable to an increase of €2.0 million in professional fees for legal, accounting and auditing services.

Finance Income (Expenses)

Finance income (expenses) decreased €0.2 million during the year ended December 31, 2015 as compared to the year ended December 31, 2014, due to a bridge loan, which was closed in 2015, to bridge the Series B and Series C Preferred Share financings.

Critical Accounting Policies and Significant Judgments and Estimates

Our operating and financial review is based on our financial statements, which we have prepared in accordance with IFRS as issued by the IASB. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported revenues and expenses during the reporting periods. Actual results may differ from these estimates under different assumptions or conditions. There have been no material adjustments to prior period estimates for any of the periods included in this Annual Report on Form 20-F.

Our significant accounting policies are more fully described in the notes to our financial statements appearing elsewhere in this Annual Report on Form 20-F. We believe that the following accounting policies are the most critical to aid you in fully understanding and evaluating our financial condition and results of operations.

Research and Development

We incur research and development expenses related to our clinical and pre-clinical drug development programs. Expenditure on research activities is recognized as an expense in the period in which it is incurred.

Research and development expenses (or from the development phase of an internal project) are capitalized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The above criteria for capitalization of development costs have not been met and therefore, all development expenditures relating to internally generated intangible assets to date have been expensed when incurred.

As part of the process of preparing our financial statements, we are required to estimate our accrued expenses. This process involves reviewing quotations and contracts, identifying services that have been performed on our behalf, estimating the level of service performed and the associated cost incurred for the

service when we have not yet been invoiced or otherwise notified of the actual cost. The majority of our service providers invoice us monthly in arrears for services performed or when contractual milestones are met. We make estimates of our accrued expenses as of each statement of financial position date in our financial statements based on facts and circumstances known to us at that time. We periodically confirm the accuracy of our estimates with the service providers and make adjustments if necessary. The significant estimates in our accrued research and development expenses are related to fees paid to CROs in connection with research and development activities for which we have not yet been invoiced. We base our expenses related to CROs on our estimates of the services received and efforts expended pursuant to quotes and contracts with CROs that conduct research and development on our behalf.

The financial terms of these agreements are subject to negotiation, vary from contract to contract and may result in uneven payment flows. There may be instances in which payments made to our vendors will exceed the level of services provided and result in a prepayment of the research and development expense. In accruing service fees, we estimate the time period over which services will be performed and the level of effort to be expended in each period. If the actual timing of the performance of services or the level of effort varies from our estimate, we adjust the accrual or prepayment expense accordingly.

Although we do not expect our estimates to be materially different from amounts actually incurred, our understanding of the status and timing of services performed relative to the actual status and timing of services performed may vary and could result in us reporting amounts that are too high or too low in any particular period.

Share-Based Compensation

We maintain share option programs that entitle key management personnel, staff and consultants providing similar services to purchase our common shares. Under these programs, holders of vested options are entitled to purchase our common shares at the exercise price determined at the date of grant.

The options granted under the share option programs vest in installments over a four-year period from the grant date. Twenty-five percent of the options vest on the first anniversary of the vesting commencement date, and the remaining 75% of the options vest in 36 monthly installments for each full month of continuous service provided by the option holder thereafter, such that 100% of the options shall become vested on the fourth anniversary of the vesting commencement date. The options granted are exercisable once vested. Options will lapse on the eighth anniversary of the date of grant for options granted under the 2010 Option Plan and on the tenth anniversary of the date of grant for the options granted under the 2016 Option Plan

The option exercise price of each option is specified in the applicable notice of grant and equals either the fair market value per common share as determined at the date of grant or another price determined by our supervisory board when granting the options. Each option is exercisable at such times and subject to such terms and conditions as specified in the applicable notice of grant. We may, in the event of a change of control of our company, decide to exchange, cancel and settle in cash and/or accelerate the vesting of the outstanding options or our supervisory board may consider other appropriate steps with respect to the outstanding options.

Share-based compensation reflects the compensation expense of our share option programs granted to employees or others providing similar services, which are measured at the grant date fair value of the options. The compensation expense is spread over the vesting period in accordance with each separate vesting tranche of the options granted, taking into consideration actual and expected forfeitures at each reporting date and at the respective vesting dates. The grant date fair value share-based compensation is recognized as an expense.

Prior to the IPO, we estimated the fair value of each share option grant using the Black-Scholes option-pricing model for members of our executive management team, which includes our management board and other key personnel, or a binomial option pricing model for other participants, including supervisory board

members. Service and non-market performance conditions attached to the transactions were not taken into account in measuring fair value. Following our IPO, we use a binomial option pricing model for all participants. The share based payments compensation expenses has been adjusted to reflect the use of the binomial option pricing model for all participants.

The assumptions we used to determine the fair value of share options granted are as follows, presented on a weighted average basis:

	Year ended December 31,					
	2016		2015		2014	
	Executives	Other	Executives	Other	Executives	Other
Expected volatility (weighted-average)	95.30%	97.15%	94.85%	94.85%	101.1%	101.1%
Expected life (weighted-average)	10 years	8-10 years	4 years	8 years	4 years	8 years
Expected dividends	0%	0%	0%	0%	0%	0%
Risk-free interest rate (based on government bonds)	1.84%-1.86%	0.10%-1.87%	0.16%-0.70%	0.16%-0.70%	1.2%	1.0%-1.2%

These assumptions represented our best estimates, but the estimates involve inherent uncertainties and the application of our judgment.

The options outstanding at December 31, 2016 had exercise prices in the range of €1.93 to €16.85 per share. On October 5, 2015, we amended the exercise price of all options granted under the 2010 Option Plan prior to January 2015 to be €1.93 per share to reflect the relative decrease in estimated fair value for each common share. As a result, we recognized an additional share option expense that was immaterial.

Since we were a private company prior to the closing of the initial public offering of our common shares, company-specific historical and implied volatility information is not available. Expected volatility was therefore estimated based on the observed daily share price returns of publicly traded peer companies over a historic period equal to the period for which expected volatility was estimated. The group of comparable listed companies were publicly traded entities active in the business of developing antibody-based therapeutics, treatments and drugs and were selected taking into consideration the availability of meaningful trading data history and market capitalization. We will continue to use this group for calculation of expected volatility data until sufficient historical market data is available for estimating the volatility of our common shares.

Since the options are not transferable, the participants will tend to exercise the options prior to the maturity date. Expected early exercises have been incorporated in the option valuation by assuming that the participants will exercise the options if the share price increases to two times the exercise price at a future point in time.

Valuation of Our Common Shares

Prior to the initial public offering of our common shares, the fair value of our common shares was determined by our management board and supervisory board, and took into account our most recently available valuation of common shares performed by an independent valuation firm and our assessment of additional objective and subjective factors we believed were relevant and which may have changed from the date of the most recent valuation through the date of the grant.

Our management board and supervisory board considered numerous objective and subjective factors to determine their best estimate of the fair value of our common shares as of each grant date, including:

- the progress of our research and development programs;
- achievement of enterprise milestones, including entering into collaboration and licensing agreements, as well as funding milestones;
- contemporaneous third-party valuations of our common shares for our most recent share issuances;

- our need for future financing to fund operations;
- the prices at which we sold our preferred shares and the rights and preferences of our preferred shares and our preferred shares relative to our common shares;
- the likelihood of achieving a discrete liquidity event, such as a sale of our company or an initial public offering given prevailing market conditions;
- external market and economic conditions impacting our industry sector; and
- the lack of an active public market for our common shares and our preferred shares.

In determining the fair values of our common shares as of each grant date, three generally accepted approaches were considered: income approach, market approach and cost approach. In addition, the guidance prescribed by the American Institute of Certified Public Accounts, or AICPA, *Audit and Accounting Practice Aid, Valuation of Privately-Held-Company Equity Securities Issued as Compensation* has been considered.

The "prior sale of company stock" method, a form of the market approach, had been applied to estimate the total enterprise value. The prior sale of company stock method considers any prior arm's length sales of our equity securities. Considerations factored into the analysis included: the type and amount of equity sold, the estimated volatility, the estimated time to liquidity, the relationship of the parties involved, the risk-free rate, the timing compared to the common shares valuation date and the financial condition and our structure at the time of the sale. As such, the value per share was benchmarked to the external transactions of our securities and external financing rounds. Throughout this period, a number of financing rounds were held, which resulted in the issuance of preferred shares. The preferred shares were transacted with numerous existing and new investors, and therefore the pricing in these financing rounds was considered a strong indication of fair value.

Given that there were multiple classes of equity, the hybrid method was applied in order to allocate equity to the various equity classes. The hybrid method is a hybrid between the probability-weighted expected return method, or PWERM, and the Option Pricing Method, or OPM, which estimates the probability weighted value across certain exit scenarios, but uses the OPM to estimate the remaining unknown potential exit scenarios. As a part of this analysis, we estimated cumulative probabilities of 65% and 35% of an initial public offering and for a sale of our company, respectively, from September 2014 onwards. Prior to this date, we estimated cumulative probabilities of 32.5% and 67.5% of an initial public offering and for a sale of our company, respectively. A discount for lack of marketability, or DLOM, was applied, corresponding to the time to exit under the various scenarios to reflect the increased risk arising from the inability to readily sell the shares. When assessing the DLOM, the Black-Scholes option pricing model was used. Under this method, the cost of the put option, which can hedge the price change before the privately held shares can be sold, was considered as the basis to determine the DLOM.

Upon the commencement of public trading of our common shares in May 2016 in connection with the initial public offering of our common shares, estimates by our management board and our supervisory board are no longer necessary to determine the fair value of common shares.

Income Taxes

We are subject to income taxes in the Netherlands and the United States. Significant judgment is required in determining the use of net operating loss carry-forwards and taxation of upfront and milestone payments for income tax purposes. There are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

No tax charge or income was recognized during the reporting periods since we are in a loss-making position and have a history of losses. We have tax loss carry-forwards of €101.1 million, €76.5 million, and €43.5 million

as of December 31, 2016, 2015, and 2014, respectively. As a result of Dutch income tax law, tax loss carry-forwards are subject to a time limitation of nine years.

Deferred income tax assets are recognized for tax losses and other temporary differences to the extent that the realization of the related tax benefit through future taxable profits is probable. We recognize deferred tax assets arising from unused tax losses or tax credits only to the extent the relevant fiscal unity has sufficient taxable temporary differences or if there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilized by the fiscal unity. Our judgment is that sufficient convincing other evidence is not available and therefore, a deferred tax asset is not recognized.

In order to promote innovative technology development activities and investments in new technologies, a corporate income tax incentive has been introduced in Dutch tax law called the "Innovation Box." For qualifying profits, we effectively owe only 5% income tax, instead of the general tax rate of 25.0%, which results in an estimated effective tax rate of 10%. The agreement with the tax authorities was originally signed for the years 2011 to 2015 and was subsequently extended through the year 2019.

Recent Accounting Pronouncements

We refer to Note 4 to our audited financial statements for the year ended December 31, 2016 for a discussion of new standards and interpretations not yet adopted by us.

B. Liquidity and Capital Resources

Sources of Funds

Since our inception in 2003, we have devoted substantially all of our resources to developing our bispecific antibody candidates, building our intellectual property portfolio, developing our supply chain, business planning, raising capital and providing for general and administrative support for these operations. We do not currently have any approved products and have never generated any revenue from product sales. To date, we have financed our operations through the initial public offering of our common shares, private placements of equity securities, upfront, milestone and expense reimbursement payments received from our collaborators under our research and license agreements, as well as funding from patient organizations, governmental bodies and bank and bridge loans. Since our inception, we have raised net proceeds of $53.3 million from the initial public offering of our common shares, gross proceeds of €171.3 million from private placements of equity securities, received aggregate gross proceeds of € 125.9 million from our collaborators, received €4.2 million in grants from patient organizations and governmental bodies and received €1.5 million in proceeds from bank loan financings

In December 2005, we entered into a loan and security agreement with Coöperatieve Rabobank Utrechtse Heuvelrug U.A., or Rabobank, which provided for total borrowings of €1.5 million. Under the loan and security agreement, we were obligated to make monthly payments of €14,000 until November 2019, the maturity date. The loan bore interest at an annual rate equal to 3.55% until March 31, 2017 at which time the loan was repaid in full. In connection with our entry into the loan and security agreement, we also provided security to Rabobank in the form of (i) a right of pledge on the account of €500,000, in our name in a new savings account for the benefit of Rabobank, and (ii) a suretyship (*borgstelling*) of €1,000,000 in the framework of the Small and Medium Business Guarantee Decision (*Innovative Guaranteed Credit) (Besluit Borgstelling Midden- en Kleinbedrijf (Innovatief Borgstellingskrediet*)). The pledged amount decreased in relation to the outstanding balance of the loans. As of December 31, 2016, an amount of €167,000 (2015: €218,000) has been included as restricted cash on our statement of financial position in connection with this pledge. The pledge was terminated on March 31, 2017 in connection with our repayment in full of the loan.

As of December 31, 2016, we had cash and cash equivalents of €56.9 million. In December 2016, we entered into a collaboration and license agreement, or the Collaboration Agreement, and a share subscription

agreement, or the Share Subscription Agreement, with Incyte Corporation, or Incyte. In January 2017, we received an upfront payment of $120.0 million (€110.2 million) from Incyte pursuant to the Collaboration Agreement and $80.0 million (€73.5 million) upon the issuance and sale by us of 3.2 million common shares to Incyte pursuant to the Share Subscription Agreement, for total cash proceeds to us of $200.0 million (€184.4 million).

We have no ongoing material financing commitments, such as lines of credit or guarantees, that are expected to affect our liquidity over the next five years, other than leases.

Cash Flows

The table below summarizes our cash flows for each of the periods presented.

	Year Ended December 31,		
	2016	2015	2014
	(euros in thousands)		
Net cash used in operating activities	€(25,733)	€(23,031)	€(14,587)
Net cash used in investing activities	(408)	(53)	(86)
Net cash from financing activities	50,201	54,367	6,047
Net (decrease) increase in cash and cash equivalents	€ 24,060	€ 31,283	€ (8,626)

The increase in net cash used in operating activities to €25.7 million for the year ended December 31, 2016 from €22.9 million for the year ended December 31, 2015 was primarily due to higher research and development expenses and changes in working capital. The increase in net cash used in operating activities to €22.9 million for the year ended December 31, 2015 from €14.6 million for the year ended December 31, 2014 was primarily due to higher research and development expenses and changes in working capital.

The increase in net cash used in investing activities to €0.4 million for the year ended December 31, 2016 from €0.05 million for the year ended December 31, 2015 was primarily due to an increase in investments in laboratory equipment and office equipment. The decrease in net cash used in investing activities to €0.05 million for the year ended December 31, 2015 from €0.09 million for the year ended December 31, 2014 was primarily due to a decrease in investments in laboratory equipment and office equipment.

The decrease in net cash from financing activities to €50.2 million for the year ended December 31, 2016 from €54.4 million for the year ended December 31, 2015 was primarily due to the bridge loan financing between the Series B and Series C preferred shares.

The increase in net cash from financing activities to €54.4 million for the year ended December 31, 2015 from €6.0 million for the year ended December 31, 2014 was primarily due to the closing of the fifth tranche of a private placement of our Class B preferred shares, which resulted in €5.0 million in gross proceeds in January 2015, the receipt of an €8.0 million convertible bridge loan granted by several shareholders in June 2015 in lieu of closing the sixth and seventh tranches of our Class B preferred financing and the closing of the first tranche of a private placement of our Class C preferred shares, which resulted in €41.6 million in gross cash proceeds.

Operating and Capital Expenditure Requirements

We have not achieved profitability since our inception and, as of December 31, 2016, we had an accumulated loss of €107.3 million. We expect to continue to incur significant operating losses for the foreseeable future as we continue our research and development efforts and seek to obtain regulatory approval and commercialization of our bispecific antibody candidates.

We expect our expenses to increase substantially in connection with our ongoing development activities related to MCLA-128 and MCLA-117 and our pre-clinical programs. In addition, we expect to continue to incur

additional costs associated with operating as a public company. We anticipate that our expenses will increase substantially if and as we:

- conduct the Phase 1/2 clinical trial of MCLA-128, our lead bispecific antibody candidate;
- conduct the Phase 1 clinical trial of MCLA-117, our second bispecific antibody candidate;
- continue the research and development of our other bispecific antibody candidates, including completing pre-clinical studies and commencing clinical trials for our third bispecific antibody candidate, MCLA-158;
- seek to enhance our technology platform, which generates our pipeline of Biclonics, and discover and develop additional bispecific antibody candidates;
- seek regulatory approvals for any bispecific antibody candidates that successfully completes clinical trials;
- potentially establish a sales, marketing and distribution infrastructure and scale-up manufacturing capabilities to commercialize any products for which we may obtain regulatory approval;
- maintain, expand and protect our intellectual property portfolio, including litigation costs associated with defending against alleged patent infringement claims;
- add clinical, scientific, operational, financial and management information systems and personnel, including personnel to support our product development and potential future commercialization efforts and to support our operation as a public company; and
- experience any delays or encounter any issues any of the above, including but not limited to failed studies, complex results, safety issues or other regulatory challenges.

Based on our current clinical development plans, we expect our existing cash and cash equivalents to last well into 2019. For this assessment, we have taken into consideration the proceeds from the initial public offering of our common shares, which closed in May 2016, as well as the payments we have received in 2017 under our collaboration agreement with Incyte Corporation. In December 2016, we entered into the Collaboration Agreement and Share Subscription Agreement with Incyte. In January 2017, we received an upfront payment of $120.0 million (€110.2 million) from Incyte pursuant to the Collaboration Agreement and $80.0 million (€73.5 million) upon the issuance and sale by us of 3.2 million common shares to Incyte pursuant to the Share Subscription Agreement, for total cash proceeds to us of $200.0 million (€187.0 million). In our opinion, our working capital is sufficient for our present requirements. We have based this estimate on assumptions that may prove to be wrong, and we may use our available capital resources sooner than we currently expect. Because of the numerous risks and uncertainties associated with the development of MCLA-128, MCLA-117 and our pre-clinical programs and because the extent to which we may enter into collaborations with third parties for development of these bispecific antibody candidates is unknown, we are unable to estimate the amounts of increased capital outlays and operating expenses associated with completing the research and development of our bispecific antibody candidates. Our future capital requirements for MCLA-128, MCLA-117 or our pre-clinical programs will depend on many factors, including:

- the progress, timing and completion of pre-clinical testing and clinical trials for our current or any future bispecific antibody candidates;
- the number of potential new bispecific antibody candidates we identify and decide to develop;
- the costs involved in growing our organization to the size needed to allow for the research, development and potential commercialization of our current or any future bispecific antibody candidates;
- the costs involved in filing patent applications and maintaining and enforcing patents or defending against claims or infringements raised by third parties;

- the time and costs involved in obtaining regulatory approval for our bispecific antibody candidates and any delays we may encounter as a result of evolving regulatory requirements or adverse results with respect to any of these bispecific antibody candidates;
- any licensing or milestone fees we might have to pay during future development of our current or any future bispecific antibody candidates;
- selling and marketing activities undertaken in connection with the anticipated commercialization of our current or any future bispecific antibody candidates and costs involved in the creation of an effective sales and marketing organization; and
- the amount of revenues, if any, we may derive either directly or in the form of royalty payments from future sales of our bispecific antibody candidates, if approved.

Identifying potential bispecific antibody candidates and conducting pre-clinical testing and clinical trials is a time-consuming, expensive and uncertain process that takes years to complete, and we may never generate the necessary data or results required to obtain marketing approval and achieve product sales. In addition, our bispecific antibody candidates, if approved, may not achieve commercial success. Our commercial revenues, if any, will be derived from sales of products that we do not expect to be commercially available for many years, if ever. Accordingly, we will need to obtain substantial additional funds to achieve our business objectives.

Adequate additional funds may not be available to us on acceptable terms, or at all. 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 a shareholder. Additional debt financing and preferred equity 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 and may require the issuance of warrants, which could potentially dilute your ownership interest.

If we raise additional funds through 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 bispecific antibody candidates or 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 programs or any future commercialization efforts or grant rights to develop and market bispecific antibody candidates that we would otherwise prefer to develop and market ourselves.

C. Research and Development, Patent and Licenses, etc.

For a discussion of our research and development activities, see “Item 4.B.—Business Overview” and “Item 5.A.—Operating Results.”

D. Trend Information.

Other than as disclosed elsewhere in this Annual Report, we are not aware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material adverse effect on our net revenues, income from continuing operations, profitability, liquidity or capital resources, or that would cause the disclosed financial information to be not necessarily indicative of future operating results or financial conditions. For more information, see “Item 4.B.—Business Overview,” “Item 5.A.—Operating Results,” and “Item 5.B.—Liquidity and Capital Resources.”

E. Off-Balance Sheet Arrangements.

During the periods presented, we did not and do not currently have any off-balance sheet arrangements.

F. Tabular Disclosure of Contractual Obligations

Contractual Obligations and Commitments

The table below summarizes our contractual obligations at December 31, 2016.

	Payments Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
	(euros in thousands)				
Operating lease obligations(1)	€2,321	€ 423	€ 966	€ 932	€ —
Debt obligations(2)	€ 526	€ 190	€ 181	€ 155	€ —
Total	€2,847	€ 613	€ 1,147	€ 1,087	€ —

(1) Amounts in the table reflect payments due for our office and laboratory facility in Utrecht, Netherlands.
(2) Reflects the contractually required principal and interest payments payable pursuant to our security and loan agreement with Rabobank. On March 31, 2017, we repaid the loan in full and have no continuing obligations under the security and loan agreement.

G. Safe Harbor.

Item 6 Directors, Senior Management and Employees.

A. Directors and Senior Management.

The following table presents information about our management board, key employees and supervisory board, including their ages as of the date of this Annual Report:

Name	Age	Position
Management Board Members		
Ton Logtenberg, Ph.D.	58	Chief Executive Officer
Shelley Margetson	46	Chief Operating Officer
Key Employees		
John Crowley	43	Chief Financial Officer
Hui Liu, Ph.D.	44	Chief Business Officer
L. Andres Sirulnik, M.D, Ph.D	50	Chief Medical Officer
Mark Throsby, Ph.D.	50	Chief Scientific Officer
Supervisory Board Members		
Mark Iwicki	50	Chairman of the Board
Wolfgang Berthold, Ph.D.	70	Member
Lionel Carnot	49	Member
John de Koning, Ph.D.	48	Member
Anand Mehra, M.D.	41	Member
Jack Nielsen	53	Member
Gregory Perry	56	Member

Board Structure

We have a two-tier board structure consisting of a management board (*raad van bestuur*) and a separate supervisory board (*raad van commissarissen*).

Management Board

The management board is in charge of managing the company under the supervision of the supervisory board. Pursuant to our Articles of Association, the supervisory board determines the number of management board members and nominates members for shareholder approval at a general meeting of shareholders. Under our Articles of Association, such nomination is binding, but shareholders may resolve to render the nomination to be non-binding by the vote of a majority of a quorum, consisting of at least two-thirds of the votes cast representing more than half of the issued share capital. If a nomination is rendered non-binding, a new nomination shall be made each time by the supervisory board. Shareholders may suspend or remove any management board member at a general meeting. In addition, the supervisory board may at any time suspend a management board member, and such suspension can be lifted by shareholders at a general meeting.

Our Articles of Association provide that the management board shall draw up rules concerning the organization, decision-making and other internal matters of the management board. In performing their duties, the management board members are required to observe and comply with such rules.

The following is a brief summary of the business experience of the members of our management board.

Ton Logtenberg, Ph.D. has served as our Chief Executive Officer and a management board member since co-founding our company in June 2003. Prior to joining Merus, Dr. Logtenberg co-founded Crucell N.V., a biotechnology company specializing in vaccines and biopharmaceutical technology, and served as its executive vice president and chief scientific officer from July 2000 until November 2003. Dr. Logtenberg has served as a member of the board of directors of the Jenner Foundation since 2008 and a member of the board of directors of Utrecht Science Park since November 2014. Dr. Logtenberg holds a Ph.D. in medical biology from Utrecht University.

Shelley Margetson has served as our Chief Operating Officer since November 2016 and a management board member since June 2012. From October 2010 to November 2016, Ms. Margetson served as our Chief Financial Officer. Her responsibilities include human resources, legal and internal operations. Prior to joining Merus, from June 2006 to October 2010, Ms. Margetson served as vice president of finance of PanGenetics B.V., a therapeutic antibody development company that specializes in research of antibodies. Ms. Margetson has worked in the biotechnology industry since 2001 for companies located in the United Kingdom, France and the Netherlands. Ms. Margetson holds a B.A. in business economics from the Higher Economics School, is an Associate of the Chartered Institute of Management Accountants, and holds the Chartered Global Management Accountants designation.

Key Employees

The following is a brief summary of the business experience of certain of our key employees.

John Crowley has served as our Chief Financial Officer since November 2016. His responsibilities include accounting, financial planning and analysis, tax, treasury and investor relations. From September 2013 to November 2016, he served as Corporate Senior Vice President, Corporate Controller and Chief Accounting Officer of Charles River Laboratories, Inc., a pre-clinical and clinical service provider for the pharmaceutical industry. Prior to Charles River Laboratories, he was the Vice President, Corporate Controller and Chief Accounting Officer of Ironwood Pharmaceuticals, Inc. from March 2012 to September 2013, and held senior corporate finance positions at Vertex Pharmaceuticals, Inc. from April 2010 to March 2012, and Sunovian Pharmaceuticals, Inc. from April 2008 to April 2010. Mr. Crowley holds B.S. degrees in both economics and accountancy from Babson College and is a Certified Public Accountant.

Hui Liu, Ph.D. has served as our Chief Business Officer since December 2015. His responsibilities include all aspects of business development, including in- and out- licensing, acquisitions and alliance management.

Prior to joining Merus, Dr. Liu served as Vice President and Global Head, Business Development & Licensing, Oncology at Novartis AG, a pharmaceutical company, from 2013 to 2015, and as Vice President and Global Head, Business Development & Licensing, Vaccines & Diagnostics, from 2009 to 2012. Prior to Novartis, Dr. Liu held various management positions at Pfizer, Inc., a pharmaceutical company, from 2004 to 2009 and at Pfizer, Inc. and its predecessor company Warner-Lambert from 1997 to 2001. From 2001 to 2004, Dr. Liu was an investment banker at Goldman Sachs and Citigroup. Dr. Liu holds a Ph.D. in molecular biology and an M.B.A. in finance from the University of Michigan and a B.S. in biology from Peking University.

Andres Sirulnik, M.D., Ph.D. has served as our Chief Medical Officer since October 2016. His responsibilities include clinical strategy and development. Prior to joining Merus, Dr. Sirulnik was at Novartis Pharmaceuticals from 2008 to 2016, most recently serving as Vice President – Senior Global Clinical Program Head and Research Physician in Oncology Clinical Development. From 2003 to 2008, Dr. Sirulnik was an attending physician in the leukemia program at Dana Farber Cancer Institute and Instructor in Medicine at Harvard Medical School where he focused his research and clinical work in rare hematologic malignancies. Dr. Sirulnik received his medical degree from the University of Buenos Aires, Argentina, and his Ph.D. in medicine and molecular biology at the University of Cambridge, England.

Mark Throsby, Ph.D. has served as our Chief Scientific Officer since January 2013 and previously served as our Chief Operating Officer from October 2008 to January 2013. His responsibilities include strategic scientific leadership, management of discovery, pre-clinical research and translational research, business development support, external collaborations and partnerships management. Before joining Merus, from October 2000 to October 2008, he served as a senior scientist and then as director of antibody discovery for Crucell N.V., a biotechnology company specializing in vaccines and biopharmaceutical technology. Dr. Throsby holds a Ph.D. in neuro-immunology from Monash University.

Supervisory Board

Our supervisory board supervises the management board and the general course of affairs of the company. The supervisory board gives advice to the management board and is guided by the interests of the business when performing its duties. The management board communicates regularly with the supervisory board. Members of the supervisory board are appointed by shareholders at a general meeting upon a binding nomination of the supervisory board. The nominating and corporate governance committee of the supervisory board recommends members for nomination to the supervisory board. The members of the supervisory board are not authorized to represent us in dealings with third parties.

We have a supervisory board consisting of at least three members, up to a maximum of seven members. A supervisory board member must be an individual. The supervisory board determines the number of supervisory board members pursuant to our Articles of Association. The general meeting appoints our supervisory board members at general meetings of shareholders and may at any time suspend or remove any supervisory board member. The general meeting can only appoint a supervisory board member upon a binding nomination of the supervisory board. The general meeting may resolve to render the nomination to be non-binding by a majority of at least two-thirds of the votes cast representing more than half of the issued share capital. If a nomination is rendered non-binding, a new nomination shall be made each time by the supervisory board. If the nomination comprises one candidate for a vacancy, a resolution concerning the nomination will result in the appointment of the candidate, unless the nomination is rendered non-binding.

The term of appointment of our supervisory board members is up to four years. Supervisory board members may be re-appointed twice for additional terms of four years each.

The supervisory board meets as often as a supervisory board member deems necessary or as often as the management board shall request. At a meeting of the supervisory board, each supervisory board member has a right to cast one vote. All resolutions by the supervisory board are adopted by an absolute majority of the votes

cast. In the event the votes are equally divided, the chairman has the deciding vote. A supervisory board member may grant another supervisory board member a written proxy to represent him at the meeting, but a supervisory board member cannot represent more than one supervisory board member.

Our supervisory board can pass resolutions outside of meetings, provided that (i) the resolution is adopted in writing, (ii) all supervisory board members are familiar with the resolution to be passed and (iii) there are no objections to this decision making process.

There is no retirement age requirement for our supervisory board under our Articles of Association.

Our Articles of Association provide that our supervisory board shall draw up rules concerning the organization, decision-making and other internal matters of the supervisory board and its committees. In performing their duties, the supervisory board members are required to observe and comply with such rules.

The following is a brief summary of the business experience of our supervisory board members.

Mark Iwicki serves as Chairman of our supervisory board and has been a member of the supervisory board since June 2015. Mr. Iwicki also serves as the chief executive officer and chairman of the board of directors of Kala Pharmaceuticals, Inc. and as a member of the boards of directors of Aimmune Therapeutics, Inc., Nimbus Therapeutics, TARIS Biomedical and Oxeia Biopharmaceuticals. In addition, Mr. Iwicki has served on the board of the Wellesley Youth Hockey Association. Mr. Iwicki served as president and chief executive officer and a member of the board of directors of Civitas Therapeutics, Inc. from January 2014 until its acquisition by Acorda Therapeutics, Inc. in October 2014. From December 2012 to January 2014, Mr. Iwicki served as president and chief executive officer and director at Blend Therapeutics, Inc. From 2007 to June 2012, Mr. Iwicki was president and chief executive officer and director of Sunovion Pharmaceuticals, Inc., formerly Sepracor, Inc. Mr. Iwicki holds an M.B.A. from Loyola University.

Wolfgang Berthold, Ph.D. has been a member of the supervisory board since September 2010. Dr. Berthold has held senior positions at Boehringer Ingelheim, GMBH, and BiogenIdec International, CH (now Biogen, Inc.), where he was responsible for various aspects of manufacturing operations, process development and facilities and engineering. He has over 30 years of experience in the industry. Since 2011, Dr. Berthold has served as president of Berthold BioPharm Consulting GmbH, Switzerland, a biotechnology consulting company. From February 2000 until March 2011, Dr. Berthold held positions of increasing seniority at BiogenIdec International, CH, including serving as its Chief Technology Officer. During that time, Dr. Berthold also served on the executive board of BiogenIdec International GMBH from February 2009 until his retirement in March 2011. Dr. Berthold holds a Ph.D. in biochemistry from the University of London.

Lionel Carnot was nominated to serve as a member of the supervisory board by Bay City Capital Coöperatief U.A., one of our shareholders, and has been a member of the supervisory board since January 2010. Mr. Carnot is a managing director at Bay City Capital LLC, a global life sciences investment firm, a position he has held since March 2005. Mr. Carnot currently serves on the boards of directors of Tallikut Pharmaceuticals and Interleukin Genetics, Inc. Mr. Carnot holds an M.B.A. with distinction from INSEAD and an M.S. with honors in molecular biology from the University of Geneva.

John de Koning, Ph.D. was nominated to serve on the supervisory board by Coöperatief LSP IV U.A., one of our shareholders, and has been a member of the supervisory board since January 2010. Dr. de Koning has been a partner at Life Sciences Partners since January 2006. Dr. de Koning currently serves on the boards of several private companies. Previously, he served on the supervisory boards of BMEYE (acquired by Edwards Lifesciences), Prosensa (acquired by BioMarin) and Skyline Diagnostics, and as a non-executive director on the boards of arGEN-X, Pronota (now MyCartis) and Innovative Biosensors Inc. Dr. de Koning holds an M.Sc. in medical biology from Utrecht University and a Ph.D. in oncology from the Erasmus University Rotterdam.

Anand Mehra, M.D. was nominated to serve on the supervisory board by Sofinnova Venture Partners IX, L.P., one of our shareholders, and has been a member of the supervisory board since August 2015. Dr. Mehra has been with Sofinnova Ventures since 2007, most recently holding the position of a general partner where he focuses on working with entrepreneurs to build drug development companies. He has led the firm's investments in Vicept Therapeutics (acquired by Allergan), Aerie Pharmaceuticals, Inc., Aclaris Therapeutics, Inc., and Prothena Corporation PLC. He currently serves as a member of the boards of directors of Spark Therapeutics, Inc., Aclaris Therapeutics, Inc. and Marinus Pharmaceuticals Inc. as well as on the boards of several private companies. Dr. Mehra holds his M.D. from Columbia University's College of Physicians and Surgeons.

Jack B. Nielsen was nominated to serve on the supervisory board by Novo A/S, one of our shareholders, and has been a member of the supervisory board since August 2015. Mr. Nielsen has worked within Novo A/S and its venture activities since 2001 in several roles. Novo A/S is a Denmark limited liability company that manages investments and financial assets. Since January 2016, Mr. Nielsen has been employed by Novo A/S as a senior partner. From 2012 through 2015, he was employed as a partner at Novo A/S, and from 2006 to 2012, Mr. Nielsen was employed as a partner by, and helped establish, Novo Ventures (US) Inc., which provides certain consultancy services to Novo A/S. Mr. Nielsen previously served as a member of the board of directors of Akebia Therapeutics, Inc. from 2013 to June 2015. He currently serves on the board of directors of a number of private companies in the biopharmaceutical and biotechnology industries. Mr. Nielsen holds an M.Sc. in chemical engineering and an M.S. in management of technology from the Technical University of Denmark.

Gregory Perry has been a member of the supervisory board since May 2016. Mr. Perry has been the Chief Financial and Administrative Officer of Aegerion Pharmaceuticals, Inc., a biopharmaceutical company, since July 2015. Prior to joining Aegerion Pharmaceuticals, Mr. Perry served as Chief Financial and Business Officer of Eleven Biotherapeutics, Inc., a biopharmaceutical company, from December 2013 to July 2015, as interim Chief Financial Officer of InVivo Therapeutics Holding Corp., a biotechnology company, from September 2013 to December 2013, and as Chief Financial Officer of ImmunoGen, Inc., a biopharmaceutical company, from January 2009 to September 2013. Mr. Perry served as a director of Ocata Therapeutics, Inc. from December 2011 to February 2016, when it was acquired by Astellas Pharma Inc. Mr. Perry holds a B.A. in economics and political science from Amherst College.

Family Relationships

There are no family relationships among any of the members of our supervisory board, members of our management board and our key employees.

B. Compensation.

Compensation of Management Board Members

The following table sets forth the approximate remuneration paid during our 2016 fiscal year to our management board members.

Name and Principal Position	Salary	Option Awards(1)	Non-Equity Incentive Plan Compensation	All Other Compensation(2)	Total
Ton Logtenberg, Ph.D. Chief Executive Officer	€369,204	€907,236	€ 147,680	€ 17,717	€1,441,837
Shelley Margetson Chief Operating Officer	€198,987	€164,547	€ 84,000	€ 6,152	€ 453,686

(1) Amount shown represents the aggregate option cost recognized in the consolidated statement of profit or loss. For a description of the assumptions used in valuing these awards, see note 14 to our financial

statements included elsewhere in this Annual Report. During 2016, no options to purchase common shares were granted to our management board members.

(2) Amount shown represents pension contributions made by us.

Below is a brief description of the compensation plans and arrangements in which our management board members participate.

Remuneration Policy of Management Board Members

In connection with our initial public offering, the shareholders adopted our policy concerning the compensation of the management board members in accordance with the relevant statutory requirements of Dutch law. Pursuant to this policy, the compensation of the management board members is determined by the supervisory board, with assistance from the compensation committee, pursuant to our Articles of Association and Dutch law.

The remuneration policy for the management board members provides the supervisory board with a framework within which the supervisory board determines the remuneration of the management board members, which consists of base compensation, short-term incentive compensation, long-term equity incentive compensation under our 2016 Incentive Award Plan, or the 2016 Plan, and pension benefits, each as further described below.

Base Compensation

We pay our management board members a base salary to compensate them for the satisfactory performance of services rendered to our company. Base salary is intended to provide a fixed component of compensation reflecting the executive's level of responsibility and performance. Our management board members' base salaries for 2016 are set forth in the table above entitled "Compensation of Management Board Members."

Short-Term Incentive Plan

We maintain a short-term incentive plan pursuant to which we may grant our employees, including our management board members, incentive cash bonuses based upon corporate and/or individual performance. The remuneration policy for the management board members currently provides that the annual cash bonuses will be based upon the achievement of set financial targets, non-financial and personal goals and company milestones for the period. Achievement of the targets are measured following year-end and the actual bonus amounts are determined by the supervisory board.

The corporate objectives set for 2016 pursuant to our short-term incentive plan accounted for 60% of the management board members' bonus opportunity and were generally related to clinical developments, intellectual property, business developments and funding initiatives. Individual objectives are established annually for each management board member and, in 2016, accounted for 40% of the management board members' bonus opportunity. The actual bonus amounts paid to our management board members for 2016 are set forth in the table above entitled "Compensation of Management Board Members".

Long-Term Incentive Plans

2010 Option Plan

In 2010, we established the Merus B.V. 2010 Employee Option Plan, or the 2010 Option Plan, under which certain participants (key management personnel, including our management board members and key employees, supervisory board members, staff and consultants) were granted the right to acquire (non-voting) depositary receipts, or Depositary Receipts, issued in respect of our common shares and/or cash settled instruments the value of which was linked to our common shares. Under these programs, holders of vested options were entitled to purchase Depositary Receipts for shares at the exercise price determined at the date of grant.

Upon the exercise or award or vesting of a non-cash settled award under the 2010 Option Plan, common shares were issued to the Foundation. The purpose of the Foundation was to facilitate administration of share-based compensation awards and pool the voting interests of the underlying shares. The Foundation thereupon granted a Depositary Receipt for each issued common share to the person entitled to such common share under an award. The Depositary Receipt holder was entitled to any dividends or other distributions paid on the shares for which the Depositary Receipts were granted. The voting rights attached to the shares were exercised by the Foundation at its own discretion. The Depositary Receipt holders did not have meeting rights: they were not entitled to attend a general meeting of shareholders or to cast a vote.

In connection with our initial public offering, we transferred the common shares held by the Foundation to the relevant depositary holders and cancelled the corresponding Depositary Receipts. The Foundation was then dissolved and deregistered. Furthermore, we amended the 2010 Option Plan to reflect that an option entails the right of the holder to purchase common shares rather than Depositary Receipts.

The options granted under the 2010 Option Plan vest in installments over a four-year period from the grant date. 25% of the options vest on the first anniversary of the vesting commencement date, and the remaining 75% of the options vest in 36 monthly installments for each full month of continuous service provided by the option holder thereafter, such that 100% of the options shall become vested on the fourth anniversary of the vesting commencement date. The options granted are exercisable once vested. Options will lapse on the eighth anniversary of the date of grant.

Following our initial public offering, we no longer make grants under the 2010 Option Plan. However, the 2010 Option Plan continues to govern the terms and conditions of the outstanding awards granted under it.

2016 Incentive Award Plan

In connection with our initial public offering, we adopted and our shareholders approved the 2016 Plan under which we may grant cash and equity-based incentive awards to eligible service providers, including our management board members, in order to attract, retain and motivate the persons who make important contributions to our company.

The material terms of the 2016 Plan are summarized below.

Eligibility and Administration

Our employees, consultants, management board members and supervisory board members, and employees and consultants of our subsidiaries, if any, are eligible to receive awards under the 2016 Plan. The 2016 Plan is administered by our supervisory board with respect to members of the management board and by our management board with respect to any other service providers who are not members of the supervisory board, each of which may delegate its duties and responsibilities to one or more committees of our supervisory board, management board and/or officers (referred to collectively as the plan administrator below), subject to the limitations imposed under the 2016 Plan, our Articles of Association and applicable laws. The plan administrator has the authority to take all actions and make all determinations under the 2016 Plan, to interpret the 2016 Plan and award agreements and to adopt, amend and repeal rules for the administration of the 2016 Plan as it deems advisable. The plan administrator also has the authority to determine which eligible service providers receive awards, grant awards and set the terms and conditions of all awards under the 2016 Plan, including any vesting and vesting acceleration provisions, subject to the conditions and limitations in the 2016 Plan. Notwithstanding the foregoing, all actions taken by the management board under the 2016 Plan shall be subject to the conditions and limitations set forth in the management board rules of procedures.

Shares Available for Awards

An aggregate of 1,277,778 common shares were initially available for issuance under the 2016 Plan. The number of shares initially available for issuance is increased by an annual increase on January 1 of each calendar

year beginning in 2017 and ending in and including 2026, equal to the least of (A) 4% of the shares of common stock outstanding on the final day of the immediately preceding calendar year and (B) a smaller number of shares determined by our supervisory board. No more than 1,277,778 common shares may be issued under the 2016 Plan upon the exercise of incentive stock options. Shares issued under the 2016 Plan may be authorized but unissued shares, shares purchased on the open market or treasury shares.

If an award under the 2016 Plan expires, lapses or is terminated, exchanged for cash, surrendered, repurchased, canceled without having been fully exercised or forfeited, any unused shares subject to the award will again be available for new grants under the 2016 Plan. Awards granted under the 2016 Plan in substitution for any options or other stock or stock-based awards granted by an entity before the entity's merger or consolidation with us or our acquisition of the entity's property or stock will not reduce the shares available for grant under the 2016 Plan, but will count against the maximum number of shares that may be issued upon the exercise of incentive stock options.

Awards

The 2016 Plan provides for the grant of stock options, including incentive stock options, or ISOs, and nonqualified stock options, or NSOs, stock appreciation rights, or SARs, restricted stock, dividend equivalents, restricted stock units, or RSUs, and other stock or cash based awards. Certain awards under the 2016 Plan may constitute or provide for payment of "nonqualified deferred compensation" under Section 409A of the Internal Revenue Code of 1986, as amended. All awards under the 2016 Plan will be set forth in award agreements, which will detail the terms and conditions of awards, including any applicable vesting and payment terms and post-termination exercise limitations. A brief description of each award type follows.

- *Stock Options and SARs*. Stock options provide for the purchase of common shares in the future at an exercise price set on the grant date. ISOs, by contrast to NSOs, may provide tax deferral beyond exercise and favorable capital gains tax treatment to their holders if certain holding period and other requirements of the Internal Revenue Code are satisfied. SARs entitle their holder, upon exercise, to receive from us an amount equal to the appreciation of the shares subject to the award between the grant date and the exercise date. The plan administrator will determine the number of shares covered by each option and SAR, the exercise price of each option and SAR and the conditions and limitations applicable to the exercise of each option and SAR. Unless otherwise determined by the plan administrator, the exercise price of a stock option or SAR will not be less than 100% of the fair market value of the underlying share on the grant date (or 110% in the case of ISOs granted to certain significant shareholders), except with respect to certain substitute awards granted in connection with a corporate transaction. The term of a stock option or SAR may not be longer than ten years (or five years in the case of ISOs granted to certain significant shareholders).
- *Restricted Stock and RSUs.* Restricted stock is an award of nontransferable common shares that remain forfeitable unless and until specified conditions are met and which may be subject to a purchase price. RSUs are contractual promises to deliver common shares in the future, which may also remain forfeitable unless and until specified conditions are met and may be accompanied by the right to receive the equivalent value of dividends paid on common shares prior to the delivery of the underlying shares. The plan administrator may provide that the delivery of the shares underlying RSUs will be deferred on a mandatory basis or at the election of the participant. The terms and conditions applicable to restricted stock and RSUs will be determined by the plan administrator, subject to the conditions and limitations contained in the 2016 Plan.
- *Other Stock or Cash Based Awards.* Other stock or cash based awards are awards of cash, fully vested common shares and other awards valued wholly or partially by referring to, or otherwise based on, common shares or other property. Other stock or cash based awards may be granted to participants and may also be available as a payment form in the settlement of other awards, as standalone payments and as payment in lieu of compensation to which a participant is otherwise entitled. The plan administrator will determine the terms and conditions of other stock or cash based awards, which may include any purchase price, performance goal, transfer restrictions and vesting conditions.

Performance Criteria

The plan administrator may select performance criteria for an award to establish performance goals for a performance period. Performance criteria under the 2016 Plan may include, but are not limited to, the following: net earnings or losses (either before or after one or more of interest, taxes, depreciation, amortization, and non-cash equity-based compensation expense); gross or net sales or revenue or sales or revenue growth; net income (either before or after taxes) or adjusted net income; profits (including but not limited to gross profits, net profits, profit growth, net operation profit or economic profit), profit return ratios or operating margin; budget or operating earnings (either before or after taxes or before or after allocation of corporate overhead and bonus); cash flow (including operating cash flow and free cash flow or cash flow return on capital); return on assets; return on capital or invested capital; cost of capital; return on shareholders' equity; total shareholder return; return on sales; costs, reductions in costs and cost control measures; expenses; working capital; earnings or loss per share; adjusted earnings or loss per share; price per share or dividends per share (or appreciation in or maintenance of such price or dividends); regulatory achievements or compliance; implementation, completion or attainment of objectives relating to research, development, regulatory, commercial, or strategic milestones or developments; market share; economic value or economic value added models; division, group or corporate financial goals; customer satisfaction/growth; customer service; employee satisfaction; recruitment and maintenance of personnel; human resources management; supervision of litigation and other legal matters; strategic partnerships and transactions; financial ratios (including those measuring liquidity, activity, profitability or leverage); debt levels or reductions; sales-related goals; financing and other capital raising transactions; cash on hand; acquisition activity; investment sourcing activity; and marketing initiatives, any of which may be measured in absolute terms or as compared to any incremental increase or decrease. Such performance goals also may be based solely by reference to the company's performance or the performance of a subsidiary, division, business segment or business unit of the company or a subsidiary, or based upon performance relative to performance of other companies or upon comparisons of any of the indicators of performance relative to performance of other companies. When determining performance goals, the plan administrator may provide for exclusion of the impact of an event or occurrence which the plan administrator determines should appropriately be excluded, including, without limitation, non-recurring charges or events, acquisitions or divestitures, changes in the corporate or capital structure, events unrelated to the business or outside of the control of management, foreign exchange considerations, and legal, regulatory, tax or accounting changes.

Certain Transactions

In connection with any spin-off, change in control, or change in any applicable laws or accounting principles, the plan administrator has broad discretion to take action under the 2016 Plan to prevent the dilution or enlargement of intended benefits, facilitate the transaction or event or give effect to the change in applicable laws or accounting principles. This includes canceling awards for cash or property, accelerating the vesting of awards, providing for the assumption or substitution of awards by a successor entity, adjusting the number and type of shares subject to outstanding awards and/or with respect to which awards may be granted under the 2016 Plan and replacing or terminating awards under the 2016 Plan. In addition, in the event of certain non-reciprocal transactions with our shareholders, the plan administrator will make equitable adjustments to the 2016 Plan and outstanding awards as it deems appropriate to reflect the transaction.

Plan Amendment and Termination

The plan administrator may amend or terminate the 2016 Plan at any time; however, no amendment, other than an amendment that increases the number of shares available under the 2016 Plan, may materially and adversely affect an award outstanding under the 2016 Plan without the consent of the affected participant and shareholder approval will be obtained for any amendment to the extent necessary to comply with our Articles of Association or applicable laws. Further, the plan administrator cannot, without the approval of our shareholders, amend any outstanding stock option or SAR to reduce its price per share or cancel any outstanding stock option or SAR in exchange for cash or another award under the 2016 Plan with an exercise price per share that is less

than the exercise price per share of the original stock option or SAR. The 2016 Plan will remain in effect until the tenth anniversary of the date our shareholders approved the 2016 Plan, unless earlier terminated by the plan administrator. No awards may be granted under the 2016 Plan after its termination.

Foreign Participants, Claw-Back Provisions, Transferability and Participant Payments

The plan administrator may modify awards granted to participants who are employed outside the Netherlands or establish subplans or procedures to address differences in laws, rules, regulations or customs of such foreign jurisdictions. All awards will be subject to any company claw-back policy as set forth in such claw-back policy or the applicable award agreement. Except as the plan administrator may determine or provide in an award agreement, awards under the 2016 Plan are generally non-transferrable, except by will or the laws of descent and distribution, or, subject to the plan administrator's consent, pursuant to a domestic relations order, and are generally exercisable only by the participant. With regard to tax withholding obligations arising in connection with awards under the 2016 Plan, and exercise price obligations arising in connection with the exercise of stock options under the 2016 Plan, the plan administrator may, in its discretion, accept cash, wire transfer or check, common shares that meet specified conditions, a promissory note, a "market sell order," such other consideration as the plan administrator deems suitable or any combination of the foregoing.

Management Board Member 2016 Fiscal Year Awards under the 2016 Plan

During 2016, no options to purchase common shares were granted to our management board members.

Pension Benefits

We offer our management board members the opportunity to participate in a post-retirement plan in order to provide competitive post-retirement benefits. Retirement benefits under the defined benefit plan are set in the context of the annual base salary for each member of the management board taking into account the relevant country's competitive practice, tax and legal environment. For 2016, we contributed a total of €0.06 million to provide pension, retirement or similar benefits to the members of our management board.

Employment Agreements

Each of our management board members has entered into an employment agreement with us for an indefinite period of time. See Item 9. C—Material Contracts—Employment Agreements."

Compensation of Supervisory Board Members

The following table sets forth the remuneration paid during our 2016 fiscal year to our supervisory board members.

Name	Fees earned or paid in Cash	Option Awards(1)	Total
		(in euros)	
Mark Iwicki	€ 50,394	€ —	€ 50,394
Wolfgang Berthold, Ph.D.	€ 19,850	€ 72,071	€ 91,921
Lionel Carnot	€ 24,852	€ 98,495	€135,945
John de Koning, Ph.D.	€ 26,230	€ 98,495	€137,323
Anand Mehra, M.D.	€ 26,938	€ 98,495	€138,031
Jack B. Nielsen	€ —	€ —	€ —
Gregory Perry	€ 28,356	€ 98,495	€139,449
Gabriele Dallmann, Ph.D. (former board member)	€ —	€ 72,071	€ 72,071

(1) Amount shown represents the grant date fair value of option awards granted in 2016 measured using the Black Scholes formula. For a description of the assumptions used in valuing these awards, see note 14 to our financial statements included elsewhere in this Annual Report.

Remuneration of Supervisory Board Members

Although Dutch law does not require that we establish a remuneration program for our supervisory board members, in connection with our initial public offering we adopted and our shareholders approved a Supervisory Board Member Compensation Program. Under this program, remuneration for the supervisory board members consists of cash and initial and annual equity awards. Each supervisory board member is entitled to receive an annual retainer of $35,000. The chairman of the supervisory board is entitled to an additional annual retainer of $28,000 and the chairman of the audit committee, compensation committee and nominating and corporate governance committee are each entitled to an additional annual retainer of $15,000, $10,000 and $7,500, respectively. A supervisory board member serving as a member of a committee other than the chairman is entitled to receive an additional annual retainer of $7,500 for service on the audit committee, $5,000 for service on the compensation committee, and $3,750 for service on the nominating and corporate governance committee. Retainers under the program are payable in arrears in four equal quarterly installments within 15 days following the end of each calendar quarter, provided, that the amount of each payment will be prorated for any portion of a quarter that a supervisory board member is not serving on our supervisory board. Each annual retainer shall, without further action taken by our shareholders, be automatically increased on the first day of each calendar year beginning in 2017 by an amount equal to 3% of the value of such annual retainer in effect as of the immediately preceding calendar year.

Each supervisory board member who is initially elected or appointed to our supervisory board is eligible to receive an option to purchase the number of common shares of our company having an aggregate grant date fair value of $200,000 on the date of grant. In addition, if a supervisory board member has served on the supervisory board for at least six months as of the date of an annual meeting of shareholders and will continue to serve as a supervisory board member following such annual meeting, such supervisory board member shall be eligible to receive, on the date of such annual meeting or as soon as practical thereafter, an option to purchase the number of common shares of our company having an aggregate grant date fair value of $100,000 on the date of grant. Options granted to our supervisory board members under the program will have an exercise price equal to the fair market value of our common shares on the date of grant and will expire not later than ten years after the date of grant. The options granted upon a supervisory board member's initial election or appointment will vest as to 33% of the shares subject to the award on the first anniversary of the date of grant and in 24 substantially equal monthly installments thereafter. The options granted annually to supervisory board members will vest in 12 substantially equal monthly installments following the date of grant. In addition, all unvested options will vest in full upon the occurrence of a change in control. The grant date fair value of each initial award and annual award shall, subject to approval by our shareholders, be increased on the first day of each calendar year beginning in 2017 by an amount equal to 3% of the grant date fair value in effect as of the immediately preceding calendar year, provided, that in no event shall the number of shares awarded pursuant to an initial award exceed 17,000 common shares and an annual award exceed 8,500 common shares, in each case, subject to adjustment as provided in the 2016 Plan.

Each supervisory board member is entitled to be reimbursed for reasonable travel and other expenses incurred in connection with attending meetings of the supervisory board and any committee of the supervisory board on which he or she serves.

Supervisory Board Member 2016 Fiscal Year Equity Awards

During fiscal 2016, our supervisory board members were granted options to purchase common shares under the 2016 Plan as follows:

Name	Grant Date	Number of Shares Subject to Option (#)(1)(2)	Exercise Price Per Share (€)	Expiration Date
Mark Iwicki	—	—	—	—
Wolfgang Berthold, Ph.D.	3/21/2016	12,556	8.46	3/21/2024
Gabrielle Dallmann (former board member)	3/21/2016	12,556	8.46	3/21/2024
Lionel Carnot	5/18/2016	17,000	8.87	5/17/2026
John de Koning, Ph.D.	5/18/2016	17,000	8.87	5/17/2026
Anand Mehra, M.D.	5/18/2016	17,000	8.87	5/17/2026
Jack B. Nielsen	—	—	—	—
Gregory Perry	5/18/2016	17,000	8.87	5/17/2026

(1) The options vest as to 33% of the shares subject to each award on the first anniversary of the date of grant and in 24 substantially equal monthly installments thereafter, subject to accelerated vesting upon the occurrence of a change in control event.

(2) The options granted to each of Dr. Berthold and Dr. Dallmann were granted under the 2010 Option Plan. All other options were granted under our 2016 Plan.

C. Board Practices.

Our supervisory board is comprised of seven members. Each supervisory board member is elected for a term of up to four years. A supervisory board member may be re-appointed for up to two subsequent terms. Supervisory board members must retire periodically in accordance with a rotation plan. Our supervisory board members do not have a retirement age requirement under our Articles of Association. Our supervisory board members are elected, or re-appointed as the case may be, by our general meeting of shareholders in accordance with the Articles of Association to serve until their successors are duly elected and qualified.

The expiration of the current terms of the members of our supervisory board and the period each member has served in that term are as follows:

Name	Year Current Term Began	Year Current Term Expires
Mark Iwicki	2015	2020
Wolfgang Berthold, Ph.D.	2010	2017
Lionel Carnot	2010	2018
John de Koning, Ph.D.	2010	2017
Anand Mehra, M.D.	2015	2019
Jack Nielsen	2015	2018
Gregory Perry	2016	2020

There are no arrangements or understanding between us and any of the members of our supervisory board providing for benefits upon termination of their service.

Committees of the Supervisory Board

The supervisory board has established an Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee, which operate pursuant to written charters adopted by our supervisory board.

Audit Committee

The audit committee, which consists of Gregory Perry, Lionel Carnot and John de Koning, assists the supervisory board in overseeing our accounting and financial reporting processes and the audits of our financial statements. Mr. Perry serves as Chairman of the committee.

The audit committee's responsibilities include:

- recommending the appointment of the independent auditor to the general meeting of shareholders;
- the appointment, compensation, retention and oversight of any accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit services;
- pre-approving the audit services and non-audit services to be provided by our independent auditor before the auditor is engaged to render such services;
- evaluating the independent auditor's qualifications, performance and independence, and presenting its conclusions to the full supervisory board on at least an annual basis;
- reviewing and discussing with the management board, the supervisory board and the independent auditor our financial statements and our financial reporting process; and
- approving or ratifying any related person transaction (as defined in our related person transaction policy) in accordance with our related person transaction policy.

The audit committee meets as often as one or more members of the audit committee deem necessary, but in any event meets at least four times per year. The audit committee meets at least once per year with our independent accountant, without our management board being present.

Compensation Committee

The compensation committee, which consists of Mark Iwicki, Jack Nielsen and Anand Mehra, assists the supervisory board in determining management board compensation. Mr. Nielsen serves as Chairman of the committee. The compensation committee prepares a proposal for the supervisory board concerning the compensation of each of our management board members to be proposed for adoption by the general meeting of shareholders.

The compensation committee's responsibilities include:

- identifying, reviewing and proposing policies relevant to management board compensation;
- evaluating each management board member's performance in light of such policies and reporting to the supervisory board;
- analyzing the possible outcomes of the variable remuneration components and how they may affect the remuneration of the management board members;
- recommending any equity long-term incentive component of each management board member's compensation in line with the remuneration policy and reviewing our management board compensation and benefits policies generally; and
- reviewing and assessing risks arising from our compensation policies and practices.

Nominating and Corporate Governance Committee

The nominating and corporate governance committee, which consists of Mark Iwicki, Anand Mehra and John de Koning, assists our supervisory board in identifying individuals qualified to become members of our supervisory board and management board consistent with criteria established by our supervisory board and in developing our corporate governance principles. Dr. Mehra serves as Chairman of the nominating and corporate governance committee.

The nominating and corporate governance committee's responsibilities include:

- drawing up selection criteria and appointment procedures for supervisory board members and management board members;
- reviewing and evaluating the size and composition of our supervisory board and management board and making a proposal for a composition profile of the supervisory board at least annually;
- recommending nominees for election to our supervisory board, its corresponding committees and our management board;
- assessing the functioning of individual members of the management and supervisory board and reporting the results of such assessment to the supervisory board; and
- developing and recommending to the supervisory board our rules governing the supervisory board, reviewing and reassessing the adequacy of such rules governing the supervisory board and recommending any proposed changes to the supervisory board.

D. Employees.

As of December 31, 2016, we had 51 employees, 20 of whom hold M.D. or Ph.D. degrees. Forty-three of our employees work in research and development and eight work in management and administrative areas. All of our employees are located in the Netherlands except for three employees located in the United States. None of our employees is subject to a collective bargaining agreement or represented by a trade or labor union. We are in the process of establishing a workers' council for our employees.

E. Share Ownership.

For information regarding the share ownership of members of our supervisory board and management board and key employees and arrangements involving our employees in our share capital, see "Item 6.B.—Compensation" and "Item 7.A.—Major Shareholders and Related Party Transactions."

Item 7 Major Shareholders and Related Party Transactions.

A. Major Shareholders.

The following table sets forth information relating to the beneficial ownership of our common shares as of April 15, 2017 by:

- each person known to us who beneficially owns 5% or more of our outstanding common shares; and
- each of our management board members and supervisory board members.

The number of common shares beneficially owned by each entity, person, management board member or supervisory board member is determined in accordance with the rules of the Securities and Exchange Commission, and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any shares over which the entity or individual has sole or shared voting power or investment power as well as any shares that the entity or individual has the right to acquire within 60 days following April 15, 2017 through the exercise of any option, warrant or other right. Except as otherwise indicated, and subject to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all common shares held by that person, as applicable.

Common shares that a person has the right to acquire within 60 days following April 15, 2017 are deemed outstanding for purposes of computing the percentage ownership of the person holding such rights, but are not deemed outstanding for purposes of computing the percentage ownership of any other person. As of April 15,

2017, we had 19,391,513 common shares outstanding. Unless otherwise indicated below, the address for each beneficial owner listed is c/o Merus N.V., at Yalelaan 62, 3584 CM Utrecht, The Netherlands.

	Shares beneficially owned	
Name of beneficial owner	Number	Percent
5% or Greater Shareholders		
Incyte Corporation(1)	3,200,000	16.5%
Novartis Bioventures Ltd.(2)	2,181,320	11.2%
Bay City Capital Coöperatief U.A.(3)	2,101,320	10.8%
Aglaia Oncology Fund B.V./Aglaia Oncology Seed Fund B.V.(4)	1,109,145	5.7%
Johnson & Johnson Innovation - JJDC, Inc.(5)	1,195,943	6.2%
Pfizer, Inc.(6)	1,142,548	5.9%
Sofinnova Venture Partners IX, L.P.(7)	1,401,403	7.2%
Novo A/S(8)	1,410,417	7.3%
Baker Brothers Life Sciences L.P.(9)	1,160,014	6.0%
Coöperatief LSP IV U.A.(10)	1,225,661	6.3%
Management Board Members and Supervisory Board Members		
Ton Logtenberg, Ph.D.(11)	288,180	1.5%
Shelley Margetson(12)	37,329	*
Mark Iwicki(13)	35,385	*
Wolfgang Berthold, Ph.D.(14)	17,650	*
Lionel Carnot(3), (15)	2,105,884	10.9%
John de Koning, Ph.D.(15)	4,564	*
Anand Mehra, M.D(7), (15)	1,405,967	7.2%
Jack Nielsen	—	*
Gregory Perry(15)	4,564	*

* Indicates beneficial ownership of less than 1% of the total outstanding common shares.

(1) Consists of 3,200,000 common shares held directly by Incyte Corporation (“Incyte”). As of April 2017, the board of directors of Incyte is comprised of the following individuals: Harvé Hoppenot, Julian C. Baker, Jean-Jacques Bienaimé, Paul A. Brooke, Paul J. Clancy, Wendy Dixon, PhD and Paul A. Friedman, MD. Incyte is a publicly-traded company. Beneficial ownership information is based on a Schedule 13G filed with the SEC on January 23, 2017. Incyte’s address is 1801 Augustine Cut-Off, Wilmington, DE 19803.

(2) Consists of 2,181,320 common shares held directly by Novartis Bioventures Ltd. (“Novartis”). Novartis AG is the indirect parent of Novartis and may be deemed to share beneficial ownership of these securities. The board of directors of Novartis is comprised of Simon Zivi, Michael Jones and Timothy Faries. Beneficial ownership information is based on a Schedule 13G filed with the SEC on June 3, 2016. Novartis’ mailing address is 131 Front Street, Hamilton, Bermuda HM12.

(3) Consists of 2,101,320 common shares held directly by Bay City Capital Coöperatief U.A. (“COOP”). Bay City Capital Fund V, L.P. (“Fund V”) and Bay City Capital Fund V Co-Investment Fund, L.P. (“Fund V-SBS”) are the two sole investors of COOP. Bay City Capital Management V LLC (“BCCM V”) is the general partner of Fund V and Fund V-SBS. Bay City Capital LLC (“BCC LLC”, and together with COOP, Fund V, Fund V-SBS, and BCCM V, “Bay City Capital”) is the adviser and manager of BCCM V. Because COOP requires two members, BCCM V and BCC LLC represent Fund V and Fund V-SBS, respectively, as members of COOP. Thus, BCCM V and BCC LLC share voting and investment power over the shares held by COOP. Lionel Carnot, a member of our supervisory board, is a member of BCCM V and is employed as a managing director of BCC LLC together with Fred Craves, Carl Goldfischer, Dayton Misfeldt and Rob Hopfner. As such, each of these individuals may be deemed to share voting and investment power over these entities, and they disclaim beneficial ownership of all shares except to the extent of any pecuniary interest therein. Beneficial ownership information is based on a Schedule 13D filed with the SEC on May 27, 2016. Bay City Capital’s mailing address is De Boelelaan 7, 1083 HJ Amsterdam, Netherlands.

(4) Consists of (a) 711,854 common shares held directly by Aglaia Oncology Fund B.V. ("AOF") and (b) 397,291 common shares held directly by Aglaia Oncology Seed Fund B.V. ("AOSF"). AOSF is a wholly owned subsidiary of AOF. Aglaia BioMedical Ventures B.V. ("ABV") is the sole director of AOF and AOSF. The managing directors of ABV are Mark Krul and Karl Rothweiler. ABV, Mark Krul and Karl Rothweiler may be deemed to beneficially own the shares held directly by AOF and AOSF. Beneficial ownership information is based on a Schedule 13G filed with the SEC on February 10, 2017. The address for each of these entities is Professor Bronkhorstlaan 10, Building 92, 3723 MB Bilthoven, Netherlands.

(5) Consists of 1,195,943 common shares held directly by Johnson & Johnson Innovation—JJDC, Inc. ("JJDC"). JJDC is a wholly-owned subsidiary of Johnson & Johnson ("J&J"). JJDC and J&J have shared voting and dispositive power over the shares and J&J may be deemed to indirectly beneficially own the shares. Beneficial ownership information is based on a Schedule 13G filed with the SEC on January 18, 2017. The address of JJDC is One Johnson & Johnson Plaza, New Brunswick, NJ 08933.

(6) Consists of 1,142,548 common shares held directly by Pfizer Inc. ("Pfizer"). As of April 2017, the board of directors of Pfizer is comprised of the following individuals: Dennis A. Ausiello, Ronald E. Blacklock, W. Don Cornwell, Joseph J. Echevarria, Frances D. Fergusson, Helen H. Hobbs, James M. Kilts, Shantanu Narayen, Suzanne Nora Johnson, Ian C. Read, Stephen W. Sanger and James C. Smith. Pfizer is a publicly-traded company. Beneficial ownership information is based on a Schedule 13G filed with the SEC on June 6, 2016. Pfizer's address is 235 East 42nd Street, New York, NY 10017.

(7) Consists of 1,401,403 common shares held directly by Sofinnova Venture Partners IX, L.P. ("Sofinnova VP"). Sofinnova Management IX, L.L.C. ("Sofinnova Management") is the general partner of Sofinnova VP and Anand Mehra, Michael Powell and James Healy are the managing members of Sofinnova Management. Sofinnova Management, Anand Mehra (a member of our supervisory board), Michael Powell and James Healy may be deemed to have shared voting and dispositive power over the shares owned by Sofinnova VP. Such entities and individuals disclaim beneficial ownership over all shares except to the extent of any pecuniary interest therein. Beneficial ownership information is based on a Schedule 13D filed with the SEC on May 27, 2016. The address for Sofinnova VP and Sofinnova Management is 3000 Sand Hill Road, Building 4, Suite 250, Menlo Park, California 94025.

(8) Consists of 1,410,417 common shares held directly by Novo A/S, a Danish limited liability company wholly owned by the Novo Nordisk Foundation. Novo A/S, through its Board of Directors (the "Novo Board"), has the sole power to vote and dispose of the shares owned by Novo A/S. The Novo Board, which is comprised of Sten Scheibye, Göran Ando, Jeppe Christiansen, Steen Riisgaard and Per Wold-Olsen, may exercise voting and dispositive control over the shares only with the support of a majority of the Novo Board. As such, no individual member of the Novo Board is deemed to hold any beneficial ownership or reportable pecuniary interest in the Novo shares. Beneficial ownership information is based on a Schedule 13D filed with the SEC on March 3, 2017. The address of Novo A/S is Tuborg Havnevej 19, 2900 Hellerup, Denmark.

(9) Consists of (a) 1,054,257 common shares held directly by Baker Brothers Life Sciences, L.P. ("Life Sciences") and (b) 105,757 common shares held directly by 667, L.P. ("667", and together with Life Sciences, the "Baker Funds"). Baker Bros. Advisors LP ("Advisors") is the Investment Adviser for the Baker Funds and has sole voting and investment power with respect to the shares held by the Baker Funds. Baker Bros. Advisors (GP) LLC is the sole general partner of Advisors. Baker Bros. Advisors (GP) LLC, Julian C. Baker and Felix J. Baker as principals of the Baker Bros. Advisors (GP) LLC, and Advisors disclaim beneficial ownership of all shares. Beneficial ownership information is based on a Schedule 13G filed with the SEC on February 14, 2017. The address for each of these entities is 667 Madison Avenue, 21st Floor, New York, NY 10065.

(10) Consists of 1,225,661 common shares held directly by Coöperatief LSP IV U.A. ("LSP"). LSP IV Management BV ("LSP Management") is the sole director of LSP. The managing directors of LSP Management are Martijn Kleijwegt, Rene Kuijten and Joachim Rothe. As such, LSP Management, Martijn Kleijwegt, Rene Kuijten and Joachim Rothe may be deemed to beneficially own and share voting power over these shares. LSP Management, Martijn Kleijwegt, Rene Kuijten and Joachim Rothe disclaim beneficial ownership of the shares. John de Koning, a member of our supervisory board, is employed as a partner at LSP. Mr. de Koning has no beneficial ownership of these shares, but he has a pecuniary interest in these shares pursuant to his employment at LSP. Beneficial ownership information is based on a Schedule

13D/A filed with the SEC on June 3, 2016. LSP's mailing address is c/o LSP, Johannes Vermeerplein 9, 1071 DV Amsterdam, Netherlands.

(11) Consists of (a) 160,814 common shares held by BioPhrase, B.V. ("BioPhrase"), Dr. Logtenberg's personal holding company, (b) 6,542 common shares held by Dr. Logtenberg, and (c) 120,824 options to purchase common shares held by Dr. Logtenberg that vest within 60 days following April 15, 2017.

(12) Consists of 9,334 common shares and 27,995 options to purchase common shares that vest within 60 days following April 15, 2017.

(13) Consists of 35,385 options to purchase common shares that vest within 60 days following April 15, 2017.

(14) Consists of 17,650 options to purchase common shares that vest within 60 days following April 15, 2017.

(15) Consists of 4,564 options to purchase common shares that vest within 60 days following April 15, 2017.

To our knowledge, and other than changes in percentage ownership as a result of the shares issued in connection with our initial public offering, there has been no significant change in the percentage ownership held by the major shareholders listed above since January 1, 2016, except as discussed under the heading "related Party Transactions."

B. Related Party Transactions.

The following is a description of related party transactions we have entered into since January 1, 2016 or currently in effect with any member of our supervisory board or management board and the holders of 5% or more of our common shares.

Participation in Initial Public Offering

In May 2016, the holders of 5% or more of our common shares participated in our IPO as follows:

- Novartis Bioventures Ltd. purchased 730,000 common shares for an aggregate purchase price of $7.3 million;
- Novo A/S purchased 700,000 common shares for an aggregate purchase price of $7.0 million;
- Bay City Capital Coöperatief U.A. purchased 650,000 common shares for an aggregate purchase price of $6.5 million;
- Sofinnova Venture Partners IX, L.P. purchased 650,000 common shares for an aggregate purchase price of $6.5 million;
- Baker Brothers Advisors LP purchased 500,000 common shares for an aggregate purchase price of $5.0 million;
- Coöperatief LSP IV U.A. purchased 500,000 common shares for an aggregate purchase price of $5.0 million;
- Pfizer, Inc. purchased 175,000 common shares for an aggregate purchase price of $1.75 million; and
- Johnson & Johnson Innovation - JJDC, Inc. purchased 150,000 common shares for an aggregate purchase price of $1.5 million.

Registration Rights

Registration Rights Agreement with Incyte

In connection with the Collaboration Agreement, we entered into a Share Subscription Agreement, or the Subscription Agreement, with Incyte pursuant to which we agreed to register the common shares held by Incyte by June 1, 2017. We also agreed to use our reasonable best efforts to keep the registration statement effective until the earlier of (a) all of the common shares held by Incyte having been sold pursuant to an effective

registration statement or in compliance with Rule 144 promulgated under the Securities Act of 1933, as amended, or the Securities Act, (b) at such time when the common shares held by Incyte could, in the opinion of counsel satisfactory to us, be sold by Incyte in a single transaction under the terms of the Subscription Agreement and the volume and manner of sale limitations under Rule 144 of the Securities Act, and (c) at such time as the registration statement registering the common shares has been effective for 42 months following the lock-up period of the common shares as specified in the Subscription Agreement.

Registration Rights Agreement with Certain Investors

We have entered into a registration rights agreement, or the Registration Rights Agreement, with certain of our shareholders, pursuant to which such shareholders are entitled to the following rights with respect to the registration of their common shares for public resale under the Securities Act. The registration of common shares as a result of the following rights being exercised would enable their holders to trade these shares without restriction under the Securities Act when the applicable registration statement is declared effective.

Demand Registration Rights

If the holders of, at least, 30% of the registrable securities then outstanding request that we effect a registration with respect to all or part of their registrable securities, we may be required to register all or part of the registrable securities then outstanding. We are obligated to effect at most two registrations in response to these demand registration rights. If the holders requesting registration intend to distribute their shares by means of an underwriting, the managing underwriter of such offering has the right to limit the number of shares to be underwritten for reasons related to the marketing of the shares.

Piggyback Registration Rights

If we propose to register any of our common shares under the Securities Act, subject to certain exceptions, the holders of registrable securities are entitled to notice of the registration and to include their registrable securities in the registration. If our proposed registration involves an underwriting, the managing underwriter of such offering has the right to limit the number of shares to be underwritten for reasons related to the marketing of the shares.

Form S-3 Registration Rights

If the holders of our registrable securities then outstanding request that we effect a registration of some or all of their registrable securities and we are entitled under the Securities Act to register our common shares on a registration statement on Form F-3, we are obligated to effect such registration. We are not obligated to effect a registration pursuant to these F-3 registration rights if (i) the expected aggregate net proceeds from the sale of the registrable securities for which registration is requested is equal to or less than $1.0 million or (ii) if, within a given 12-month period, we have already effected two registrations on Form F-3 for the holders of registrable securities.

Expenses

Ordinarily, other than underwriting discounts and commissions, we are required to pay all expenses incurred by us related to any registration effected pursuant to the exercise of these registration rights. These expenses may include all registration and filing fees, printing expenses, fees and disbursements of our counsel, reasonable fees and disbursements of a counsel for the selling security holders and blue sky fees and expenses.

Termination of Registration Rights

The registration rights terminate upon the earlier of May 24, 2020, or, with respect to the registration rights of an individual holder, when the holder can sell all of such holder's registrable securities in a three-month period without restriction under Rule 144 under the Securities Act.

Agreements with Management Board Members

For a description of our agreements with our management board members, see "Item I.B.—Compensation."

Indemnification Agreements

We have entered into agreements with our management board members and supervisory board members to indemnify them against expenses and liabilities to the fullest extent permitted by law. These agreements provide, subject to certain exceptions, for indemnification for related expenses including, among other expenses, attorneys' fees, judgments, penalties, fines and settlement amounts incurred by any of these individuals in any action or proceeding. In addition to such indemnification, we provide our management board members and supervisory board members with directors' and officers' liability insurance.

C. Interests of Experts and Counsel.

Not applicable.

Item 8 Financial Information

A. Consolidated Statements and Other Financial Information.

Consolidated Financial Statements

Our consolidated financial statements are appended at the end of this Annual Report, starting at page F-1, and are incorporated herein by reference.

Legal Proceedings

On March 11, 2014, Regeneron Pharmaceuticals, Inc., or Regeneron, filed a complaint in the United States District Court for the Southern District of New York, or the Court, alleging that we were infringing one or more claims in their U.S. Patent No. 8,502,018, entitled "Methods of Modifying Eukaryotic Cells." On July 3, 2014, we filed a response to the complaint, denying Regeneron's allegations of infringement and raising affirmative defenses, and filed counterclaims seeking, among other things, a declaratory judgment that we did not infringe the patent and that the patent was invalid. We subsequently filed amended counterclaims during the period from August to December 2014, seeking a declaratory judgment of unenforceability of the patent due to Regeneron's commission of inequitable conduct.

On November 21, 2014, the Court found that there was clear and convincing evidence that a claim term present in each of the patent claims was indefinite and granted several of our proposed claim constructions. On February 24, 2015, the Court entered partial judgment in the proceeding, on the grounds that we did not infringe each of the patent claims, and that each of the patent claims were invalid due to indefiniteness. On November 2, 2015, the Court found Regeneron had withheld material information from the USPTO during prosecution of the patent, and Regeneron had engaged in inequitable conduct and affirmative egregious misconduct in connection with the prosecution of the patent. On December 18, 2015, Regeneron filed an appeal of the Court's decision. The appeal hearing at the Federal Circuit took place on February 13, 2017. A decision in this appeal proceeding is expected by mid-2017.

On March 11, 2014, Regeneron served a writ in the Netherlands alleging that we were infringing one or more claims in their European patent EP 1 360 287 B1. We had opposed that patent in June 2014 and the Dutch litigation is currently stayed.

On September 17, 2014, Regeneron's patent EP 1 360 287 B1 was revoked in its entirety by the European Opposition Division of the European Patent Office, or the EPO. An appeal hearing occurred in October and

November 2015 at the Technical Board of Appeal for the EPO at which time the patent was reinstated to Regeneron with amended claims. We believe that our current business operations do not infringe the patent reinstated to Regeneron with amended claims because we believe we have not used the technology or methods claimed under the amended claims.

From time to time, we may be involved in various other claims and legal proceedings relating to claims arising out of our operations. We are not currently a party to any other material legal proceedings.

Dividend Distribution Policy

We have never paid or declared any cash dividends on our common shares, and we do not anticipate paying any cash dividends on our common shares in the foreseeable future. We intend to retain all available funds and any future earnings to fund the development and expansion of our business. Under Dutch law, a Dutch public company with limited liability (*naamloze vennootschap*) may only pay dividends if the shareholders' equity (*eigen vermogen*) exceeds the sum of the paid-up and called-up share capital plus the reserves required to be maintained by Dutch law or our Articles of Association. Subject to such restrictions, any future determination to pay dividends will be at the discretion of our general meeting upon the proposal of the management board, which proposal is subject to the approval of the supervisory board. Any future approval will depend upon the supervisory board's review of a number of factors, including our results of operations, financial condition, future prospects, contractual restrictions, restrictions imposed by applicable law and other factors the supervisory board deems relevant.

B. Significant Changes.

In December 2016, we entered into a collaboration and license agreement, or the Collaboration Agreement, with Incyte Corporation, or Incyte. Under the terms of the Collaboration Agreement, we and Incyte have agreed to collaborate with respect to the research, discovery and development of bispecific antibodies utilizing our proprietary bispecific technology platform. The collaboration encompasses up to 11 independent programs, including some of our current preclinical immuno-oncology discovery programs. For one of the current preclinical programs, or Program 1, we retain the exclusive right to develop and commercialize products and product candidates in the United States, while Incyte has the exclusive right to develop and commercialize products and product candidates arising from such program outside the United States. For Program 1, we and Incyte will conduct and share equally the costs of mutually agreed global development activities and will be solely responsible for independent development activities in our respective territories. We have the option to co-fund development products arising from one specified program, and subject to certain conditions, to a second specified program, in each case in exchange for a share of profits in the United States, as well as the right to participate in a specified proportion of detailing activities in the United States for one of such programs. In addition, if Program 1 fails to complete IND-enabling toxicology studies successfully, we will be granted an additional option to co-fund development of a specified program other than Program 1 in exchange for a share of profits in the United States. If we exercise our co-funding option for a program, we would be responsible for funding 35% of the associated future global development costs and, for certain of such programs, would be responsible for reimbursing Incyte for certain development costs incurred prior to the option exercise. All products as to which we have exercised our option to co-fund development would be subject to joint development plans and overseen by a joint development committee, with Incyte having final determination as to such plans in cases of dispute.

For each program other than Program 1, where we have not elected to co-fund development or where we do not have such a co-funding option, Incyte is solely responsible for all costs of global development and commercialization activities. We retain the rights to our bispecific technology platform as well as clinical and pre-clinical candidates and future programs emerging from our platform that are outside the scope of the Collaboration Agreement.

In January 2017, upon the Collaboration Agreement becoming effective, Incyte made an upfront non-refundable payment to us of $120 million for the rights granted under the Collaboration Agreement. For each program as to which we do not have commercialization or co-development rights, we are eligible to receive up to $100 million in future contingent development and regulatory milestones and up to $250 million in commercialization milestones as well as tiered royalties ranging from 6% to 10% of global net sales. For each program as to which we have exercised our option to co-fund development, we are eligible to receive a 50% share of profits (or sustain 50% of any losses) in the United States and tiered royalties ranging from 6% to 10% of net sales of products outside of the United States. If we opt to cease co-funding a program as to which we exercised our co-development option, then we will no longer receive a share of profits in the United States but will be eligible to receive the same milestones from the co-funding termination date and the same tiered royalties described above with respect to non-co-developed programs and, depending on the stage at which we choose to cease co-funding development costs, additional royalties ranging up to 4% of net sales in the United States. For Program 1, for which we retain all commercial rights in the United States, we and Incyte are each eligible to receive tiered royalties on net sales in the other's territory at rates ranging from 6% to 10%.

The Collaboration Agreement will continue on a program-by-program basis until we have no royalty payment obligations with respect to such program or, if earlier, the termination of the Collaboration Agreement or any program in accordance with the terms of the Collaboration Agreement. The Collaboration Agreement may be terminated in its entirety or on a program-by-program basis by Incyte for convenience. The Collaboration Agreement may also be terminated by either party under certain other circumstances, including material breach, or on a program-by-program basis for patent challenge of patents under the applicable program, in each case as set forth in the Collaboration Agreement. If the Collaboration Agreement is terminated in its entirety or with respect to one or more programs, all rights in the terminated programs revert to us, subject to payment to Incyte of a reverse royalty of up to 4% on sales of future products, if we elect to pursue development and commercialization of products arising from the terminated programs.

In connection with the Collaboration Agreement, we also entered into a Share Subscription Agreement, or the Subscription Agreement, with Incyte. Pursuant to the Subscription Agreement, we agreed to sell 3,200,000 of our common shares, or the Shares, to Incyte at a price per share of $25.00, for an aggregate purchase price of $80 million, representing 19.9% of our pre-transaction issued and outstanding common shares. The consummation of the transactions contemplated by the Subscription Agreement were subject to the early termination or expiration of the waiting period under the HSR Act, no termination or breach that is continuing of the Collaboration Agreement, and the satisfaction or waiver of customary closing conditions. On January 20, 2017, HSR clearance was received and on January 23, 2017, or the Closing Date, the transactions under the Subscription Agreement were closed.

Pursuant to the Subscription Agreement, for a specified period that may terminate earlier upon the occurrence of certain events related to an acquisition of us or the termination of the Collaboration Agreement, referred to as the Standstill Period, Incyte has agreed, subject to certain exceptions, that it will not, directly or indirectly, increase its percentage ownership of our voting securities, make or solicit proxies or seek to influence the voting of our securities, seek to influence or control our management, make a proposal or offer to acquire us or our assets, or seek to effect a change of control of us or other similar extraordinary transactions.

Incyte has also agreed that for a period ending on the earlier of 18 months after the Closing Date or the end of the Standstill Period, referred to as the Lock-Up Period, it will not, subject to certain exceptions, sell or otherwise transfer or agree to transfer the Shares. In addition, if the Standstill Period has not been terminated early, for a period of three years after the end of the Lock-Up Period, Incyte will be restricted from selling or otherwise transferring more than one-third of the Shares during any 12-month period or ten percent of the Shares during any three-month period, unless we consent otherwise. Incyte has further agreed that during the Standstill Period, it will vote all of the voting securities that it holds in accordance with the recommendation of a majority of our supervisory board. However, Incyte may vote its securities at its own discretion for certain extraordinary matters, including a change in control of us.

We have also agreed to customary resale registration rights with respect to the Shares, however, any such resales will be subject to the Lock-Up Period and volume limitations on sale and transfer of the Shares described above.

Item 9 The Offer and Listing.

A. Offer and Listing Details.

Our common shares have been listed on The NASDAQ Global Market under the symbol "MRUS" since May 19, 2016. Prior to that date, there was no public trading market for our common shares. Our initial public offering was priced at $10.00 per common share on May 19, 2016. The following table sets forth for the periods indicated the high and low sales prices per common share as reported on The NASDAQ Global Market:

	Price Per Common Share	
	High	Low
Year Ended December 31,		
2016 (from May 19, 2016 through December 31, 2016)	$22.19	$ 7.26
Quarter Ended		
Second Quarter 2016 (beginning May 19)	$10.89	$ 7.26
Third Quarter 2016	$16.98	$ 8.42
Fourth Quarter 2016	$22.19	$13.13
First Quarter 2017	$33.63	$20.55
Second Quarter 2017 (through April 25)	$25.44	$18.79
Month of		
October 2016	$19.63	$15.56
November 2016	$17.95	$14.85
December 2016	$22.19	$13.13
January 2017	$27.36	$20.55
February 2017	$26.25	$22.90
March 2017	$33.63	$23.28
April 2017 (through April 25)	$25.44	$18.79

B. Plan of Distribution.

Not applicable.

C. Markets.

Our common shares have been listed on The NASDAQ Global Market under the symbol "MRUS" since May 19, 2016.

D. Selling Shareholders.

Not applicable.

E. Dilution.

Not applicable.

F. Expenses of the Issue.

Not applicable.

Item 10 . Additional Information.

A. Share Capital.

Not applicable.

B. Memorandum and Articles of Association.

The information in response to this item is contained under the caption "Description of Share Capital and Articles of Association" in our final prospectus filed with the Securities and Exchange Commission on May 20, 2016 and is incorporated herein by reference.

C. Material Contracts.

Underwriting Agreement

We entered into an underwriting agreement with Citigroup Global Markets, Inc. and Jefferies LLC, as representatives of the underwriters, on May 18, 2016, for the initial public offering of our common shares. We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, and to contribute to payments the underwriters may be required to make in respect of such liabilities.

License and Collaboration Agreements

In addition, we have entered into license and collaboration agreements with Incyte Corporation and ONO Pharmaceuticals, Inc. Information on these agreements may be found in this Annual Report under "Item 4—Information on the Company—Collaboration Agreements" and is incorporated herein by reference.

Employment Agreements

We have entered into employment agreements with our management board members and our Chief Financial Officer.

Ton Logtenberg, Chief Executive Officer and Management Board Member

We have entered into an employment agreement, as amended from time to time, with Ton Logtenberg pursuant to which Dr. Logtenberg serves as our Chief Executive Officer. The agreement is for an unspecified term and may be terminated by either Dr. Logtenberg or the company subject to the applicable statutory notice periods; provided that, the agreement will automatically terminate without notice at the end of the month in which Dr. Logtenberg reaches the age at which he is entitled to pension under Dutch law. Pursuant to the employment agreement, Dr. Logtenberg is entitled to an annual base salary of no less than $463,000 USD, effective January 1, 2017, and may earn an annual cash incentive award based on performance with a target value equal to 50% of his annual base salary. Dr. Logtenberg is also entitled to certain other benefits, including health and disability benefits, reimbursement for commuting expenses and participation in the company's pension plan.

If Dr. Logtenberg's employment is terminated by the company without cause or due to Dr. Logtenberg's resignation for good reason, then subject to his executing a general release of claims and continued compliance with the company's proprietary information agreement, Dr. Logtenberg will be entitled to receive (i) base salary continuation payments for 6 months and (ii) potential accelerated vesting of any portion of his option awards that are unvested as of the date of his termination. If Dr. Logtenberg's employment is terminated without cause or due to Dr. Logtenberg's resignation for good reason within 12 months following a change in control, then subject to his executing a general release of claims and continued compliance with the proprietary information agreement, Dr. Logtenberg will be entitled to receive (i) a lump sum payment equal to six months of his base salary and 50% of his target annual bonus and (ii) accelerated vesting of any portion of his unvested equity awards, except that performance based equity awards will only vest subject to the attainment of the applicable performance goals.

The agreement contains restrictive covenants which restrict Dr. Logtenberg's ability to compete with us for a period of 24 months following his termination of employment or solicit our employees for a period of 12 months following termination. In the event Dr. Logtenberg violates these restrictive covenants, he will be subject to a penalty of €25,000 for each violation and an additional penalty of €1,000 for each day the violation continues.

The agreement also contains covenants regarding protection of our confidential information, violation of which subjects Dr. Logtenberg to the same penalties as described above, and ownership of intellectual property.

Shelley Margetson, Chief Operating Officer and Management Board Member

We have entered into an employment agreement, as amended from time to time, with Shelley Margetson pursuant to which Ms. Margetson serves as our Chief Operating Officer. The agreement is for an unspecified term and may be terminated by us or by Ms. Margetson subject to the applicable statutory notice periods. Pursuant to the employment agreement, Ms. Margetson is entitled to an annual base salary of no less than $300,000 USD, effective November 1, 2016, and may earn an annual cash incentive award based on performance with a target value equal to 35% of her annual base salary. Ms. Margetson is also entitled to certain other benefits, including disability benefits, reimbursement for commuting expenses and relocation costs and participation in a pension scheme.

If Ms. Margetson's employment is terminated by the company without cause or due to Ms. Margetson's resignation for good reason, then subject to her executing a general release of claims and continued compliance with the company's proprietary information agreement, Ms. Margetson will be entitled to receive (i) base salary continuation payments for 6 months and (ii) potential accelerated vesting of any portion of her option awards that are unvested as of the date of her termination. If Ms. Margetson's employment is terminated without cause or due to Ms. Margetson's resignation for good reason within 12 months following a change in control, then subject to her executing a general release of claims and continued compliance with the proprietary information agreement, Ms. Margetson will be entitled to receive (i) a lump sum payment equal to six months of her base salary and 50% of her target annual bonus and (ii) accelerated vesting of any portion of her unvested equity awards, except that performance based equity awards will only vest subject to the attainment of the applicable performance goals.

The agreement contains restrictive covenants which restrict Ms. Margetson's ability to compete with the company for a period of 12 months following termination. Ms. Margetson is subject to a penalty of €10,000 for each violation of this covenant and an additional fine of €1,000 for each day the violation continues. Ms. Margetson is also prohibited from performing outsides activities with another employer or client during the course of her employment with us and is subject to a per violation fine of €5,000 and per day fine of €1,000 for failure to comply.

The agreement also contains covenants regarding Ms. Margetson's protection of our confidential information for a period of 5 years following her termination, violation of which subjects her to penalties of €50,000 for each violation and €1,000 for each day the violation continues, and ownership of intellectual property.

John Crowley, Chief Financial Officer

On October 5, 2016, we and our wholly-owned subsidiary Merus US, Inc. entered into an employment agreement with John Crowley. Pursuant to the employment agreement, Mr. Crowley agreed to serve as our Executive Vice President and Chief Financial Officer and Merus US effective as of November 1, 2016. The employment agreement provides for an initial annual base salary of $362,500 and the opportunity to earn an annual cash incentive award based on performance with a target value equal to 35% of Mr. Crowley's annual base salary. Mr. Crowley received a one-time signing bonus in an amount equal to $100,000; provided that, if Mr. Crowley is terminated for cause or resigns without good reason, in either case, within one year of his

commencement of employment, Mr. Crowley must repay the full amount of the signing bonus. If Mr. Crowley's employment is terminated by Merus US without cause or due to Mr. Crowley's resignation for good reason, then subject to his executing a general release of claims and continuing compliance with the Company's proprietary information agreement, Mr. Crowley will be entitled to receive (i) base salary continuation payments for 6 months and (ii) potential accelerated vesting of any portion of his initial option award that is unvested as of the date of his termination. If Mr. Crowley's employment is terminated without cause or due to Mr. Crowley's resignation for good reason within 12 months following a change in control of us, then subject to his executing a general release of claims and continuing compliance with the proprietary information agreement, Mr. Crowley will be entitled to receive (i) a lump sum payment equal to six months of his base salary and 50% of his target annual bonus; (ii) direct payment of or reimbursement for continued medical, dental or vision coverage pursuant to COBRA for up to nine months, and (iii) accelerated vesting of any portion of his unvested equity awards, except that performance-based equity awards will only vest subject to the attainment of the applicable performance goals.

Indemnification Agreements

We have entered into indemnification agreements with our management board and supervisory board members. Information on the indemnification agreements may be found in this Annual Report under "Item 7—Major Shareholders and Related Party Transactions—Indemnification Agreements" and is incorporated herein by reference.

Registration Rights Agreements

We have entered into registration rights agreements with Incyte under the Share Subscription Agreement and with certain of our shareholders under a Registration Rights Agreement. Information on the indemnification agreements may be found in this Annual Report under "Item 7—Major Shareholders and Related Party Transactions—Registration Rights" and is incorporated herein by reference.

Lease

On April 22, 2016, we entered into a lease agreement with Stichting Incubator Utrecht for approximately 11,130 square feet of office and laboratory space in Utrecht, the Netherlands. The lease has a term of five years and expires on April 22, 2021. The agreed rental price is €402 thousand per year.

D. Exchange Controls.

Under the existing laws of the Netherlands, there are no exchange controls applicable to the transfer to persons outside of the Netherlands of dividends or other distributions with respect to, or of the proceeds from the sale of, shares of a Dutch company.

E. Taxation.

The following paragraphs summarize a number of material Dutch tax considerations relating to the purchase, ownership and disposition of our common shares. The following is intended as general information only, and is in no way a comprehensive or complete description of all aspects of Dutch tax law that may be relevant for a holder of common shares.

Prospective shareholders should consult their tax advisor regarding the tax consequences of any purchase, ownership or disposal of common shares.

The following summary is based on the Dutch tax law as applied and interpreted by Dutch tax courts, and as published and effective on the date hereof, without prejudice to any amendments introduced at a later date and implemented with or without retroactive effect.

For the purpose of this paragraph, "Dutch Taxes" shall mean taxes of whatever nature levied by or on behalf of the Netherlands or any of its subdivisions or taxing authorities. The Netherlands means the part of the Kingdom of the Netherlands located in Europe.

Where in this Dutch taxation paragraph reference is made to "Shareholder," that concept includes, but is not limited to:

(1) an owner of one or more common shares who has both an economic interest in those common shares, as well as the title to those common shares;

(2) a person who, or an entity that, holds the entire economic interest in one or more common shares;

(3) a person who, or an entity that, holds an interest in an entity, that is transparent for Dutch tax purposes, such as a partnership or a mutual fund, the assets of which comprise of one or more common shares, within the meaning of items (1) or (2) above: or

(4) a person who is deemed to hold an interest in common shares, as referred to under items (1) through (3), pursuant to the attribution rules of article 2.14a, of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*, or ITA), with respect to property that has been segregated, for instance in a trust or a foundation.

Taxes on Income and Capital Gains

This section provides an overview of general Dutch tax consequences that may be relevant for Shareholders, but does not describe the possible Dutch tax considerations or consequences that may be relevant to a Shareholder who is:

- an individual for whom the income or capital gains derived from the common shares is attributable to employment activities including deemed employment activities performed by such holders or certain individuals related to such holders (as defined in the ITA) or statutory directors (*bestuurders*) or supervisory directors (*commissarissen*) of a company resident in the Netherlands, the income from which is taxable in the Netherlands;
- an entity that is not subject to Dutch corporate income tax or is in full or in part exempt from Dutch corporate income tax (such as pension funds), as well as entities that are exempt from Dutch corporate income tax, as well as entities that are exempt from Dutch corporate income tax in their country of residence, such country of residence being another state of the European Union, Norway, Liechtenstein, Iceland or any other state with which the Netherlands have agreed to exchange information in line with international standards;
- an investment institution (*beleggingsinstelling*) as defined in article 6a (*vrijgestelde beleggingsinstelling)* or 28 (*fiscale beleggingsinstelling)* of the Dutch 1969 Corporate income tax act (*Wet op de vennootschapsbelasting 1969*, or CITA);
- entitled to the participation exemption regime (*deelnemingsvrijstelling*) with respect to the common shares as defined in article 13, CITA. A participation generally exists in case of a shareholding of at least 5% of the company's paid-in share capital. A holder may also have a participation if such holder does not have a 5% shareholding but a related entity (statutorily defined term) has a participation or if the company in which the shares are held is a related entity (statutorily defined term);
- a holder of a lucrative interest (*lucratief belang* as defined in article 3.92b ITA), as we assume no employees of the company purchased the common shares issued in our initial public offering; or
- a holder of a substantial interest *(aanmerkelijk belang* as defined in chapter 4 ITA), which is generally the case when the Shareholder, alone, or where such shareholder is an individual, together with his or her partner (statutorily defined term), directly or indirectly, holds or is deemed to hold (a) an interest of at least 5% in either the capital or the voting rights of any class of shares in the Company, (b) rights or

options to obtain such interest or (c) certain profit sharing rights in the Company. A deemed substantial interest may arise if part of a substantial interest in a company has been disposed of, or is deemed to have been disposed of, on a non-recognition basis.

Dutch Residents

The description of certain Dutch tax consequences in this paragraph is only intended for Shareholders that are either individuals who are resident or deemed to be resident in the Netherlands for Dutch income tax purposes, ("Dutch Individuals"), or entities that are subject to the CITA and are resident or deemed to be resident in the Netherlands for corporate income tax purposes, ("Dutch Corporate Entities").

Dutch resident individuals

Dutch Individuals that derive or are deemed to derive any benefits from common shares (including any capital gains realized on the disposal of such common shares) which benefits are attributable to an enterprise from which the Dutch Individual derives profits, whether as an entrepreneur (*ondernemer*) or pursuant to a co-entitlement to the net value of an enterprise (*medegerechtigd tot het vermogen)*, other than as a shareholder, are generally subject to Dutch income tax on those benefits at progressive rates with a maximum of 52%.

Dutch Individuals that derive or are deemed to derive any benefits from common shares, including any gains realized on the disposal of such common shares that constitute benefits from miscellaneous activities (*resultaat uit overige werkzaamheden*), are generally subject to Dutch income tax at progressive rates on such benefits with a maximum of 52%.

Dutch Individuals may, among other things, derive, or be deemed to derive, benefits from common shares that are taxable as benefits from miscellaneous activities in case the investment activities go beyond the activities of an active portfolio investor (*normaal actief vermogensbeheer)*, due to, for instance, the use of insider knowledge (*voorkennis*) or comparable forms of special knowledge.

Dutch Individuals, whose common shares are not attributable to an enterprise, and whose common shares do not qualify as generating income from miscellaneous activities will not be subject to Dutch income tax on the actual income (including capital gains) derived from the common shares. Instead, those Dutch Individuals will be taxed at a flat rate of 30% on the deemed income from savings and investments (*sparen en beleggen*). This deemed income is set at 4% of the yield basis (*rendementsgrondslag*) of the Dutch Individual. The yield basis would normally consist of the fair market value of the common shares generally to be determined at the beginning of the year to the extent that such yield basis exceeds the exempt net asset amount (*heffingsvrij vermogen*) amounting to € 24,437 (or € 48,874 in case of fiscal partnership) for the relevant year.

As of 2017 the tax regime for income from savings and investments will be amended.

Dutch resident entities

Dutch Corporate Entities are subject to corporate income tax on income, including capital gains, derived from the common shares. The first € 200,000 profits are taxable at a rate of 20%, while any profits in excess of € 200,000 are taxable at a rate of 25%.

Non-Dutch residents

Non-Dutch resident individuals

A Shareholder that is an individual and not a resident or deemed resident of the Netherlands, ("Non-Resident Individuals"), for Dutch tax purposes, will not be subject to any Dutch taxes on income (other

than the dividend withholding tax described below) or capital gains in respect of dividends distributed by the Company or in respect of any gains realized on the disposal of common shares unless:

- the Non-Resident Individual derives profits from an enterprise, or pursuant to a co-entitlement to the net value of such enterprise, other than as a holder of securities, which enterprise either is managed in the Netherlands or carried out, in whole or in part, through a permanent establishment or a permanent representative which is taxable in the Netherlands and the common shares are attributable to such enterprise; or
- the Non-Resident Individual derives benefits or is deemed to derive benefits from common shares that are taxable as benefits from miscellaneous activities in the Netherlands.

If either of the conditions above apply, income or capital gains in respect of dividends distributed by the Company or in respect of any gain realized on the disposal of common shares will in general be subject to Dutch income tax at the progressive rates with a maximum of 52%, on the understanding that such benefits derived as benefits from miscellaneous activities will only be taxable in the Netherlands if such activities are performed or deemed to be performed in the Netherlands.

Non-Dutch resident entities

A Shareholder, other than an individual, that is not a resident or deemed resident of the Netherlands for Dutch tax purposes, will not be subject to any Dutch taxes on income or capital gains (other than the dividend withholding tax described below) in respect of dividends distributed by the Company or in respect of any gain realized on the disposal of common shares, unless that Shareholder derives profits from an enterprise, or pursuant to a co-entitlement to the net value of such enterprise other than as a holder of securities, which enterprise either is managed in the Netherlands or carried out, in whole or in part, through a permanent establishment or a permanent representative which is taxable in the Netherlands and the common shares are attributable to such enterprise.

If the condition above applies, income and capital gains derived from the common shares will, in general, be subject to regular Dutch corporate income tax. The first € 200,000 profits are taxable at a rate of 20%, while any profits in excess of € 200,000 are taxable at a rate of 25%.

Dividend withholding tax

Dividends payments, or Dividend Payments, made by the Company are generally subject to 15% Dutch dividend withholding tax. The Company is responsible for withholding the Dutch dividend withholding tax, while the tax is ultimately for the account of the Shareholder. The term 'Dividend Payments' includes, but is not limited to:

- distributions in cash or in kind, as well as deemed or constructive distributions;
- liquidation proceeds, proceeds of redemption of common shares or, generally, considerations in excess of the average paid-in capital recognized for Dutch dividend withholding tax purposes, paid upon the repurchase of common shares by the company;
- the nominal value of common shares issued to a holder of common shares or an increase of the nominal value of common shares, to the extent that it does not appear that a contribution, recognized for Dutch dividend withholding tax purposes, has been made or will be made; and
- partial repayment of paid-in capital, recognized for Dutch dividend withholding tax purposes, if and to the extent that there are Net Profits (*zuivere winst*), unless
- the general meeting of the shareholders has resolved in advance to make such repayment; and
- the nominal value of the common shares concerned has been reduced by a corresponding amount by way of an amendment of the Company's articles of association in advance of such a repayment.

The term Net Profits includes anticipated profits that have yet to be realized but that are reasonably certain and determinable.

If a Shareholder is a resident for Dutch tax purposes of a country other than the Netherlands, and is considered to be a resident of Aruba, Curacao or St. Martin under the provisions of a Tax Convention for the Kingdom of the Netherlands (*Belastingregeling voor het Koninkrijk*), or is considered to be a resident of a country other than the Netherlands under the provisions of the double taxation convention between that country of residence and the Netherlands, that Shareholder may be eligible for a full or partial exemption from, or refund of Dutch dividend withholding tax, depending on the terms of the applicable double taxation convention.

In addition, subject to certain conditions and based on Dutch legislation implementing the EU Parent Subsidiary Directive (Directive 90/435/EEG, as amended), an exemption from Dutch dividend withholding tax may exist for Dividend Payments to certain qualifying entities that are resident in another EU Member State or in a State of the EEA appointed by Ministerial Decree, if that entity holds at least 5% of the share capital of the Company.

A qualifying tax-exempt entity that is a resident of a Member State of the EU, or that is a resident of a State of the EEA that has been specifically designated in a Ministerial Regulation (e.g. Norway, Iceland and Liechtenstein), may be eligible for a refund of withheld Dutch dividend withholding taxes, if the entity would not have been subject to Dutch corporate income tax had it been a tax resident of the Netherlands

Qualifying investors (such as pension funds, sovereign wealth funds and exempt government bodies) from outside the EU and the EEA (so-called third countries) may be eligible for a refund of Dutch dividend withholding tax. The refund only applies to portfolio investments when the following conditions are cumulatively met:

- the Shareholder is resident in a designated country with which the Netherlands has concluded adequate arrangements for the exchange of information; and
- the Shareholder is not subject to any profits tax or is exempt from any profits tax in the country of its residence and would not have been subject to Dutch corporate income tax, if the Shareholder had been resident in the Netherlands.

Dutch Individuals and Dutch Corporate Entities can generally credit Dutch dividend withholding tax against their personal income tax respectively corporate income tax liability. The same generally applies to Shareholders that are neither resident nor deemed resident of the Netherlands if the common shares are attributable to a Dutch permanent establishment of such a non-resident Shareholder.

Due to legislation introduced to counteract the practice of dividend stripping, a reduction, exemption, credit or refund of Dutch dividend withholding tax is denied if the recipient of the Dividend Payment does not qualify as the beneficial owner (*uiteindelijk gerechtigde*) of that Dividend Payment. The anti-dividend stripping legislation generally targets situations in which shareholders retain their economic interest in common shares but reduce the withholding tax due on the Dividend Payment by entering into a transaction with another party with (mainly) that intent. The Dutch Ministry of Finance takes the position that the definition of beneficial ownership introduced by this legislation will also be applied in the context of a double taxation convention.

Gift tax and inheritance tax

Dutch Residents

Gift or inheritance taxes will arise in the Netherlands with respect to a transfer of the common shares by way of a gift by, or, on the death of, a holder of common shares who is resident or deemed to be resident in the Netherlands at the time of the gift or his/her death.

No Netherlands gift tax will arise in case of a gift of the common shares under a condition precedent (*opschortende voorwaarde*) by an individual who at the date of the gift was resident or deemed to be resident, but at the date of the fulfillment of the condition was neither resident nor deemed to be resident in the Netherlands, unless such individual deceases within 180 days after the date of the fulfillment of the condition, while being resident or deemed to be resident in the Netherlands.

For purposes of Netherlands gift and inheritance taxes, amongst others, a person that holds the Dutch nationality will be deemed to be resident in the Netherlands if that person has been resident in the Netherlands at any time during the ten years preceding the date of the gift—in case of a gift under a condition precedent, the date of the fulfillment of the condition—or the date of the death of this person. Additionally, for purposes of Dutch gift tax, a person not holding the Dutch nationality will be deemed to be resident in the Netherlands if that person has been resident in the Netherlands at any time during the 12 months preceding the date of the gift or - in case of a gift under a condition precedent - the date of the fulfillment of the condition. Applicable tax treaties may override the tax implications of deemed residency.

Non-Dutch Residents

No Dutch gift or inheritance tax will arise on the transfer of common shares by way of a gift by, or on the death of, a holder of common shares who is neither resident nor deemed to be resident in the Netherlands, unless:

- in case of a gift of the common shares under a condition precedent (*opschortende voorwaarde*) by an individual who at the date of the gift was neither resident nor deemed to be resident in the Netherlands, such individual is resident or deemed to be resident in the Netherlands at the date of the fulfillment of the condition; or
- in case of a gift of the common shares by an individual who at the date of the gift or, in case of a gift under a condition precedent, at the date of the fulfillment of the condition was neither resident nor deemed to be resident in the Netherlands, such individual is deceased within 180 days after the date of the gift or the fulfillment of the condition, while being resident or deemed to be resident in the Netherlands.

Furthermore, Dutch inheritance tax will arise in case of a gift under a condition precedent by an individual who, at the date of the gift, was neither resident nor deemed resident of the Netherlands, but at the date of his or her death was resident or deemed to be resident in the Netherlands, and the condition was fulfilled after the date of his or her death.

Value added tax

No Dutch value added tax will be due in the Netherlands in respect of payments made in consideration for the issue of common shares, or in respect of the transfer of common shares.

Other taxes

No Dutch registration tax, customs duty, stamp duty, real estate transfer tax or any other similar documentary tax or duty will be due in the Netherlands in respect of or in connection with the mere issue, transfer or delivery of the common shares.

Residency

A Shareholder will not become, and will not be deemed to be, resident in the Netherlands merely by virtue of holding a common share or by virtue of the execution, performance and/or delivery of any relevant documents related thereto.

Material U.S. Federal Income Tax Considerations for U.S. Holders

The following is a description of the material U.S. federal income tax consequences to the U.S. Holders described below of owning and disposing of common shares. It is not a comprehensive description of all tax considerations that may be relevant to a particular person's decision to acquire securities. This discussion applies only to a U.S. Holder that holds common shares as a capital asset for tax purposes (generally, property held for investment). In addition, it does not describe all of the tax consequences that may be relevant in light of a U.S. Holder's particular circumstances, including state and local tax consequences, estate tax consequences, alternative minimum tax consequences, the potential application of the provisions of the Code known as the Medicare contribution tax, and tax consequences applicable to U.S. Holders subject to special rules, such as:

- certain financial institutions;
- dealers or traders in securities who use a mark-to-market method of tax accounting;
- persons holding common shares as part of a hedging transaction, "straddle," wash sale, conversion transaction or integrated transaction or persons entering into a constructive sale with respect to the common shares;
- persons whose "functional currency" for U.S. federal income tax purposes is not the U.S. dollar;
- tax exempt entities, including "individual retirement accounts" and "Roth IRAs";
- entities classified as partnerships for U.S. federal income tax purposes;
- regulated investment companies or real estate investment trusts;
- persons who acquired our common shares pursuant to the exercise of an employee stock option or otherwise as compensation;
- persons that own or are deemed to own ten percent or more of our voting shares; and
- persons holding common shares in connection with a trade or business conducted outside the United States.

If an entity that is classified as a partnership for U.S. federal income tax purposes holds common shares, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Partnerships holding common shares and partners in such partnerships are encouraged to consult their tax advisers as to the particular U.S. federal income tax consequences of holding and disposing of common shares.

The discussion is based on the Code, administrative pronouncements, judicial decisions, final, temporary and proposed Treasury Regulations, and the income tax treaty between the Netherlands and the United States (the "Treaty") all as of the date hereof, changes to any of which may affect the tax consequences described herein—possibly with retroactive effect. This discussion does not take into account or address changes to United States tax law that may result from tax reforms that may be enacted in 2017 or thereafter.

A "U.S. Holder" is a holder who, for U.S. federal income tax purposes, is a beneficial owner of common shares who is eligible for the benefits of the Treaty and is:

(1) a citizen or individual resident of the United States;

(2) a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state therein or the District of Columbia; or

(3) an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

U.S. Holders are encouraged to consult their tax advisers concerning the U.S. federal, state, local and foreign tax consequences of owning and disposing of common shares in their particular circumstances.

Taxation of Distributions

Subject to the discussion below under "Passive Foreign Investment Company Rules," distributions paid on common shares, other than certain *pro rata* distributions of common shares, will generally be treated as dividends to the extent paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Because we do not calculate our earnings and profits under U.S. federal income tax principles, we expect that distributions generally will be reported to U.S. Holders as dividends. Subject to applicable limitations, dividends paid to certain non-corporate U.S. Holders may be taxable at preferential rates applicable to "qualified dividend income." The amount of a dividend will include any amounts withheld by us in respect of Dutch income taxes. The amount of the dividend will be treated as foreign-source dividend income to U.S. Holders and will not be eligible for the dividends-received deduction generally available to U.S. corporations under the Code. Dividends will be included in a U.S. Holder's income on the date of the U.S. Holder's receipt of the dividend. The amount of any dividend income paid in foreign currency will be the U.S. dollar amount calculated by reference to the exchange rate in effect on the date of actual or constructive receipt, regardless of whether the payment is in fact converted into U.S. dollars. If the dividend is converted into U.S. dollars on the date of receipt, a U.S. Holder should not be required to recognize foreign currency gain or loss in respect of the dividend income. A U.S. Holder may have foreign currency gain or loss if the dividend is converted into U.S. dollars after the date of receipt. Such gain or loss would generally be treated as U.S.-source ordinary income or loss. The amount of any distribution of property other than cash (and other than certain pro rata distributions of common shares or rights to acquire common shares) will be the fair market value of such property on the date of distribution.

Subject to applicable limitations, some of which vary depending upon the U.S. Holder's particular circumstances, Dutch income taxes withheld from dividends on common shares at a rate not exceeding the rate provided by the Treaty will be creditable against the U.S. Holder's U.S. federal income tax liability. The rules governing foreign tax credits are complex and U.S. Holders should consult their tax advisers regarding the creditability of foreign taxes in their particular circumstances. In lieu of claiming a foreign tax credit, U.S. Holders may, at their election, deduct foreign taxes, including any Dutch income tax, in computing their taxable income, subject to generally applicable limitations under U.S. law. An election to deduct foreign taxes instead of claiming foreign tax credits applies to all foreign taxes paid or accrued in the taxable year.

Sale or Other Taxable Disposition of Common Shares

Subject to the discussion below under "Passive Foreign Investment Company Rules," gain or loss realized on the sale or other taxable disposition of common shares will be capital gain or loss, and will be long-term capital gain or loss if the U.S. Holder held the common shares for more than one year. The amount of the gain or loss will equal the difference between the U.S. Holder's tax basis in the common shares disposed of and the amount realized on the disposition, in each case as determined in U.S. dollars. This gain or loss will generally be U.S.-source gain or loss for foreign tax credit purposes. The deductibility of capital losses is subject to limitations.

Passive Foreign Investment Company Rules

Based on the current and anticipated value of our assets, including goodwill, and the composition of our income, assets and operations, we do not believe we were a PFIC for our taxable year ended December 31, 2016. However, the application of the PFIC rules is subject to uncertainty in several respects, and we cannot assure holders of our common shares that the IRS will not take a contrary position. A non-U.S. corporation will be classified as a PFIC for any taxable year in which, after applying certain look-through rules, either:

- at least 75% of its gross income is passive income; or
- at least 50% of its gross assets (determined on the basis of a quarterly average) is attributable to assets that produce passive income or are held for the production of passive income.

We will be treated as owning our proportionate share of the assets and earning our proportionate share of the income of any other corporation in which we own, directly or indirectly, 25% or more (by value) of the equity.

A separate determination must be made after the close of each taxable year as to whether we are a PFIC for that year. As a result, our PFIC status may change. In particular, the total value of our assets for purposes of the asset test generally will be calculated using the market price of our common shares, which may fluctuate considerably. Fluctuations in the market price of our common shares may result in our being a PFIC for any taxable year. In addition, the composition of our income and assets is affected by how, and how quickly, we spend the cash we raise in any offering.

If we are classified as a PFIC in any year with respect to which a U.S. Holder owns the common shares, we will continue to be treated as a PFIC with respect to such U.S. Holder in all succeeding years during which the U.S. Holder owns the common shares, regardless of whether we continue to meet the tests described above unless (1) we cease to be a PFIC and (2) the U.S. Holder has made a "deemed sale" election under the PFIC rules.

If we are a PFIC for any taxable year, holders of our common shares will be subject to special tax rules with respect to any "excess distribution" that they receive and any gain they realize from a sale or other disposition (including a pledge) of common shares. Distributions holder of our common shares receive in a taxable year that are greater than 125% of the average annual distributions they received during the shorter of the three preceding taxable years or their holding period for the common shares will be treated as an excess distribution. Under these special tax rules:

- the excess distribution or gain will be allocated ratably over their holding period for the common shares;
- the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which we became a PFIC, will be treated as ordinary income; and
- the amount allocated to each other year will be subject to the highest tax rate in effect for that year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

The tax liability for amounts allocated to years prior to the year of disposition or "excess distribution" cannot be offset by any net operating losses for such years, and gains (but not losses) realized on the sale of the common shares cannot be treated as capital, even if holders of our common shares hold the common shares as capital assets.

Certain elections may be available that would result in alternative treatments (such as mark-to-market treatment of the common shares). The adverse consequences of owning stock in a PFIC could be mitigated if a U.S. Holder makes a valid "qualified electing fund" election, or QEF election, which, among other things, would require a U.S. Holder to include currently in income its pro rata share of the PFIC's net capital gain and ordinary earnings, based on earnings and profits as determined for U.S. federal income tax purposes. Unless otherwise provided by the U.S. Treasury, each U.S. shareholder of a PFIC is required to file an annual report containing such information as the U.S. Treasury may require. A U.S. Holder's failure to file the annual report will cause the statute of limitations for such U.S. Holder's U.S. federal income tax return to remain open with regard to the items required to be included in such report until three years after the U.S. Holder files the annual report, and, unless such failure is due to reasonable cause and not willful neglect, the statute of limitations for the U.S. Holder's entire U.S. federal income tax return will remain open during such period.

If we are or become a PFIC, holders of our common shares should consult their tax advisors regarding any reporting requirements that may apply to them. U.S. Holders are urged to consult their tax advisors regarding the application of the PFIC rules to the ownership and disposition of the common shares and the potential availability of a mark-to-market or QEF election.

Information Reporting and Backup Withholding

Payments of dividends and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries generally are subject to information reporting, and may be subject to backup withholding, unless (i) the U.S. Holder is a corporation or other exempt recipient or (ii) in the case of backup withholding, the U.S. Holder provides a correct taxpayer identification number and certifies that it is not subject to backup withholding.

Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the holder's U.S. federal income tax liability and may entitle it to a refund, provided that the required information is timely furnished to the IRS.

Information with Respect to Foreign Financial Assets

Certain U.S. Holders who are individuals (and, under proposed regulations, certain entities) may be required to report information relating to the common shares, subject to certain exceptions (including an exception for common shares held in accounts maintained by certain U.S. financial institutions). U.S. Holders should consult their tax advisers regarding their reporting obligations with respect to their ownership and disposition of the common shares.

F. Dividends and Paying Agents.

Not applicable.

G. Statement by Experts.

Not applicable.

H. Documents on Display.

We maintain a corporate website at *www.merus.nl*. We make available free of charge on our website our Reports on Form 6-K and we intend make available our Annual Reports on Form 20-F, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Information contained on, or that can be accessed through, our website does not constitute a part of this Annual Report. We have included our website address in this Annual Report solely as an inactive textual reference.

You may also review a copy of this Annual Report, including exhibits and any schedule filed herewith, and obtain copies of such materials at prescribed rates, at the SEC's Public Reference Room in Room 1580, 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains a website (*www.sec.gov*) that contains reports, proxy and information statements and other information regarding registrants that file electronically, such as us, with the SEC.

References made in this Annual Report to any contract or other document of Merus N.V. are not necessarily complete and you should refer to the exhibits attached or incorporated by reference into this Annual Report for copies of the actual contract or document.

I. Subsidiary Information.

Not applicable.

Item 11 Quantitative and Qualitative Disclosures About Market Risk.

Interest Rate Fluctuation Risk

We are exposed to market risk related to changes in interest rates. As of December 31, 2016, our cash, cash equivalents and investments consisted of cash, money market accounts and investments in corporate bonds and commercial paper with remaining maturities of less than one year. Our primary exposure to market risk is interest income sensitivity, which is affected by changes in the general level of Dutch interest rates. However, because of the short-term nature of the instruments in our portfolio, an immediate 10% change in market interest rates would not have a material impact on the fair market value of our investment portfolio or on our financial position or results of operations.

Item 12 Description of Securities Other than Equity Securities.

A. Debt Securities.

Not applicable.

B. Warrants and Rights.

Not applicable.

C. Other Securities.

Not applicable.

D. American Depositary Shares.

Not applicable.

PART II

Item 13 Defaults, Dividend Arrearages and Delinquencies.

None.

Item 14 Material Modifications to the Rights of Security Holders and Use of Proceeds.

A. Use of Proceeds

In May 2016, we completed the initial public offering of our common shares, or IPO, and issued and sold 6,139,926 common shares at a public offering price of $10.00 per share, including 639,926 common shares pursuant to the underwriters' partial exercise of their option to purchase additional common shares.

The offer and sale of all of the shares in the offering was registered under the Securities Act pursuant to a registration statement on Form F-1 (File No. 333-207490), or Registration Statement, which was declared effective by the SEC on May 19, 2016. Under the Registration Statement, we registered 5,500,000 common shares and 825,000 common shares issuable upon exercise of the underwriters' option to purchase additional common shares at a public offering price of $10.00 per share for a registered aggregate offering price of approximately $63.3 million. Following the sale of the shares in connection with the closing of our IPO, the offering terminated. The offering commenced on May 9, 2016 and did not terminate until the sale of all of the shares offered. Citigroup Global Markets, Inc. and Jefferies LLC acted as joint book-running managers of the offering, and Guggenheim Securities, LLC and Wedbush Securities Inc. acted as co-managers of the offering.

We received aggregate gross proceeds from the offering of approximately $61.4 million, or aggregate net proceeds of approximately $ 53.3 million after deducting underwriting discounts and commissions of $3.9 million and offering expenses of $4.2 million. No payments for such expenses were made directly or indirectly to (i) any of our officers, members of our management board, members of our supervisory board, or their associates, (ii) any persons owning 10% or more of any class of our equity securities or (iii) any of our affiliates.

There has been no material change in our planned use of the net proceeds from the offering as described in our final prospectus filed pursuant to Rule 424(b)(4) under the Securities Act with the SEC on May 20, 2016.

Item 15 Controls and Procedures.

Disclosure Controls and Procedures.

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a- 15(e) and 15d- 15(e) under the Securities Exchange Act of 1934, as amended), as of the end of the period covered by this Annual Report on Form 20-F. Based on such evaluation, our principal executive officer and principal financial officer have concluded that as of such date, our disclosure controls and procedures were not effective as a result of the material weaknesses in internal control over financial reporting described below.

Material Weaknesses in Internal Control Over Financial Reporting.

This Annual Report on Form 20-F does not include a report of management's assessment regarding internal control over financial reporting or an attestation report of our registered public accounting firm due to a transition period established by rules of the Securities and Exchange Commission for newly public companies. Neither we nor our independent registered public accounting firm have undertaken a comprehensive assessment of our internal control over financial reporting for purposes of identifying material weaknesses, significant deficiencies and control deficiencies in our internal control over financial reporting. However, as part of the preparation

process for providing a management's assessment regarding internal control over financial reporting in the future, our management identified the following material weaknesses:

a) insufficient accounting resources required to fulfill IFRS and SEC reporting requirements; and

b) insufficient comprehensive IFRS accounting policies and financial reporting procedures.

Remediation of Material Weaknesses

To remediate the material weaknesses described above and enhance our internal control over financial reporting, our management is continuing to conduct a thorough review of our internal controls over our accounting resources and accounting policies and financial procedures. Following this review, management will develop a remediation plan to address the material weaknesses in our accounting resources related to IFRS and SEC reporting requirements and insufficient comprehensive IFRS accounting policies and financial procedures.

We believe it is possible that, had we performed a formal assessment of our internal control over financial reporting or had our independent registered public accounting firm performed an audit of our internal control over financial reporting, additional material weaknesses may have been identified.

Changes in Internal Control Over Financial Reporting.

Other than as discussed above, there has been no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the period covered by this annual report that has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

Item 16 A. Audit Committees Financial Expert.

Our supervisory board has determined that Gregory Perry is an audit committee financial expert as defined by the rules of the Securities and Exchange Commission and has the requisite financial sophistication under the applicable rules and regulations of NASDAQ. Mr. Perry is independent as such term is defined in Rule 10A-3 under the Securities Exchange Act of 1934, as amended, and under the listing standards of NASDAQ.

Item 16B. Code of Ethics.

Code of Business Conduct and Ethics

We have adopted a Code of Business Conduct and Ethics, or the Code of Conduct, that is applicable to all of our employees, senior management, members of the management board and supervisory board, consultants, and others temporarily assigned to perform work or services for us. The Code of Conduct is available on our website at *www.merus.nl*. We intend to satisfy the disclosure requirement under Item 16B(e) of Form 20-F regarding amendment to, or waiver from, a provision of our Code of Business Conduct and Ethics, as well as NASDAQ's requirement to disclose waivers with respect to directors and executive officers, by posting such information on our website at the address and location specified above. Our management board is responsible for administering the Code of Conduct. The management board is allowed to amend, alter or terminate the Code of Conduct, but only with the approval of the supervisory board.

Item 16C. Principal Accountant Fees and Services.

The following table summarizes the fees of KPMG Accountants N.V., our independent registered public accounting firm, billed to us for each of the last two fiscal years for audit and other services:

Fee Category	2016	2015
Audit Fees	€ 1,001,000	€ 661,000
Audit-Related Fees	—	—
Tax Fees	10,000	28,000
All Other Fees	—	—
Total Fees	€ 1,011,000	€ 689,000

Audit Fees

Audit fees consist of fees billed for the audit of our annual consolidated financial statements, the review of the interim consolidated financial statements, and related services that are normally provided in connection with registration statements, including the registration statement for our initial public offering.

Audit-Related Fees

Audit-related fees consist of specified procedures related to the filings of the quarterly financial information as well as assistance during the IPO. Included in the 2016 audit-related fees is €498,000 of fees billed in connection with our initial public offering in May 2016.

Tax Fees

Tax fees consist of fees for professional services, including tax consulting and compliance performed by KPMG Accountants N.V.

All Other Fees

We did not incur any other fees in 2016 or 2015.

Audit Committee Pre-Approval Policy and Procedures

Pursuant to the charter of the Audit Committee, the Audit Committee pre-approves audit and non-audit services before engaging our independent auditor to provide those services, unless the independent auditor is engaged under a pre-approval policy established by the Audit Committee or if the services to be provided by the independent auditor fall within the available exceptions under the rules of the Securities and Exchange Commission, or SEC. The Audit Committee has not adopted any pre-approval policy. The Audit Committee may delegate its authority to pre-approve services to one or more members of the Audit Committee, and the designee must present any such approvals to the full Audit Committee at the next Audit Committee meeting.

Item 16D. Exemptions from the Listing Standards for Audit Committees.

None.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers.

None.

Item 16F. Change in Registrant's Certifying Accountant.

There has been no change in our independent accountant during our two most recent fiscal years.

Item 16G. Corporate Governance.

We are a foreign private issuer. As a result, in accordance with the rules of NASDAQ, we comply with Dutch governance requirements and certain exemptions thereunder rather than complying with NASDAQ corporate governance standards.

The following is a summary of the NASDAQ listing rules with which we do not comply:

- NASDAQ Listing Rule 5620(c): In accordance with Dutch law and generally accepted business practices, our Articles of Association do not provide quorum requirements generally applicable to general meetings of shareholders in the United States. To this extent, our practice varies from the requirement of NASDAQ Listing Rule 5620(c), which requires an issuer to provide in its bylaws for a generally applicable quorum, and that such quorum may not be less than one-third of the outstanding voting stock.
- NASDAQ Listing Rule 5620(b): Although we must provide shareholders with an agenda and other relevant documents for the general meeting of shareholders, Dutch law does not have a regulatory regime for the solicitation of proxies and the solicitation of proxies is not a generally accepted business practice in the Netherlands, thus our practice varies from the requirement of NASDAQ Listing Rule 5620(b).
- NASDAQ Listing Rule 5605(d) and (e): As permitted by the listing requirements of NASDAQ, we have also opted out of the requirements of NASDAQ Listing Rule 5605(d), which requires an issuer to have a compensation committee that consists entirely of independent directors, and NASDAQ Listing Rule 5605(e), which requires an issuer to have independent director oversight of director nominations. Although we have chosen not to comply with NASDAQ Rule 5605(d) regarding the independence of our compensation committee, all of the current members of our compensation committee meet the heightened independence requirements under this rule.
- NASDAQ Listing Rule 5635: We have opted out of shareholder approval requirements for the issuance of securities in connection with certain events such as the acquisition of stock or assets of another company, the establishment of or amendments to equity-based compensation plans for employees, a change of control of us and certain private placements. To this extent, our practice varies from the requirements of NASDAQ Listing Rule 5635, which generally requires an issuer to obtain shareholder approval for the issuance of securities in connection with such events.

Item 16H. Mine Safety Disclosure.

None.

PART III

Item 17 Financial Statements.

This Annual Report does not contain financial statements and related information for our fiscal years ending before December 15, 2011.

Item 18 Financial Statements.

See pages F-1 through F-35 of this Annual Report.

Item 19 Exhibits.

The Exhibits listed in the Exhibit Index at the end of this Annual Report are filed as Exhibits to this Annual Report.

Index to Financial Statements

Financial Statements as of December 31, 2016, 2015 and 2014

Report of Independent Registered Public Accounting Firm

To: The Supervisory Board and Shareholders of Merus N.V.

We have audited the accompanying consolidated statements of financial position of Merus N.V. and subsidiary as of December 31, 2016 and 2015, and the related consolidated statements of profit or loss and comprehensive loss, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2016. These consolidated financial statements are the responsibility of the Merus N.V.'s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Merus N.V. and subsidiary as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2016, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

/s/ KPMG Accountants N.V.

Amstelveen, The Netherlands
April 28, 2017

Consolidated Statement of Financial Position as at December 31, 2016

	Notes	December 31, 2016	December 31, 2015
		(euros in thousands)	
Non-current assets			
Property, plant and equipment	6	**648**	325
Intangible assets	7	**374**	435
Restricted cash	12	**167**	218
		1,189	978
Current assets			
Financial asset	9	**11,847**	—
Trade and other receivables	10	**2,357**	1,665
Cash and cash equivalents		**56,917**	32,851
		71,120	34,516
Total assets		**72,310**	35,494
Shareholders' equity	14		
Issued and paid-in capital		**1,448**	775
Share premium account		**139,878**	90,909
Accumulated loss		**(107,295)**	(63,382)
Total equity		**34,031**	28,302
Non-current liabilities			
Borrowings	12	**319**	486
Deferred revenue	13	**30,206**	390
Current liabilities			
Borrowings	12	**167**	167
Trade payables		**2,298**	2,419
Taxes and social security liabilities		**29**	142
Deferred revenue	13	**1,610**	223
Other liabilities and accruals	11	**3,650**	3,365
		7,754	6,316
Total liabilities		**38,280**	7,192
Total equity and liabilities		**72,310**	35,494

Consolidated Statement of Profit or Loss and Comprehensive Loss

	Notes	2016	2015	2014
		(Euros in thousands, except per share data)		
Revenue	15	**2,719**	1,977	1,303
		2,719	1,977	1,303
Research and development costs	16	**(18,991)**	(16,350)	(12,388)
Management and administration costs	16	**(4,258)**	(768)	(550)
Other expenses	16	**(7,142)**	(7,898)	(5,785)
Total operating expenses		**(30,391)**	(25,016)	(18,723)
Operating result		**(27,672)**	(23,039)	(17,420)
Finance income	18	**88**	50	50
Finance costs	18	**(19,644)**	(195)	(39)
Total finance income (expenses)		**(19,556)**	(145)	11
Result before tax		**(47,228)**	(23,184)	(17,409)
Income tax expense	9	**—**	—	—
Result after taxation		**(47,228)**	(23,184)	(17,409)
Exchange differences from translation of foreign operations		**8**	—	—
Other comprehensive income		**8**	—	—
Total comprehensive loss for the year		**(47,220)**	(23,184)	(17,409)
Basic (and diluted) loss per share(1)(2)	19	**(3.57)**	(3.95)	(6.15)

The results for the year and the comprehensive loss for the year are fully attributable to the owners of the Company.

(1) The basic (and diluted) loss per share is adjusted based on the reverse share split with reference to note 14 regarding the capital reorganization.

(2) For the periods included in these financial statements, the share options are not included in the diluted loss per share calculation as the Company was loss-making in all these periods. Due to the anti-dilutive nature of the outstanding options, basic and diluted loss per share is equal.

Consolidated Statement of Changes in Equity

	Note	Common share capital	Class A Pref. share capital	Class B Pref. share capital	Class C Pref. share capital	Common share premium	Class A Pref. share premium	Class B Pref. share premium	Class C Pref. share premium	Accumulated loss	Total equity
						(euros in thousands)					
Balance at January 1, 2014		29	21	191	—	1,514	1,334	28,083	—	(23,511)	7,661
Result		—	—	—	—	—	—	—	—	(17,409)	(17,409)
Other comprehensive income		—	—	—	—	—	—	—	—	—	—
Total comprehensive loss		—	—	—	—	—	—	—	—	(17,409)	(17,409)
Transactions with owners of the Company:											
Issuance of shares (net)	14	1	—	40	—	50	—	5,942	—	—	6,034
Equity settled shared-based payments	17	—	—	—	—	—	—	—	—	154	154
Total contributions by and distributions to owners of the Company		**1**	**—**	**40**	**—**	**50**	**—**	**5,942**	**—**	**154**	**6,188**
Balance at December 31, 2014		**30**	**21**	**231**	**—**	**1,564**	**1,334**	**34,026**	**—**	**(40,765)**	**(3,559)**
Balance at January 1, 2015		**30**	**21**	**231**	**—**	**1,564**	**1,334**	**34,026**	**—**	**(40,765)**	**(3,559)**
Result		—	—	—	—	—	—	—	—	(23,184)	**(23,184)**
Other comprehensive income		—	—	—	—	—	—	—	—	—	—
Total comprehensive loss		—	—	—	—	—	—	—	—	(23,184)	**(23,184)**
Transactions with owners of the Company:											
Issuance of shares (net)	14	—	—	120	373	—	—	4,880	49,105	—	54,478
Equity settled shared-based payments	17	—	—	—	—	—	—	—	—	567	567
Total contributions by and distributions to owners of the Company		—	—	120	373	—	—	4,880	49,105	567	**55,045**
Balance at December 31, 2015		**30**	**21**	**351**	**373**	**1,564**	**1,334**	**38,906**	**49,105**	**(63,382)**	**28,302**
Balance at January 1, 2016		**30**	**21**	**351**	**373**	**1,564**	**1,334**	**38,906**	**49,105**	**(63,382)**	**28,302**
Result		—	—	—	—	—	—	—	—	(47,228)	**(47,228)**
Other comprehensive loss		—	—	—	—	—	—	—	—	8	**8**
Total comprehensive loss		—	—	—	—	—	—	—	—	(47,220)	**(47,220)**
Transactions with owners of the Company:											
Issuance of shares (net)	14	673	—	—	—	50,478	—	—	—	—	**51,151**
IPO expenses		—	—	—	—	(1,509)	—	—	—	—	**(1,509)**
Conversion preference shares	14	745	(21)	(351)	(373)	89,345	(1,334)	(38,906)	(49,105)	—	—
Equity settled shared-based payments	17	—	—	—	—	—	—	—	—	3,307	**3,307**
Total contributions by and distributions to owners of the Company		**1,418**	**(21)**	**(351)**	**(373)**	**138,314**	**(1,334)**	**(38,906)**	**(49,105)**	**3,307**	**52,949**
Balance at December 31, 2016		**1,448**	**—**	**—**	**—**	**139,878**	**—**	**—**	**—**	**(107,295)**	**34,031**

Consolidated Statement of Cash flows as at December 31

	Note	2016	2015	2014
		(euros in thousands)		
Cash flows from operating activities				
Result after taxation		**(47,228)**	(23,184)	(17,409)
Adjustments for:				
Change in fair value derivative	*18*	**19,213**	—	—
Unrealized foreign exchange results	*18*	**365**	—	—
Depreciation and amortization	*7, 8*	**234**	193	253
Share option expenses	*17*	**3,307**	567	155
Net finance (income) expenses	*18*	**(33)**	145	(11)
		(24,142)	(22,279)	(17,012)
Changes in working capital:				
Trade and other receivables	*10*	**(1,365)**	(816)	(39)
Trade payables		**(121)**	10	1,451
Other liabilities and accruals	*11*	**286**	461	202
Deferred revenue	*13*	**(223)**	(223)	836
Tax and social security liabilities		**(113)**	11	14
Cash used in operating activities		**(25,678)**	(22,836)	(14,548)
Interest paid	*18*	**(55)**	(195)	(39)
Taxes paid	*9*	**—**	—	—
Net cash used in operating activities		**(25,733)**	(23,031)	(14,587)
Cash flows from investing activities				
Acquisition of property, plant and equipment	*7*	**(496)**	(103)	(157)
Interest received	*10, 18*	**88**	50	71
Net cash used in investing activities		**(408)**	(53)	(86)
Cash flows from financing activities				
Proceeds from issuing shares	*14*	**50,547**	46,478	6,034
Prepaid share issuance costs	*10*	**(230)**	—	—
Proceeds from borrowings	*14*	**—**	8,000	—
Repayment of borrowings	*12*	**(167)**	(166)	(167)
Changes in restricted cash	*12*	**51**	55	180
Net cash from financing activities		**50,201**	54,367	6,047
Net increase/(decrease) in cash and cash equivalents		**24,060**	31,283	(8,626)
Effects of exchange rate changes on cash and cash equivalents		**6**	—	—
Cash and cash equivalents as at January 1		**32,851**	1,568	10,194
Cash and cash equivalents as at December 31		**56,917**	32,851	1,568

Notes to the consolidated financial statements

1. General Information

Merus N.V. is a clinical-stage immuno-oncology company developing innovative bispecific antibody therapeutics, headquartered in Utrecht, the Netherlands. Merus US, Inc. is a wholly-owned subsidiary of Merus N.V. located in Boston, Massachusetts, United States. These audited consolidated financial statements as at and for the twelve-month period ended December 31, 2016 comprise Merus N.V. and Merus US, Inc. (together, the "Company").

On May 24, 2016, Merus N.V. closed its initial public offering of 5,500,000 common shares and, upon the underwriters' exercise of their option to purchase additional shares on May 26, 2016, issued an additional 639,926 of its common shares, at a price to the public of US$10.00 per share (the "IPO"). Net proceeds to Merus N.V. after deducting underwriting discounts and commissions and offering expenses were US$53.3 million. On May19, 2016, Merus N.V.'s common shares were listed on The NASDAQ Global Market ("NASDAQ"). In connection with the IPO, Merus N.V.'s legal structure under Dutch law was changed from a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) to a public company with limited liability (*naamloze vennootschap*). In addition, in connection with the IPO, all of Merus N.V.'s preferred shares converted into common shares.

Merus N.V. was incorporated in the Netherlands, with its statutory seat in Utrecht. In connection with becoming a public company, on May 19, 2016, Merus N.V.'s name changed from "Merus B.V." to "Merus N.V." The address of Merus N.V.'s registered office is Yalelaan 62, 3584 CM Utrecht, the Netherlands.

2. Basis of Preparation

These consolidated financial statements have been authorized for issuance on April 27, 2017. Certain prior year information has been reclassified to conform to current period presentation.

Statement of Compliance

These consolidated financial statements ("the financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The financial statements have been prepared under the historical cost convention unless otherwise stated in the below accounting policies.

Functional and Presentation Currency

The financial statements are presented in euros, which is the Company's functional and presentation currency. All amounts are rounded to the nearest thousands of euros, except as otherwise indicated.

Going Concern

During the year ended December 31, 2016, the Company suffered losses from its operations, which further weakened the shareholders' equity (not considering the impact of the IPO).

The Company expects to incur significant expenses and operating losses for the foreseeable future as its bispecific antibody candidates advance from discovery through preclinical development and into clinical trials, and it seeks regulatory approval and pursues commercialization of any approved bispecific antibody candidate. In addition, the Company may incur expenses in connection with the licensing or acquisition of additional bispecific antibody candidates.

As a result, the Company may need additional financing to support its continuing operations. Until the Company can generate significant revenue from product sales, if ever, the Company expects to finance its operations through public equity or debt financings or other sources, which may include collaborations with third parties. Adequate additional financing may not be available to the Company on acceptable terms, or at all. The Company's inability to raise capital as and when needed would have a negative impact on the financial condition and ability to pursue its business strategy. The Company will need to generate significant revenue to achieve profitability and may never do so.

Based on the Company's current clinical development plans, it expects its existing cash balance to last well into 2019. For this assessment the Company takes into consideration its existing cash and cash equivalents, including funds raised from the IPO, which closed in May 2016, as well as the new funding in 2017 through the collaboration with Incyte Corporation (as included under Note 24 "Subsequent events").

Use of Estimates, Judgements and Assumptions

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

The following are the critical judgments and assumptions that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

Capitalization of Development Costs

The criteria for capitalization of development costs have been considered by management and determined not to have been met in the twelve month period ended December 31, 2016. Therefore, all development expenditures relating to internally generated intangible assets in the twelve month period ended December 31, 2016 were expensed as incurred.

Income Tax

The criteria for the recognition of unused tax losses are disclosed in Note 3" Significant accounting policies". As at December 31, 2016, deferred tax assets have not been recognized in respect of tax losses, because the Company has no history of generating taxable profits and there is no convincing evidence that sufficient taxable profit will be available against which the tax losses can be utilized. The amount of the unutilized tax losses is disclosed in Note 9.

Accounting for Upfront License Fees

The Company entered into a research and license agreement with ONO Pharmaceuticals Co., Ltd ("ONO") in April 2014. In connection with this arrangement, the Company received an upfront fee, which relates to the integrated package of deliverables under the contract (one single performance obligation). The applicable period over which to recognize the upfront payment is a significant judgment. Revenue related to this upfront fee is deferred and amortized on a straight-line basis over the contract period, as that is the period over which the Company provides its integrated service activities to ONO.

Equity Settled Share-Based Payments

Share options granted to employees and consultants providing similar services are measured at the grant date fair value of the equity instruments granted. The grant date fair value is determined through the use of an option-pricing model considering the following variables:

(a) the exercise price of the option;

(b) the expected life of the option;

(c) the current value of the underlying shares;

(d) the expected volatility of the share price;

(e) the dividends expected on the shares; and

(f) the risk-free interest rate for the life of the option.

For the Company's share option plans, management's judgment is that the Black-Scholes valuation model and the binomial option pricing model are the most appropriate methods for determining the fair value of the Company's share options considering the terms and conditions attached to the grants made and to reflect exercise behavior. Since the Company was not listed on a national securities exchange until May 19, 2016, there was no published share price information available until May 19, 2016. Consequently, the Company estimated the fair value of its shares and the expected volatility of that share value for the period up to May 19, 2016.

As the Company's shares have not been publicly traded for a sufficient amount of time, the expected volatility was set by considering the historic share price volatility of a set of peer companies for 2016. For post-IPO valuations, the continuous yield on U.S. Treasury Bills with a term to maturity comparable to the expected life of the options, as published by the U.S. Department of Treasury, was applied.

The result of the share option valuations and the related compensation expense that is recognized for the respective vesting periods during which services are received, is dependent on the model and input parameters used. Even though management considers the fair values reasonable and defensible based on the methodologies applied and the information available, others might derive a different fair value for the Company's share options. These assumptions and estimates are further discussed in Note 14 to the financial statements.

3. Significant Accounting Policies

The accounting policies set out below have been consistently applied to all periods presented in these financial statements.

Income and expenses are accounted for on an accrual basis. Profit is only included when realized at the statement of financial position date. Losses originating before the end of the financial year are taken into account if they have become known before preparation of the financial statements.

Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group, consisting of Merus N.V. and its wholly owned subsidiary Merus US, Inc. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. At December 31, 2016, the net equity of Merus US, Inc amounted to €150 thousand, which also reflected the profit for the period from incorporation to December 31, 2016.

(ii) Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any non-controlling interests and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Foreign Currency Transactions

Foreign currency transactions are translated using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the exchange rate at the reporting date are generally recognized in the statement of profit or loss and comprehensive loss.

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of profit or loss and comprehensive income or loss are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates at the dates of the transactions; and
- all resulting exchange differences are recognized in other comprehensive income.

Property, Plant and Equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses (if any). Cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation of property, plant and equipment is charged on a straight-line basis over estimated useful lives of generally five years, taking residual value into account. If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent expenditure is capitalized only when the expenditure will increase the future economic benefit of the asset. All other expenditures are expensed in the profit or loss and comprehensive income or loss.

Depreciation rates are based on the following estimated economic useful lives of the tangible fixed assets concerned:

- Plant and equipment: 5 years
- Other fixed assets: 5 years

Intangible Assets

Intangible assets are identifiable non-monetary assets without physical substance. An asset is a resource that is controlled by the enterprise as a result of past events (for example, purchase or self-creation) and from which future economic benefits (inflows of cash or other assets) are expected.

The useful lives of intangible assets are assessed to be finite and amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortization begins when the asset is available for use.

Patents

Patents acquired separately by the Company are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over the shorter of their estimated economic or legal lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimates being accounted for on a prospective basis.

Research and Development

The Company incurs research and development expenses related to its clinical trials and preclinical drug development programs. Development expenses are defined as expenses incurred to achieve technical and commercial feasibility. Expenditure on research activities is recognized as an expense in the period in which it is incurred.

Development is capitalized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure.

Financial Instruments

The Company classifies non-derivative financial assets as loans and receivables. The Company classifies non-derivative financial liabilities into the other financial liabilities category.

Non-Derivative Financial Assets and Financial Liabilities

The Company initially recognizes loans and receivables issued on the date when they are originated. All other financial assets and financial liabilities are initially recognized on the trade date.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Company is recognized as a separate asset or liability.

The Company derecognizes a financial liability when its contractual obligations are settled or cancelled, or expire. Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Derivative Financial Assets and Liabilities

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value with net changes in fair value presented as finance expenses (negative net changes in fair value) or finance income (positive net changes in fair value) in the consolidated statement of profit or loss and comprehensive loss. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and Receivables

These assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.

Non-Derivative Financial Liabilities

Non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

Borrowing Costs

Borrowing costs are related to the interest expense on loans and are expensed in the period in which they are incurred.

Cash and Cash Equivalents

For the purpose of presentation in the statement of cash flows as well as the statement of financial position, cash and cash equivalents includes deposits held with financial institutions with original maturities of less than three months.

Treatment of equity issuance cost

Costs related to the issuance of new shares have been accounted for as follows:

- incremental costs that are directly attributable to issuing new shares were initially recognized as prepaid expenses and were deducted from equity (net of any income tax benefit); costs that relate to listing on NASDAQ, or are otherwise not incremental and directly attributable to issuing new shares, were directly recorded as an expense in the statement of profit or loss and comprehensive loss; and
- costs that relate to both share issuance and listing were allocated between those functions on a rational and consistent basis.

Provisions

A provision is recognized if the following applies:

- the company has a legal or constructive obligation, arising from a past event;
- the amount can be estimated reliably; and
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

If all or part of the payments that are necessary to settle a provision are virtually certain to be fully or partially compensated by a third party upon settlement of the provision, then the compensation amount is presented separately as an asset.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Impairment

Financial Assets Measured at Amortized Cost

The Company considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through profit or loss.

Non-Financial Assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units ("CGU").

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Fees and Royalties

Fees and royalties paid for the use of the Company's assets (such as patents) are normally recognized in accordance with the substance of the agreement. As a practical matter, this may be on a straight-line basis over the life of the agreement, for example, when a licensee has the right to use certain technology for a specified period of time.

An assignment of rights for a fixed fee or non-refundable guarantee under a non-cancellable contract which permits the licensee to exploit those rights freely and the licensor has no remaining obligation to perform is, in substance, a sale. In some cases, whether or not a license fee or royalty will be received is contingent on the occurrence of a future event. In such cases, revenue is recognized only when it is probable that the fee or royalty will be received which is normally when the event has occurred.

Services

Revenues from services rendered are recognized in the profit or loss account in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to assessments of the work performed.

Government Grants

When there is reasonable assurance that the Company will comply with the conditions attached to a received grant, and when there is reasonable assurance that the grant will be received, government grants are recognized as revenue on a gross basis in the profit or loss account on a systematic basis over the periods in which the entity recognizes expenses for the related costs for which the grants are intended to compensate. In the case of grants related to assets, the received grant will be deducted from the carrying amount of the asset.

WBSO

The WBSO (*afdrachtvermindering speur- en ontwikkelingswerk*) is a Dutch fiscal facility that provides subsidies to companies, knowledge centers and self-employed people who perform research and development activities (as defined in the WBSO Act). Under this Act, a contribution is paid towards the labor costs of employees directly involved in research and development. The contribution is in the form of a reduction of payroll taxes. Subsidies relating to labor costs are deferred and recognized in the income statement as negative labor costs over the period necessary to match them with the labor costs that they are intended to compensate (see Note 17).

Employee Benefits

Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-Based Payment Transactions

The grant-date fair value of equity-settled share-based payment awards granted to employees is recognized as an expense, with a corresponding increase in equity (accumulated loss), over the vesting period of the awards.

Service conditions and non-market related conditions are not taken into account in determining the fair value. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For any share-based payment awards with market conditions or non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Post-Employment Benefit Plans

The Company contributes to a post-employment benefit plan that entitles directors, executive officers and other staff members to retire at the age of 67 and receive annual payments based upon the average salary earned during the service period. The Company has insured the liabilities from the post-employment benefit plan with an insurance company and has no other obligation than to pay the annual insurance premiums to the insurance company. The annual pension payments are conditional; the Company will have no further obligation (legal or constructive) to pay further amounts if the insurance fund has insufficient assets to pay all employee benefits relating to current and prior service. Based on its characteristics the Company's post-employment benefit plan is classified as a defined contribution plan.

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset.

Leases

Determining whether an Arrangement Contains a Lease

At inception of an arrangement, the Company determines whether such an arrangement is or contains a lease.

At inception or on reassessment of the arrangement, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognized at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance cost on the liability is recognized using the Company's incremental borrowing rate.

Leased Assets

Assets held by the Company under leases that transfer to the Company substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognized in the Company's statement of financial position.

Lease Payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Finance Income and Finance Expenses

The Company's finance income and finance expenses include:

- interest income;
- interest expense; and
- the foreign currency gain or loss on financial assets and financial liabilities.

Interest income or expense is recognized using the effective interest method.

Income Tax

Income tax expense comprises current and deferred tax. It is recognized in the statement of profit or loss and comprehensive loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income. Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends. Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be utilized.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

4. New Standards and Interpretations Not Yet Adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2017, and have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early.

IFRS 9 Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted. The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 9. The Company has identified the accounting areas which will be impacted by the new standard, and is anticipating having a full assessment done in the second half of 2017.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs.

IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.

The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 15. The Company is modeling the transition alternatives and has not finalized its decision regarding the method of implementation. The Company is in the process of reviewing its contracts and practices as compared to the new guidance and is working through implementation steps and continues to evaluate its procedural and related system requirements related to the provisions of this standard. In 2017, the Company will be rewriting its revenue recognition accounting policy and drafting new revenue disclosures to reflect the requirements of this standard. The Company is currently evaluating the impact that this guidance will have on its consolidated financial statements.

IFRS 16 Leases

The IASB has issued a new standard on leases that will require lessees to recognize most leases on their balance sheets as lease liabilities with a corresponding right-of-use asset. The IASB has set an effective date to apply the new standard for periods beginning on or after January 1, 2019. The Company has identified known lease agreements and has started working on determining the impact on the financial statements. Additionally, the Company is assessing all effective agreements to determine whether there are embedded leases included under the definition as included under IFRS 16. The Company anticipates finalizing its assessment in the first half of 2017.

5. Segment Reporting

The Company operates in one reportable segment, which comprises the discovery and development of innovative bispecific therapeutics.

6. Property, Plant and Equipment

Movements in property, plant and equipment were as follows:

	Plant and equipment	Other fixed assets	Total
		(euros in thousands)	
Balance as at January 1, 2015			
Costs	259	1,201	1,460
Accumulated depreciation	(145)	(962)	(1,107)
Book value	114	239	353
Changes in book value			
Additions	66	48	114
Depreciation	(27)	(111)	(138)
Disposals (Cost)	—	(29)	(29)
Disposals (Accumulated depreciation)	—	24	24
Balance	39	(68)	(29)
Balance as at December 31, 2015			
Costs	325	1,220	1,545
Accumulated depreciation	(171)	(1,049)	(1,220)
Book value	154	171	325
Changes in book value			
Additions	330	166	496
Depreciation	(56)	(118)	(173)
Disposals (Cost)	(6)	—	(6)
Disposals (Accumulated depreciation)	6	—	6
Balance	274	48	323
Balance as at December 31, 2016			
Costs	649	1,386	2,035
Accumulated depreciation	(221)	(1,166)	(1,387)
Book value	428	220	648

7. Intangible Assets

The intangible assets relate to acquired intellectual property rights.

The movements are as follows:

	2016	2015
	(euros in thousands)	
Balance as at January 1		
Historical cost	**860**	860
Accumulated amortization	**(425)**	(363)
Book value	**435**	497
Capital expenditures	**—**	—
Amortization charge for the year	**(61)**	(62)
Book value as at December 31, 2016	**374**	435
Balance as at December 31		
Historical cost	**860**	860
Accumulated amortization	**(486)**	(425)
Book value	**374**	435

On January 23, 2009, the Company purchased the patents regarding the recombinant production of mixtures of antibodies from Crucell Holland B.V. The majority of the patents was filed by Crucell Holland B.V. on July 15, 2003 and had an economic life of 20 years. Therefore, the Company is amortizing the cost over the remaining economic life of 14 years after acquisition.

8. Taxation

Deferred tax assets have not been recognized in respect of tax losses, because the Company has no history of generating taxable profits and at the balance sheet date, there is no convincing evidence that sufficient taxable profit will be available against which the tax losses can be utilized. As at December 31, 2016, the tax losses carried forward amounted to €101.1 million as compared to €76.5 million at December 31, 2015.

In order to promote innovative technology development activities and investments in new technologies, a corporate income tax incentive has been introduced in Dutch tax law called the Innovations Box. For the qualifying profits under the Dutch jurisdiction, the Company effectively owes only 5% income tax, instead of the general tax rate of 25%, which results in an estimated effective tax rate of 10%. Taxable profits will only qualify for the Innovations Box once the tax losses carried forward are completely utilized. Since the Company is loss-making, no income tax is recognized in profit or loss. Taking into account the general tax rate applicable in the Netherlands of 25%, the income tax benefit that has not been recognized in 2016 amounts to €6.4 million (2015: € 6.9 million; 2014 €4.1 million).

9. Financial asset

As discussed in Note 24, on December 20, 2016, the Company entered into a collaboration and license agreement and share subscription agreement with Incyte. As these contracts are denominated in USD the Company determined that the forward to sell its own shares (derivative), on which the Company became committed to on December 20, 2016, qualifies as a derivative financial instrument which is recognized in the statement of financial position as at December 31, 2016. The fair value of the derivative at December 20, 2016 and December 31, 2016 amounts to €31.4 million and €11.8 million, respectively. The Company measured the derivative using significant observable inputs (Level 2).

10. Trade and Other Receivables

All trade and other receivables are short-term and due within 1 year.

	Balance per December 31	
	2016	2015
	(euros in thousands)	
Trade receivables	**205**	—
VAT receivable	**782**	296
Prepaid general expenses	**382**	136
Prepaid pension costs	**463**	364
Prepaid share issuance costs	**230**	814
Interest bank	**32**	45
Grant receivable	**24**	—
Other receivables	**239**	10
	2,357	1,665

VAT receivable relates to value added tax receivable from the Dutch tax authorities based on the tax application for the third and fourth quarter of 2016.

Prepaid expenses reflected above in the form of prepaid general expenses, prepaid pension costs and prepaid share issuance costs consist of expenses that were paid during the reporting period, but are related to activities taking place in the subsequent year.

11. Other Liabilities and Accruals

All amounts are short-term and payable within 1 year.

	Balance per December 31	
	2016	2015
	(euros in thousands)	
Accrued auditor's fee	**282**	335
Accrual for holiday expenses	**—**	50
Personnel	**220**	141
R&D studies	**1,256**	741
IP—Legal fee	**114**	170
Bonuses	**768**	391
Subsidy advance received	**224**	1,294
Other accruals	**786**	243
	3,650	3,365

The R&D studies relate to accrued expenses for research and development expenses.

The bonuses relate to the employee bonuses for the financial year 2016, which are paid out annually in February.

The other accruals include a total amount of €0.6 million related to legal expenses with regard to the Incyte collaboration as disclosed under Note 24.

12. Borrowings

Rabobank

The Company entered into a financing agreement with Rabobank Utrechtse Heuvelrug U.A. ("Rabobank") on December 29, 2005, which provides for total borrowings of €1.5 million for the financing of its business activities. The duration of this agreement is 12 years.

Under the agreement, the loans were to be repaid in monthly instalments of €14 thousand, beginning on January 31, 2009. Repayments were deferred in January 2010 for a period of two years. Repayment recommenced in January 2012. The loans bore interest at an annual rate equal to 4.45% and were fixed until April 1, 2016. At that date, the interest rate was fixed at 3.55% until March 31, 2017 at which time the loan was repaid in full

In connection with the financing agreement, the following securities have been issued:

- a right of pledge on the account of €500 thousand, in the Company's name in a new savings account for the benefit of Rabobank; and
- a suretyship of €1 million within the framework of the Royal Decree "*Borgstelling MKB-krediet*."

The pledged amount decreased in relation to the outstanding balance. Per December 31, 2016, an amount of €167 thousand (2015: €218 thousand; 2014: €273 thousand) related to the abovementioned pledge, has been included as non-current assets on the balance sheet. The pledge was terminated on March 31, 2017 in connection with the repayment in full by the Company of the loan.

Movements in the Company's borrowings with the Rabobank were as follows:

	(euros in thousands)
Balance December January 1, 2015	819
Short term portion January 1, 2015	(167)
Long term portion January 1, 2015	652
Repayments	(166)
Balance December 31, 2015	653
Short term portion December 31, 2015	(167)
Long term portion December 31, 2015	486
Balance January 1, 2016	653
Repayments	(167)
Balance December 31, 2016	486
Short term portion December 31, 2016	(167)
Long term portion December 31, 2016	319

13. Deferred Revenue

On April 8, 2014, the Company entered into a research and license agreement with ONO. As part of this agreement, the Company received a non-refundable upfront payment of €1.0 million. This upfront payment is being amortized on a straight-line basis, and presented as revenue, over a period from April 8, 2014 through September 30, 2018, the end of the research term. The Company is eligible to receive milestone payments upon achievement of specified research and clinical development milestones. For products commercialized under this agreement, if any, the Company is also eligible to receive a mid-single digit royalty on net sales. ONO also provides funding for the Company's research and development activities under an agreed-upon plan. ONO has

the right to terminate this agreement at any time for any reason, with or without cause. In addition, the company has recognized additional deferred revenue as a result of the collaboration and share subscription agreement with Incyte. The included deferred revenue is resulting from the derivative resulting from the agreement.

As discussed in Note 24, on December 20, 2016, the Company entered into a collaboration and license agreement and share subscription agreement with Incyte. As these contracts are denominated in USD the Company determined that the forward to sell its own shares (derivative), on which the Company became committed to on December 20, 2016, qualifies as a derivative financial instrument which is recognized in the statement of financial position as at December 31, 2016. As the derivative is linked to the collaboration agreement and no consideration was paid or received on December 20, 2016, the Company recorded a liability (deferred revenue) in its statement of financial position for the same amount as the fair value of the forward at initial recognition. The liability (deferred revenue) will be amortized over the period of continuing involvement under the collaboration and license agreement, starting on January 21, 2017, the day when the agreements became irrevocable.

Deferred revenue is as follows:

Balance per December 31 (euros in thousands)	**2016**	2015
Deferred revenue—current portion	**1,610**	223
Deferred revenue	**30,206**	390
	31,816	613

Of the total deferred revenue balance per December 31, 2016 an amount of €31.4 million was related to the Incyte collaboration agreement.

14. Shareholders' Equity

On May 6, 2016, the general meeting of shareholders of the Company resolved to approve and effect a capital reorganization, based on a reverse share split. The effect of the reverse share split was a 1-for-1.8 reverse share split of the outstanding common and preferred shares held by the Company's shareholders. This reverse share split became effective on May 6, 2016. All share, per-share and related information presented in the financial statements and corresponding disclosure notes have been retrospectively adjusted, where applicable, to reflect the impact of the reverse share split.

Issued and Paid-in Share Capital

All issued shares have been fully paid in cash.

Common Shares

For the twelve month period ended December 31, 2016, 18,283 options were exercised at an exercise price of €1.93 per share. As a result, 18,283 common shares were issued, share capital increased by €1,645 and share premium increased by €33,641. For the twelve month period ended December 31, 2015, no options were exercised. In 2014, 9,953 options were exercised at an average price of €5.15 per share; as a consequence 9,953 options were issued, share capital increased by €896 and share premium increased by €50,388.

As a result of the IPO, all issued and paid-in preferred shares were converted to common shares. The conversion ratio was a one-for-one conversion, taking into consideration the reverse share split that became effective on May 6, 2016. During the twelve month period ended December 31, 2016, a total of €1.5 million was paid related to costs that are directly attributable to issuing the new shares. Of this amount, a total of €0.8 million was paid in previous reporting periods.

Situation as at December 31, 2016

At December 31, 2016, a total of 16,085,851 common shares were issued and fully paid in cash.

At December 31, 2015, a total of 4,149,884 Class C preferred shares, 3,899,104 Class B preferred shares, 229,055 Class A preferred shares and 337,562 common shares with a nominal value of € 0.09 each were issued and paid up.

At December 31, 2014, a total of 2,561,756 Class B preferred shares, 229,055 Class A preferred shares and 337,562 common shares with a nominal value of € 0.09 each were issued and paid up.

Share Premium Reserve

The share premium reserve relates to amounts contributed by shareholders at the issue of shares in excess of the par value of the shares issued.

All share premium can be considered as free share premium as referred to in the Netherlands Income tax act.

Share-based Payment Arrangements

In 2010, the Company established the Merus B.V. 2010 Employee Option Plan (the "2010 Plan") that entitled key management personnel, staff and consultants providing similar services to purchase shares in the Company. Under the 2010 Plan, holders of vested options were entitled to purchase depositary receipts for common shares at the exercise price determined at the date of grant. Upon exercise of the option, common shares were issued to a foundation established to facilitate administration of share-based compensation awards and pool the voting interests of the underlying shares, and depositary receipts were issued by the foundation to the individual holders. In connection with the IPO, the 2010 Plan was amended to cancel the depositary receipts and allow individual holders to directly hold the common shares obtained upon exercise of their options.

Options granted under the 2010 Plan are exercisable once vested. The options granted under the 2010 Plan vest in installments over a four-year period from the grant date. Twenty-five percent of the options vest on the first anniversary of the vesting commencement date, and the remaining 75% of the options vest in 36 monthly instalments for each full month of continuous service provided by the option holder thereafter, such that 100% of the options become vested on the fourth anniversary of the vesting commencement date. Options lapse on the eighth anniversary of the date of grant.

Prior to the IPO, participants that voluntarily left the Company, except for members of the Supervisory Board, were required to offer to the foundation the depositary receipts acquired from exercising options against payment of the exercise price or the lower fair market value of the underlying shares. This obligation for a participant to offer depositary receipts to the foundation upon resignation within four years from exercising the options was treated as a non-market vesting condition. In connection with the IPO, the foundation was dissolved and the common shares underlying depositary receipts distributed. In addition, the 2010 Option Plan was amended such that a participant is no longer required to offer depositary receipts to the foundation upon resignation.

The reduction of the vesting period has been accounted, taking into consideration the modified vesting conditions, to reflect the best estimate available of the options that are expected to vest. At the modification date in 2016, the cumulative expense for the options has been trued-up to reflect the reduced vesting period. This amendment of a non-market vesting (service) condition did not impact the fair value of the options granted.

In connection with the IPO, the Company established the 2016 Incentive Award Plan (the "2016 Plan"). Following the IPO, the Company is no longer making grants under the 2010 Plan; however, the terms of the 2010 Plan will continue to govern grants made under the 2010 Plan. All new incentive award grants will be made under the 2016 Plan.

As part of the 2016 Plan, the Company also established the Supervisory Board Remuneration Program. As part of this program, the members of the supervisory board are entitled to cash compensation as well as equity compensation. The equity compensation consists of an initial option grant as well as annual awards, subject to approval of the shareholders.

The initial awards granted under the Supervisory Board Remuneration Program vest in installments over a three year period. Thirty-three percent of the options vest on the first anniversary of the vesting commencement date, and the remaining 67% of the options in 24 substantially equal monthly installments thereafter, such that the award shall be fully vested on the third anniversary of the vesting commencement date. Each subsequent award shall vest and become exercisable in 12 substantially equal monthly installments following the vesting commencement date, such that the subsequent award shall be fully vested on the first anniversary of the date of grant.

Share-based payment expenses are recognized as from the IPO date for each subsequent award that a Supervisory Board member is entitled to over his/her remaining term. Since these subsequent awards are subject to shareholder approval, the grant date is not yet established and expenses are based on an estimated grant date fair value. The estimated grant date fair value is updated each reporting period until the grant date has been established. Once the grant date has been established, the estimated fair value is revised so that the expense recognized is based on the actual grant date fair value of the awards granted.

Measurement of Fair Values of the Equity-settled Share-based Payment Arrangements

The fair value of the employee share options has been measured using the binomial option pricing model, including supervisory board members). Service and non-market performance conditions attached to the transactions were not taken into account in measuring fair value.

The number of options outstanding as at December 31 was as follows:

Group of employees entitled	December 31, 2016	December 31, 2015	December 31, 2014
Executives	1,117,289	743,428	126,107
Other employees	92,427	96,371	25,855
Supervisory Board members	185,128	113,890	40,314
Total	1,394,844	953,689	192,276

The inputs used in the measurement of the fair values and the related fair values at the grant dates were as follows for the options granted during the twelve-month period ended December 31, 2016.

	2016		2015		2014	
	Executives	Other	Executives	Other	Executives	Other
	€	€	€	€	€	€
Fair value at grant date	**9.97-11.03**	**5.74-5.79**	3.98-5.76	4.03-5.06	4.30	4.41-4.88
Share price at grant date	**15.24-16.85**	**8.46-8.87**	6.12-7.20	5.94-7.20	6.66	6.12-6.66
Exercise price	**15.24-16.85**	**8.46-8.87**	1.93-7.20	1.93-7.20	4.64	4.64
Expected volatility (weighted-average)	**95.30%**	**97.15%**	94.85%	94.85%	101.1%	101.1%
Expected life	**10 years**	**8-10 years**	4 years	8 years	4 years	8 years
Expected dividends	**0%**	**0%**	0%	0%	0%	0%
Risk-free interest rate (based on government bonds)	**1.84%-1.86%**	**0.10%-1.87%**	0.16%-0.70%	0.16-0.70%	1.2%	1.0-1.2%

The table above does not include the subsequent awards to the Supervisory Board. The inputs used in the measurement of the fair values will be included once the subsequent award options will be granted upon approval by the shareholders at the annual general meeting of shareholders.

Reconciliation of outstanding share options

The number and weighted average exercise prices of share options granted under the share option programs were as follows:

	2016		2015		2014	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	(€)		**(€)**		**(€)**	
Outstanding at January 1	**5.35**	**953,689**	5.15	192,276	5.27	159,667
Forfeited during the year	**6.07**	**(31,351)**	1.93	(1,033)	4.64	(7,534)
Expired during the year	**11.95**	**(5,454)**	4.18	(9,216)	—	—
Exercised during the year	**1.93**	**(18,283)**	—	—	5.15	(9,953)
Granted during the year	**14.74**	**496,243**	5.99	771,662	4.64	50,096
Outstanding at December 31	**8.69**	**1,394,844**	5.35	953,689	5.15	192,276
Exercisable at December 31		**418,453**		157,562		138,471

The options outstanding at December 31, 2016 had an exercise price in the range of €1.93 to €16.85 (2015: €1.93 to €13.50; 2014: €3.83 to €13.50) and a weighted-average remaining contractual life of 6.68 years (2015: 3.63 years; 2014: 4.6 years). On October 5, 2015, the Company amended the exercise price of options granted under the 2010 Option plan prior to January 2015, to be €1.93, which has been reflected in the weighted average exercise price of the options outstanding at December 31, 2015.

Expense Recognized in Profit or Loss

For details on the related option expenses recognized as employee benefit expenses, see Note 17.

15. Revenue

(euros in thousands)	**2016**	2015	2014
ONO Pharmaceutical Co., Ltd.—research funding	**1,332**	1,315	677
Smithkline Beecham- exclusivity fee	**—**	—	100
Income from grants on research projects	**1,387**	662	526
	2,719	1,977	1,303

Revenue for the year ended December 31, 2016 was €2.7 million, as a result of one research milestone reached by the Company for which an amount of €0.7 million (2015: €1.1 million, 2014: €0.7 million) was paid by ONO. Additionally, the Company received an amount of €0.4 million revenue from a new consultancy agreement that was signed with ONO on March 7, 2016. A further €0.2 million of deferred revenue at December 31, 2015 was recognized in 2016 (2015: €0.2 million, 2014: €0) in accordance with the agreement signed between the parties in 2014. Additionally, the Company recognized an amount of €1.4 million in grant income (2015: €0.7 million, 2014: €0.5 million).

Merus currently has three active grants consisting of cash allowances for specific research and development projects. For two of the grants, the Company has reporting obligations at the end of the grant contract term. The unconditional receipt of the grant allowances is dependent on the final review of the reporting provided by Merus at the end of the contract term.

16. Total Operating Expenses

	2016	2015	2014
Manufacturing costs	**3,162**	5,878	3,646
IP and license costs	**1,167**	1,112	822
Personnel related R&D	**3,852**	3,166	2,618
Other research and development costs	**10,810**	6,194	5,302
Total research and development costs	**18,991**	16,350	12,388
Management and administration costs	**4,258**	768	550
Litigation costs	**1,490**	4,419	4,582
Other operating expenses	**5,652**	3,479	1,203
Total other expenses	**7,142**	7,898	5,785
Total operating expenses	**30,391**	25,016	18,723

Manufacturing cost decreased in 2016 due to relatively low manufacturing activity in 2016. In 2016 one program was developed, compared to two in 2015.

Personnel related expenses mainly increased due to the increase in staff as well as additional expenses resulting from the implementation of the new option plan as well as the modification of the 2016 Plan, as described in Note 14.

Other operating expenses mainly consist of legal expenses amounting to €2.0 million (2015: €1.2 million, 2014: €0.2 million), expenses related to the finance function of €1.4 million (2015: €0.9 million, 2014: €0.2 million) and expenses related to facilities of €0.9 million (2015: €0.5 million, 2014: €0.5 million).

Litigation costs were lower in 2016 when compared to 2015 as a result of lower litigation activity with regard to the Regeneron litigation as described below.

The other operating expenses relate to general and administrative expenses related to regular operations of the Company.

A breakdown of other research and development costs is presented as follows:

	2016	2015	2014
Discovery and pre-clinical costs	**5,185**	2,534	2,787
Clinical costs	**3,409**	1,883	588
Consumables	**1,055**	979	827
Other research and development costs	**1,161**	798	1,100
Total other research and development costs	**10,810**	6,194	5,302

Other research and development costs consist mainly of consultancy expenses related to R&D activities, which cannot be specifically allocated to a research project.

On March 11, 2014 Regeneron Pharmaceuticals Inc. (“Regeneron”) filed a complaint in the United States District Court for the Southern District of New York (the “Court”), alleging that the Company was infringing on one or more claims in Regeneron’s U.S. Patent No. 8,502,018, entitled “Methods of Modifying Eukaryotic Cells.” On July 3, 2014, the Company filed a response to the complaint, denying Regeneron’s allegations of infringement and raising affirmative defenses, and filed counterclaims seeking, among other things, a declaratory judgment that the Company did not infringe the patent and that the patent was invalid. The Company subsequently filed amended counterclaims during the period from August to December 2014, seeking a declaratory judgment of unenforceability of the patent due to Regeneron’s commission of inequitable conduct.

On November 21, 2014, the Court found that there was clear and convincing evidence that a claim term present in each of the patent claims was indefinite and granted the Company's proposed claim constructions. On February 24, 2015, the Court entered partial judgment in the proceeding, on the grounds that the Company did not infringe each of the patent claims, and that each of the patent claims were invalid due to indefiniteness. On November 2, 2015, the Court found Regeneron had withheld material information from the United States Patent and Trademark Office during prosecution of the patent, and Regeneron had engaged in inequitable conduct and affirmative egregious misconduct in connection with the prosecution of the patent. On December 18, 2015, Regeneron filed an appeal of the Court's decision which is currently pending. On February 13, 2017, the United States Court of Appeals for the Federal Circuit held oral argument. A decision is expected by mid-2017.

On March 11, 2014, Regeneron served a writ in the Netherlands alleging that the Company was infringing one or more claims in their European patent EP 1 360 287 B1. The Company opposed the patent in June 2014. On September 17, 2014, Regeneron's patent EP 1 360 287 B1 was revoked in its entirety by the European Opposition Division of the European Patent Office (the "EPO"). In Europe, an appeal hearing occurred in October and November 2015 at the Technical Board of Appeal for the EPO at which time the patent was reinstated to Regeneron with amended claims. The Company believes that its current business operations do not infringe the patent reinstated to Regeneron with amended claims because it believes it has not used the technology or methods claimed under the amended claims. The Dutch litigation procedure is stayed.

The costs incurred in the above litigation and opposition (€1.5 million in 2016; €4.4 million in 2015; €5.4 million in 2014) are included in the statement of profit or loss and comprehensive loss for the period.

Apart from the above mentioned litigation procedures, a number of opposition proceedings are currently ongoing between the Company and Regeneron. The Company has opposed granted European patents owned by Regeneron related to transgenic mice technology. Regeneron has opposed granted patents owned by Merus, in Europe, Japan and Australia. The oppositions in Europe and Japan have been resolved in the Company's favor and a resolution on the opposition in Australia is expected in the second half of 2017. Based on the current facts and circumstances no provision has been recognized under IAS 37.

Operating expenses presented by nature are outlined below:

	2016	2015	2014
		(Euros in thousands)	
Costs of outsourced work	**3,162**	5,878	3,646
Other external costs	**18,885**	15,012	11,656
Employee benefits	**8,110**	3,933	3,168
Depreciation and amortization	**234**	193	253
Total operating expenses	**30,391**	25,016	18,723

The increase in other external cost is mainly due to the increase in clinical and preclinical operations. The other external costs consist mainly of preclinical costs of €5.2 million (2015: €2.5 million), clinical costs of €3.4 million (2015: €1.9 million) and IP costs of €2.7 million (2015: €5.5 million).

17. Employee Benefits

Details of the employee benefits are as follows:

	2016	2015	2014
	(Euros in thousands)		
Salaries and wages	**5,166**	3,204	2,645
WBSO subsidy	**(1,721)**	(348)	(276)
Social security premiums	**382**	238	318
Health insurance	**27**	31	41
Pension costs	**507**	241	286
Stock award expense	**3,307**	567	154
Other personnel expense	**442**	—	—
	8,110	3,933	3,168

The option expenses included in personnel expenses were €3.3 million in the twelve month period ended December 31, 2016 (2015: €0.6 million; 2014: €0.2 million). Refer to Note 14 for a detailed explanation on the option cost for the Company. Of the total option expense €2.0 million is included under management and administration costs and €1.3 million is included under research and development costs (personnel related R&D).

The WBSO ("*afdrachtvermindering speur- en ontwikkelingswerk*") is a Dutch fiscal facility that provides subsidies to companies, knowledge centers and self-employed people who perform research and development activities (as defined in the WBSO Act). Under this Act, a contribution is paid towards the labor costs of employees directly involved in research and development. The contribution is in the form of a reduction of payroll taxes and social security contributions. Subsidies relating to labor costs are deferred and recognized in the income statement as negative labor costs over the period necessary to match them with the labor costs that they are intended to compensate. The increase in the WBSO subsidy is due to the increase in staff as well as amendment of the WBSO regulation to be compensated fully through wage tax, which is beneficial for Merus N.V.

The average number of personnel during the year was approximately 40 (2015: 32; 2014: 32), all employed in the Netherlands, with the exception of an average of two employees employed in the United States. Employees are principally employed in the area of research and development. A total of 11 employees that are devoted to activities other than research and development are included under management and administration costs.

18. Finance Income and Expense

	2016	2015	2014
	(Euros in thousands)		
Interest income and similar income	**88**	50	50
Interest expenses and similar expenses	**(19,644)**	(195)	(39)
	(19,556)	(145)	11

As discussed in Note 24, on December 20, 2016, the Company entered into a collaboration and license agreement and share subscription agreement with Incyte. As these contracts are denominated in USD the Company determined that the forward to sell its own shares (derivative), on which the Company became committed to on December 20, 2016, qualifies as a derivative financial instrument which is recognized in the statement of financial position as at December 31, 2016. The interest expense and similar expenses include an amount of €19.2 million related to the revaluation of this derivative.

19. Loss per share

(a) Basic and Diluted Loss per Share

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average numbers of shares outstanding during the year.

	2016	2015	2014
	(Euros in thousands, except per share data)		
Loss attributable to equity holders of the Company	**(47,220)**	(23,184)	(17,409)
Weighted average number of shares	**13,236,649**	5,871,237	2,829,500
Basic (and diluted) loss per share (€ per share)	**(3.57)**	(3.95)	(6.15)

(b) Diluted Loss per Share

For the periods included in these financial statements, the share options are not included in the diluted loss per share calculation as the Company was loss-making in all these periods. Due to the anti-dilutive nature of the outstanding options, basic and diluted loss per share is equal.

(c) Dividends per Share

The Company did not declare dividends for any of the years presented in these financial statements.

20. Financial Instruments

Financial Risk Management

The Company is exposed to a variety of financial risks: credit risk, liquidity risk and market risk. The Company's overall risk management program seeks to minimize potential adverse effects of these financial risk factors on the Company's financial performance.

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from its collaborators and investments in debt securities.

The carrying amount of financial assets represents the maximum credit exposure.

	2016	2015
Balance per December 31 in thousands of euros		
Financial asset (derivative)	**11,847**	—
Trade receivables	**205**	—
Restricted cash	**167**	218
Cash and cash equivalents	**56,917**	32,851
	69,136	33,069

At year-end for each of 2016 and 2015, there was no significant concentration of credit risk at any of the counterparties regarding financial instruments and cash and cash equivalents. Cash balances are held at banks with credit ratings varying between A and AA.

The aging of trade and other receivables that were not impaired was as follows:

	2016	2015
Balance per December 31 in thousands of euros		
Neither past due nor impaired	**205**	—
Past due	**—**	—
	205	—

There is no allowance for impairment.

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient funds and marketable securities.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments and excluding the impact of netting agreements:

December 31, 2016

	Carrying amount	Total	< 12 months	1 - 2 years	2 - 5 years	More than 5 years
			(Euros in thousands)			
Non-derivative financial liabilities						
Secured bank loans	486	526	190	181	155	—
Trade and other payables	5,978	5,978	5,978	—	—	—
	6,464	6,504	6,168	181	155	—

December 31, 2015

	Carrying amount	Total	< 12 months	1 - 2 years	2 - 5 years	More than 5 years
			(Euros in thousands)			
Non-derivative financial liabilities						
Secured bank loans	653	709	193	186	330	—
Trade and other payables	5,926	5,926	5,926	—	—	—
	6,579	6,635	6,119	186	330	—

The secured bank loans have an interest rate that is fixed until March 2017. The interest payable on the loans in the table above assumes continuation of this interest rate. These amounts may change as market interest rates change.

Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates and interest rates – will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company's market risk is limited and originates from foreign exchange and interest risks. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities in foreign currencies.

Exposure to interest rate risk

The interest rate profile of the Company's interest-bearing financial instruments is as follows:

	Carrying amount	
	2016	2015
Balance per December 31 in thousands of euros		
Fixed-rate instruments		
Financial liabilities	**(486)**	(653)
Variable rate instruments		
Cash and cash equivalents	**56,917**	32,851

Due to the limited impact of changes in interest rates on the Company no sensitivity data is provided.

Accounting classifications and fair values

The Company classifies financial assets and financial liabilities into the loans and receivables and other financial liability categories only with the exception of the derivative recognized as a result of the Incyte collaboration and share Subscription agreement, we refer to Note 24. These financial assets and financial liabilities are not measured at fair value and as such information on the fair value hierarchy is omitted. The carrying amount of the financial assets and financial liabilities is a reasonable approximation of the fair value.

The fair value of the derivative related to the Incyte collaboration and share Subscription agreement is recorded using Level 2 inputs. For determining the fair value the Company has used as valuation technique the Bloomberg forward pricing model. In this valuation the inputs used are related to the foreign exchange component (spot prices of EUR and USD), closing stock prices of the Company, as well as discount rates to reflect the time value of money (limited).

21. Compensation of Management Board and Supervisory Board

Management Board

In 2016, the following amounts were charged to the profit and loss statement for the remuneration of the statutory directors:

Amounts in Euros					
Name	**Gross Salary**	**Bonus**	**Pension**	**Option cost**	**Total**
Ton Logtenberg, CEO	€ 369,204	€147,820	€17,717	€ 907,236	€1,441,977
Shelley Margetson, COO	198,987	84,000	6,152	164,547	453,686
Total					**1,895,663**

In 2016, there were no options granted to the statutory directors.

In 2015, the following amounts were charged to the statement of profit or loss for the remuneration of the statutory directors:

Name	**Gross Salary**	**Bonus**	**Pension**	**Option cost**	**Total**
			(Amounts in Euros)		
Ton Logtenberg, CEO	€ 236,032	€89,072	€18,591	€1,910,204	€2,253,899
Shelley Margetson, COO	159,749	37,365	13,824	284,938	495,876
Total					**2,749,775**

In 2014, the following amounts were charged to the statement of profit or loss for the remuneration of the statutory directors:

Name	Gross Salary	Bonus	Pension	Crisis tax	Option cost	Total
			(Amounts in Euros)			
Ton Logtenberg, CEO	€ 199,997	€ 50,000	€ 34,010	€ 14,676	€ 46,816	€ 345,499
Shelley Margetson, COO	149,322	27,500	17,732	—	14,024	208,578
Total						**554,077**

As at December 31, 2016, Ton Logtenberg holds 376,912 options (2015: 376,912; 2014: 54,866) with an average exercise price of €2.98 (2015: €5.35; 2014: €4.64) and Shelley Margetson holds 59,330 options (2015: 64,886; 2014: 10,556) with an average exercise price of €3.69 (2015: €4.70; 2014: €4.61).

On October 27, 2016, the Company appointed Andres Sirulnik as its Chief Medical Officer (CMO). A total of 219,890 options over common shares were granted to Dr. Sirulink with an exercise price of €16.85 per option.

On November 1, 2016, the Company appointed John Crowley as its Chief Financial Officer. A total of 183,241 options over common shares were granted to Mr. Crowley with an exercise price of €15.24 per option.

On October 5, 2015, the Company amended the exercise price of options granted under the 2010 Option plan prior to January 2015, to be €1.93. Those option holders that had already exercised options under this plan were reimbursed the excess paid over €1.93 per share. This amounted in a total reimbursement of €60,935.

The remainder of the key management personnel has received the following remuneration for the year 2016.

Remuneration	2016	2015	2014
		(Amounts in Euros)	
Short term employment benefits	1,139,763	190,763	164,195
Post-employment benefits	18,720	11,671	4,273
Other long term benefits	—	—	—
Termination benefits	—	—	—
Share based payments	1,195,876	57,065	11,748
Total	2,354,359	259,499	180,216

Some of the key management personnel have long term benefits in the form of life and long term disability insurance policies which have been effected in their name as well as severance conditions in case of termination without cause or leave for good reason.

A number of key management personnel, or their related parties, hold positions in other companies that result in them having control or significant influence over these companies. These companies did not entered into transactions with the Group during the year.

Supervisory Board

In May 2016, the Company established the Supervisory Board Remuneration Program. As part of this program, the members of the supervisory board are entitled to cash compensation as well as equity compensation. The equity compensation consists of an initial option grant as well as annual awards, subject to approval of the shareholders.

In 2016, the following amounts were charged to the statement of profit or loss and comprehensive loss for the remuneration of the (former) members of the Supervisory Board:

Name	Cash compensation	Option cost	Total
		(Amounts in Euros)	
Mark Iwicki	€ 50,394	€ 183,367	€233,761
Wolfgang Berthold	19,850	50,928	70,778
Lionel Carnot	24,852	66,959	91,811
John de Koning	26,230	37,000	63,230
Anand Mehra	26,938	84,703	111,641
Gregory Perry	28,356	97,365	125,721
Total	176,620	520,322	696,942

In 2015, the following amounts were charged to the statement of profit or loss and comprehensive loss for the remuneration of the (former) members of the Supervisory Board:

Name	Cash compensation	Option cost	Total
		(Amounts in Euros)	
Mark Iwicki	€ 26,325	€ 115,380	€141,705
Wolfgang Berthold	—	15,475	15,475
Gabriele Dallmann(*)	11,000	5,795	16,795
Gerard van Odijk(*)	—	16,298	16,298
Total	37,235	152,948	190,273

(*) former board member

In 2014, the following amounts were charged to the statement of profit or loss and comprehensive loss for the remuneration of the (former) members of the Supervisory Board:

Name	Cash compensation	Option cost	Total
		Amounts in Euros	
Wolfgang Berthold	€ —	€ 16,633	€16,633
Gabriele Dallmann	11,000	6,579	17,579
Gerard van Odijk(*)	—	25,258	25,258
Total	11,000	48,470	59,470

(*) former board member

The other members of the Supervisory Board did not receive any remuneration from the Company.

As at December 31, members of the Supervisory Board held the following number of options:

Name	December 31, 2016		December 31, 2015		December, 31 2014	
	Number	Average exercise price	Number	Average exercise price	Number	Average exercise price
Mark Iwicki	73,576	€ 6.57	73,576	€ 6.57	—	—
Wolfgang Berthold	26,724	€ 3.02	14,168	€ 1.93	14,168	€ 4.57
Lionel Carnot	17,000	€ 8.87	—	—	—	—
John de Koning	17,000	€ 8.87	—	—	—	—
Anand Mehra	17,000	€ 8.87	—	—	—	—
Gregory Perry	17,000	€ 8.87	—	—	—	—
Gabriele Dallmann(*)	16,828	€ 3.24	4,272	€ 1.93	4,272	€ 4.48
Gerard van Odijk(*)	—	—	21,874	€ 1.93	21,874	€ 6.25
Total	185,128	€ 7.21	113,890	€ 4.93	40,314	€ 5.47

(*) former board member

22. Related party disclosures

In the twelve month period ended December 31, 2016 and 2015, the Management Board and other senior management received regular salaries, bonuses and contributions to post-employment schemes as well as non-cash compensation as disclosed in Note 21.

Additionally, selected members of the Supervisory Board received compensation for their services in the form of cash compensation as well as non-cash compensation, as disclosed in Note 21.

The following shareholders currently hold a position in the Supervisory Board:

- Bay City Capital Coöperatief U.A.
- Coöperatief LSP IV U.A.
- Novo A/S
- Sofinnova Venture Partners IX, L.P.

The following shareholders filed a form 13-D to reflect ownership in the Company of more than 5%

- Bay City Capital Coöperatief U.A.
- Coöperatief LSP IV U.A.
- Novo A/S
- Sofinnova Venture Partners IX, L.P.

The following shareholders filed a form 13-G to reflect ownership of the Company of more than 5%

- Novartis Bioventurs Ltd
- Pfizer Inc
- Johnson and Johnson
- Aglaia Oncology Fund B.V.
- Baker Bros. Advisors LP

In connection with the collaboration with Incyte Corporation described in Note 24, Incyte Corporation acquired an ownership of more than 5% in the Company on January 23, 2017.

23. Operating leases

Rent

Merus N.V. had a contract for the rent of facilities with the University of Utrecht, seated in Utrecht. The contract expired on December 31, 2015. The total annual obligation was €256 thousand. While Merus N.V. was awaiting the completion of a new office building, the contract for the lease of the facilities was extended at the agreed rental price. Merus N.V. ended the contract with a month's notice in December 2016. On April 22, 2016, Merus N.V. closed a new lease agreement with Stichting Incubator Utrecht for a new office building. The agreement term is for five years and expires in the fourth quarter of 2021. If the lease is not terminated by Merus, it will be automatically renewed for a period of two years. The agreed rental price is €402 thousand per year. The Company moved into the new office building in November 2016. In the twelve month period ending December 31, 2016, the Company recognized an amount of €270 thousand for rent and service charges related to the abovementioned buildings.

24. Subsequent events

On December 20, 2016, the Company entered into a Collaboration and License Agreement and Share Subscription Agreement with Incyte Corporation ("Incyte") focused on the research, discovery and development of bispecific antibodies utilizing the Company's proprietary Biclonics® technology platform. The Collaboration and License Agreement grants Incyte the exclusive rights for up to eleven bispecific antibody research programs, including two of the Company's current preclinical immuno-oncology discovery programs. The agreements became effective in January 2017.

Under the terms of the collaboration, Incyte paid to the Company an upfront payment of $120 million in January 2017. In addition, Incyte purchased 3.2 million shares of the Company's common shares at $25 per share, for a total equity investment of $80 million. Please refer to the disclosure included in Note 6 Financial Assets as well as Note 13 Deferred revenue for further disclosure on the transactions recognized in the financial year 2016.

The parties have agreed to collaborate on the development and commercialization of up to 11 bispecific antibody programs. For one current preclinical program, the Company will retain all rights to develop and commercialize approved products in the United States, and Incyte will develop and commercialize approved products arising from the program outside the United States. Following any regulatory approval of a product candidate for this particular pre-clinical program, each company has agreed to pay the other tiered royalties ranging from 6% to 10% on net sales of products in their respective territories.

The Company also has the option to co-fund development of product candidates arising from two other programs. For any program for which the Company exercises its co-development option, the Company would be responsible for 35% of global development costs in exchange for a 50% share of U.S. profits and losses and tiered royalties ranging from 6% to 10% on ex-U.S. sales by Incyte for these programs. The Company also has the right to elect to provide up to 50% of detailing activities for product candidates arising from one of these programs in the United States.

For each of the other eight programs, Incyte has agreed to independently fund all development and commercialization activities. For these programs, the Company will be eligible to receive potential development, regulatory and sales milestone payments of up to $350 million per program, which could result in an aggregate milestone opportunity of approximately $2.8 billion if all development, regulatory and sales milestones are achieved across all such eight other programs in all territories. The Company will also be eligible to receive tiered royalties ranging from 6% to 10% on global sales of any approved products under these eight programs.

The Company will retain rights to both of its clinical candidates and MCLA-158, as well as its technology platform and future programs emerging from the Company's platform that are outside the scope of the agreement.

On March 30, 2017, the Company repaid the loan from the Rabobank. At the repayment date the total outstanding balance of the loan amounted to €0.5 million. As a result of the repayment the pledge associated with the loan was removed.

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SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

MERUS N.V.

By: /s/ Ton Logtenberg
Name: Ton Logtenberg
Title: Chief Executive Officer

By: /s/ Shelley Margetson
Name: Shelley Margetson
Title: Chief Operating Officer

Date: April 28, 2017

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EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference to Filings Indicated				Filed/ Furnished
		Form	File No.	Exhibit No.	Filing Date	
1.1	Articles of Association, currently in effect (English translation)					*
2.1	Registration Rights Agreement, dated May 24, 2016, by and among Merus N.V. and the shareholders party thereto	6-K	001-37773	4.1	5/27/16	
4.1#	Merus B.V. 2010 Employee Option Plan, as amended					*
4.2#	Merus N.V. 2016 Incentive Award Plan and forms of award agreements thereunder					*
4.3#	Supervisory Board Member Compensation Program					*
4.4#	Form of Supervisory Board Member and Management Board Member Indemnification Agreement	F-1/A	333-207490	10.4	5/9/16	
4.5#	Employment Contract between the Registrant and Ton Logtenberg, dated January 21, 2010.	F-1	333-207490	10.5	10/19/15	
4.6#	English language translation of Employment Contract between the Registrant and Shelley Margetson, dated October 1, 2010.	F-1	333-207490	10.6	10/19/15	
4.7	English language translation of Loan Agreement between the Registrant and Coöperatieve Rabobank Utrechtse Heuvelrug U.A., dated December 29, 2005.	F-1	333-207490	10.8	10/19/15	
4.8	English language translation of letter amendment, dated October 21, 2015, to Loan Agreement between the Registrant and Coöperatieve Rabobank Utrechtse Heuvelrug U.A.	F-1/A	333-207490	10.9	1/21/16	
4.8.1	English language translation of letter amendment, dated March 15, 2016, to Loan Agreement between the Registrant and Coöperatieve Rabobank Utrechtse Heuvelrug U.A.	F-1/A	333-207490	10.9.1	5/9/16	
4.8.2	English language translation of letter amendment, dated March 15, 2016, to Loan Agreement between the Registrant and Coöperatieve Rabobank Utrechtse Heuvelrug U.A.	F-1/A	333-207490	10.9.1	5/9/16	
4.10†	Contract Research and License Agreement and Addendum between the Registrant and ONO Pharmaceutical Co., Ltd., dated April 8, 2014.	F-1	333-207490	10.9	10/19/15	

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Exhibit Number	Exhibit Description	Incorporated by Reference to Filings Indicated				Filed/ Furnished
		Form	File No.	Exhibit No.	Filing Date	
4.11	English language translation of Lease Agreement between the Registrant and Stichting Incubator Utrecht, dated April 22, 2016.	F-1/A	333-207490	10.12	5/9/16	
4.12††	Collaboration and License Agreement, dated December 20, 2016, by and between Merus N.V. and Incyte Corporation					*
4.13††	Share Subscription Agreement, dated December 20, 2016, by and between Merus N.V. and Incyte Corporation					*
4.14#	Employment Agreement, dated October 5, 2016, by and among Merus US, Inc., Merus N.V. and John J. Crowley	6-K	001-37773	10.1	11/3/16	
8.1	List of Subsidiaries	F-1/A	333-207490	21.1	4/8/16	
12.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer					*
12.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer					*
13.1	Section 1350 Certification of Chief Executive Officer					**
13.2	Section 1350 Certification of Chief Financial Officer					**
15.1	Consent of KPMG Accountants N.V.					*

* Filed herewith.
** Furnished herewith.
# Indicates management contract or compensatory plan.
† Confidential treatment granted as to portions of the exhibit. Confidential materials omitted and filed separately with the Securities and Exchange Commission.
†† Confidential treatment requested as to portions of the exhibit. Confidential materials omitted and filed separately with the Securities and Exchange Commission.

Exhibit 1.1

This document is an informal English translation of a document prepared in Dutch. In this translation an attempt has been made to be as literal as possible without jeopardizing the overall continuity. Inevitably, differences may occur in translation, and if so, the Dutch text will by law govern.

Deed of Conversion and Amendment of the Articles of Association

of: **Merus B.V (new name: Merus N.V.)**

Deed dated 19 May 2016

This nineteenth day of May two thousand and sixteen appeared before me, Freerk Volders, civil law notary (*notaris*) in Rotterdam, the Netherlands **("Notary"):**

Judith Reeshema Hazra Abdoelgafoer, born in District Marowijne, Suriname, on the thirteenth day of December nineteen hundred and seventy, for the purpose of this deed choosing her residency at my, Notary, office (Bahialaan 400, 3065 WC Rotterdam, the Netherlands), according to her statement acting in order to implement a resolution to convert and amend the articles of association, adopted on the sixth day of May two thousand and sixteen in the general meeting of **Merus B.V.,** a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid)* under Dutch law, having its official seat in Utrecht, the Netherlands and its place of business at 3584 CH Utrecht, Padualaan 8, the Netherlands, registered with the Trade Register of the Chamber of Commerce under file number: 30189136 **("Merus BV"),** during which meeting the person appearing was also authorized to implement the aforementioned resolution.

The articles of association have most recently been amended by a notarial deed of amendment of the articles of association executed before Freerk Volders, aforementioned, on the twenty-first day of August two thousand and fifteen.

The person appearing, acting as aforesaid, has stated that as a result of the aforementioned resolution to convert and amend the articles of association, Merus BV will be converted into a limited liability company (*naamloze vennootschap)* under Dutch law (the **"Company")** and as from today the articles of association of Merus BV shall be read as follows:

ARTICLES OF ASSOCIATION

Definitions

In these articles of association the following words shall have the following meanings:

a. **CEO:** the Company's chief executive officer;

b. **chairman of the supervisory board:** the chairman of the supervisory board;

c. **class meeting:** the meeting of holders of shares of a certain class;

d. **general meeting:** the general meeting of shareholders as body of the Company as well as meetings of this body;

e. **group company:** An entity or company which is organisationally connected with the Company in an economic unit within the meaning of Section 2:24b of the Dutch Civil Code;

f. **indemnified officer:** a current or former managing director or supervisory director;

g. **management board/managing director(s):** the management board/the managing director(s) of the Company in the meaning of the Dutch Civil Code;

h. **management board rules:** the internal rules applicable to the management board, as drawn up by the management board;

i. **meeting right:** the right to, in person or by written proxy, attend and address the general meeting;

j. **non-distributable equity:** the part of the company's equity that is formed by the paid up and called up part of its capital and the reserves which it must maintain by law;

k. **person with meeting right:** a shareholder, a usufructuary or pledgee with meeting rights;

l. **preferred distribution:** a distribution on the preferred shares for an amount equal to the preferred interest rate calculated over the aggregate amount paid up on those preferred shares, whereby:

   a. any amount paid up on those preferred shares (including as a result of an issue of preferred shares) during the financial year (or the relevant part thereof) in respect of which the distribution is made shall only be taken into account proportionate to the number of days that elapsed during that financial year (or the relevant part thereof) after those preferred shares were paid up;

   b. any reduction of the aggregate amount paid-up on preferred shares during the financial year (or the relevant part thereof) in respect of which the distribution is made shall be taken into account proportionate to the number of days that elapsed during that financial year (or the relevant part thereof) until such reduction of the aggregate amount paid-up on preferred shares was effected; and

   c. if the distribution is made in respect of part of a financial year, the amount of the distribution shall be proportionate to the number of days that elapsed during that part of the financial year;

m. **preferred interest rate:** the mathematical average, calculated over the financial year (or the relevant part thereof) in respect of which a distribution is made on preferred shares, of the EURIBOR interest rate for loans with a maturity of twelve months as published by Thomson Reuters, plus a margin not exceeding five hundred basis points (500bps) to be determined by the management board each time when preferred shares are issued without preferred shares already forming part of the Company's issued share capital;

n. **registration date:** the twenty-eighth day prior to the date of the general meeting;

o. **absolute majority:** more than half of the votes cast;

p. **subsidiary:** a subsidiary within the meaning of Section 2:24a of the Dutch Civil Code, including:

a. an entity in whose general meeting the Company or one or more of its subsidiaries can exercise, whether or not by virtue of an agreement with other parties with voting rights, individually or collectively, more than half of the voting rights; and

b. an entity of which the Company or one or more of its subsidiaries are members or shareholders and can appoint or dismiss, whether or not by virtue of an agreement with other parties with voting rights, individually or collectively, more than half of the managing directors or of the supervisory directors, even if all parties with voting rights cast their votes;

q. **supervisory board/ supervisory director(s):** the Company's supervisory board/the supervisory director(s) of the Company in the meaning of the Dutch Civil Code;

r. **supervisory board rules:** the internal rules applicable to the supervisory board, as drawn up by the supervisory board;

s. **website:** the Company's website.

CHAPTER I: NAME, OFFICIAL SEAT AND OBJECTS

Name. Official seat

Article 1

1. The Company is a limited liability company (*naamloze vennootschap*) and its name is: **Merus N.V.**

2. The Company has its official seat in Utrecht.

Objects

Article 2

The objects for which the Company is established are:

a. to develop products and services in the area of biotechnology;

b. to finance enterprises and companies;

c. to borrow, to lend to raise funds, including the issue of bonds, promissory notes or other securities or evidence of indebtedness as well as to enter into agreements in connection with the aforementioned;

d. to supply advice and to render services to enterprises and companies with which the Company forms a group and to third parties;

e. to render guarantees, to bind the Company and to encumber its assets for obligations of the companies and enterprises with which it forms a group and on behalf of third parties;

f. to incorporate, to participate in any way whatsoever, to manage and to supervise enterprises and companies and businesses;

g. to obtain, alienate, manage and exploit registered property and items of property in general;

h. to trade in currencies, securities and items of property in general;

i. to develop and trade in patent, trademarks, licenses, know-how and other industrial property rights;

j. to perform any and all activity of industrial, financial or commercial nature, as well as everything pertaining to the foregoing, relating thereto or conducive thereto, all in the widest sense of the word.

CHAPTER II: CAPITAL AND SHARES

Authorised share capital and depositary receipts

Article 3

1. The Company's authorised share capital amounts to three million eight hundred eighty-two thousand four hundred seventy euro and forty eurocent (EUR 3,882,470.40) and is divided into twenty-one million five hundred sixty-nine thousand two hundred eighty (21,569,280) common shares and twenty-one million five hundred sixty-nine thousand two hundred eighty (21,569,280) preferred shares, each having a nominal value of nine eurocent (EUR 0.09).
2. The Company cannot cooperate with the issue of depository receipts for shares in its capital.

Shares, register of shareholders

Article 4

1. All shares are registered shares, provided that the management board may resolve that one or more common shares are bearer shares, represented by physical share certificates.
2. The management board is not required to comply with a request made by a shareholder to convert one or more of his registered shares into bearer shares or vice versa. If the management board resolves to grant such a request, the shareholder concerned shall be charged for the costs of such conversion.
3. The common shares are numbered from 1 and the preferred shares are numbered from P1.
4. The management board shall keep a register of shareholders in which all particulars as prescribed by law concerning shareholders, usufructuaries and pledgees shall be recorded. Part of the register may be kept outside the Netherlands to comply with applicable local law or applicable stock exchange rules.
5. Shareholders, usufructuaries and pledgees whose particulars must be set out in the register shall provide the management board with the necessary particulars in a timely fashion. Any consequences of a failure to notify such particulars or to notify the correct particulars shall be borne by the relevant party.
6. All notifications may be sent to persons with meeting rights in respect of registered shares at the addresses set out in the register.
7. If the management board has resolved that one or more common shares are bearer shares, share certificates shall be issued for such bearer shares in such form as the management board may determine. Share certificates may represent one or more bearer shares. Each share certificate shall be signed by or on behalf of a managing director.
8. The holder of a bearer share that was lost may request the Company to provide a duplicate share certificate for such bearer share. The Company shall only provide such duplicate:
    a. if the party making the request can demonstrate, to the satisfaction of the management board, that such party is indeed entitled to receive such duplicate; and

b. after having published the request on the Website for a period of four weeks without any objection to such request having been received by the Company within that period.

9. If an objection as referred to in article 4.8 paragraph b. has been received by the Company in a timely fashion, the Company shall only provide the duplicate to the party who requested such duplicate after having been provided with a copy of a binding advice or court order to provide such duplicate, without the Company being required to investigate the competence of the relevant arbitrators or court, as the case may be, or the validity of such binding advice or judgment, as the case may be.

10. Upon a duplicate of a share certificate for a bearer share having been provided by the Company, such duplicate shall replace the original share certificate and no rights can be derived from the share certificate thus replaced.

Issue of shares

Article 5

1. Shares can be issued pursuant to a resolution of the general meeting or of another body authorised by the general meeting for this purpose for a specified period not exceeding five years. When granting such authorisation, the number of shares that may be issued must be specified. The authorisation may be extended, in each case for a period not exceeding five years. Unless stipulated differently when granting the authorisation, the authorisation cannot be revoked. For as long as another body has been authorised to issue shares, the general meeting shall not have this authority.

2. Article 5.1 applies mutatis mutandis to the granting of rights to subscribe for shares, but does not apply in respect of issuing shares to a party exercising a previously acquired right to subscribe for shares.

3. The Company may not subscribe for shares in its own capital.

Pre-emptive right at issue of shares

Article 6

1. Upon an issue of shares, each holder of common shares shall have a pre-emption right in proportion to the aggregate nominal value of his common shares. Preferred shares do not carry pre-emption rights.

2. In deviation of article 6.1, holders of common shares do not have pre-emption rights in respect of an issue of:

   a. preferred shares;

   b. common shares against non-cash contribution; or

   c. common shares to employees of the Company or of a group company.

3. The Company shall announce an issue with pre-emption rights and the period during which those rights can be exercised in the State Gazette and in a daily newspaper with national distribution, unless all shares are registered shares and the announcement is sent in writing to all shareholders at the addresses submitted by them.

4. Pre-emption rights may be exercised for a period of at least two weeks after the date of announcement in the State Gazette or after the announcement was sent to the shareholders.

5. Pre-emption rights may be limited or excluded by a resolution of the general meeting or of the body authorised pursuant to article 5.1, if that body was authorised by the general meeting for this purpose for a specified period not exceeding five years. The authorisation may be extended, in each case for a period not exceeding five years. Unless stipulated differently when granting the authorisation, the authorisation cannot be revoked. For as long as another body has been authorised to limit or exclude pre-emption rights, the general meeting shall not have this authority.

6. A resolution of the general meeting to limit or exclude pre-emption rights, or to grant an authorisation as referred to in article 6.5, shall require a majority of at least two thirds of the votes cast if less than half of the issued share capital is represented at the general meeting.

7. The preceding provisions of this article 6 apply mutatis mutandis to the granting of rights to subscribe for shares, but do not apply in respect of issuing shares to a party exercising a previously acquired right to subscribe for shares.

Payment

Article 7

1. Without prejudice to article 7.2, the nominal value of a share and, if the share is subscribed for at a higher price, the difference between these amounts must be paid up upon subscription for that share. However, it may be stipulated that part of the nominal value of a preferred share, not exceeding three quarters thereof, need not be paid up until the Company has called for payment. The Company shall observe a reasonable notice period of at least one month with respect to any such call for payment.

2. Parties who professionally place shares for their own account may be allowed by virtue of an agreement to pay up less than the nominal value of the shares subscribed for by them, provided that at least ninety-four percent (94%) of this amount is paid up in cash ultimately upon subscription for those shares.

3. Shares must be paid up in cash, except to the extent that payment by means of a contribution in another form has been agreed.

4. Payment in a currency that is not a unit of the euro is only permitted with the Company's consent. Where such a payment is made, the payment obligation is satisfied for the amount in euro for which the paid amount can be freely exchanged. The date of the payment determines the exchange rate. The previous sentence does not prejudice the last sentence of Section 2:80a(3) of the Dutch Civil Code.

Financial assistance

Article 8

1. The Company may not provide security, give a price guarantee, warrant performance in any other way or commit itself jointly and severally or otherwise with or for others with a view to the subscription for or acquisition of shares or depository receipts for shares in its capital by others. This prohibition applies equally to subsidiaries.

2. The Company and its subsidiaries may not provide loans with a view to the subscription for or acquisition of shares or depository receipts for shares in the Company's capital by others, unless the management board resolves to do so and the relevant statutory requirements of Section 2:98c of the Dutch Civil Code are observed.

3. The preceding provisions of this article 8 do not apply if shares or depository receipts for shares are subscribed for or acquired by or for employees of the Company or of a group company.

Acquisition by the Company of its own shares or depositary receipts of such shares

Article 9

1. The acquisition by the Company of shares in its own capital which have not been fully paid up shall be null and void.

2. The Company may only acquire fully paid up shares in its own capital for no consideration or if and to the extent that the general meeting has authorised the management board for this purpose and all other relevant statutory requirements of Section 2:98 of the Dutch Civil Code are observed.

3. An authorisation as referred to in article 9.2 remains valid for no longer than eighteen months. When granting such authorisation, the general meeting shall determine the number of shares that may be acquired, how they may be acquired and within which range the acquisition price must be. An authorisation shall not be required for the Company to acquire common shares in its own capital in order to transfer them to employees of the Company or of a group company pursuant to an arrangement applicable to them, provided that these common shares are included on the price list of a stock exchange.

4. The Company may acquire shares in its own capital for cash consideration or for consideration satisfied in the form of assets. In the case of a consideration being satisfied in the form of assets, the value thereof, as determined by the management board, must be within the range stipulated by the general meeting as referred to in article 9.3.

5. Articles 9.1 through 9.3 do not apply to shares acquired by the Company by universal succession.

6. In this article 9, references to shares include depository receipts for shares.

Reduction of capital

Article 10

1. The general meeting can resolve to reduce the Company's issued share capital by cancelling shares or by reducing the nominal value of shares by virtue of an amendment to these articles of association. The resolution must designate the shares to which the resolution relates and it must provide for the implementation of the resolution.

2. A resolution to cancel shares may only relate to:

   a. shares held by the Company itself or in respect of which the Company holds the depository receipts;

   b. all preferred shares, with repayment of the amounts paid up in respect thereof and provided that, to the extent allowed under articles 32.1 and 33.2, a distribution is made on those preferred shares, in proportion to the amounts paid up on those preferred shares, immediately prior to such cancellation becoming effective, which distribution shall consist of:

      i. the total of all preferred distributions (or parts thereof) in relation to financial years prior to the financial year in which the cancellation occurs, to the extent that these have not yet been paid as described in article 33.1; and

      ii. the preferred distribution calculated in respect of the part of the financial year in which the cancellation occurs, for the number of days that have elapsed during such part of the financial year.

3. A resolution of the general meeting to reduce the Company's issued share capital shall require a majority of at least two thirds of the votes cast if less than half of the issued share capital is represented at the general meeting.

4. If a resolution of the general meeting to reduce the Company's issued share capital relates to preferred shares, such resolution shall always require the prior or simultaneous approval of the class meeting of preferred shares.

Transfer and issue of shares

Article 11

1. Except as otherwise provided or allowed by Dutch law, the issue or transfer of a share shall require a deed to that effect and, in the case of a transfer and unless the Company itself is a party to the transaction, acknowledgement of the transfer by the Company.

2. The acknowledgement shall be set out in the deed or shall be made in such other manner as prescribed by law.

Usufruct. Pledge

Article 12

1. Common shares and preferred shares can be encumbered with a usufruct or pledge.

2. The holder of shares will have the voting right attached to the shares which are encumbered with a usufruct or pledge.

3. In deviation of the provisions of article 12.2, the usufructuary or pledgee and the respective shareholder may agree on the creation of the usufruct or pledge that the usufructuary or the pledgee will have the voting right, with due observance of all requirements which the law imposes and whether or not under a condition precedent.

4. Shareholders without voting right and usufructuaries and pledgees with voting right will have rights the law confers on holder of depositary receipts issued with a company's cooperation.

Transferability of shares

Article 13

1. A transfer of preferred shares - not including a transfer by the company of shares which it has acquired in its own share capital - may be effected with due observance of the articles 13.2 up to and including 13.7.

2. A shareholder who wishes to transfer one or more preferred shares, shall require the approval of the management board to do so.

3. The transfer must be effected within three months after the approval has been granted or is deemed to have been granted.

4. The approval shall be deemed to have been granted if the management board, simultaneously with the refusal to grant its approval, does not furnish the requesting shareholder with the names of one or more prospective purchasers, who are willing to purchase all the shares referred to in the request for approval, against payment in cash, the price determined in accordance with article 13.5; the company itself may only be designated as prospective purchaser, with the approval of the requesting shareholder.
   The approval shall likewise be deemed to have been granted if the management board has not made a decision in respect of the request for approval within six weeks of its receipt.

5. The requesting shareholder and the prospective purchasers accepted by him shall determine the price of the shares by mutual agreement.
   Failing agreement, the price shall be determined by an independent expert, to be designated by mutual agreement between the management board and the requesting shareholder.

6. Should the management board and the requesting shareholder fail to reach agreement on the designation of the independent expert, three independent experts shall be appointed as follows: one expert by the requesting shareholder, one expert by the prospective purchasers acting jointly and one expert by the two aforementioned experts acting jointly. If the prospective purchasers have not appointed an expert within fourteen days from the date when the prospective purchasers have been entitled pursuant to this article to appoint an expert, such appointment shall take place by the management board within fourteen days. If the appointment by the prospective purchasers or by the management board has not taken place within twenty-eight days from the date when the prospective purchasers have been entitled pursuant to this article to appoint an expert, the price shall be determined by the expert appointed by requesting shareholder.

7. Once the price of the shares has been determined, the requesting shareholder shall be free, during one month after such determination of the purchase price, to decide whether he will transfer his shares to the designated prospective purchasers.

8. Articles 13.1 up to and including 13.7. do not apply to any transfer of preferred shares as a result of the execution of a right of pledge over such preferred shares.

CHAPTER III: MANAGEMENT OF THE COMPANY

Management board, appointment, suspension and dismissal

Article 14

1. The business and affairs of the Company shall be managed by a management board consisting of one or several managing directors.

2. The supervisory board shall determine the number of managing directors with due observance of article 14.1.

3. The general meeting shall appoint the managing directors and may at any time suspend or remove any managing director. In addition, the supervisory board may at any time suspend a managing director. A suspension by the supervisory board can at any time be lifted by the general meeting.

4. The general meeting can only appoint a managing director upon a nomination by the supervisory board. The general meeting may resolve to render the nomination to be non-binding by a majority of at least two thirds of the votes cast representing more than half of the issued share capital. If a nomination is rendered non-binding, a new nomination shall be made each time by the supervisory board. If the nomination comprises one candidate for a vacancy, a resolution concerning the nomination will result in the appointment of the candidate, unless the nomination is rendered non-binding. A second meeting as referred to in Section 2:120(3) of the Dutch Civil Code shall not be convened.

5. At a general meeting, a resolution to appoint a managing director can only be passed in respect of candidates whose names are stated for that purpose in the agenda of that general meeting or the explanatory notes thereto.

6. The supervisory board shall elect a managing director to be the CEO. The supervisory board may remove the CEO, in the sense that the managing director so removed shall subsequently continue his term of office as a managing director without having the title of CEO.

7. A resolution of the general meeting to suspend or remove a managing director shall require a majority of at least two thirds of the votes cast representing more than half of the issued share capital, unless the resolution is passed at the proposal of the supervisory board.

8. If a managing director is suspended and the general meeting does not resolve to dismiss him within three months from the date of such suspension, the suspension shall lapse.

9. Each managing director shall retire in accordance with a rotation schedule to be included in the management board rules. A retiring managing director can be reappointed immediately, subject to such rotation schedule.

10. Where a managing director is no longer in office or is unable to act, he may be replaced temporarily by a person whom the management board has designated for that purpose and, until then, the other managing director(s) shall be charged with the entire management of the Company. Where all managing directors are no longer in office or are unable to act, the management of the Company shall be entrusted temporarily to one or more persons designated by the supervisory board for that purpose. Without prejudice to the generality of the previous two sentences, a managing director shall be considered to be unable to act within the meaning of this article 14.10 in the case of:

a. him having been ill, or the Company not having been able to contact him, in each case for a period of at least five consecutive days (or such other period as determined by the supervisory board on the basis of the facts and circumstances at hand);

b. his suspension; or

c. him having declared to have, or the supervisory board having established that he has, a conflict of interests as described in article 16.6.

Duties and organisation

Article 15

1. The management board is charged with the management of the Company. In performing their duties, managing directors shall be guided by the interests of the Company and of the business connected with it.

2. The management board shall draw up management board rules concerning the organisation, decision-making and other internal matters of the management board, with due observance of these articles of association. In performing their duties, the managing directors shall observe and comply with the management board rules.

3. The management board may perform the legal acts referred to in Section 2:94(1) of the Dutch Civil Code without the prior approval of the general meeting.

Decision-making by the Management board. Recording. Conflict of interest

Article 16

1. Without prejudice to article 16.5, each managing director may cast one vote at a meeting of the management board.

2. A managing director can be represented by another managing director holding a written proxy for the purpose of the deliberations and the decision-making of the management board.

3. Resolutions of the management board shall be passed, irrespective of whether this occurs at a meeting or otherwise, by absolute majority.

4. Invalid votes, blank votes and abstentions shall not be counted as votes cast.

5. Where there is a tie in any vote of the management board, the CEO shall have a casting vote, provided the management board consists of three or more managing directors. If the management board consists of two managing directors, the supervisory board shall decide in case of a tied vote.

6. A managing director shall not participate in the deliberations and decision-making of the management board on a matter in relation to which he has a direct or indirect personal interest which conflicts with the interests of the Company and of the business connected with it. If, as a result thereof, no resolution can be passed by the management board, the resolution shall be passed by the supervisory board.

7. Meetings of the management board can be held through audio- or video-communication facilities, unless a managing director objects thereto.

8. Resolutions of the management board may, instead of at a meeting, be passed in writing, provided that all managing directors are familiar with the resolution to be passed and none of them objects to this decision-making process. Articles 16.1 and 16.5 apply mutatis mutandis.

9. The approval of the supervisory board is required for the following resolutions of the management board:

   a. the making of a proposal to the general meeting concerning:

      i. the issue of shares or the granting of rights to subscribe for shares, unless such shares are issued or rights to subscribe for shares are granted in respect of any share incentive plan;

      ii. the limitation or exclusion of pre-emption rights, unless such limitation or exclusion of pre-emption rights occurs in respect of any share incentive plan;

      iii. the granting of an authorisation as referred to in articles 5.1, 6.5 and 9.2;

      iv. the reduction of the Company's issued share capital;

      v. the granting of an approval as referred to in article 16.10;

      vi. the making of a distribution from the Company's reserves or of profits;

      vii. the determination that all or part of a distribution, instead of being made in cash, shall be made in the form of shares in the Company's capital or in the form of assets;

      viii. the amendment of these articles of association;

      ix. the entering into of a merger or demerger;

      x. the instruction of the management board to apply for the Company's bankruptcy; and

      xi. the Company's dissolution;

   b. calling for a payment as referred to in article 7.1;

   c. the acquisition of shares by the Company in its own capital, including the determination of the value of a non-cash consideration for such an acquisition as referred to in article 9.4;

   d. the drawing up or amendment of management board rules;

   e. the performance of the legal acts described in article 15.3;

   f. the charging of amounts to be paid up on shares against the Company's reserves as described in article 32.7;

   g. the making of an interim distribution;

   h. the determination of the Company's strategy, including those resolutions that may have a material impact on the Company's strategy;

   i. the adoption of the Company's business plan or budget, as well as any material amendment to or material deviation from the prevailing business plan or budget;

   j. the sale or disposition of all, or an essential part of, the Company's assets;

   k. the issuance or acquisition of shares and of debentures chargeable against the Company or chargeable against a limited partnership (*commanditaire vennootschap*) or a general partnership (*vennootschap onder firma*) of which the Company is a fully liable partner;

l. the application for quotation, or withdrawal of quotation, of the shares or debt of the Company on any stock exchange;

m. the entry into or termination of any long-term, material cooperation by the Company or a Subsidiary with another legal entity or partnership;

n. the Company's investment in the capital of another company in an amount equal to at least one-fourth of the issued capital plus the Company's reserves, as reflected on the Company's most recent balance sheet, as well as a material change to such investment;

o. the termination of a significant number of the Company's employees simultaneously or within a short period of time;

p. a significant change in the employment conditions of the Company's employees; and

q. such other resolutions of the management board as the supervisory board shall have specified in a resolution of the supervisory board to that effect and notified to the management board.

10. The approval of the general meeting is required for resolutions of the management board concerning a material change to the identity or the character of the Company or the business, including in any event:

a. transferring the business or materially all of the business to a third party;

b. entering into or terminating a long-lasting alliance of the Company or of a subsidiary either with another entity or company, or as a fully liable partner of a limited partnership or partnership, if this alliance or termination is of significant importance for the Company; and

c. acquiring or disposing of an interest in the capital of a company by the Company or by a subsidiary with a value of at least one third of the value of the assets, according to the balance sheet with explanatory notes or, if the Company prepares a consolidated balance sheet, according to the consolidated balance sheet with explanatory notes in the Company's most recently adopted annual accounts.

11. The absence of the approval of the supervisory board or the general meeting of a resolution as referred to in articles 16.9 or 16.10, respectively, shall result in the relevant resolution being null and void within the meaning of Section 2:14 of the Dutch Civil Code, but shall not affect the powers of representation of the management board or of the managing directors.

Compensation

Article 17

1. The general meeting shall upon the proposal of the supervisory board determine the Company's policy concerning the compensation of the management board with due observance of the relevant statutory requirements.

2. The compensation of the management board shall be determined by the supervisory board with due observance of the policy referred to in article 17.1.

3. The supervisory board shall submit proposals concerning arrangements in the form of shares or rights to subscribe for shares to the general meeting for approval. This proposal must at least include the number of shares or rights to subscribe for shares that may be awarded to the management board and which criteria apply for such awards or changes thereto.

Representation

Article 18

1. The management board is entitled to represent the Company.

2. If more directors have been appointed, the power to represent the Company shall also vest in any two directors acting jointly.

3. The management board may resolve to grant powers of attorney to represent the Company and to determine the scope of such powers of attorney. If a power of attorney is granted to an individual, the management board may grant an appropriate title to such person.

CHAPTER IV: SUPERVISION OF THE COMPANY

Supervisory board, appointment, suspension and dismissal

Article 19

1. The Company has a supervisory board consisting of at least three and a maximum of seven supervisory directors. A supervisory director must be an individual.

2. The supervisory board shall determine the number of supervisory directors with due observance of article 19.1.

3. The general meeting shall appoint the supervisory directors and may at any time suspend or remove any supervisory director. Supervisory directors are appointed for a maximum period of four (4) years and may be re-appointed up to two (2) times.

4. The general meeting can only appoint a supervisory director upon a nomination by the supervisory board. The general meeting may resolve to render the nomination to be non- binding by a majority of at least two thirds of the votes cast representing more than half of the issued share capital. If a nomination is rendered non-binding, a new nomination shall be made each time by the supervisory board. If the nomination comprises one candidate for a vacancy, a resolution concerning the nomination will result in the appointment of the candidate, unless the nomination is rendered non-binding. A second meeting as referred to in Section 2:120(3) of the Dutch Civil Code shall not be convened.

5. Upon the making of a nomination for the appointment of a supervisory director, the supervisory board shall provide the following information with respect to the candidate:

    a. his name, age and profession;

    b. the aggregate nominal value of the shares held by him in the Company's capital;

    c. his present and past positions, to the extent that these are relevant for the performance of the tasks of a supervisory director;

    d. the names of any entities of which he is already a supervisory director or a non-executive director; if these include entities that form part of the same group, a specification of the group's name shall suffice.

    Each nomination must be supported by reasons. In the case of a reappointment, the manner in which the candidate has fulfilled his duties as a supervisory director shall be taken into account.

6. At a general meeting, a resolution to appoint a supervisory director can only be passed in respect of candidates whose names are stated for that purpose in the agenda of that general meeting or the explanatory notes thereto.

7. The supervisory board shall elect a supervisory director to be the chairman of the supervisory board. The supervisory board may remove the chairman of the supervisory board, in the sense that the supervisory director so removed shall subsequently continue his term of office as a supervisory director without having the title of chairman of the supervisory board.

8. A resolution of the general meeting to suspend or remove a supervisory director shall require a majority of at least two thirds of the votes cast representing more than half of the issued share capital, unless the resolution is passed at the proposal of the supervisory board.

9. If a supervisory director is suspended and the general meeting does not resolve to dismiss him within three months from the date of such suspension, the suspension shall lapse.

10. Each supervisory director shall retire in accordance with a rotation schedule to be included in the supervisory board rules. A retiring supervisory director can be reappointed immediately, subject to such rotation schedule and with due observance of article 19.3.

11. Where a supervisory director is no longer in office or is unable to act, he may be replaced temporarily by a person whom the supervisory board has designated for that purpose and, until then, the other supervisory director(s) shall be charged with the entire supervision of the Company. Where all supervisory directors are no longer in office or are unable to act, the supervision of the Company shall be entrusted temporarily to one or more persons designated by the general meeting for that purpose. The last sentence of article 14.10 applies mutatis mutandis.

Duties and organisation

Article 20

1. The supervisory board is charged with the supervision of the policy of the management board and the general course of affairs of the Company and of the business connected with it. The supervisory board shall provide the management board with advice. In performing their duties, supervisory directors shall be guided by the interests of the Company and of the business connected with it.

2. The management board shall provide the supervisory board with the information necessary for the performance of its tasks in a timely fashion. At least once a year, the management board shall inform the supervisory board in writing of the main features of the strategic policy, the general and financial risks and the administration and control system of the Company.

3. The supervisory board shall draw up supervisory board rules concerning the organisation, decision-making and other internal matters of the supervisory board and its committees, with due observance of these articles of association. In performing their duties, the supervisory directors shall observe and comply with the supervisory board rules.

4. The supervisory board shall establish a compensation committee, an audit committee and a nomination and corporate governance committee and may establish such other committees as deemed to be appropriate by the supervisory board. The supervisory board shall draw up the rules which shall govern the composition, duties, organisation and decision-making of these committees.

Decision-making by the supervisory board. Recording. Conflict of interest

Article 21

1. Without prejudice to article 21.5, each supervisory director may cast one vote at a meeting of the supervisory board.
2. A supervisory director can be represented by another supervisory director holding a written proxy for the purpose of the deliberations and the decision-making of the supervisory board. A supervisory director cannot represent more than one supervisory director.
3. Resolutions of the supervisory board shall be passed, irrespective of whether this occurs at a meeting or otherwise, by absolute majority.
4. Invalid votes, blank votes and abstentions shall not be counted as votes cast.
5. Where there is a tie in any vote of the supervisory board, the chairman of the supervisory board shall have a casting vote.
6. A supervisory director shall not participate in the deliberations and decision-making of the supervisory board on a matter in relation to which he has a direct or indirect personal interest which conflicts with the interests of the Company and of the business connected with it. If, as a result thereof, no resolution can be passed by the supervisory board, the resolution shall nevertheless be passed by the supervisory board.
7. Meetings of the supervisory board can be held through audio- or video-communication facilities, unless a supervisory director objects thereto.
8. Resolutions of the supervisory board may, instead of at a meeting, be passed in writing, provided that all supervisory directors are familiar with the resolution to be passed and none of them objects to this decision-making process. Articles 21.1 through 21.5 apply mutatis mutandis.

Compensation

Article 22

The general meeting may grant a compensation to the supervisory directors.

Indemnity

Article 23

1. The Company shall indemnify each of its indemnified officers against:
    a. any financial losses or damages incurred by such indemnified officer; and
    b. any expense reasonably paid or incurred by such indemnified officer in connection with any threatened, pending or completed suit, claim, action or legal proceedings, whether civil, criminal, administrative or investigative and whether formal or informal, in which he becomes involved, to the extent this relates to his position or former position with the Company, in each case to the fullest extent permitted by applicable law.

2. No indemnification shall be given to an indemnified officer:

   a. if a Dutch court has established, without possibility for appeal, that the acts or omissions of such indemnified officer that led to the financial losses, damages, suit, claim, action or legal proceedings as described in article 23.1 result from either an improper performance of his duties as an officer of the Company or an unlawful or illegal act; and

   b. to the extent that his financial losses, damages and expenses are covered by an insurance and the insurer has settled these financial losses, damages and expenses (or has indicated that it would do so).

3. The supervisory board may stipulate additional terms, conditions and restrictions in relation to the indemnification referred to in article 23.1.

CHAPTER V: GENERAL MEETING

Frequency. Notice. Venue of the general meeting

Article 24

1. Annually, at least one general meeting must be held. This annual general meeting shall be held within six months after the end of the Company's financial year.

2. A general meeting shall also be held:

   a. within three months after the management board has considered it to be likely that the Company's equity has decreased to an amount equal to or lower than half of its paid up and called up capital; and

   b. whenever the management board or the supervisory board so decides.

3. General meetings must be held in the place where the Company has its corporate seat or in Amsterdam, Rotterdam, Schiphol Airport (municipality Haarlemmermeer) or The Hague.

4. If the management board and the supervisory board have failed to ensure that a general meeting as referred to in articles 24.1 or 24.2 paragraph a. is held in a timely fashion, each person with meeting rights may be authorised by the court in preliminary relief proceedings to convene the general meeting.

5. One or more persons with meeting rights who collectively represent at least ten percent (10%) of the Company's issued share capital may request the management board and the supervisory board in writing to convene a general meeting, setting out in detail the matters to be discussed. If neither the management board nor the supervisory board (each in that case being equally authorised for this purpose) has taken the steps necessary to ensure that the general meeting could be held within the relevant statutory period after the request, the requesting person(s) with meeting rights may be authorised, at his/their request, by the court in preliminary relief proceedings to convene a general meeting.

6. Any matter of which the discussion has been requested in writing by one or more persons with meeting rights who, individually or collectively, represent at least three percent (3%) of the Company's issued share capital shall be included in the convening notice or announced in the same manner, if the Company has received the substantiated request or a proposal for a resolution no later than on the sixtieth day prior to that of the general meeting.

7. A general meeting must be convened with due observance of the relevant statutory minimum convening period.

8. All Persons with meeting rights must be convened for a general meeting:

   a. by means of an announcement published on the website, where it shall remain directly and permanently available until the general meeting; and

   b. if so required under applicable law, in a daily newspaper with national distribution.

9. The holders of registered shares may be convened for a general meeting by means of letters sent to the addresses of those shareholders in accordance with article 4.6. The previous sentence does not prejudice the possibility of sending a convening notice by electronic means in accordance with Section 2:113(4) of the Dutch Civil Code.

Procedural rules

Article 25

1. The general meeting shall be chaired as follows, and in the following order of priority:

   a. if there is a chairman of the supervisory board and he is present at the general meeting, by the chairman of the supervisory board;

   b. by another supervisory director present at the general meeting chosen by the supervisory directors present at the general meeting;

   c. if there is a CEO and he is present at the general meeting, by the CEO;

   d. by another managing director present at the general meeting chosen by the managing directors present at the general meeting; or

   e. by another person appointed by the general meeting.

   The person who should chair the general meeting pursuant to paragraphs a. through d. may appoint another person to chair the general meeting instead of him.

2. The chairman of the general meeting shall appoint another person present at the general meeting to act as secretary and to minute the proceedings at the general meeting. Where an official report of the proceedings is drawn up by a civil law notary, no minutes need to be taken. Every managing director and supervisory director may instruct a civil law notary to draw up such an official report at the Company's expense.

3. The chairman of the general meeting shall decide whether persons other than:

   a. persons with meeting rights; and

   b. others with a statutory right to attend the general meeting, shall be admitted to the general meeting.

4. The holder of a written proxy representing a person with meeting rights at a general meeting shall only be admitted to the general meeting if the proxy is determined to be acceptable by the chairman of the general meeting.

5. The Company may direct that any person, before entering a general meeting, identify himself by means of a valid passport or driver's license and to be submitted to such security restrictions or arrangements as the Company may consider to be appropriate under the given circumstances. Persons who do not comply with these requirements or restrictions may be refused entry to the general meeting.

6. The chairman of the general meeting has the right to eject any person from the general meeting if he considers that person to disrupt the orderly proceedings at the general meeting. In case of ejection, the chairman of the general meeting may temporarily adjourn the meeting.

7. The general meeting may be conducted in the English language, if so determined by the chairman of the general meeting.

8. The chairman of the general meeting may limit the amount of time that individuals present at the general meeting are allowed to take in addressing the general meeting and the number of questions they are allowed to raise, with a view to ensuring the orderly proceedings at the general meeting.

Voting rights

Article 26

1. Each person with meeting rights has the right to attend, address and, if applicable, vote at a general meeting, whether in person or represented by the holder of a written proxy. Holders of fractional shares of a certain class, if any, together constituting the nominal value of a share of that class, shall exercise these rights collectively, whether through one of them or through the holder of a written proxy.

2. The management board may decide that each person with meeting rights is entitled, whether in person or represented by the holder of a written proxy, to participate in, address and, if applicable, vote at the general meeting by electronic means of communication. For the purpose of applying the preceding sentence it must be possible, by electronic means of communication, for the person with meeting rights to be identified, to observe in real time the proceedings at the general meeting and, if applicable, to vote. The management board may impose conditions on the use of the electronic means of communication, provided that these conditions are reasonable and necessary for the identification of the person with meeting rights and the reliability and security of the communication. Such conditions must be announced in the convening notice.

3. The management board can also decide that votes cast through electronic means of communication or by means of a letter prior to a general meeting are considered to be votes that are cast during the general meeting. These votes shall not be cast prior to the registration date.

4. For the purpose of articles 26.1 through 26.3, those who have voting rights and/or meeting rights on the registration date and are recorded as such in a register designated by the management board shall be considered to have voting rights and/or meeting rights, as the case may be, irrespective of whoever is entitled to the shares at the time of the general meeting. Subject to mandatory Dutch law, the management board is free to determine, when convening a general meeting, whether the previous sentence applies.

5. As a prerequisite for a person with meeting rights to exercise his meeting rights and, if applicable, his voting rights at a general meeting, that person with meeting rights must notify the Company in writing of his identity and his intention to attend the general meeting. This notice must be sent after the registration date and must be received by the Company ultimately prior to the opening of the general meeting. Persons with meeting rights that have not complied with this requirement may be refused entry to the general meeting.

Decision-making

Article 27

1. Each share, irrespective of which class it concerns, shall give the right to cast one vote at general meetings. For this purpose, fractional shares of a certain class, if any, collectively constituting the nominal value of a share of that class shall be considered to be equivalent to a share of that class.
2. No vote may be cast at a general meeting in respect of a share belonging to the Company or a subsidiary or in respect of a share for which any of them holds the depository receipts. Usufructuaries and pledgees of shares belonging to the Company or its subsidiaries are not, however, precluded from exercising their voting rights if the usufruct or pledge was created before the relevant share belonged to the Company or subsidiary. Neither the Company nor a subsidiary may vote shares in respect of which it holds a usufruct or a pledge.
3. Unless a greater majority is required by law or by these articles of association, all resolutions of the general meeting shall be passed by absolute majority.
4. Invalid votes, blank votes and abstentions shall not be counted as votes cast. Shares in respect of which an invalid or blank vote has been cast and shares in respect of which an abstention has been made shall be taken into account when determining the part of the issued share capital that is present or represented at a general meeting.
5. Where there is a tie in any vote of the general meeting, no resolution shall have been passed.
6. The chairman of the general meeting shall decide on the method of voting and may determine the voting procedure at general meetings.
7. The determination made by the chairman of the general meeting with regard to the results of a vote shall be decisive. However, where the accuracy of the chairman's determination is contested immediately after it has been made, a new vote shall take place if the majority of the general meeting so requires or, where the original vote did not take place by response to a roll call or in writing, if any party with voting rights present at the general meeting so requires. The legal consequences of the original vote shall lapse as a result of the new vote.
8. The management board shall keep a record of the resolutions passed. The record shall be available at the Company's office for inspection by persons with meeting rights. Each of them shall, upon request, be provided with a copy of or extract from the record, at no more than the cost price.
9. The managing directors and the supervisory directors shall, in that capacity, have an advisory vote at general meetings.

Resolutions requiring a prior proposal

Article 28

The following resolutions can only be resolved upon by the general meeting at the proposal of the management board:

a. the issue of shares or the granting of rights to subscribe for shares;

b. the limitation or exclusion of pre-emption rights;

c. the granting of an authorisation as referred to in articles 5.1, 6.5 or 9.2;

d. the reduction of the Company's issued share capital;

e. the granting of an approval as referred to in article 16.10;

f. a distribution to the holders of common shares;

g. the determination that all or part of a distribution, instead of being made in cash, shall be made in the form of shares in the Company's capital or in the form of assets;

h. the amendment of these articles of association;

i. the entering into of a merger or demerger;

j. the instruction of the management board to apply for the Company's bankruptcy; and

k. the Company's dissolution.

Class meetings

Article 29

1. A class meeting shall be held whenever a resolution of that class meeting is required by Dutch law or under these articles of association or whenever the management board or the supervisory board so decides.

2. Without prejudice to article 29.1, for class meetings of common shares, the provisions concerning the convening, drawing up of agendas for, holding of and decision-making at general meetings shall apply mutatis mutandis.

3. For class meetings of preferred shares, the following shall apply:

    a. articles 24.3, 24.9, 25.2, 27.1, 27.2 and 27.4 through 27.9 apply mutatis mutandis;

    b. a class meeting of preferred shares must be convened no later than on the eighth day prior to that of the meeting;

    c. a class meeting of preferred shares shall appoint its own chairman;

    d. all resolutions of a class meeting of preferred shares shall be passed by absolute majority; and

    e. where the rules laid down by these articles of association in relation to the convening, location of or drawing up of agendas for class meetings of preferred shares have not been complied with, legally valid resolutions may still be passed by the class meeting of preferred shares by a unanimous vote at a meeting at which all preferred shares are represented.

4. Holders of preferred shares may pass resolutions in writing instead of at a meeting. However, such resolutions may only be passed by a unanimous vote of all holders of preferred shares. The votes may also be cast electronically.

CHAPTER VI: FINANCIAL YEAR, ANNUAL ACCOUNTS, PROFITS AND LOSSES

Financial year, annual accounts and management report

Article 30

1. The financial year of the Company shall be the calendar year.
2. Each year within the relevant statutory period, the management board shall draw up the annual accounts and the management report and lay them down at the Company's office for the inspection of the shareholders.
3. The annual accounts shall be signed by all managing directors and supervisory directors. If the signature of one or more is missing, this and the reason for such absence shall be stated.
4. The Company shall ensure that the annual accounts, the management report and the particulars to be added pursuant to Section 2:392(1) of the Dutch Civil Code shall be available at its offices as from the convening of the general meeting at which they are to be discussed. Persons with meeting rights are entitled to inspect such documents at that location and to obtain a copy at no cost.
5. The annual accounts shall exclusively be adopted by the general meeting.
6. The general meeting shall instruct an auditor as referred to in Section 2:393 of the Dutch Civil Code to audit the annual accounts. Where the general meeting fails to instruct an auditor, the supervisory board shall be authorised to do so. Where the supervisory board also fails to instruct an auditor, the management board shall be authorised to do so.
7. The instruction may be revoked by the general meeting and by the body that has granted the instruction; an instruction granted by the management board can also be revoked by the supervisory board. The instruction can only be revoked for well-founded reasons; a difference of opinion regarding the reporting or auditing methods shall not constitute such a reason.

Reserves

Article 31

1. The Company may maintain any reserve attached exclusively to the common shares as the management board deems to be appropriate.
2. The Company shall not attach any reserve to the preferred shares.

Entitlement and restrictions

Article 32

1. A distribution can only be made to the extent that the Company's equity exceeds the non-distributable equity.
2. The preferred shares do not carry any entitlement to distributions other than as described in articles 10.2, 33.1 and 34.3.
3. The parties entitled to a distribution shall be the shareholders, usufructuaries and pledgees, as the case may be, as at a date to be determined by the management board for that purpose. This date shall not be earlier than the date on which the distribution was announced.
4. Subject to the other provisions of this article 32, the general meeting may resolve to make a distribution from the Company's reserves.
5. The general meeting may resolve that all or part of such distribution, instead of being made in cash, shall be made in the form of shares in the Company's capital or in the form of assets.

6. The management board may resolve to make interim distributions, provided that it appears from interim accounts to be prepared in accordance with Section 2:105(4) of the Dutch Civil Code that the requirement referred to in article 32.1 has been met, and taking into account the priority of distributions under article 33.1.

7. The management board may resolve to charge amounts to be paid up on shares against the Company's reserves, irrespective of whether those shares are issued to existing shareholders.

8. A distribution shall be payable in such currency and on such date as determined by the management board.

9. A claim for payment of a distribution shall lapse after five years have expired after the distribution was declared.

10. For the purpose of calculating any distribution as referred to in this article 32, shares held by the Company in its own capital shall not be taken into account. No distribution as referred to in this article 32 shall be made to the Company in respect of shares held by it.

Profits

Article 33

1. Subject to article 32.1, the profits shown in the Company's annual accounts in respect of a financial year shall be appropriated as follows, and in the following order of priority:

    a. to the extent that any preferred shares have been cancelled without the payment described in article 10.2 paragraph b. having been made in full on those preferred shares, any such deficit shall be paid to those who held those preferred shares at the moment of such cancellation becoming effective;

    b. to the extent that any preferred distribution (or part thereof) in relation to previous financial years has not yet been paid as described in this article 33.1, any such deficit shall be paid on the preferred shares;

    c. the preferred distribution shall be paid on the preferred shares in respect of the financial year to which the annual accounts pertain;

    d. the management board shall determine which part of the remaining profits shall be added to the Company's reserves; and

    e. any remaining profits shall be at the disposal of the general meeting for distribution to the holders of common shares in proportion to the aggregate nominal value of their common shares.

    To the extent that the distributions described in paragraphs a. through c. (or part thereof) cannot be paid out of the profits shown in the annual accounts, the deficit shall be paid out of the Company's reserves, subject to article 32.1. Distributions on the preferred shares (or to the former holders of preferred shares) as described in this article 33.1 shall be paid in proportion to the amounts paid up (or formerly paid up) on those preferred shares.

    For the avoidance of doubt, the preferred shares shall not carry any entitlement to profits other than as described in this article 33.1.

2. Without prejudice to article 32.1, a distribution of profits shall be made after the adoption of the annual accounts that show that such distribution is allowed.

3. For the purpose of calculating any distribution of profits, shares held by the Company in its own capital shall not be taken into account. No distribution of profits shall be made to the Company in respect of shares held by it.

Dissolution and liquidation

Article 34

1. In the event of the Company being dissolved, the liquidation shall be effected by the management board under the supervision of the supervisory board, unless the general meeting in its resolution to dissolve the Company decides otherwise.

2. To the extent possible, these articles of association shall remain in effect during the liquidation.

3. To the extent that any assets remain after payment of all of the Company's debts, those assets shall be distributed as follows, and in the following order of priority:

    a. the amounts paid up on the preferred shares shall be repaid on those preferred shares;

    b. to the extent that any preferred shares have been cancelled without the payment described in article 10.2 paragraph b. having been made in full on those preferred shares, any such deficit shall be paid to those who held those preferred shares at the moment of such cancellation becoming effective; and

    c. to the extent that any preferred distribution (or part thereof) in relation to financial years prior to the financial year in which the distribution referred to in paragraph a. occurs has not yet been paid as described in article 33.1, any such deficit shall be paid on the preferred shares;

    d. the preferred distribution shall be paid on the preferred shares calculated in respect of the part of the financial year in which the distribution referred to in paragraph a. occurs, for the number of days that have already elapsed during such part of the financial year; and

    e. any remaining assets shall be distributed to the holders of common shares in proportion to the aggregate nominal value of their common shares. Distributions on the preferred shares (or to the former holders of preferred shares) as described in this article 34.3 shall be paid in proportion to the amounts paid up (or formerly paid up) on those preferred shares.

4. For the purpose of calculating any distribution as referred to in article 34.3, shares held by the Company in its own capital shall not be taken into account. No distribution as referred to in article 34.3 shall be made to the Company in respect of shares held by it.

5. After the liquidation has been completed, the Company's books, records and other information carriers shall be kept for the period prescribed by law by the person designated for that purpose in the resolution of the general meeting to dissolve the Company. Where the general meeting has not designated such a person, the liquidators shall do so.

Finally, the person appearing has stated:

1. Before this amendment of the articles of association, the Company's issued capital amounted to seven hundred seventy-six thousand four hundred ninety-four Euro and eight eurocents (EUR 776,494.08) divided into three hundred forty-nine thousand six hundred sixty-nine (349,669) common shares, two hundred twenty-nine thousand fifty-five (229,055) class A shares, three million eight hundred ninety-nine thousand one hundred and four (3,899,104) class B shares and four million one hundred forty-nine thousand eight hundred eighty-four (4,149,884) class C shares, with a nominal value of nine eurocent (EUR 0.09) each.

2. By this deed of amendment all two hundred twenty-nine thousand fifty-five (229,055) class A shares, numbered A1 up to and including A229,055, with a nominal value of nine eurocent (EUR 0.09) are converted into two hundred twenty-nine thousand fifty-five (229,055) common shares, numbered 349,670 up to and including 578,724, with a nominal value of nine eurocent (EUR 0.09), all three million eight hundred ninety-nine thousand one hundred and four (3,899,104) class B shares, numbered B1 up to and including B3,899,104, with a nominal value of nine eurocent (EUR 0.09) are converted into three million eight hundred ninety-nine thousand one hundred and four (3,899,104) common shares, numbered 578,725 up to and including 4,477,828, with a nominal value of nine eurocent (EUR 0.09) and all four million one hundred forty-nine thousand eight hundred eighty-four (4,149,884) class C shares, numbered C1 up to and including C4,149,884, with a nominal value of nine eurocent (EUR 0.09) are converted into four million one hundred forty-nine thousand eight hundred eighty-four (4,149,884) common shares, numbered 4,477,829 up to and including 8,627,712 with a nominal value of nine eurocent (EUR 0.09).

3. After the execution of this deed of amendment of the articles of association the Company's issued capital shall amount to seven hundred seventy-six thousand four hundred ninety-four Euro and eight eurocents (EUR 776,494.08), divided into eight million six hundred twenty-seven thousand seven hundred twelve (8,627,712) common shares, numbered 1 up to and including 8,627,712, with a nominal value of nine eurocent (EUR 0.09) each.

4. A copy of the aforementioned resolution of the general meeting also containing the authorization granted to the person appearing, shall be appended to the original of this deed **(Annex I).**

5. The declaration of an auditor in accordance with Section 2:72 paragraph 1 of the Dutch Civil Code, which must be appended to this deed by virtue of the law, shall be appended to this deed **(Annex II).**

End

This deed, drawn up in one original copy, was executed in Rotterdam, the Netherlands, on the date first before written.

The person appearing is known to me, Notary. I, Notary, have determined the identity of the person appearing by means of a document designated for that purpose. After the substance of this deed had been made known and explained to the person appearing, she declared that she has noted the contents of this deed timely before its execution, agreed to its contents and did not require it to be read out in full.

Subsequently, after a partial reading in accordance with the law, this deed was immediately thereupon signed by the person appearing and by me, Notary.

Exhibit 4.1

MERUS N.V. 2010 EMPLOYEE OPTION PLAN

As amended per 18 May 2016

1. DEFINITIONS AND INTERPRETATIONS

1.1. In this Plan, the following words and expressions shall have, where the context so admits, the meanings set forth below:

Acquirer	has the meaning given to it in Rule 4.1.
Acquiring Company	has the meaning given to it in Rule 4.5.
Bad Leaver	the Participant who is dismissed for (i) cause, as referred to in article 7:678 of the Dutch Civil Code (*dringende reden voor de werkgever*), or (ii) on grounds of termination or nonextension of the agreement for reasons that can mainly be attributed to the relevant Participant concerned (as determined by a decision rendered in legal or arbitration proceedings that has become irrevocable, or a settlement agreement or another private extrajudicial agreement); or (iii) on grounds of the provisions of article 7:685 or 6:265 and further of the Dutch Civil Code, where the reason for termination of the employment agreement or the management agreement can mainly be attributed to the relevant Participant (as determined by a decision rendered in legal or arbitration proceedings that has become irrevocable).
CEO	means the member of the Management Board who is the chief executive officer of the Company.
Company	Merus B.V., a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of the Netherlands, having its corporate seat in Utrecht, the Netherlands, and its offices at Padualaan 8, 3584 CH Utrecht, the Netherlands.
Control	the power of a company, directly or indirectly (i) to exercise more than 50% of the voting rights at a shareholders meeting of a company, or (ii) to appoint or dismiss more than 50% of the directors of the management board or of the members of the supervisory board of a company, or (iii) to direct the management of a company through the exercise of majority votes at directors' meetings of such company.
Date of Grant	the date on which an Option is granted.
Date of Exercise	the day on which an Option is exercised.
Eligible Employee	a person: • who is or has been employed by the Company (including functioning as a member of the Management Board or Supervisory Board of the Company); or

	• who is a third party (advisor/consultant or otherwise) with the prior written approval of the Management Board and the Supervisory Board.
Exercise Price	the price per Share, as determined by the Grantor at the Date of Grant, at which an Eligible Employee may acquire a Share upon the exercise of an Option granted to him, being not less than the nominal value of the underlying Share on the Date of Grant but subject to any adjustment pursuant to Rule 8 of this Plan.
Fair Market Value	means the value of the underlying Share of the Company as determined during the last valuation that took place prior to the Termination Date.
General Meeting of Shareholders	the general meeting of shareholders (*algemene vergadering van aandeelhouders*) of the Company.
Good Leaver	a Participant whose employment or management agreement is terminated, either by himself or by the Company, and who is not a Bad Leaver.
Grantor	the "Grantor" shall mean the Company.
Insider Rules	means the internal rules concerning the dealing in securities as determined and adopted by the Company.
Legal Compliance Officer	the legal compliance officer of the Company from time to time, which initially will be a member of the Management Board.
Management Board	the management board (*raad van bestuur)* of the Company from time to time.
Notice of Exercise	a notice to the Legal Compliance Officer in a form to be determined by the Grantor whereby a Participant notifies the Company of his wish to exercise an Option granted to him under this Plan.
Option Agreement	the Merus B.V. 2010 Employee Option Agreement; an agreement in a form to be determined by the Grantor whereby the Grantor grants Options under this Plan.
Option	subject to Rule 2.5 and the terms and conditions of the Plan, the non-transferable right of the Participant to, at the choice of the Grantor, acquire one Share.
Participant	any Eligible Employee to whom an Option has been granted, or where the context so admits, his legal successor.
Plan	the Merus B.V. 2010 Employee Option Plan as amended from time to time.

Retirement	the cessation of employment in circumstances, which the Grantor regards as retirement (whether at normal retirement age or any other age).
Rules	the rules of the Plan as amended from time to time.
Share	a fully paid up common share in the capital of the Company.
Supervisory Board	the supervisory board (*raad van commissarissen*) of the Company from time to time.
Tax Liability	a liability, on the part of the Company, to account for any tax, social security or other levy in respect of an Option for which the person entitled to the Option is liable, whether by reason of grant, Vesting, exercise or otherwise, including for the avoidance of doubt but without limitation any liability arising after termination of a Participant's employment for whatever reason and which may arise or be incurred in any jurisdiction whatever, and by the law of the same jurisdiction may or shall be recovered from the person entitled to the Option.
Termination Date	the date on which a Participant ceases to hold office or employment.
Tranche	the part of the number of Options granted under the Option Agreement that Vest in line with the vesting scheme as set out in the Option Agreement.
Vest	the point at which an Option becomes exercisable and "Vesting" and "Vested" shall be construed accordingly.
Vesting Commencement Date	the date on which the Vesting commences, as stipulated in the Option Agreement.
Vesting Date	the date on which an Option or Tranches will become exercisable.

1.2 Where the context so admits or requires words importing the singular shall include the plural and vice versa and words importing the masculine shall include the feminine.

1.3. Reference in the Rules to any statutory provisions are to these provisions as amended, extended or re-enacted from time to time, and shall include any regulations made thereunder.

1.4. The headings in the Rules are for the sake of convenience only and should be ignored when construing the Rules.

2. GRANT OF OPTIONS

2.1. Whether the Grantor will grant Options will be decided as follows:

(a) with respect to Options to be granted to the members of the Supervisory Board , the Shareholders' Meeting will decide. Any resolution to that effect can only be adopted with a majority of two thirds of the votes cast in a meeting in which two third of the issued share capital of the Company is present or represented;

(b) with respect to Options to the members of the Management Board, the Supervisory Board will decide;

(c) with respect to Options to Eligible Employees who are not members of the Management Board or Supervisory Board the Management Board will decide, subject to the prior approval of the Supervisory Board.

In case the Grantor wishes to grant Options as referred to under (a) above, the Grantor shall request a Shareholders' Meeting to be convened in order to adopt a resolution to that effect.

With respect to the Options referred to under (b) and (c) above, the Shareholders' Meeting has designated the Supervisory Board and the Management Board respectively thereto by resolution dated January 21, 2009.

Subject to (a), (b) and (c) of this Rule the Grantor has a discretionary power to grant Options to such Eligible Employees as it shall determine and to determine the conditions under which such Options are granted.

Subject to the Rules of this Plan a Participant shall receive Options granted with an Exercise Price as specified in the Option Agreement.

Each and every grant of an Option is subject to the Insider Rules of the Company once these have been adopted.

2.2. The grant of an Option or the delivery of any Share following its exercise shall be subject to:

(a) obtaining the required internal corporate approvals; and

(b) obtaining any approval or consent required under any applicable laws, regulations of governmental authority and the requirements of any recognised stock exchange on which the Shares are traded.

2.3. The grant of an Option shall be evidenced by an Option Agreement, sent to the Eligible Employee on behalf of the Grantor by the chairman of the Supervisory Board or by the CEO, which document may relate to an individual Option or any number of Options granted at the same time. The Option Agreement must at least state:

the date of grant;

(a) the number of Shares over which Options have been granted to the Participant;

(b) the Exercise Price;

(c) the Vesting Commencement Date and Vesting Date and/or Vesting Dates;

(d) the date on which the Options will lapse pursuant to Rule 3.3(a)

2.4. Subject to Rule 6 of this Plan no payment by the Participant shall be required on the grant of Options.

2.5. Subject to the rights of exercise by the Participant's legal successors in the event of a Participant's death, every Option shall be personal to the Participant to whom it is granted and shall not be transferable, in any way alienable or capable of being encumbered and may not be contributed to the net wealth of an enterprise *(vermogen van een onderneming)*.

2.6. The Participant can accept a grant of Options only in whole. Acceptance takes place by returning a signed copy of the Option Agreement to the Legal Compliance Officer, which should be received ultimately on the latest moment of (1) sixty (60) days of the Date of Grant or (2) 30 Days of the date of adoption of this Plan. Grants of Options that are not accepted in accordance with this Rule 2.6, will lapse automatically with immediate effect and without any consideration due. By accepting a grant of Options the Participant accepts the Rules of the Plan and all other regulations and documents relating to the granted Options.

3. RIGHTS OF EXERCISE AND LAPSE OF OPTIONS

3.1. Any Option granted to the Eligible Employee under this Plan, will Vest following the Vesting Scheme set out in the Option Agreement and furthermore in accordance with the conditions as set out in the Option Agreement.

3.2. If a Participant ceases to hold office or employment unvested Options shall lapse on the Termination Date, unless the Grantor, acting reasonably and given the specific circumstances of the Participant, determines otherwise, in which event the Grantor in its sole discretion and acting reasonably, shall determine the extent, and the terms, of the Participant's continued participation in the Plan.

3.3. Vested Options shall lapse upon the occurrence of the earliest of the following events:

(a) the eight (8th) anniversary of the Date of Grant;

(b) the expiry of any of the periods specified in Rules 4.1, 4.3 and 4.4;

(c) (for the Participant ceasing to hold an office or employment or giving or being given notice to terminate employment) on the first (1) anniversary of the Termination Date;

(d) subject to Rule 4.4, the passing of an effective resolution, or the making of an order by any court, for the winding-up of the Company;

(e) subject to Rule 4.3, the Participant or his legal successor being deprived of the legal or beneficial ownership of the relevant Options by operation of law or being declared bankrupt or having applied for temporary suspension of payment (*surséance van betaling*), unless the Grantor in its absolute discretion determines otherwise;

(f) the Participant purporting to transfer or dispose of the Options or any rights in respect of it other than as permitted under Rule 2.5;

(g) On the Termination Date in the event the Participant becomes a Bad Leaver.

4. TAKEOVER, RECONSTRUCTION AND WINDING-UP

4.1. Subject to Rule 4.5, if any person or legal entity (the "**Acquirer**") obtains Control of the Company as a result of making an offer to acquire the whole or part of the issued share capital of the Company or through any other means, which is either made without any condition or which is made on a condition such that if it is satisfied the Acquirer will have Control of the Company, Options will Vest upon such acquisition of Control and may be exercised during a period of one (1) month thereafter (or such period as the Grantor may determine). The Legal Compliance Officer shall notify Participants in writing as soon as possible and in any event with sufficient time to exercise their Options. Such exercise of Options shall be done in accordance with any procedure set down by the Grantor.

4.2. For the purpose of Rule 4.1 a person or legal entity shall be deemed to have obtained Control of the Company if he and others acting in concert with him have together obtained Control of it. For the purpose of this Rule 4.2 persons shall be treated as "acting in concert" if pursuant to an agreement or understanding (whether formal or informal) they actively cooperate through the acquisition by any of them of Shares to obtain Control of the Company.

4.3. Subject to Rule 4.5, if the Company or its legal successor applies for temporary suspension of payments (*surséance van betaling*) or in the event of a restructuring of the Company aimed at restructuring the Company's debts, at the sole discretion of the Grantor, the Grantor may decide that Options will immediately Vest and under what conditions.

4.4. If a resolution of the General Meeting of Shareholders to voluntarily wind-up the Company (*ontbinden*) has been duly adopted, the Company shall notify all Participants. Subject to Rule 4.5, Options will Vest and may be exercised during a period of one (1) month thereafter (or such period as the Grantor otherwise determines) and in each case conditionally on the resolution being duly passed.

4.5. Rules 4.1, 4.3 and 4.4 above shall not apply where:

(a) Control of the Company is obtained prior to the adoption of this Plan;

(b) the events form part of a scheme or arrangement whereby Control of the Company is obtained by another person or company (the "**Acquiring Company**");

(c) immediately after the Acquiring Company obtains Control, the issued share capital of the Acquiring Company is directly or indirectly owned substantially by the same persons or companies (or their legal successors) who were shareholders of the Company immediately prior to the Acquiring Company obtaining Control;

(d) the Acquiring Company has agreed to grant new options in consideration for the release of any Options which have not lapsed or for any options on shares in the Company's capital, and

(e) the Acquiring Company obtains Control in connection to a financing of the Company, whether privately done of by means of an I PO.

4.6. If the Grantor becomes aware that the Company is expected to be, or has been, affected by any demerger, dividend, dividend in specie, super dividend or other transaction which, in the opinion of the Grantor could affect (or has affected) the current or future value of any Option, the Grantor has the discretionary power, acting reasonably, to determine new, or replace the, conditions of Vesting, or any such other terms and conditions of the Options that may be required.

4.7. Where Rules 4.1, 4.3 or 4.4 apply, Options shall lapse to the extent not already exercised following the expiry of any specified period.

5. MANNER OF EXERCISE

5.1. An Option may only be exercised by a Participant in its entirety.

5.2. An Option may only be exercised to the extent Vested and in accordance with the conditions as set out in the Option Agreement.

5.3. Subject to the Rules of this Plan and the Option Agreement, Options may be exercised by the receipt of a Notice of Exercise by the Legal Compliance Officer, which is completed and signed by the Participant, covering at least all the Shares over which the Options are then to be exercised unless the Grantor determines that a different exercise procedure should apply.

5.4. Payment of the Exercise Price must be made by the Participant in such manner and at such moment prior to the issue or transfer of the Shares as the Management Board shall direct.

5.5. Once such rules have been adopted in accordance with Rule 2. 1, each exercise of an Option is subject to the Insider Rules of the Company as applicable from time to time. Where any exercise would temporarily be prohibited by law, securities regulations, or the dealing or insider trading rules of or applicable to the Company, the exercise period shall be extended with the length of such period of prohibition provided that an Option may not be exercised after the expiry of the Option in accordance with any Rule of this Plan.

6. TAX LIABILITY

6.1. The Participant shall be responsible for and shall indemnify the Company against any Tax Liability. Without prejudice to Rule 6.2 below, the Company may withhold any amounts from the Participant's net pay for the relevant pay period or make such arrangements as are necessary to satisfy any Tax Liability.

6.2. In the event that any Tax Liability becomes due on the exercise of Options, the Participant will be deemed to have given irrevocable instructions to the Company (or any other person acceptable to the Company) for the sale of sufficient Shares acquired on the exercise of Options to realize an amount equal to the Tax Liability and the payment of the Tax Liability to the Company, unless:

(a) the Company is able to deduct an amount equal to the whole of the Tax Liability from the Participants net pay for the relevant pay period; or

(b) the Participant has paid to the Company an amount equal to the Tax Liability; or

(c) the Grantor determines otherwise.

7. ISSUE OR TRANSFER OF SHARES

7.1. Subject to the Rules of this Plan, including but not limited to Rule 6, and to having received the Exercise Price, the Grantor, in its sole discretion, shall decide whether the Company shall:

(a) procure the issue or transfer of such number of Shares to be transferred to the Participant pursuant to the exercise of an Option; or

(b) settle the Options specified in the Notice of Exercise in cash, it being understood that the default settlement mechanism will be settlement through the issue or transfer of Shares covered by the Options.

7.2. The issue or transfer of any Shares under the Plan shall be subject to obtaining any such approval or consent as is mentioned in Rule 2.2 and the Participant signing all documents relevant for the issue of Shares to the Participant.

8. ADJUSTMENTS

8.1. The number of Shares over which Options are granted, the conditions of exercise and the Exercise Price thereof (and where Options have been exercised, but no Shares have been issued or transferred pursuant to such exercise, the number of Shares which may be so issued or transferred and the price at which they may be acquired) shall be adjusted in such manner as the Grantor shall in consultation with the CEO determine following any capitalisation issue, merger, any offer or invitation made by way of rights, subdivision, consolidation, reduction, other variation in the share capital of the Company, demerger, dividend, dividend in specie, super dividend or other corporate event which in the reasonable opinion of the Grantor justifies such an adjustment.

8.2. The Grantor or the Legal Compliance Officer may take such steps as it or he may consider necessary to notify Participants of any adjustment made under this Rule 8.

9. ADMINISTRATION

9.1. The Plan shall be administered by the Management Board, assisted by the Legal Compliance Officer should the Legal Compliance Officer not be a member of the Management Board. The Management Board shall have full authority, consistent with the Plan, to administer the Plan, including authority to interpret and construe any provision of the Plan, to amend the Plan, to correct any errors or mistakes of procedure, and to adopt such regulations for administering the Plan and such forms of exercise as it may deem necessary or appropriate. Decisions of the Management Board shall be final and binding on all parties. The Legal Compliance Officer will keep a register showing the number of Options granted to each Participant, the Exercise Price related to such Options and the further conditions pursuant to which the Options are granted. Furthermore, the Legal Compliance Officer will supervise that the Plan is administered in accordance with the applicable laws and regulations.

9.2. Any notice or other communication under or in connection with the Plan may be given by personal delivery or by sending the same by electronic means or mail, in the case of a company to its registered office, and in the case of an individual to his last known

address, or, where he is a director or employee of the Company, either to his last known address or to the address of the place of business at which he performs the whole or substantially the whole of the duties of his office or employment, and where a notice or other communication is given by mail, it shall be deemed to have been received 72 hours after it was put into the mail properly addressed and stamped, and if by electronic means, when the sender receives a non automatically generated electronic confirmation of receipt.

9.3. The Company may distribute to Participants copies of any notice or document normally sent by the Company to the holders of Shares.

9.4 The costs of introducing and administering the Plan shall be borne by the Company.

10. ALTERATIONS

10.1. Subject to this Rule 10, the Management Board may at any time alter or add to all or any of the provisions of the Plan in any respect. Amendments other than the adjustments as set forth in Rules 4.6, 8.1 and 10.3 will require the prior approval of the General Meeting of Shareholders and any resolution to that effect can only be adopted by two thirds of the votes cast in a meeting in which two third of the issued share capital is present or represented.

10.2. Subject to Rule 10.3 and without prejudice to Rule 10.1, the prior approval of the General Meeting of Shareholders shall in any event be required for the following alterations or additions to the material advantage of Participants to:

(a) the persons to whom Options may be granted under the Plan;

(b) the principal terms of the Options;

(c) the determination of the Exercise Price;

(d) the rights of Participants in the event of a variation of the share capital; and

(e) the terms of this Rule 10.2.

Any resolution to this effect can only be adopted by the General Meeting of Shareholders with two thirds of the votes cast in a meeting in which two third of the issued share capital is present or represented.

10.3. Approval by the General Meeting of Shareholders shall not be required for any minor alteration or addition, which is to benefit the administration of the Plan.

10.4. Except to the extent required by law, no alteration or addition shall be made under Rule 10.1 which would materially abrogate or adversely affect the subsisting rights of a Participant unless it is made with the written consent of the Participant so adversely affected.

10.5. As soon as reasonably practicable after making any alteration or addition under Rule 10. 1, the Grantor or the Legal Compliance Officer shall give written notice thereof to any Participant materially affected thereby.

10.6. No alteration to the Plan under this Rule 10 shall require the consent of any person unless expressly provided by laws or regulations or in the Rules.

11. LEGAL ENTITLEMENT

11.1. The Plan shall not form part of a Participant's employment contract or terms and conditions of employment. Furthermore, nothing in the Plan, or in any regulations pursuant to it shall confer on any person any right to continue in employment, nor will it affect the right of any provider of any service relationship to terminate the employment of any person without liability at any time with or without cause, nor will it impose upon the Grantor or any other person any duty or liability whatsoever (whether in contract, tort, or otherwise howsoever) in connection with:

(A) the lapse of any Option pursuant to the Plan;

(B) the failure or refusal to exercise any discretion under the Plan; and/or

(C) a Participant ceasing to be a person who has a service relationship for any reason whatever.

11.2. Options shall not (except as may be required by taxation law) form part of the emoluments of individuals or count as wages or remuneration for pension or other purposes.

11.3. Nothing in the Plan shall be deemed to give any employee of the Company any right to participate in the Plan.

11.4. Any person who ceases to have the status or relationship of an employee with the Company as a result of the termination of his employment for any reason and however that termination occurs, whether lawfully or otherwise, shall not be entitled and shall be deemed irrevocably to have waived any entitlement by way of damages for dismissal or by way of compensation for loss of office or employment or otherwise to any sum, damages or other benefits to compensate that person for the loss of alteration of any rights, benefits or expectations in relation to any Option, the Plan or any instrument executed pursuant to it.

12. DATA PROTECTION

12.1. By participating in the Plan, the Participant consents to the holding and processing of personal data provided by the Participant to the Company for all purposes relating to the operation of the Plan. These include, but are not limited to:

(A) Administering and maintaining Participant records;

(B) Providing information to trustees of any employee benefit trust, registrars, brokers savings carrier or other third party administrators of the Plan; and

(C) Providing information to future purchasers of the Company or the business in which the Participant works.

12.2. By participating in the Plan, the Participant consents to the transfer of personal data to persons within the European Union and jurisdictions outside the European Union, for all purposes relating to the operation of the Plan.

13. GENERAL

13.1. No Option may be granted, exercised, released or surrendered at a time when such grant, exercise, release or surrender would not be in accordance with applicable laws and regulations as amended from time to time.

13.2. The Plan shall terminate at the date of the passing of a resolution by the General Meeting of Shareholders to this effect. Termination of the Plan will be without prejudice to the subsisting rights of Participants.

13.3. These Rules, any Option Agreement and all Options granted shall be governed by and construed in accordance with the laws of the Netherlands. The competent court in Amsterdam, the Netherlands shall have exclusive jurisdiction to settle any dispute in connection with this Plan or Option Agreement.

Exhibit 4.2

MERUS N.V.
2016 INCENTIVE AWARD PLAN

ARTICLE I.
PURPOSE

The Plan's purpose is to enhance the Company's ability to attract, retain and motivate persons who make (or are expected to make) important contributions to the Company by providing these individuals with equity ownership opportunities. Capitalized terms used in the Plan are defined in Article XI.

ARTICLE II.
ELIGIBILITY

Service Providers are eligible to be granted Awards under the Plan, subject to the limitations described herein.

ARTICLE III.
ADMINISTRATION AND DELEGATION

3.1 Administration. The Plan is administered by the Administrator.

3.2 Grant Authority. Subject to the conditions and limitations in the Plan and Applicable Laws, (a) the Supervisory Board has authority to grant Awards and set Award terms and conditions for Service Providers that are members of the Management Board, and (b) the Management Board has authority to grant Awards and set Award terms and conditions for any other Service Providers who are not members of the Supervisory Board. The members of the Supervisory Board will be granted Awards in accordance with the Merus N.V. Supervisory Board Member Compensation Program as determined by the general meeting of shareholders of the Company.

3.3 With due observance of the division of authority described in Section 3.2 hereof, the Administrator has the authority to take all actions and make all determinations under the Plan, to interpret the Plan and Award Agreements on behalf of the Company and to adopt, amend and repeal Plan administrative rules, guidelines and practices as it deems advisable. The Administrator may correct defects and ambiguities, supply omissions and reconcile inconsistencies in the Plan or any Award as it deems necessary or appropriate to administer the Plan and any Awards. The Administrator's determinations under the Plan are in its sole discretion. Notwithstanding anything in the Plan to the contrary, all actions taken by the Management Board under the Plan shall be subject to the conditions and limitations set forth in the Management Board Rules of Procedure.

3.4 Appointment of Committees. To the extent the Articles and Applicable Laws permit, the Management Board and/or the Supervisory Board may delegate any or all of its powers under the Plan to one or more Committees or officers of the Company or any of its Subsidiaries. The Management Board or the Supervisory Board, respectively, may abolish any Committee it established or re-vest in itself any previously delegated authority at any time.

ARTICLE IV.
SHARES AVAILABLE FOR AWARDS

4.1 Number of Shares. Subject to adjustment under Article VIII and the terms of this Article IV, Awards may be made under the Plan covering up to the Overall Share Limit. As of the Plan's effective date under Section 10.3, the Company will cease granting awards under the Prior Plans; however, Prior Plan Awards will remain subject to the terms of the applicable Prior Plan. Shares issued under the Plan may consist of authorized but unissued Shares, Shares purchased on the open market or treasury Shares.

4.2 Share Recycling. If all or any part of an Award expires, lapses or is terminated, exchanged for cash, surrendered, repurchased, canceled without having been fully exercised or forfeited, in any case, in a manner that results in the Company acquiring Shares covered by the Award at a price not greater than the price (as adjusted to reflect any Equity Restructuring) paid by the Participant for such Shares or not issuing any Shares covered by the Award, the unused Shares covered by the Award will again be available for Award grants under the Plan. Further, Shares delivered (either by actual delivery or attestation) to the Company by a Participant to satisfy the applicable exercise or purchase price of an Award and/or to satisfy any applicable tax withholding obligation (including Shares retained by the Company from the Award being exercised or purchased and/or creating the tax obligation) will again be available for Award grants under the Plan. The payment of Dividend Equivalents in cash in conjunction with any outstanding Awards shall not count against the Overall Share Limit.

4.3 Substitute Awards. With due observance of the division of authority described in Section 3.2 hereof, in connection with an entity's merger or consolidation with the Company or the Company's acquisition of an entity's property or stock, the Administrator may grant Awards in substitution for any options or other stock or stock-based awards granted before such merger or consolidation by such entity or its affiliate. Substitute Awards may be granted on such terms as the Administrator deems appropriate, notwithstanding limitations on Awards in the Plan. Substitute Awards will not count against the Overall Share Limit (nor shall Shares subject to a Substitute Award be added to the Shares available for Awards under the Plan as provided above), except that Shares acquired by exercise of substitute Incentive Stock Options will count against the maximum number of Shares that may be issued pursuant to the exercise of Incentive Stock Options under the Plan. Additionally, in the event that a company acquired by the Company or any Subsidiary or with which the Company or any Subsidiary combines has shares available under a pre-existing plan approved by stockholders and not adopted in contemplation of such acquisition or combination, the shares available for grant pursuant to the terms of such pre-existing plan (as adjusted, to the extent appropriate, using the exchange ratio or other adjustment or valuation ratio or formula used in such acquisition or combination to determine the consideration payable to the holders of common stock of the entities party to such acquisition or combination) may be used for Awards under the Plan and shall not reduce the Shares authorized for grant under the Plan (and Shares subject to such Awards shall not be added to the Shares available for Awards under the Plan as provided above); provided that Awards using such available shares shall not be made after the date awards or grants could have been made under the terms of the pre-existing plan, absent the acquisition or combination, and shall only be made to individuals who were not Employees or members of the Management Board or Supervisory Board prior to such acquisition or combination.

ARTICLE V.
STOCK OPTIONS AND STOCK APPRECIATION RIGHTS

5.1 General. With due observance of the division of authority described in Section 3.2 hereof, the Administrator (i) may grant Options or Stock Appreciation Rights to Service Providers subject to the limitations in the Plan, including any limitations in the Plan that apply to Incentive Stock Options, and (ii) will determine the number of Shares covered by each Option and Stock Appreciation Right, the exercise price of each Option and Stock Appreciation Right and the conditions and limitations applicable to the exercise of each Option and Stock Appreciation Right. A Stock Appreciation Right will entitle the

Participant (or other person entitled to exercise the Stock Appreciation Right) to receive from the Company upon exercise of the exercisable portion of the Stock Appreciation Right an amount determined by multiplying the excess, if any, of the Fair Market Value of one Share on the date of exercise over the exercise price per Share of the Stock Appreciation Right by the number of Shares with respect to which the Stock Appreciation Right is exercised, subject to any limitations of the Plan or that the Administrator may impose and payable in cash, Shares valued at Fair Market Value or a combination of the two as the Administrator may determine or provide in the Award Agreement.

5.2 Exercise Price. The Administrator will establish each Option's and Stock Appreciation Right's exercise price and specify the exercise price in the Award Agreement. Unless otherwise determined by the Administrator, the exercise price will not be less than 100% of the Fair Market Value on the grant date of the Option or Stock Appreciation Right. Notwithstanding the foregoing, if on the last day of the term of an Option or Stock Appreciation Right the Fair Market Value of one Share exceeds the applicable exercise or base price per Share, the Participant has not exercised the Option or Stock Appreciation Right and remains employed by the Company or one of its Subsidiaries and the Option or Stock Appreciation Right has not expired, the Option or Stock Appreciation Right shall be deemed to have been exercised by the Participant on such day with payment made by withholding Shares otherwise issuable in connection with its exercise. In such event, the Company shall deliver to the Participant the number of Shares for which the Option or Stock Appreciation Right was deemed exercised, less the number of Shares required to be withheld for the payment of the total purchase price and required withholding taxes; provided, however, any fractional Share shall be settled in cash.

5.3 Duration of Options. Each Option or Stock Appreciation Right will be exercisable at such times and as specified in the Award Agreement, provided that the term of an Option or Stock Appreciation Right will not exceed ten (10) years. Notwithstanding the foregoing and unless determined otherwise by the Company, in the event that on the last business day of the term of an Option or Stock Appreciation Right (other than an Incentive Stock Option) (i) the exercise of the Option or Stock Appreciation Right is prohibited by Applicable Law, as determined by the Company, or (ii) Shares may not be purchased or sold by the applicable current or former Service Provider due to any Company insider trading policy (including blackout periods) or a "lock-up" agreement undertaken in connection with an issuance of securities by the Company, the term of the Option or Stock Appreciation Right shall be extended for a period of thirty (30) days following the end of the legal prohibition, black-out period or lock-up agreement, as determined by the Company; provided, however, in no event shall the extension last beyond the ten year term of the applicable Option or Stock Appreciation Right unless the exercise would violate an Applicable Law. Notwithstanding the foregoing, if the Participant, prior to the end of the term of an Option or Stock Appreciation Right, violates the non-competition, non-solicitation or confidentiality provisions of any employment contract, confidentiality and nondisclosure agreement or other agreement between the Participant and the Company or any of its Subsidiaries, the right to exercise the Option or Stock Appreciation Right, as applicable, may, as determined by the Administrator, terminate immediately upon such violation. In addition, if, prior to the end of the term of an Option or Stock Appreciation Right, the Participant is given notice by the Company or any of its Subsidiaries of the termination of his or her employment or other service relationship, or the employment or other service relationship is otherwise terminated for Cause, the right to exercise the Option or Stock Appreciation Right, as applicable, shall be suspended from the time of the delivery of such notice or, in the event of other termination, as of the initiation thereof, until the earlier of (i) such time as it is determined or otherwise agreed that the Participant's employment or other relationship shall not be terminated for Cause or (ii) the effective date of the initiation of such termination of employment or other relationship (in which case the right to exercise the Option or Stock Appreciation Right, as applicable, shall terminate immediately upon the effective date of such termination of employment or other service relationship).

5.4 Exercise. Options and Stock Appreciation Rights may be exercised by delivering to the Company a written notice of exercise, in a form the Administrator approves (which may be electronic), signed by the person authorized to exercise the Option or Stock Appreciation Right, together with, as applicable, payment in full (i) as specified in Section 5.5 for the number of Shares for which the Award is exercised and (ii) as specified in Section 9.4 for any applicable taxes. Unless the Administrator otherwise determines, an Option or Stock Appreciation Right may not be exercised for a fraction of a Share.

5.5 Payment Upon Exercise. Subject to Section 10.7, any Company insider trading policy (including blackout periods) and Applicable Laws, the exercise price of an Option must be paid by:

(a) cash, wire transfer of immediately available funds or by check payable to the order of the Company; provided, that, the Company may limit the use of one of the foregoing exercise methods if one or more of the exercise methods below is permitted;

(b) if there is a public market for Shares at the time of exercise, unless the Company otherwise determines, (A) delivery (including telephonically to the extent permitted by the Company) of an irrevocable and unconditional undertaking by a broker acceptable to the Company to deliver promptly to the Company sufficient funds to pay the exercise price, or (B) the Participant's delivery to the Company of a copy of irrevocable and unconditional instructions to a broker acceptable to the Company to deliver promptly to the Company cash or a check sufficient to pay the exercise price; provided that such amount is paid to the Company at such time as may be required by the Administrator;

(c) to the extent permitted by the Administrator, delivery (either by actual delivery or attestation) of Shares owned by the Participant valued at their Fair Market Value;

(d) to the extent permitted by the Administrator, surrendering Shares then issuable upon the Option's exercise valued at their Fair Market Value on the exercise date;

(e) to the extent permitted by the Administrator, delivery of a promissory note or any other property that the Administrator determines is good and valuable consideration; or

(f) to the extent permitted by the Company, any combination of the above payment forms approved by the Administrator.

ARTICLE VI.
RESTRICTED STOCK; RESTRICTED STOCK UNITS

6.1 General. With due observance of the division of authority described in Section 3.2 hereof, the Administrator may grant Restricted Stock, or the right to purchase Restricted Stock, to any Service Provider, subject to the Company's right to repurchase all or part of such shares at their issue price or other stated or formula price from the Participant (or to require forfeiture of such shares) if conditions the Administrator specifies in the Award Agreement are not satisfied before the end of the applicable restriction period or periods that the Administrator establishes for such Award. In addition, the Administrator may grant to Service Providers Restricted Stock Units, which may be subject to vesting and forfeiture conditions during the applicable restriction period or periods, as set forth in an Award Agreement. The Administrator will determine and set forth in the Award Agreement the terms and conditions for each Restricted Stock and Restricted Stock Unit Award, subject to the conditions and limitations contained in the Plan.

6.2 Restricted Stock.

(a) Dividends. Participants holding shares of Restricted Stock will be entitled to all ordinary cash dividends paid with respect to such Shares, unless the Administrator provides otherwise in the Award Agreement. In addition, unless the Administrator provides otherwise, if any dividends or distributions are paid in Shares, or consist of a dividend or distribution to holders of Common Stock of property other than an ordinary cash dividend, the Shares or other property will be subject to the same restrictions on transferability and forfeitability as the shares of Restricted Stock with respect to which they were paid.

(b) Share Certificates. The Company may require that the Participant deposit in escrow with the Company (or its designee) any share certificates issued in respect of shares of Restricted Stock, together with a share power endorsed in blank.

6.3 Restricted Stock Units.

(a) Settlement. The Administrator may provide that settlement of Restricted Stock Units will occur upon or as soon as reasonably practicable after the Restricted Stock Units vest or will instead be deferred, on a mandatory basis or at the Participant's election.

(b) Shareholder Rights. A Participant will have no rights of a shareholder with respect to Shares subject to any Restricted Stock Unit unless and until the Shares are delivered in settlement of the Restricted Stock Unit.

(c) Dividend Equivalents. If the Administrator provides, a grant of Restricted Stock Units may provide a Participant with the right to receive Dividend Equivalents. Dividend Equivalents may be paid currently or credited to an account for the Participant, settled in cash or Shares and subject to the same restrictions on transferability and forfeitability as the Restricted Stock Units with respect to which the Dividend Equivalents are granted and subject to other terms and conditions as set forth in the Award Agreement.

ARTICLE VII.
OTHER STOCK OR CASH BASED AWARDS

Other Stock or Cash Based Awards may be granted to Participants, including Awards entitling Participants to receive Shares to be delivered in the future and including annual or other periodic or longterm cash bonus awards (whether based on specified Performance Criteria or otherwise), in each case subject to any conditions and limitations in the Plan. Such Other Stock or Cash Based Awards will also be available as a payment form in the settlement of other Awards, as standalone payments and as payment in lieu of compensation to which a Participant is otherwise entitled. Other Stock or Cash Based Awards may be paid in Shares, cash or other property, as the Administrator determines. With due observance of the division of authority described in Section 3.2 hereof and subject to the provisions of the Plan, the Administrator will determine the terms and conditions of each Other Stock or Cash Based Award, including any purchase price, performance goal (which may be based on the Performance Criteria), transfer restrictions, and vesting conditions, which will be set forth in the applicable Award Agreement.

ARTICLE VIII.
ADJUSTMENTS FOR CHANGES IN COMMON STOCK AND CERTAIN OTHER EVENTS

8.1 Equity Restructuring. In connection with any Equity Restructuring, notwithstanding anything to the contrary in this Article VIII, and with due observance of the division of authority described in Section 3.2 hereof, the Administrator will equitably adjust each outstanding Award as it

deems appropriate to reflect the Equity Restructuring, which may include adjusting the number and type of securities subject to each outstanding Award and/or the Award's exercise price or grant price (if applicable), granting new Awards to Participants, and making a cash payment to Participants. The adjustments provided under this Section 8.1 will be nondiscretionary and final and binding on the affected Participant and the Company; provided that the Administrator will determine whether an adjustment is equitable.

8.2 Corporate Transactions. In the event of any spin-off, Change in Control or any change in any Applicable Laws or accounting principles, the Administrator, with due observance of the division of authority described in Section 3.2 hereof and on such terms and conditions as it deems appropriate, either by the terms of the Award or by action taken prior to the occurrence of such transaction or event (except that action to give effect to a change in Applicable Law or accounting principles may be made within a reasonable period of time after such change) and either automatically or upon the Participant's request, is hereby authorized to take any one or more of the following actions whenever the Administrator determines that such action is appropriate in order to (x) prevent dilution or enlargement of the benefits or potential benefits intended by the Company to be made available under the Plan or with respect to any Award granted or issued under the Plan, (y) to facilitate such transaction or event or (z) give effect to such changes in Applicable Laws or accounting principles:

(a) To provide for the cancellation of any such Award in exchange for either an amount of cash or other property with a value equal to the amount that could have been obtained upon the exercise or settlement of the vested portion of such Award or realization of the Participant's rights under the vested portion of such Award, as applicable; provided that, if the amount that could have been obtained upon the exercise or settlement of the vested portion of such Award or realization of the Participant's rights, in any case, is equal to or less than zero, then the Award may be terminated without payment;

(b) To provide that such Award shall vest and, to the extent applicable, be exercisable as to all shares covered thereby, notwithstanding anything to the contrary in the Plan or the provisions of such Award;

(c) To provide that such Award be assumed by the successor or survivor corporation, or a parent or subsidiary thereof, or shall be substituted for by awards covering the stock of the successor or survivor corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares and/or applicable exercise or purchase price, in all cases, as determined by the Administrator;

(d) To make adjustments in the number and type of shares of Common Stock (or other securities or property) subject to outstanding Awards and/or with respect to which Awards may be granted under the Plan (including, but not limited to, adjustments of the limitations in Article IV hereof on the maximum number and kind of shares which may be issued) and/or in the terms and conditions of (including the grant or exercise price), and the criteria included in, outstanding Awards;

(e) To replace such Award with other rights or property selected by the Administrator; and/or

(f) To provide that the Award will terminate and cannot vest, be exercised or become payable after the applicable event.

8.3 Administrative Stand Still. In the event of any pending share dividend, share split, combination or exchange of shares, merger, consolidation or other distribution (other than normal cash

dividends) of Company assets to shareholders, or any other extraordinary transaction or change affecting the Shares or the share price of Common Stock, including any Equity Restructuring or any securities offering or other similar transaction, for administrative convenience, the Administrator, with due observance of the division of authority described in Section 3.2 hereof, may refuse to permit the exercise of any Award for up to sixty days before or after such transaction.

8.4 General. Except as expressly provided in the Plan or the Administrator's action under the Plan, no Participant will have any rights due to any subdivision or consolidation of Shares of any class, dividend payment, increase or decrease in the number of Shares of any class or dissolution, liquidation, merger, or consolidation of the Company or other corporation. Except as expressly provided with respect to an Equity Restructuring under Section 8.1 above or the Administrator's action under the Plan, no issuance by the Company of Shares of any class, or securities convertible into Shares of any class, will affect, and no adjustment will be made regarding, the number of Shares subject to an Award or the Award's grant or exercise price. The existence of the Plan, any Award Agreements and the Awards granted hereunder will not affect or restrict in any way the Company's right or power to make or authorize (i) any adjustment, recapitalization, reorganization or other change in the Company's capital structure or its business, (ii) any merger, consolidation dissolution or liquidation of the Company or sale of Company assets or (iii) any sale or issuance of securities, including securities with rights superior to those of the Shares or securities convertible into or exchangeable for Shares. The Administrator may treat Participants and Awards (or portions thereof) differently under this Article VIII.

ARTICLE IX.
GENERAL PROVISIONS APPLICABLE TO AWARDS

9.1 Transferability. Except as the Administrator may determine or provide in an Award Agreement or otherwise for Awards, Awards may not be sold, assigned, transferred, pledged or otherwise encumbered, either voluntarily or by operation of law, except by will or the laws of descent and distribution, or, subject to the Administrator's consent, pursuant to a domestic relations order, and, during the life of the Participant, will be exercisable only by the Participant. References to a Participant, to the extent relevant in the context, will include references to a Participant's authorized transferee that the Administrator specifically approves.

9.2 Documentation. Each Award will be evidenced in an Award Agreement, which may be written or electronic, as the Administrator determines. Each Award may contain terms and conditions in addition to those set forth in the Plan.

9.3 Discretion. Except as the Plan otherwise provides, each Award may be made alone or in addition or in relation to any other Award. The terms of each Award to a Participant need not be identical, and the Administrator need not treat Participants or Awards (or portions thereof) uniformly.

9.4 Withholding. Each Participant must pay the Company, or make provision satisfactory to the Administrator for payment of, any taxes required by law to be withheld in connection with such Participant's Awards by the date of the event creating the tax liability. The Company may deduct an amount sufficient to satisfy such tax obligations based on the minimum statutory withholding rates (or such other rate as may be determined by the Company after considering any accounting consequences or costs) from any payment of any kind otherwise due to a Participant. Subject to Section 10.7 and any Company insider trading policy (including blackout periods), Participants may satisfy such tax obligations (i) in cash, by wire transfer of immediately available funds, by check made payable to the order of the Company; provided, that, the Company may limit the use of one of the foregoing methods if one or more of the exercise methods below is permitted, (ii) to the extent permitted by the Administrator, in whole or in part by delivery of Shares, including Shares retained from the Award creating the tax

obligation, valued at their Fair Market Value, (iii) if there is a public market for Shares at the time the tax obligations are satisfied, unless the Company otherwise determines, (A) delivery (including telephonically to the extent permitted by the Company) of an irrevocable and unconditional undertaking by a broker acceptable to the Company to deliver promptly to the Company sufficient funds to satisfy the tax obligations, or (B) delivery by the Participant to the Company of a copy of irrevocable and unconditional instructions to a broker acceptable to the Company to deliver promptly to the Company cash or a check sufficient to satisfy the tax withholding; provided that such amount is paid to the Company at such time as may be required by the Administrator, or (iv) to the extent permitted by the Company, any combination of the foregoing payment forms approved by the Administrator. If any tax withholding obligation will be satisfied under clause (ii) of the immediately preceding sentence by the Company's retention of Shares from the Award creating the tax obligation and there is a public market for Shares at the time the tax obligation is satisfied, the Company may elect to instruct any brokerage firm determined acceptable to the Company for such purpose to sell on the applicable Participant's behalf some or all of the Shares retained and to remit the proceeds of the sale to the Company or its designee, and each Participant's acceptance of an Award under the Plan will constitute the Participant's authorization to the Company and instruction and authorization to such brokerage firm to complete the transactions described in this sentence.

9.5 Amendment of Award; Repricing. With due observance of the division of authority described in Section 3.2 hereof, the Administrator may amend, modify or terminate any outstanding Award, including by substituting another Award of the same or a different type, changing the exercise or settlement date, and converting an Incentive Stock Option to a Non-Qualified Stock Option. The Participant's consent to such action will be required unless (i) the action, taking into account any related action, does not materially and adversely affect the Participant's rights under the Award, or (ii) the change is permitted under Article VIII. Notwithstanding the foregoing or anything in the Plan to the contrary, the Administrator may not except pursuant to Article VIII, without the approval of the shareholders of the Company, reduce the exercise price per share of outstanding Options or Stock Appreciation Rights or cancel outstanding Options or Stock Appreciation Rights in exchange for cash, other Awards or Options or Stock Appreciation Rights with an exercise price per share that is less than the exercise price per share of the original Options or Stock Appreciation Rights.

9.6 Conditions on Delivery of Shares. The Company will not be obligated to deliver any Shares under the Plan or remove restrictions from Shares previously delivered under the Plan until (i) all Award conditions have been met or removed to the Company's satisfaction, (ii) as determined by the Company, all other legal matters regarding the issuance and delivery of such Shares have been satisfied, including any applicable securities laws and stock exchange or stock market rules and regulations, and (iii) the Participant has executed and delivered to the Company such representations or agreements as the Administrator deems necessary or appropriate to satisfy any Applicable Laws. The Company's inability to obtain authority from any regulatory body having jurisdiction, which the Administrator determines is necessary to the lawful issuance and sale of any securities, will relieve the Company of any liability for failing to issue or sell such Shares as to which such requisite authority has not been obtained.

9.7 Acceleration. The Administrator may at any time provide that any Award will become immediately vested and fully or partially exercisable, free of some or all restrictions or conditions, or otherwise fully or partially realizable.

9.8 Cash Payments. Cash payments made to Participants under the Plan will be made in the currency the Participant is ordinarily paid in.

ARTICLE X.
MISCELLANEOUS

10.1 No Right to Employment or Other Status. No person will have any claim or right to be granted an Award, and the grant of an Award will not be construed as giving a Participant the right to continued employment or any other relationship with the Company. The Company expressly reserves the right at any time to dismiss or otherwise terminate its relationship with a Participant free from any liability or claim under the Plan or any Award, except as expressly provided in an Award Agreement.

10.2 No Rights as Shareholder; Certificates. Subject to the Award Agreement, no Participant or Designated Beneficiary will have any rights as a shareholder with respect to any Shares to be distributed under an Award until becoming the record holder of such Shares. Notwithstanding any other provision of the Plan, unless the Administrator otherwise determines or Applicable Laws require, the Company will not be required to deliver to any Participant certificates evidencing Shares issued in connection with any Award and instead such Shares may be recorded in the books of the Company (or, as applicable, its transfer agent or share plan administrator). The Company may place legends on share certificates issued under the Plan that the Administrator deems necessary or appropriate to comply with Applicable Laws.

10.3 Effective Date and Term of Plan. Unless earlier terminated by the Management Board, subject to the approval of the Supervisory Board, the Plan will become effective on the day prior to the Public Trading Date (the "Effective Date") and will remain in effect until the tenth (10^{th}) anniversary of the earlier of (i) the date the General Meeting adopted the Plan or (ii) the date the Company's shareholders approved the Plan, but Awards previously granted may extend beyond that date in accordance with the Plan. No Awards may be granted under the Plan during any suspension period or after Plan termination.

10.4 Amendment of Plan. The Management Board, subject to the approval of the Supervisory Board, may amend, suspend or terminate the Plan at any time; provided that no amendment, other than an increase to the Overall Share Limit, may materially and adversely affect any Award outstanding at the time of such amendment without the affected Participant's consent. Awards outstanding at the time of any Plan suspension or termination will continue to be governed by the Plan and the Award Agreement, as in effect before such suspension or termination. The Administrator will obtain shareholder approval of any Plan amendment to the extent necessary to comply with the Articles or Applicable Laws.

10.5 Provisions for Foreign Participants. The Administrator may modify Awards granted to Participants who are employed outside the Netherlands or establish subplans or procedures under the Plan to address differences in laws, rules, regulations or customs of such foreign jurisdictions with respect to tax, securities, currency, employee benefit or other matters.

10.6 Limitations on Liability. Notwithstanding any other provisions of the Plan, no individual acting as a director, officer, other employee or agent of the Company or any Subsidiary will be liable to any Participant, former Participant, spouse, beneficiary, or any other person for any claim, loss, liability, or expense incurred in connection with the Plan or any Award, and such individual will not be personally liable with respect to the Plan because of any contract or other instrument executed in his or her capacity as an Administrator, director, officer, other employee or agent of the Company or any Subsidiary. The Company will indemnify and hold harmless each director, officer, other employee and agent of the Company or any Subsidiary that has been or will be granted or delegated any duty or power relating to the Plan's administration or interpretation, against any cost or expense (including attorneys' fees) or liability (including any sum paid in settlement of a claim with the Administrator's approval) arising from any act or omission concerning this Plan unless arising from such person's own fraud or bad faith.

10.7 Lock-Up Period. The Company may, at the request of any underwriter representative or otherwise, in connection with registering the offering of any Company securities under the Securities Act,prohibit Participants from, directly or indirectly, selling or otherwise transferring any Shares or other Company securities during a period of up to one hundred eighty days following the effective date of a Company registration statement filed under the Securities Act, or such longer period as determined by the underwriter. During any such period and unless determined otherwise by the Administrator, a Participant subject to tax in the Netherlands (i) shall not sell Shares under any circumstances and may not directly or indirectly assign, transfer, pledge or otherwise encumber any Shares or take any action to avoid the impact of such restriction, (ii) shall, at the Administrator's request, represent to the Company that the Participant has complied with these restrictions so that the Administrator may monitor Participant's compliance and (iii) bear the risk of any potential decrease of the market value of the shares during the Lock-Up period.

10.8 Data Privacy. As a condition for receiving any Award, each Participant explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of personal data as described in this section by and among the Company and its Subsidiaries and affiliates exclusively for, and to the extent necessary, implementing, administering and managing the Participant's participation in the Plan. To the extent necessary to execute and administer the Plan, the Company and its Subsidiaries and affiliates may hold certain personal information about a Participant, including the Participant's name, address and telephone number; birthdate; social security, insurance number or other identification number; salary; nationality; job title(s); any Shares held in the Company or its Subsidiaries and affiliates; and Award details, to implement, manage and administer the Plan and Awards (the "***Data***"). The Company and any Subsidiaries and/or affiliates may transfer the Data amongst themselves to the extent necessary to implement, administer and manage a Participant's participation in the Plan, and the Company and its Subsidiaries and affiliates may transfer the Data to third parties assisting the Company with Plan implementation, administration and management. These recipients may be located in the Participant's country, or elsewhere, and the recipients' country may be a country outside the European Union not offering adequate protection of personal data. By accepting an Award, each Participant authorizes such recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, to implement, administer and manage the Participant's participation in the Plan, including any required Data transfer to a broker or other third party with whom the Company or the Participant may elect to deposit any Shares. The Data related to a Participant will be held only as long as necessary to implement, administer, and manage the Participant's participation in the Plan, and in any event no longer than two (2) years thereafter, unless a longer storage period is required by law or governmental regulations or Company policy. A Participant may, at any time, view the Data that the Company holds, or that was sent by the Company to a recipient, regarding such Participant, request additional information about the storage and processing of the Data regarding such Participant, request any necessary corrections to the Data regarding the Participant or refuse or withdraw the consents in this Section 10.8 in writing, without cost, by contacting the local human resources representative. The Company may cancel Participant's ability to participate in the Plan, including any forfeiture of any outstanding Awards, if the Participant refuses or withdraws the consents in this Section 10.8 without any justified reason. For more information on the consequences of refusing or withdrawing consent, Participants may contact their local human resources representative.

10.9 Severability. If any portion of the Plan or any action taken under it is held illegal or invalid for any reason, the illegality or invalidity will not affect the remaining parts of the Plan, and the Plan will be construed and enforced as if the illegal or invalid provisions had been excluded, and the illegal or invalid action will be null and void.

10.10 Governing Documents. If any contradiction occurs between the Plan and any Award Agreement or other written agreement between a Participant and the Company (or any Subsidiary) that the Administrator has approved, the Plan will govern, unless it is expressly specified in such Award Agreement or other written document that a specific provision of the Plan will not apply.

10.11 Governing Law. The Plan and all Awards will be governed by and interpreted in accordance with the laws of the Netherlands, disregarding any state's choice-of-law principles requiring the application of a jurisdiction's laws other than the Netherlands.

10.12 Claw-back Provisions. All Awards (including any proceeds, gains or other economic benefit the Participant actually or constructively receives upon receipt or exercise of any Award or the receipt or resale of any Shares underlying the Award) will be subject to any Company claw-back policy, including any claw-back policy adopted to comply with Applicable Laws (including the Corporate Governance Code, the Dodd-Frank Wall Street Reform and Consumer Protection Act and any rules or regulations promulgated thereunder) as set forth in such claw-back policy or as a clause in the Award Agreement.

10.13 Unilateral Amendment. The Administrator reserves the right to unilaterally amend the conditions of the Plan and/or of an Award, subject to the restrictions of the Articles or Applicable Law.

10.14 Titles and Headings. The titles and headings in the Plan are for convenience of reference only and, if any conflict, the Plan's text, rather than such titles or headings, will control.

10.15 Conformity to Securities Laws. Participant acknowledges that the Plan is intended to conform to the extent necessary with Applicable Laws. Notwithstanding anything herein to the contrary, the Plan and all Awards will be administered only in conformance with Applicable Laws. To the extent Applicable Laws permit, the Plan and all Award Agreements will be deemed amended as necessary to conform to Applicable Laws.

10.16 Relationship to Other Benefits. No payment under the Plan will be taken into account in determining any benefits under any pension, retirement, savings, profit sharing, group insurance, welfare or other benefit plan of the Company or any Subsidiary except as expressly provided in writing in such other plan or an agreement thereunder.

10.17 Broker-Assisted Sales. In the event of a broker-assisted sale of Shares in connection with the payment of amounts owed by a Participant under or with respect to the Plan or Awards, including amounts to be paid under the final sentence of Section 9.4: (a) any Shares to be sold through the broker-assisted sale will be sold on the day the payment first becomes due, or as soon thereafter as practicable; (b) such Shares may be sold as part of a block trade with other Participants in the Plan in which all participants receive an average price; (c) the applicable Participant will be responsible for all broker's fees and other costs of sale, and by accepting an Award, each Participant agrees to indemnify and hold the Company harmless from any losses, costs, damages, or expenses relating to any such sale; (d) to the extent the Company or its designee receives proceeds of such sale that exceed the amount owed, the Company will pay such excess in cash to the applicable Participant as soon as reasonably practicable; (e) the Company and its designees are under no obligation to arrange for such sale at any particular price; and (f) in the event the proceeds of such sale are insufficient to satisfy the Participant's applicable obligation, the Participant may be required to pay immediately upon demand to the Company or its designee an amount in cash sufficient to satisfy any remaining portion of the Participant's obligation.

ARTICLE XI.
DEFINITIONS

As used in the Plan, the following words and phrases will have the following meanings:

11.1 "***Administrator***" means the Supervisory Board or the Management Board, subject to the division of authority set forth in Section 3.2 hereof.

11.2 "***Applicable Laws***" means the requirements relating to the administration of equity incentive plans under the laws of the Netherlands, the applicable rules of any stock exchange or quotation system on which the Common Stock is listed or quoted and the applicable laws and rules of any foreign country or other jurisdiction where Awards are granted.

11.3 "***Articles***" means the Articles of Association of the Company, as amended from time to time.

11.4 "***Award***" means, individually or collectively, a grant under the Plan of Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units or Other Stock or Cash Based Awards.

11.5 "***Award Agreement***" means a written agreement evidencing an Award, which may be electronic, that contains such terms and conditions as the Administrator determines, consistent with and subject to the terms and conditions of the Plan.

11.6 "***Cause***" means (a) if Participant is a party to a written employment, consulting or other agreement for service with the Company or any of its Subsidiaries or an Award Agreement in which the term "cause" is defined (a "***Relevant Agreement***"), "Cause" as defined in the Relevant Agreement; plus (i) an urgent cause (*dringende reden*) within the meaning of Section 7:677 *juncto* 7:678 of the DCC; (ii) a reasonable ground within the meaning of Section 7:669, subsections 3 d, e, f, g and h of the DCC; provided, however with respect to grounds pursuant to 7:669, subsections 3 g and h of the DCC, if such ground(s) is (are) predominantly attributable to the Participant; and (iii) if the employment, consulting or other agreement for the service of the Participant with the Company or any of its Subsidiaries is governed by Foreign Laws, grounds which are the same or similar to those mentioned under the preceding (a)(i) and(a)(ii); or (b) if no Relevant Agreement exists, "Cause" means (i) an urgent cause (*dringende reden*) within the meaning of Section 7:677 *juncto* 7:678 of the DCC; (ii) a reasonable ground within the meaning of Section 7:669, subsections 3 d, e, f, g and h of the DCC; provided, however with respect to grounds pursuant to 7:669, subsections 3 g and h of the DCC, if such ground(s) is (are) predominantly attributable to the Participant; (iii) if the employment, consulting or other agreement for the service of the Participant with the Company or any of its Subsidiaries is governed by Foreign Laws, grounds which are the same or similar to those mentioned under the preceding (b)(i) and (b)(ii); (iv) Participant's failure to substantially perform Participant's duties (other than a failure resulting from Participant's Disability); (v) Participant's failure to carry out, or comply with any lawful and reasonable directive of the Supervisory Board, the Management Board or Participant's immediate supervisor; (vi) the occurrence of any act or omission by Participant that could reasonably be expected to result in (or has resulted in) Participant's conviction, plea of no contest, plea of nolo contendere, or imposition of unadjudicated probation for any felony or indictable offense or crime involving moral turpitude; (vii) Participant's unlawful use (including being under the influence) or possession of illegal drugs on the premises of the Company or any of its Subsidiaries or while performing Participant's duties and responsibilities for the Company or any of its Subsidiaries; or (viii) Participant's commission of an act of fraud, embezzlement, misappropriation, misconduct, or breach of fiduciary duty against the Company or any of its Subsidiaries.

11.7 "***Change in Control***" means and includes each of the following:

(a) A transaction or series of transactions (other than an offering of Common Stock to the general public through a registration statement filed with the Securities and Exchange Commission or a transaction or series of transactions that meets the requirements of clauses (i) and (ii) of subsection (b) below) whereby any "person" or related "group" of "persons" (as such terms are used in Sections 13(d) and 14(d)(2) of the Exchange Act) (other than the Company, any of its Subsidiaries, an employee benefit plan maintained by the Company or any of its Subsidiaries or a "person" that, prior to such transaction, directly or indirectly controls, is controlled by, or is under common control with, the

Company) directly or indirectly acquires beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of securities of the Company possessing more than 50% of the total combined voting power of the Company's securities outstanding immediately after such acquisition; or

(b) The consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of (x) a merger, consolidation, reorganization, or business combination or (y) a sale or other disposition of all or substantially all of the Company's assets in any single transaction or series of related transactions or (z) the acquisition of assets or stock of another entity, in each case other than a transaction:

(i) which results in the Company's voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company's assets or otherwise succeeds to the business of the Company (the Company or such person, the "***Successor Entity***")) directly or indirectly, at least a majority of the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction, and

(ii) after which no person or group beneficially owns voting securities representing 50% or more of the combined voting power of the Successor Entity; provided, however, that no person or group shall be treated for purposes of this clause (ii) as beneficially owning 50% or more of the combined voting power of the Successor Entity solely as a result of the voting power held in the Company prior to the consummation of the transaction.

11.8 "***Code***" means the Internal Revenue Code of 1986, as amended, and the regulations issued thereunder.

11.9 "***Committee***" means one or more committees or subcommittees of the Supervisory Board or Management Board, which may include one or more members of the Supervisory Board, Management Board or executive officers, to the extent Applicable Laws permit. To the extent required to comply with the provisions of Rule 16b-3, it is intended that each member of the Committee will be, at the time the Committee takes any action with respect to an Award that is subject to Rule 16b-3, a "non-employee director" within the meaning of Rule 16b-3; however, a Committee member's failure to qualify as a "non-employee director" within the meaning of Rule 16b-3 will not invalidate any Award granted by the Committee that is otherwise validly granted under the Plan.

11.10 "***Common Stock***" means the common shares of the Company within the meaning of the Articles.

11.11 "***Company***" means Merus N.V., a Dutch public, limited liability company.

11.12 "***Consultant***" means any person, other than an Employee, or a member of the Management Board or Supervisory Board, including any adviser, engaged directly or indirectly by the Company and/or any Subsidiary to render services to the Company and/or Subsidiary if such person: (i) renders bona fide services to the Company; (ii) renders services not in connection with the offer or sale of securities in a capital-raising transaction and does not directly or indirectly promote or maintain a market for the Company's securities; and (iii) is a natural person.

11.13 "***DCC***" means the Dutch Civil Code.

11.14 "***Designated Beneficiary***" means the beneficiary or beneficiaries of the Participant designated pursuant to Applicable Laws, to receive amounts due or exercise the Participant's rights if the Participant dies or becomes incapacitated.

11.15 "***Disability***" means disability to perform work due to sickness within the meaning of Section 7:629 subsection 1 of the DCC or if the relevant agreement of a Service Provider is governed by Foreign Laws, the equivalent of Section7:629 subsection 1 of the DCC under such Foreign Laws.

11.16 "***Dividend Equivalents***" means a right granted to a Participant under the Plan to receive the equivalent value (in cash or Shares) of dividends paid on Shares.

11.17 "***Employee***" means any employee of the Company or its Subsidiaries within the meaning of Applicable Laws.

11.18 "***Equity Restructuring***" means a nonreciprocal transaction between the Company and its shareholders, such as a share dividend, share split, spin-off or recapitalization through a large, nonrecurring cash dividend, that affects the number or kind of Shares (or other Company securities) or the share price of Common Stock (or other Company securities) and causes a change in the per share value of the Common Stock underlying outstanding Awards.

11.19 "***Exchange Act***" means the United States Securities Exchange Act of 1934, as amended.

11.20 "***Fair Market Value***" means, as of any date, the value of Common Stock determined as follows: (i) if the Common Stock is listed on any established stock exchange, its Fair Market Value will be the closing sales price for such Common Stock as quoted on such exchange for such date, or if no sale occurred on such date, the last day preceding such date during which a sale occurred, as reported in The Wall Street Journal or another source the Administrator deems reliable; (ii) if the Common Stock is not traded on a stock exchange but is quoted on a national market or other quotation system, the closing sales price on such date, or if no sales occurred on such date, then on the last date preceding such date during which a sale occurred, as reported in The Wall Street Journal or another source the Administrator deems reliable; or (iii) without an established market for the Common Stock, the Administrator will determine the Fair Market Value in its discretion.

11.21 "***Foreign Laws***" means the laws of any jurisdiction other than the laws of the Netherlands.

11.22 "***Incentive Stock Option***" means an Option intended to qualify as an "incentive stock option" as defined in Section 422 of the Code.

11.23 "***Management Board***" means the management board (*bestuur*) of the Company within the meaning of the Articles.

11.24 "***Management Board Rules of Procedure***" means the Merus N.V. Rules of Procedure for the Management Board.

11.25 "***Non-Qualified Stock Option***" means an Option not intended or not qualifying as an Incentive Stock Option.

11.26 "***Option***" means an option to purchase Shares.

11.27 "***Other Stock or Cash Based Awards***" means cash awards, awards of Shares, and other awards valued wholly or partially by referring to, or are otherwise based on, Shares or other property.

11.28 "***Overall Share Limit***" means the sum of (i) 1,277,778 Shares and (ii) an annual increase on the first day of each calendar year beginning January 1, 2017 and ending on and including January 1, 2026, equal to the least of (A) 4% of the aggregate number of shares of Common Stock outstanding on the final day of the immediately preceding calendar year and (B) such smaller number of Shares as is determined by the Supervisory Board.

11.29 "***Participant***" means a Service Provider who has been granted an Award.

11.30 "***Performance Criteria***" mean the criteria (and adjustments) that the Administrator may select for an Award to establish performance goals for a performance period, which may include the following: net earnings or losses (either before or after one or more of interest, taxes, depreciation, amortization, and non-cash equity-based compensation expense); gross or net sales or revenue or sales or revenue growth; net income (either before or after taxes) or adjusted net income; profits (including but not limited to gross profits, net profits, profit growth, net operation profit or economic profit), profit return ratios or operating margin; budget or operating earnings (either before or after taxes or before or after allocation of corporate overhead and bonus); cash flow (including operating cash flow and free cash flow or cash flow return on capital); return on assets; return on capital or invested capital; cost of capital; return on shareholders' equity; total shareholder return; return on sales; costs, reductions in costs and cost control measures; expenses; working capital; earnings or loss per share; adjusted earnings or loss per share; price per share or dividends per share (or appreciation in or maintenance of such price or dividends); regulatory achievements or compliance; implementation, completion or attainment of objectives relating to research, development, regulatory, commercial, or strategic milestones or developments; market share; economic value or economic value added models; division, group or corporate financial goals; customer satisfaction/growth; customer service; employee satisfaction; recruitment and maintenance of personnel; human resources management; supervision of litigation and other legal matters; strategic partnerships and transactions; financial ratios (including those measuring liquidity, activity, profitability or leverage); debt levels or reductions; sales-related goals; financing and other capital raising transactions; cash on hand; acquisition activity; investment sourcing activity; and marketing initiatives, any of which may be measured in absolute terms or as compared to any incremental increase or decrease. Such performance goals also may be based solely by reference to the Company's performance or the performance of a Subsidiary, division, business segment or business unit of the Company or a Subsidiary, or based upon performance relative to performance of other companies or upon comparisons of any of the indicators of performance relative to performance of other companies. The Committee may provide for exclusion of the impact of an event or occurrence which the Committee determines should appropriately be excluded, including (a) restructurings, discontinued operations, extraordinary items, and other unusual, infrequently occurring or non-recurring charges or events, (b) asset write-downs, (c) litigation or claim judgments or settlements, (d) acquisitions or divestitures, (e) reorganization or change in the corporate structure or capital structure of the Company, (f) an event either not directly related to the operations of the Company, Subsidiary, division, business segment or business unit or not within the reasonable control of management, (g) foreign exchange gains and losses, (h) a change in the fiscal year of the Company, (i) the refinancing or repurchase of bank loans or debt securities, (j) unbudgeted capital expenditures, (k) the issuance or repurchase of equity securities and other changes in the number of outstanding shares, (l) conversion of some or all of convertible securities to Common Stock, (m) any business interruption event (n) the cumulative effects of tax or accounting changes in accordance with U.S. generally accepted accounting principles, or (o) the effect of changes in other laws or regulatory rules affecting reported results.

11.31 "***Plan***" means this 2016 Incentive Award Plan.

11.32 "***Prior Plans***" means, collectively, the Merus B.V. 2010 Employee Option Plan and any prior equity incentive plans of the Company or its predecessor.

11.33 "***Prior Plan Award***" means an award outstanding under the Prior Plans as of the Plan's effective date in Section 10.3.

11.34 "***Public Trading Date***" means the first date upon which the Common Stock is listed (or approved for listing) upon notice of issuance on any securities exchange or designated (or approved for designation) upon notice of issuance as a national market security on an interdealer quotation system, or, if earlier, the date on which the Company becomes a "publicly held corporation" for purposes of Treasury Regulation Section 1.162-27(c)(1).

11.35 "***Restricted Stock***" means Shares awarded to a Participant under Article VI subject to certain vesting conditions and other restrictions.

11.36 "***Restricted Stock Unit***" means an unfunded, unsecured right to receive, on the applicable settlement date, one Share or an amount in cash or other consideration determined by the Administrator to be of equal value as of such settlement date, subject to certain vesting conditions and other restrictions.

11.37 "***Rule 16b-3***" means Rule 16b-3 promulgated under the Exchange Act.

11.38 "***Securities Act***" means the Securities Act of 1933, as amended.

11.39 "***Service Provider***" means an Employee, Consultant or member of the Management Board or the Supervisory Board.

11.40 "***Shares***" means shares of Common Stock.

11.41 "***Stock Appreciation Right***" means a stock appreciation right granted under Article V.

11.42 "***Subsidiary***" means a subsidiary (*dochtermaatschappij*) within the meaning of Section 2:24a of the DCC.

11.43 "***Substitute Awards***" shall mean Awards granted or Shares issued by the Company in assumption of, or in substitution or exchange for, awards previously granted, or the right or obligation to make future awards, in each case by a company acquired by the Company or any Subsidiary or with which the Company or any Subsidiary combines.

11.44 "***Supervisory Board***" means the supervisory board (*raad van commissarissen*) of the Company within the meaning of the Articles.

11.45 "***Termination of Service***" means the date the Participant ceases to be a Service Provider.

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ANNEXES:

1. UNITED STATES ADDENDUM
2. OPTION AGREEMENT
3. RESTRICTED STOCK AGREEMENT
4. RSU AGREEMENT

MERUS N.V.
2016 INCENTIVE AWARD PLAN

UNITED STATES ADDENDUM

Capitalized terms not specifically defined in this United States Addendum (the "*US Addendum*") have the meanings given to them in the 2016 Incentive Award Plan (as amended from time to time, the "*Plan*") of Merus N.V. (the "*Company*").

Pursuant to Section 10.5 of the Plan, the Administrator has adopted this US Addendum which contains additional terms and conditions of the Plan applicable to Participants residing in the United States. To the extent not impacted by this US Addendum, the Plan shall remain unchanged and in full force and effect according to its terms.

ARTICLE XII.
INCENTIVE STOCK OPTIONS

12.1 Incentive Stock Option Limitations. Notwithstanding anything to the contrary in the Plan, no more than 1,277,778 Shares may be issued pursuant to the exercise of Incentive Stock Options.

12.2 Terms of Incentive Stock Options. The Administrator may grant Incentive Stock Options only to employees of the Company, any of its present or future parent or subsidiary corporations, as defined in Sections 424(e) or (f) of the Code, respectively, and any other entities the employees of which are eligible to receive Incentive Stock Options under the Code. If an Incentive Stock Option is granted to a Greater Than 10% Shareholder, the exercise price will not be less than 110% of the Fair Market Value on the Option's grant date, and the term of the Option will not exceed five years. All Incentive Stock Options will be subject to and construed consistently with Section 422 of the Code. By accepting an Incentive Stock Option, the Participant agrees to give prompt notice to the Company of dispositions or other transfers (other than in connection with a Change in Control) of Shares acquired under the Option made within (i) two years from the grant date of the Option or (ii) one year after the transfer of such Shares to the Participant, specifying the date of the disposition or other transfer and the amount the Participant realized, in cash, other property, assumption of indebtedness or other consideration, in such disposition or other transfer. Neither the Company nor the Administrator will be liable to a Participant, or any other party, if an Incentive Stock Option fails or ceases to qualify as an "incentive stock option" under Section 422 of the Code. Any Incentive Stock Option or portion thereof that fails to qualify as an "incentive stock option" under Section 422 of the Code for any reason, including becoming exercisable with respect to Shares having a fair market value exceeding the $100,000 limitation under Treasury Regulation Section 1.422-4, will be a Non-Qualified Stock Option.

ARTICLE XIII.
SECTION 409A

13.1 General. The Company intends that all Awards be structured to comply with, or be exempt from, Section 409A, such that no adverse tax consequences, interest, or penalties under Section 409A apply. Notwithstanding anything in the Plan or any Award Agreement to the contrary, the Administrator may, without a Participant's consent, amend the Plan, this US Addendum or Awards, adopt policies and procedures, or take any other actions (including amendments, policies, procedures and retroactive actions) as are necessary or appropriate to preserve the intended tax treatment of Awards, including any such actions intended to (A) exempt the Plan, this US Addendum or any Award from Section 409A, or (B) comply with Section 409A, including regulations, guidance, compliance programs

and other interpretative authority that may be issued after an Award's grant date. The Company makes no representations or warranties as to an Award's tax treatment under Section 409A or otherwise. The Company will have no obligation under this Section 2.1 or otherwise to avoid the taxes, penalties or interest under Section 409A with respect to any Award and will have no liability to any Participant or any other person if any Award, compensation or other benefits under the Plan are determined to constitute noncompliant "nonqualified deferred compensation" subject to taxes, penalties or interest under Section 409A.

13.2 Separation from Service. If an Award constitutes "nonqualified deferred compensation" under Section 409A, any payment or settlement of such Award upon a termination of a Participant's Service Provider relationship will, to the extent necessary to avoid taxes under Section 409A, be made only upon the Participant's "separation from service" (within the meaning of Section 409A), whether such "separation from service" occurs upon or after the termination of the Participant's Service Provider relationship. For purposes of the Plan, this US Addendum or any Award Agreement relating to any such payments or benefits, references to a "termination," "termination of employment" or like terms means a "separation from service."

13.3 Payments to Specified Employees. Notwithstanding any contrary provision in the Plan, this US Addendum or any Award Agreement, any payment(s) of "nonqualified deferred compensation" required to be made under an Award to a "specified employee" (as defined under Section 409A and as the Administrator determines) due to his or her "separation from service" will, to the extent necessary to avoid taxes under Section 409A(a)(2)(B)(i) of the Code, be delayed for the six-month period immediately following such "separation from service" (or, if earlier, until the specified employee's death) and will instead be paid (as set forth in the Award Agreement) on the day immediately following such six-month period or as soon as administratively practicable thereafter (without interest). Any payments of "nonqualified deferred compensation" under such Award payable more than six months following the Participant's "separation from service" will be paid at the time or times the payments are otherwise scheduled to be made.

13.4 Change in Control.

(a) Notwithstanding the definition of "Change in Control" contained in Section 11.7 of the Plan, if a Change in Control constitutes a payment event with respect to any Award (or portion of any Award) that provides for the deferral of compensation that is subject to Section 409A, to the extent required to avoid the imposition of additional taxes under Section 409A, the transaction or event described in subsection (a) or (b) of Section 11.7 of the Plan with respect to such Award (or portion thereof) shall only constitute a Change in Control for purposes of the payment timing of such Award if such transaction also constitutes a "change in control event," as defined in Treasury Regulation Section 1.409A-3(i)(5).

(b) The Administrator shall have full and final authority, which shall be exercised in its discretion, to determine conclusively whether a Change in Control has occurred pursuant to the above definition, the date of the occurrence of such Change in Control and any incidental matters relating thereto; provided that any exercise of authority in conjunction with a determination of whether a Change in Control is a "change in control event" as defined in Treasury Regulation Section 1.409A-3(i)(5) shall be consistent with such regulation.

13.5 Restricted Stock Units. Pursuant to Section 6.3(a) of the Plan, the Administrator may provide that settlement of Restricted Stock Units will occur upon or as soon as reasonably practicable after the Restricted Stock Units vest or will instead be deferred, on a mandatory basis or at the Participant's election; provided, that the Administrator shall make such determination in a manner intended to comply with Section 409A.

ARTICLE XIV.
DEFINITIONS

14.1 "*Greater Than 10% Shareholder*" means an individual then owning (within the meaning of Section 424(d) of the Code) more than 10% of the total combined voting power of all share classes of the Company or its parent or subsidiary corporation, as defined in Section 424(e) and (f) of the Code, respectively.

14.2 "*Section 409A*" means Section 409A of the Code and all regulations, guidance, compliance programs and other interpretative authority thereunder.

* * * * *

MERUS N.V.
2016 INCENTIVE AWARD PLAN

STOCK OPTION GRANT NOTICE

Capitalized terms not specifically defined in this Stock Option Grant Notice (the "*Grant Notice*") have the meanings given to them in the 2016 Incentive Award Plan (as amended from time to time, the "*Plan*") of Merus N.V. (the "*Company*").

The Company has granted to the participant listed below ("*Participant*") the stock option described in this Grant Notice (the "*Option*"), subject to the terms and conditions of the Plan and the Stock Option Agreement attached as Exhibit A (the "*Agreement*"), both of which are incorporated into this Grant Notice by reference.

Participant:

Grant Date:

Exercise Price per Share:

Shares Subject to the Option:

Final Expiration Date:

Vesting Commencement Date:

Vesting Schedule: [To be specified in individual award agreements]

By Participant's signature below, Participant agrees to be bound by the terms of this Grant Notice, the Plan and the Agreement. Participant has reviewed the Plan, this Grant Notice and the Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Grant Notice and fully understands all provisions of the Plan, this Grant Notice and the Agreement. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan, this Grant Notice or the Agreement.

PARTIES:

MERUS N.V.	PARTICIPANT
By: _____	_____
Name: _____	[Participant Name]
Title: _____	

STOCK OPTION AGREEMENT

Capitalized terms not specifically defined in this Agreement have the meanings specified in the Grant Notice or, if not defined in the Grant Notice, in the Plan.

ARTICLE XV.
GENERAL

15.1 Grant of Option. The Company has granted to Participant the Option effective as of the grant date set forth in the Grant Notice (the "*Grant Date*").

15.2 Incorporation of Terms of Plan. The Option is subject to the terms and conditions set forth in this Agreement and the Plan, which is incorporated herein by reference. In the event of any inconsistency between the Plan and this Agreement, the terms of the Plan will control.

ARTICLE XVI.
PERIOD OF EXERCISABILITY

16.1 Commencement of Exercisability. The Option will vest and become exercisable according to the vesting schedule in the Grant Notice (the "*Vesting Schedule*") except that any fraction of a Share as to which the Option would be vested or exercisable will be accumulated and will vest and become exercisable only when a whole Share has accumulated. Notwithstanding anything in the Grant Notice, the Plan or this Agreement to the contrary, unless the Administrator otherwise determines, the Option will immediately expire and be forfeited as to any portion that is not vested and exercisable as of Participant's Termination of Service for any reason.

16.2 Duration of Exercisability. The Vesting Schedule is cumulative. Any portion of the Option which vests and becomes exercisable will remain vested and exercisable until the Option expires. The Option will be forfeited immediately upon its expiration.

16.3 Expiration of Option. The Option may not be exercised to any extent by anyone after, and will expire on, the first of the following to occur:

(a) The final expiration date in the Grant Notice;

(b) Except as the Administrator may otherwise approve, the expiration of three (3) months from the date of Participant's Termination of Service, unless Participant's Termination of Service is for Cause or by reason of Participant's death or Disability;

(c) Except as the Administrator may otherwise approve, the expiration of one (1) year from the date of Participant's Termination of Service by reason of Participant's death or Disability; and

(d) Except as the Administrator may otherwise approve, Participant's Termination of Service for Cause or the initiation of such Termination of Service by giving notice of termination, by requesting termination by the court or otherwise (e.g. a written proposal for termination by mutual consent).

ARTICLE XVII.
EXERCISE OF OPTION

17.1 Person Eligible to Exercise. During Participant's lifetime, only Participant may exercise the Option. After Participant's death, any exercisable portion of the Option may, prior to the time the Option expires, be exercised by Participant's Designated Beneficiary as provided in the Plan.

17.2 Partial Exercise. Any exercisable portion of the Option or the entire Option, if then wholly exercisable, may be exercised, in whole or in part, according to the procedures in the Plan at any time prior to the time the Option or portion thereof expires, except that the Option may only be exercised for whole Shares.

17.3 Tax Withholding.

(a) The Company has the right and option, but not the obligation, to treat Participant's failure to provide timely payment in accordance with the Plan of any withholding tax arising in connection with the Option as Participant's election to satisfy all or any portion of the withholding tax by requesting the Company retain Shares otherwise issuable under the Option.

(b) Participant acknowledges that Participant is ultimately liable and responsible for all taxes owed in connection with the Option, regardless of any action the Company or any Subsidiary takes with respect to any tax withholding obligations that arise in connection with the Option. Neither the Company nor any Subsidiary makes any representation or undertaking regarding the treatment of any tax withholding in connection with the awarding, vesting or exercise of the Option or the subsequent sale of Shares. The Company and the Subsidiaries do not commit and are under no obligation to structure the Option to reduce or eliminate Participant's tax liability.

ARTICLE XVIII.
OTHER PROVISIONS

18.1 Adjustments. Participant acknowledges that the Option is subject to adjustment, modification and termination in certain events as provided in this Agreement and the Plan.

18.2 Notices. Any notice to be given under the terms of this Agreement to the Company must be in writing and addressed to the Company in care of the Company's Secretary at the Company's principal office or the Secretary's then-current email address or facsimile number. Any notice to be given under the terms of this Agreement to Participant must be in writing and addressed to Participant (or, if Participant is then deceased, to the person entitled to exercise the Option) at Participant's last known mailing address, email address or facsimile number in the Company's personnel files. By a notice given pursuant to this Section, either party may designate a different address for notices to be given to that party. Any notice will be deemed duly given when actually received, when sent by email, when sent by certified mail (return receipt requested) and deposited with postage prepaid in a post office or branch post office regularly maintained by the United States Postal Service, when delivered by a nationally recognized express shipping company or upon receipt of a facsimile transmission confirmation.

18.3 Titles. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

18.4 Conformity to Securities Laws. Participant acknowledges that the Plan, the Grant Notice and this Agreement are intended to conform to the extent necessary with all Applicable Laws and, to the extent Applicable Laws permit, will be deemed amended as necessary to conform to Applicable Laws.

18.5 Successors and Assigns. The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement will inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth in the Plan, this Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

18.6 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan or this Agreement, if Participant is subject to Section 16 of the Exchange Act, the Plan, the Grant Notice, this Agreement and the Option will be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3) that are requirements for the application of such exemptive rule. To the extent Applicable Laws permit, this Agreement will be deemed amended as necessary to conform to such applicable exemptive rule.

18.7 Entire Agreement. The Plan, the Grant Notice and this Agreement (including any exhibit hereto) constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof.

18.8 Agreement Severable. In the event that any provision of the Grant Notice or this Agreement is held illegal or invalid, the provision will be severable from, and the illegality or invalidity of the provision will not be construed to have any effect on, the remaining provisions of the Grant Notice or this Agreement.

18.9 Limitation on Participant's Rights. Participation in the Plan confers no rights or interests other than as herein provided. This Agreement creates only a contractual obligation on the part of the Company as to amounts payable and may not be construed as creating a trust. Neither the Plan nor any underlying program, in and of itself, has any assets. Participant will have only the rights of a general unsecured creditor of the Company with respect to amounts credited and benefits payable, if any, with respect to the Option, and rights no greater than the right to receive the Shares as a general unsecured creditor with respect to the Option, as and when exercised pursuant to the terms hereof.

18.10 Not a Contract of Employment. Nothing in the Plan, the Grant Notice or this Agreement confers upon Participant any right to continue in the employ or service of the Company or any Subsidiary or interferes with or restricts in any way the rights of the Company and its Subsidiaries, which rights are hereby expressly reserved, to discharge or terminate the services of Participant at any time for any reason whatsoever, with or without Cause, except to the extent expressly provided otherwise in a written agreement between the Company or a Subsidiary and Participant.

18.11 Claw-back. The Administrator may, in its sole reasonable discretion, deem the outcome of a remuneration component granted to the Participant under this Agreement unreasonable either because the same has been based on incorrect information (including but not limited to financial information) or in light of special circumstances. In such cases, the Administrator is entitled to adjust such component up- or downwards. If, in the event of such downward adjustment, the Options have already been exercised, the Company is entitled to reclaim what payments consequential to such downward adjustment was unduly paid either in cash compensation or in Shares.

18.12 Counterparts. The Grant Notice may be executed in one or more counterparts, including by way of any electronic signature, subject to Applicable Law, each of which will be deemed an original and all of which together will constitute one instrument.

* * * * *

MERUS N.V.
2016 INCENTIVE AWARD PLAN

RESTRICTED STOCK GRANT NOTICE

Capitalized terms not specifically defined in this Restricted Stock Grant Notice (the "*Grant Notice*") have the meanings given to them in the 2016 Incentive Award Plan (as amended from time to time, the "*Plan*") of Merus N.V. (the "*Company*").

The Company has granted to the participant listed below ("*Participant*") the shares of Restricted Stock described in this Grant Notice (the "*Restricted Shares*"), subject to the terms and conditions of the Plan and the Restricted Stock Agreement attached as Exhibit A (the "*Agreement*"), both of which are incorporated into this Grant Notice by reference.

Participant:

Grant Date:

Number of Restricted Shares:

Vesting Commencement Date:

Vesting Schedule: [To be specified in individual award agreements]

By Participant's signature below, Participant agrees to be bound by the terms of this Grant Notice, the Plan and the Agreement. Participant has reviewed the Plan, this Grant Notice and the Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Grant Notice and fully understands all provisions of the Plan, this Grant Notice and the Agreement. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan, this Grant Notice or the Agreement.

PARTIES:

MERUS N.V.	PARTICIPANT
By: _____	_____
Name: _____	[Participant Name]
Title: _____	

RESTRICTED STOCK AGREEMENT

Capitalized terms not specifically defined in this Agreement have the meanings specified in the Grant Notice or, if not defined in the Grant Notice, in the Plan.

ARTICLE XIX.
GENERAL

19.1 Issuance of Restricted Shares. The Company will issue the Restricted Shares to the Participant effective as of the grant date set forth in the Grant Notice and will cause (a) a stock certificate or certificates representing the Restricted Shares to be registered in Participant's name or (b) the Restricted Shares to be held in book-entry form. If a stock certificate is issued, the certificate will be delivered to, and held in accordance with this Agreement by, the Company or its authorized representatives and will bear the restrictive legends required by this Agreement. If the Restricted Shares are held in book-entry form, then the book-entry will indicate that the Restricted Shares are subject to the restrictions of this Agreement.

19.2 Incorporation of Terms of Plan. The Restricted Shares are subject to the terms and conditions set forth in this Agreement and the Plan, which is incorporated herein by reference. In the event of any inconsistency between the Plan and this Agreement, the terms of the Plan will control.

ARTICLE XX.
VESTING, FORFEITURE AND ESCROW

20.1 Vesting. The Restricted Shares will become vested Shares (the "*Vested Shares*") according to the vesting schedule in the Grant Notice except that any fraction of a Share that would otherwise become a Vested Share will be accumulated and will become a Vested Share only when a whole Vested Share has accumulated.

20.2 Forfeiture. In the event of Participant's Termination of Service for any reason, Participant will immediately and automatically forfeit to the Company any Shares that are not Vested Shares (the "*Unvested Shares*") at the time of Participant's Termination of Service, except as otherwise determined by the Administrator or provided in a binding written agreement between Participant and the Company. Upon forfeiture of Unvested Shares, the Company will become the legal and beneficial owner of the Unvested Shares and all related interests and Participant will have no further rights with respect to the Unvested Shares.

20.3 Escrow.

(a) Unvested Shares will be held by the Company or its authorized representatives until (i) they are forfeited, (ii) they become Vested Shares or (iii) this Agreement is no longer in effect. By accepting this Award, Participant appoints the Company and its authorized representatives as Participant's attorney(s)-in-fact to take all actions necessary to effect any transfer of forfeited Unvested Shares (and Retained Distributions (as defined below), if any, paid on such forfeited Unvested Shares) to the Company as may be required pursuant to the Plan or this Agreement and to execute such representations or other documents or assurances as the Company or such representatives deem necessary or advisable in connection with any such transfer. The Company, or its authorized representative, will not be liable for any good faith act or omission with respect to the holding in escrow or transfer of the Restricted Shares.

(b) All cash dividends and other distributions made or declared with respect to Unvested Shares ("*Retained Distributions*") will be held by the Company until the time (if ever) when the Unvested Shares to which such Retained Distributions relate become Vested Shares. The Company will establish a separate Retained Distribution bookkeeping account ("*Retained Distribution Account*") for each Unvested Share with respect to which Retained Distributions have been made or declared in cash and credit the Retained Distribution Account (without interest) on the date of payment with the amount of such cash made or declared with respect to the Unvested Share. Retained Distributions (including any Retained Distribution Account balance) will immediately and automatically be forfeited upon forfeiture of the Unvested Share with respect to which the Retained Distributions were paid or declared.

(c) As soon as reasonably practicable following the date on which an Unvested Share becomes a Vested Share, the Company will (i) cause the certificate (or a new certificate without the legend required by this Agreement, if Participant so requests) representing the Share to be delivered to Participant or, if the Share is held in book-entry form, cause the notations indicating the Share is subject to the restrictions of this Agreement to be removed and (ii) pay to Participant the Retained Distributions relating to the Share.

20.4 Rights as Stockholder. Except as otherwise provided in this Agreement or the Plan, upon issuance of the Restricted Shares by the Company, Participant will have all the rights of a stockholder with respect to the Restricted Shares, including the right to vote the Restricted Shares and to receive dividends or other distributions paid or made with respect to the Restricted Shares.

ARTICLE XXI.
TAXATION AND TAX WITHHOLDING

21.1 Representation. Participant represents to the Company that Participant has reviewed with Participant's own tax advisors the tax consequences of the Restricted Shares and the transactions contemplated by the Grant Notice and this Agreement. Participant is relying solely on such advisors and not on any statements or representations of the Company or any of its agents.

21.2 Tax Withholding.

(a) The Company has the right and option, but not the obligation, to treat Participant's failure to provide timely payment in accordance with the Plan of any withholding tax arising in connection with the Restricted Shares as Participant's election to satisfy all or any portion of the withholding tax by requesting the Company retain Shares otherwise deliverable under the Award.

(b) Participant acknowledges that Participant is ultimately liable and responsible for all taxes owed in connection with the Restricted Shares, regardless of any action the Company or any Subsidiary takes with respect to any tax withholding obligations that arise in connection with the Restricted Shares. Neither the Company nor any Subsidiary makes any representation or undertaking regarding the treatment of any tax withholding in connection with the awarding, vesting or payment of the Restricted Shares or the subsequent sale of the Restricted Shares. The Company and the Subsidiaries do not commit and are under no obligation to structure this Award to reduce or eliminate Participant's tax liability.

ARTICLE XXII.
RESTRICTIVE LEGENDS AND TRANSFERABILITY

22.1 Legends. Any certificate representing a Restricted Share will bear the following legend until the Restricted Share becomes a Vested Share:

> THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO FORFEITURE IN FAVOR OF THE COMPANY AND MAY BE TRANSFERRED ONLY IN ACCORDANCE WITH THE TERMS OF A RESTRICTED STOCK AGREEMENT BETWEEN THE COMPANY AND THE STOCKHOLDER, A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY.

22.2 Transferability. The Restricted Shares and any Retained Distributions are subject to the restrictions on transfer in the Plan and may not be sold, assigned or transferred in any manner unless and until they become Vested Shares. Any attempted transfer or disposition of Unvested Shares or related Retained Distributions prior to the time the Unvested Shares become Vested Shares will be null and void. The Company will not be required to (a) transfer on its books any Restricted Share that has been sold or otherwise transferred in violation of this Agreement or (b) treat as owner of such Restricted Share or accord the right to vote or pay dividends to any purchaser or other transferee to whom such Restricted Share has been so transferred. The Company may issue appropriate "stop transfer" instructions to its transfer agent, if any, or make appropriate notations to the same effect in its records.

ARTICLE XXIII.
OTHER PROVISIONS

23.1 Adjustments. Participant acknowledges that the Restricted Shares are subject to adjustment, modification and termination in certain events as provided in this Agreement and the Plan.

23.2 Notices. Any notice to be given under the terms of this Agreement to the Company must be in writing and addressed to the Company in care of the Company's Secretary at the Company's principal office or the Secretary's then-current email address or facsimile number. Any notice to be given under the terms of this Agreement to Participant must be in writing and addressed to Participant at Participant's last known mailing address, email address or facsimile number in the Company's personnel files. By a notice given pursuant to this Section, either party may designate a different address for notices to be given to that party. Any notice will be deemed duly given when actually received, when sent by email, when sent by certified mail (return receipt requested) and deposited with postage prepaid in a post office or branch post office regularly maintained by the United States Postal Service, when delivered by a nationally recognized express shipping company or upon receipt of a facsimile transmission confirmation.

23.3 Titles. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

23.4 Conformity to Securities Laws. Participant acknowledges that the Plan, the Grant Notice and this Agreement are intended to conform to the extent necessary with all Applicable Laws and, to the extent Applicable Laws permit, will be deemed amended as necessary to conform to Applicable Laws.

23.5 Successors and Assigns. The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement will inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth in this Agreement or the Plan, this Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

23.6 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan or this Agreement, if Participant is subject to Section 16 of the Exchange Act, the Plan, the Grant Notice, this Agreement and the Restricted Shares will be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3) that are requirements for the application of such exemptive rule. To the extent Applicable Laws permit, this Agreement will be deemed amended as necessary to conform to such applicable exemptive rule.

23.7 Entire Agreement. The Plan, the Grant Notice and this Agreement (including any exhibit hereto) constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof.

23.8 Agreement Severable. In the event that any provision of the Grant Notice or this Agreement is held illegal or invalid, the provision will be severable from, and the illegality or invalidity of the provision will not be construed to have any effect on, the remaining provisions of the Grant Notice or this Agreement.

23.9 Limitation on Participant's Rights. Participation in the Plan confers no rights or interests other than as herein provided. This Agreement creates only a contractual obligation on the part of the Company as to amounts payable and may not be construed as creating a trust. Neither the Plan nor any underlying program, in and of itself, has any assets. Participant will have only the rights of a general unsecured creditor of the Company with respect to amounts credited and benefits payable, if any, with respect to the Award.

23.10 Not a Contract of Employment. Nothing in the Plan, the Grant Notice or this Agreement confers upon Participant any right to continue in the employ or service of the Company or any Subsidiary or interferes with or restricts in any way the rights of the Company and its Subsidiaries, which rights are hereby expressly reserved, to discharge or terminate the services of Participant at any time for any reason whatsoever, with or without cause, except to the extent expressly provided otherwise in a written agreement between the Company or a Subsidiary and Participant.

23.11 Claw-back. The Administrator may, in its sole reasonable discretion, deem the outcome of a remuneration component granted to the Participant under this Agreement unreasonable either because the same has been based on incorrect information (including but not limited to financial information) or in light of special circumstances. In such cases, the Administrator is entitled to adjust such component up- or downwards. If, in the event of such downward adjustment, payment in Shares and/or in cash has already been made by the Company to the Participant, the Company is entitled to reclaim what payments consequential to such downward adjustment was unduly paid.

23.12 Counterparts. The Grant Notice may be executed in one or more counterparts, including by way of any electronic signature, subject to Applicable Law, each of which will be deemed an original and all of which together will constitute one instrument.

* * * * *

MERUS N.V.
2016 INCENTIVE AWARD PLAN

RESTRICTED STOCK GRANT NOTICE

Capitalized terms not specifically defined in this Restricted Stock Grant Notice (the "*Grant Notice*") have the meanings given to them in the 2016 Incentive Award Plan (as amended from time to time, the "*Plan*") of Merus N.V. (the "*Company*").

The Company has granted to the participant listed below ("*Participant*") the shares of Restricted Stock described in this Grant Notice (the "*Restricted Shares*"), subject to the terms and conditions of the Plan and the Restricted Stock Agreement attached as Exhibit A (the "*Agreement*"), both of which are incorporated into this Grant Notice by reference.

Participant:

Grant Date:

Number of Restricted Shares:

Vesting Commencement Date:

Vesting Schedule: [To be specified in individual award agreements]

By Participant's signature below, Participant agrees to be bound by the terms of this Grant Notice, the Plan and the Agreement. Participant has reviewed the Plan, this Grant Notice and the Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Grant Notice and fully understands all provisions of the Plan, this Grant Notice and the Agreement. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan, this Grant Notice or the Agreement.

PARTIES:

MERUS N.V.	PARTICIPANT
By: _____	_____
Name: _____	[Participant Name]
Title: _____	

RESTRICTED STOCK AGREEMENT

Capitalized terms not specifically defined in this Agreement have the meanings specified in the Grant Notice or, if not defined in the Grant Notice, in the Plan.

ARTICLE XXIV.
GENERAL

24.1 Issuance of Restricted Shares. The Company will issue the Restricted Shares to the Participant effective as of the grant date set forth in the Grant Notice and will cause (a) a stock certificate or certificates representing the Restricted Shares to be registered in Participant's name or (b) the Restricted Shares to be held in book-entry form. If a stock certificate is issued, the certificate will be delivered to, and held in accordance with this Agreement by, the Company or its authorized representatives and will bear the restrictive legends required by this Agreement. If the Restricted Shares are held in book-entry form, then the book-entry will indicate that the Restricted Shares are subject to the restrictions of this Agreement.

24.2 Incorporation of Terms of Plan. The Restricted Shares are subject to the terms and conditions set forth in this Agreement and the Plan, which is incorporated herein by reference. In the event of any inconsistency between the Plan and this Agreement, the terms of the Plan will control.

ARTICLE XXV.
VESTING, FORFEITURE AND ESCROW

25.1 Vesting. The Restricted Shares will become vested Shares (the "*Vested Shares*") according to the vesting schedule in the Grant Notice except that any fraction of a Share that would otherwise become a Vested Share will be accumulated and will become a Vested Share only when a whole Vested Share has accumulated.

25.2 Forfeiture. In the event of Participant's Termination of Service for any reason, Participant will immediately and automatically forfeit to the Company any Shares that are not Vested Shares (the "*Unvested Shares*") at the time of Participant's Termination of Service, except as otherwise determined by the Administrator or provided in a binding written agreement between Participant and the Company. Upon forfeiture of Unvested Shares, the Company will become the legal and beneficial owner of the Unvested Shares and all related interests and Participant will have no further rights with respect to the Unvested Shares.

25.3 Escrow.

(a) Unvested Shares will be held by the Company or its authorized representatives until (i) they are forfeited, (ii) they become Vested Shares or (iii) this Agreement is no longer in effect. By accepting this Award, Participant appoints the Company and its authorized representatives as Participant's attorney(s)-in-fact to take all actions necessary to effect any transfer of forfeited Unvested Shares (and Retained Distributions (as defined below), if any, paid on such forfeited Unvested Shares) to the Company as may be required pursuant to the Plan or this Agreement and to execute such representations or other documents or assurances as the Company or such representatives deem necessary or advisable in connection with any such transfer. The Company, or its authorized representative, will not be liable for any good faith act or omission with respect to the holding in escrow or transfer of the Restricted Shares.

(b) All cash dividends and other distributions made or declared with respect to Unvested Shares ("*Retained Distributions*") will be held by the Company until the time (if ever) when the Unvested Shares to which such Retained Distributions relate become Vested Shares. The Company will establish a separate Retained Distribution bookkeeping account ("*Retained Distribution Account*") for each Unvested Share with respect to which Retained Distributions have been made or declared in cash and credit the Retained Distribution Account (without interest) on the date of payment with the amount of such cash made or declared with respect to the Unvested Share. Retained Distributions (including any Retained Distribution Account balance) will immediately and automatically be forfeited upon forfeiture of the Unvested Share with respect to which the Retained Distributions were paid or declared.

(c) As soon as reasonably practicable following the date on which an Unvested Share becomes a Vested Share, the Company will (i) cause the certificate (or a new certificate without the legend required by this Agreement, if Participant so requests) representing the Share to be delivered to Participant or, if the Share is held in book-entry form, cause the notations indicating the Share is subject to the restrictions of this Agreement to be removed and (ii) pay to Participant the Retained Distributions relating to the Share.

25.4 Rights as Stockholder. Except as otherwise provided in this Agreement or the Plan, upon issuance of the Restricted Shares by the Company, Participant will have all the rights of a stockholder with respect to the Restricted Shares, including the right to vote the Restricted Shares and to receive dividends or other distributions paid or made with respect to the Restricted Shares.

ARTICLE XXVI.
TAXATION AND TAX WITHHOLDING

26.1 Representation. Participant represents to the Company that Participant has reviewed with Participant's own tax advisors the tax consequences of the Restricted Shares and the transactions contemplated by the Grant Notice and this Agreement. Participant is relying solely on such advisors and not on any statements or representations of the Company or any of its agents.

26.2 Tax Withholding.

(a) The Company has the right and option, but not the obligation, to treat Participant's failure to provide timely payment in accordance with the Plan of any withholding tax arising in connection with the Restricted Shares as Participant's election to satisfy all or any portion of the withholding tax by requesting the Company retain Shares otherwise deliverable under the Award.

(b) Participant acknowledges that Participant is ultimately liable and responsible for all taxes owed in connection with the Restricted Shares, regardless of any action the Company or any Subsidiary takes with respect to any tax withholding obligations that arise in connection with the Restricted Shares. Neither the Company nor any Subsidiary makes any representation or undertaking regarding the treatment of any tax withholding in connection with the awarding, vesting or payment of the Restricted Shares or the subsequent sale of the Restricted Shares. The Company and the Subsidiaries do not commit and are under no obligation to structure this Award to reduce or eliminate Participant's tax liability.

ARTICLE XXVII.
RESTRICTIVE LEGENDS AND TRANSFERABILITY

27.1 Legends. Any certificate representing a Restricted Share will bear the following legend until the Restricted Share becomes a Vested Share:

> THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO FORFEITURE IN FAVOR OF THE COMPANY AND MAY BE TRANSFERRED ONLY IN ACCORDANCE WITH THE TERMS OF A RESTRICTED STOCK AGREEMENT BETWEEN THE COMPANY AND THE STOCKHOLDER, A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY.

27.2 Transferability. The Restricted Shares and any Retained Distributions are subject to the restrictions on transfer in the Plan and may not be sold, assigned or transferred in any manner unless and until they become Vested Shares. Any attempted transfer or disposition of Unvested Shares or related Retained Distributions prior to the time the Unvested Shares become Vested Shares will be null and void. The Company will not be required to (a) transfer on its books any Restricted Share that has been sold or otherwise transferred in violation of this Agreement or (b) treat as owner of such Restricted Share or accord the right to vote or pay dividends to any purchaser or other transferee to whom such Restricted Share has been so transferred. The Company may issue appropriate "stop transfer" instructions to its transfer agent, if any, or make appropriate notations to the same effect in its records.

ARTICLE XXVIII.
OTHER PROVISIONS

28.1 Adjustments. Participant acknowledges that the Restricted Shares are subject to adjustment, modification and termination in certain events as provided in this Agreement and the Plan.

28.2 Notices. Any notice to be given under the terms of this Agreement to the Company must be in writing and addressed to the Company in care of the Company's Secretary at the Company's principal office or the Secretary's then-current email address or facsimile number. Any notice to be given under the terms of this Agreement to Participant must be in writing and addressed to Participant at Participant's last known mailing address, email address or facsimile number in the Company's personnel files. By a notice given pursuant to this Section, either party may designate a different address for notices to be given to that party. Any notice will be deemed duly given when actually received, when sent by email, when sent by certified mail (return receipt requested) and deposited with postage prepaid in a post office or branch post office regularly maintained by the United States Postal Service, when delivered by a nationally recognized express shipping company or upon receipt of a facsimile transmission confirmation.

28.3 Titles. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

28.4 Conformity to Securities Laws. Participant acknowledges that the Plan, the Grant Notice and this Agreement are intended to conform to the extent necessary with all Applicable Laws and, to the extent Applicable Laws permit, will be deemed amended as necessary to conform to Applicable Laws.

28.5 Successors and Assigns. The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement will inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth in this Agreement or the Plan, this Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

28.6 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan or this Agreement, if Participant is subject to Section 16 of the Exchange Act, the Plan, the Grant Notice, this Agreement and the Restricted Shares will be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3) that are requirements for the application of such exemptive rule. To the extent Applicable Laws permit, this Agreement will be deemed amended as necessary to conform to such applicable exemptive rule.

28.7 Entire Agreement. The Plan, the Grant Notice and this Agreement (including any exhibit hereto) constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof.

28.8 Agreement Severable. In the event that any provision of the Grant Notice or this Agreement is held illegal or invalid, the provision will be severable from, and the illegality or invalidity of the provision will not be construed to have any effect on, the remaining provisions of the Grant Notice or this Agreement.

28.9 Limitation on Participant's Rights. Participation in the Plan confers no rights or interests other than as herein provided. This Agreement creates only a contractual obligation on the part of the Company as to amounts payable and may not be construed as creating a trust. Neither the Plan nor any underlying program, in and of itself, has any assets. Participant will have only the rights of a general unsecured creditor of the Company with respect to amounts credited and benefits payable, if any, with respect to the Award.

28.10 Not a Contract of Employment. Nothing in the Plan, the Grant Notice or this Agreement confers upon Participant any right to continue in the employ or service of the Company or any Subsidiary or interferes with or restricts in any way the rights of the Company and its Subsidiaries, which rights are hereby expressly reserved, to discharge or terminate the services of Participant at any time for any reason whatsoever, with or without cause, except to the extent expressly provided otherwise in a written agreement between the Company or a Subsidiary and Participant.

28.11 Claw-back. The Administrator may, in its sole reasonable discretion, deem the outcome of a remuneration component granted to the Participant under this Agreement unreasonable either because the same has been based on incorrect information (including but not limited to financial information) or in light of special circumstances. In such cases, the Administrator is entitled to adjust such component up- or downwards. If, in the event of such downward adjustment, payment in Shares and/or in cash has already been made by the Company to the Participant, the Company is entitled to reclaim what payments consequential to such downward adjustment was unduly paid.

28.12 Counterparts. The Grant Notice may be executed in one or more counterparts, including by way of any electronic signature, subject to Applicable Law, each of which will be deemed an original and all of which together will constitute one instrument.

* * * * *

MERUS N.V.
2016 INCENTIVE AWARD PLAN

RESTRICTED STOCK UNIT GRANT NOTICE

Capitalized terms not specifically defined in this Restricted Stock Unit Grant Notice (the "*Grant Notice*") have the meanings given to them in the 2016 Incentive Award Plan (as amended from time to time, the "*Plan*") of Merus N.V. (the "*Company*").

The Company has granted to the participant listed below ("*Participant*") the Restricted Stock Units described in this Grant Notice (the "*RSUs*"), subject to the terms and conditions of the Plan and the Restricted Stock Unit Agreement attached as Exhibit A (the "*Agreement*"), both of which are incorporated into this Grant Notice by reference.

Participant:

Grant Date:

Number of RSUs:

Vesting Commencement Date:

Vesting Schedule: [To be specified in individual award agreements]

By Participant's signature below, Participant agrees to be bound by the terms of this Grant Notice, the Plan and the Agreement. Participant has reviewed the Plan, this Grant Notice and the Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Grant Notice and fully understands all provisions of the Plan, this Grant Notice and the Agreement. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan, this Grant Notice or the Agreement.

PARTIES:

MERUS N.V.	PARTICIPANT
By: _____	_____
Name: _____	[Participant Name]
Title: _____	

Capitalized terms not specifically defined in this Agreement have the meanings specified in the Grant Notice or, if not defined in the Grant Notice, in the Plan.

ARTICLE XXIX.
GENERAL

29.1 Award of RSUs and Dividend Equivalents.

(a) The Company has granted the RSUs to Participant effective as of the grant date set forth in the Grant Notice (the "*Grant Date*"). Each RSU represents the right to receive one Share or, at the option of the Company, an amount of cash, in either case, as set forth in this Agreement. Participant will have no right to the distribution of any Shares or payment of any cash until the time (if ever) the RSUs have vested.

(b) The Company hereby grants to Participant, with respect to each RSU, a Dividend Equivalent for ordinary cash dividends paid to substantially all holders of outstanding Shares with a record date after the Grant Date and prior to the date the applicable RSU is settled, forfeited or otherwise expires. Each Dividend Equivalent entitles Participant to receive the equivalent value of any such ordinary cash dividends paid on a single Share. The Company will establish a separate Dividend Equivalent bookkeeping account (a "*Dividend Equivalent Account*") for each Dividend Equivalent and credit the Dividend Equivalent Account (without interest) on the applicable dividend payment date with the amount of any such cash paid.

29.2 Incorporation of Terms of Plan. The RSUs are subject to the terms and conditions set forth in this Agreement and the Plan, which is incorporated herein by reference. In the event of any inconsistency between the Plan and this Agreement, the terms of the Plan will control.

29.3 Unsecured Promise. The RSUs and Dividend Equivalents will at all times prior to settlement represent an unsecured Company obligation payable only from the Company's general assets.

ARTICLE XXX.
VESTING; FORFEITURE AND SETTLEMENT

30.1 Vesting; Forfeiture. The RSUs will vest according to the vesting schedule in the Grant Notice except that any fraction of an RSU that would otherwise be vested will be accumulated and will vest only when a whole RSU has accumulated. In the event of Participant's Termination of Service for any reason, all unvested RSUs will immediately and automatically be cancelled and forfeited, except as otherwise determined by the Administrator or provided in a binding written agreement between Participant and the Company. Dividend Equivalents (including any Dividend Equivalent Account balance) will vest or be forfeited, as applicable, upon the vesting or forfeiture of the RSU with respect to which the Dividend Equivalent (including the Dividend Equivalent Account) relates.

30.2 Settlement.

(a) RSUs and Dividend Equivalents (including any Dividend Equivalent Account balance) will be paid in Shares or cash at the Company's option as soon as administratively practicable after the vesting of the applicable RSU, but in no event more than sixty (60) days after the RSU's vesting date. Notwithstanding the foregoing, the Company may delay any payment under this Agreement that the Company reasonably determines would violate Applicable Law until the earliest date the Company

reasonably determines the making of the payment will not cause such a violation (in accordance with Treasury Regulation Section 1.409A-2(b)(7)(ii)), provided the Company reasonably believes the delay will not result in the imposition of excise taxes under Section 409A.

(b) If an RSU is paid in cash, the amount of cash paid with respect to the RSU will equal the Fair Market Value of a Share on the day immediately preceding the payment date. If a Dividend Equivalent is paid in Shares, the number of Shares paid with respect to the Dividend Equivalent will equal the quotient, rounded down to the nearest whole Share, of the Dividend Equivalent Account balance divided by the Fair Market Value of a Share on the day immediately preceding the payment date.

ARTICLE XXXI.
TAXATION AND TAX WITHHOLDING

31.1 Representation. Participant represents to the Company that Participant has reviewed with Participant's own tax advisors the tax consequences of this Award and the transactions contemplated by the Grant Notice and this Agreement. Participant is relying solely on such advisors and not on any statements or representations of the Company or any of its agents.

31.2 Tax Withholding.

(a) The Company has the right and option, but not the obligation, to treat Participant's failure to provide timely payment in accordance with the Plan of any withholding tax arising in connection with the RSUs or Dividend Equivalents as Participant's election to satisfy all or any portion of the withholding tax by requesting the Company retain Shares otherwise issuable under the Award.

(b) Participant acknowledges that Participant is ultimately liable and responsible for all taxes owed in connection with the RSUs and the Dividend Equivalents, regardless of any action the Company or any Subsidiary takes with respect to any tax withholding obligations that arise in connection with the RSUs or Dividend Equivalents. Neither the Company nor any Subsidiary makes any representation or undertaking regarding the treatment of any tax withholding in connection with the awarding, vesting or payment of the RSUs or the Dividend Equivalents or the subsequent sale of Shares. The Company and the Subsidiaries do not commit and are under no obligation to structure the RSUs or Dividend Equivalents to reduce or eliminate Participant's tax liability.

ARTICLE XXXII.
OTHER PROVISIONS

32.1 Adjustments. Participant acknowledges that the RSUs, the Shares subject to the RSUs and the Dividend Equivalents are subject to adjustment, modification and termination in certain events as provided in this Agreement and the Plan.

32.2 Notices. Any notice to be given under the terms of this Agreement to the Company must be in writing and addressed to the Company in care of the Company's Secretary at the Company's principal office or the Secretary's then-current email address or facsimile number. Any notice to be given under the terms of this Agreement to Participant must be in writing and addressed to Participant at Participant's last known mailing address, email address or facsimile number in the Company's personnel files. By a notice given pursuant to this Section, either party may designate a different address for notices to be given to that party. Any notice will be deemed duly given when actually received, when sent by email, when sent by certified mail (return receipt requested) and deposited with postage prepaid in a post office or branch post office regularly maintained by the United States Postal Service, when delivered by a nationally recognized express shipping company or upon receipt of a facsimile transmission confirmation.

32.3 Titles. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

32.4 Conformity to Securities Laws. Participant acknowledges that the Plan, the Grant Notice and this Agreement are intended to conform to the extent necessary with all Applicable Laws and, to the extent Applicable Laws permit, will be deemed amended as necessary to conform to Applicable Laws.

32.5 Successors and Assigns. The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement will inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth in the Plan, this Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

32.6 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan or this Agreement, if Participant is subject to Section 16 of the Exchange Act, the Plan, the Grant Notice, this Agreement, the RSUs and the Dividend Equivalents will be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3) that are requirements for the application of such exemptive rule. To the extent Applicable Laws permit, this Agreement will be deemed amended as necessary to conform to such applicable exemptive rule.

32.7 Entire Agreement. The Plan, the Grant Notice and this Agreement (including any exhibit hereto) constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof.

32.8 Agreement Severable. In the event that any provision of the Grant Notice or this Agreement is held illegal or invalid, the provision will be severable from, and the illegality or invalidity of the provision will not be construed to have any effect on, the remaining provisions of the Grant Notice or this Agreement.

32.9 Limitation on Participant's Rights. Participation in the Plan confers no rights or interests other than as herein provided. This Agreement creates only a contractual obligation on the part of the Company as to amounts payable and may not be construed as creating a trust. Neither the Plan nor any underlying program, in and of itself, has any assets. Participant will have only the rights of a general unsecured creditor of the Company with respect to amounts credited and benefits payable, if any, with respect to the RSUs and Dividend Equivalents, and rights no greater than the right to receive cash or the Shares as a general unsecured creditor with respect to the RSUs and Dividend Equivalents, as and when settled pursuant to the terms of this Agreement.

32.10 Not a Contract of Employment. Nothing in the Plan, the Grant Notice or this Agreement confers upon Participant any right to continue in the employ or service of the Company or any Subsidiary or interferes with or restricts in any way the rights of the Company and its Subsidiaries, which rights are hereby expressly reserved, to discharge or terminate the services of Participant at any time for any reason whatsoever, with or without Cause, except to the extent expressly provided otherwise in a written agreement between the Company or a Subsidiary and Participant.

32.11 Claw-back. The Administrator may, in its sole reasonable discretion, deem the outcome of a remuneration component granted to the Participant under this Agreement unreasonable either because the same has been based on incorrect information (including but not limited to financial information) or in light of special circumstances. In such cases, the Administrator is entitled to adjust such component up- or downwards. If, in the event of such downward adjustment, payment in Shares and/or in cash has already been made by the Company to the Participant, the Company is entitled to reclaim what payments consequential to such downward adjustment was unduly paid.

32.12 Counterparts. The Grant Notice may be executed in one or more counterparts, including by way of any electronic signature, subject to Applicable Law, each of which will be deemed an original and all of which together will constitute one instrument.

* * * * *

Exhibit 4.3

MERUS N.V.

SUPERVISORY BOARD MEMBER COMPENSATION PROGRAM

Members of the Supervisory Board (the "***Supervisory Board***") of Merus N.V. (the "***Company***") shall receive cash and equity compensation as set forth in this Supervisory Board Member Compensation Program (this "***Program***"). The compensation described in this Program shall be paid or be made, as applicable, automatically and without further action of the Supervisory Board or the shareholders of the Company (the "***Shareholders***") with respect to the cash compensation and subject to approval by our Shareholders with respect to the equity compensation, to each member of the Supervisory Board (each, a "***Supervisory Board Member***") who is entitled to receive such cash or equity compensation, unless such Supervisory Board Member declines the receipt of such cash or equity compensation by written notice to the Company. This Program shall remain in effect until it is revised or rescinded by further action taken by the Shareholders. This Program may be amended, modified or terminated by action taken by the Shareholders at any time in their sole discretion. The terms and conditions of this Program shall supersede any prior cash and/or equity compensation arrangements for service as a Supervisory Board Member between the Company and any of its Supervisory Board Members. This Program shall become effective on the date of the effectiveness of the Company's Registration Statement on Form F-1 relating to the initial public offering of common shares (the "***Effective Date***").

I. CASH COMPENSATION

A. Annual Retainers. Each Supervisory Board Member shall receive an annual retainer of $35,000 for service on the Supervisory Board.

B. Additional Annual Retainers. In addition, each Supervisory Board Member shall receive the following annual retainers:

1. *Chairperson of the Supervisory Board*. A Supervisory Board Member serving as Chairperson of the Supervisory Board shall receive an additional annual retainer of $28,000 for such service.

2. *Audit Committee*. A Supervisory Board Member serving as Chairperson of the Audit Committee shall receive an additional annual retainer of $15,000 for such service. A Supervisory Board Member serving as a member other than the Chairperson of the Audit Committee shall receive an additional annual retainer of $7,500 for such service.

3. *Compensation Committee*. A Supervisory Board Member serving as Chairperson of the Compensation Committee shall receive an additional annual retainer of $10,000 for such service. A Supervisory Board Member serving as a member other than the Chairperson of the Compensation Committee shall receive an additional annual retainer of $5,000 for such service.

4. *Nominating and Corporate Governance Committee*. A Supervisory Board Member serving as Chairperson of the Nominating and Corporate Governance Committee shall receive an additional annual retainer of $7,500 for such service. A Supervisory Board Member serving as a member other than the Chairperson of the Nominating and Corporate Governance Committee shall receive an additional annual retainer of $3,750 for such service.

C. Payment of Retainers. The annual retainers described in Sections I(A) and I(B) shall be earned on a quarterly basis based on a calendar quarter and shall be paid in cash by the Company in arrears not later than the fifteenth day following the end of each calendar quarter. In the event a Supervisory Board Member does not serve as a Supervisory Board Member, or in the applicable positions described in Section I(B), for an entire calendar quarter, the retainer paid to such Supervisory Board Member shall be prorated for the portion of such calendar quarter actually served as a Supervisory Board Member, or in such position, as applicable.

D. Annual Increase. Each annual retainer described in Sections I(A) and I(B) shall, without further action taken by the Shareholders, automatically increase on the first day of each calendar year beginning on January 1, 2017 by an amount equal to 3% of the value of such annual retainer in effect as of the immediately preceding calendar year.

II. EQUITY COMPENSATION

Supervisory Board Members shall be eligible to be granted the equity awards described below. The awards described below shall be granted under and shall be subject to the terms and provisions of the Company's 2016 Incentive Award Plan or any other applicable Company equity incentive plan then-maintained by the Company (the "***Equity Plan***") and shall be granted subject to award agreements in substantially the form previously approved by the Shareholders. All applicable terms of the Equity Plan apply to this Program as if fully set forth herein, and all grants of stock options hereby are subject in all respects to the terms of the Equity Plan and the applicable award agreement.

A. Initial Awards. Each Supervisory Board Member who is initially elected or appointed to the Supervisory Board after the Effective Date shall be eligible to receive an option to purchase the number of common shares of the Company having an aggregate Grant Date Fair Value (as defined below) of $200,000, with any partial shares that result being rounded down to the nearest whole share. The awards described in this Section II(A) shall be referred to as "***Initial Awards***." No Supervisory Board Member shall be granted more than one Initial Award. "***Grant Date Fair Value***" shall mean the value of the option as of the date of grant, which value shall be determined using a Black-Scholes option pricing model and the valuation assumptions used by the Company in accounting for options as of such date; provided, that the fair market value of the common shares of the Company used in such calculation shall be based on the average trading price of the common shares of the Company over the preceding thirty day period.

B. Subsequent Awards. A Supervisory Board Member who (i) has been serving as a Supervisory Board Member for at least six months as of the date of any annual meeting of the Shareholders after the Effective Date and (ii) will continue to serve as a Supervisory Board Member immediately following such meeting, is eligible to be granted, at the occasion of or as soon as practically possible following such annual meeting an option to purchase the number of common shares of the Company having an aggregate Grant Date Fair

Value of $100,000, with any partial shares that result being rounded down to the nearest whole share. The awards described in this Section II(B) shall be referred to as "***Subsequent Awards.***" For the avoidance of doubt, a Supervisory Board Member elected for the first time to the Supervisory Board at an annual meeting of the Shareholders shall only receive an Initial Award in connection with such election, and shall not receive any Subsequent Award on the date of such meeting as well.

For the avoidance of doubt, any grant of Initial Awards and Subsequent Awards under this Program will require a written notice of acceptance of the relevant Supervisory Board Member, in the absence of which such Supervisory Board Member will be deemed to have waived its rights to such a grant.

C. Terms of Awards Granted to Supervisory Board Members

1. *Exercise Price*. The per share exercise price of each option granted to a Supervisory Board Member shall equal the Fair Market Value (as defined in the Equity Plan) of a common share of the Company on the date the option is granted.

2. *Vesting*. Each Initial Award shall vest and become exercisable as to 33% of the shares subject to such Initial Award on the first anniversary of the date of grant and in 24 substantially equal monthly installments thereafter, such that the Initial Award shall be fully vested on the third anniversary of the date of grant, subject to the Supervisory Board Member continuing in service as a Supervisory Board Member through each such vesting date. Each Subsequent Award shall vest and become exercisable in 12 substantially equal monthly installments following the date of grant, such that the Subsequent Award shall be fully vested on the first anniversary of the date of grant, subject to the Supervisory Board Member continuing in service on the Supervisory Board as a Supervisory Board Member through each such vesting date. Any portion of an Initial Award or Subsequent Award which is unvested or unexercisable at the time of a Supervisory Board Member's termination of service on the Supervisory Board shall be immediately forfeited upon such termination of service and shall not thereafter become vested and exercisable. All of a Supervisory Board Member's Initial Awards and Subsequent Awards shall vest in full immediately prior to the occurrence of a Change in Control (as defined in the Equity Plan), to the extent outstanding at such time.

3. *Term*. The maximum term of each stock option granted to a Supervisory Board Member hereunder shall be ten (10) years from the date the option is granted.

D. Annual Increase; Award Limit. The Grant Date Fair Value of each Initial Award and Subsequent Award described in Sections II(A) and II(B) shall, subject to approval by the Shareholders, increase on the first day of each calendar year beginning on January 1, 2017 by an amount equal to 3% of the Grant Date Fair Value applicable to Initial Awards and Subsequent Awards in effect as of the immediately preceding calendar year; provided, that, in no event shall the number of shares awarded pursuant to (i) an Initial Award exceed 17,000 common shares of the Company and (ii) a Subsequent Award exceed 8,500 common shares of the Company, in each case, subject to adjustment as provided in the Equity Plan, including without limitation with respect to any share dividend, share split, reverse share split or other similar event affecting the common shares of the Company that is effected prior to the Effective Date.

E. Tax deductions. To the extent required to comply with applicable tax laws, the Company shall be allowed to make necessary deductions on any compensation payable under this Program, including (without limitation) for purposes of any payroll tax or income tax.

F. Prevailing terms. In the event of any inconsistency between the terms of the Merus N.V. 2016 Incentive Award Plan and this Program, the terms of this Program shall prevail.

* * * * *

Exhibit 4.12

Confidential Treatment Requested Under 17 C.F.R.§§ 200.80(b)(4) and 240-24b-2

COLLABORATION AND LICENSE AGREEMENT

by and between

Incyte Corporation

and

Merus N.V.

dated as of December 20, 2016

[*] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

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EXHIBITS

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COLLABORATION AND LICENSE AGREEMENT

THIS COLLABORATION AND LICENSE AGREEMENT (the "Agreement") is entered into as of December 20, 2016 (the "Execution Date"), by and between Incyte Corporation, a Delaware corporation having an office at 1801 Augustine Cut-off, Wilmington, DE 19803, United States of America ("Incyte"), and Merus N.V., a company incorporated in the Netherlands, having an office at Yalelaan 62, 3584 CM Utrecht, The Netherlands ("Merus").

WHEREAS, Merus is a clinical stage immuno-oncology company in the business of research and development of innovative bi-specific Antibodies;

WHEREAS, Incyte is in the business of research, development and commercialization of pharmaceutical and biologic products; and

WHEREAS, Incyte and Merus are interested in collaborating on activities relating to certain bi-specific Antibodies to Develop such Antibodies in the Field;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

ARTICLE I
DEFINITIONS

When used in this Agreement, each of the following terms shall have the meanings set forth in this ARTICLE I:

1.1 "Accounting Standards" means (a) with respect to Incyte, that Incyte shall maintain records and books of accounts in accordance with (i) US GAAP (United States Generally Accepted Accounting Principles) or (ii) if mandated by the SEC, IFRS (International Financial Reporting Standards) and (b) with respect to Merus, that Merus shall maintain records and books of accounts in accordance with IFRS. Notwithstanding the above, prior period restatements needed in conjunction with the IFRS adoption shall not impact royalty payments, milestone payments and Development Costs already paid prior to the IFRS adoption except for the fiscal year immediately prior to the fiscal year in which the change in accounting standards is implemented.

1.2 "Additional Co-Development Product" means a Novel Program Product arising from an Additional Co-Development Program.

1.3 "Additional Co-Development Program" means a Novel Program for which the Additional Co-Development Option has been timely exercised pursuant to Section 5.5(a).

1.4 "Affiliate" means, with respect to any Person, another Person which controls, is controlled by or is under common control with such Person. A Person shall be deemed to control another Person if such Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of

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voting securities, by contract or otherwise. Without limiting the generality of the foregoing, a Person shall be deemed to control another Person if any of the following conditions is met: (i) in the case of corporate entities, direct or indirect ownership of more than [*] of the stock or shares having the right to vote for the election of directors, and (b) in the case of non-corporate entities, direct or indirect ownership of more than [*] of the equity interest with the power to direct the management and policies of such non-corporate entities. For the purposes of this Agreement, in no event shall Incyte or any of its Affiliates be deemed Affiliates of Merus or any of its Affiliates, nor shall the Merus or any of its Affiliates be deemed Affiliates of Incyte or any of its Affiliates.

1.5 "Allowable Expenses" means, subject to the other provisions of this Agreement, the following expenses to the extent specifically identifiable or reasonably allocable to, as applicable, (i) the [*] Co-Development Product, if any, or (ii) an Additional Co-Development Product, if any, with respect to Commercialization in the United States, or the manufacture for use in such Commercialization activities, by or on behalf of Incyte, or with respect to co-Detailing activities for the [*] Co-Detailing Product, Merus, and their respective Affiliates, or, where such Commercialization rights have been sublicensed by Incyte to a Third Party, such sublicensee:

(a) FTE and Out-of-Pocket costs specifically identifiable or reasonably allocable to the Commercialization of the [*] Co-Development Product or an Additional Co-Development Product in the United States (including co-Detailing costs of the Parties pursuant to Section 7.3(a); provided that each Party shall, in accordance with applicable Accounting Standards, prorate all such costs in the event that its sales representatives detail product in addition to a Co-Detailing Product during the same Detailing visit);

(b) Manufacturing Costs for the [*] Co-Development Product or an Additional Co-Development Product, as applicable, for sale in the United States (including [*] of the [*] Co-Development Product or such Additional Co-Development Product);

(c) Regulatory Expenses (including [*] to the extent allocable to sales of the [*] Co-Development Product or an Additional Co-Development Product);

(d) Development Costs incurred on or after First Commercial Sale;

(e) costs for the coordination of medical information requests and field based medical scientific liaisons in the United States;

(f) costs associated with patient assistance programs;

(g) costs for filing, maintaining and enforcing Patent Rights pursuant to Sections 8.3(c) and 8.4, in each case to the extent not (i) otherwise reimbursed through recoveries obtained in connection with any litigation as contemplated under Section 8.4 or (ii) Merus's responsibility pursuant to Section 8.5(d) or ARTICLE XI;

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(h) costs of securing trademarks for the [*] Co-Development Product or an Additional Co-Development Product, as applicable, pursuant to Section 7.4(b);

(i) product liability insurance in the event the Parties obtain a joint policy that covers the [*] Co-Development Product or an Additional Co-Development Product;

(j) Third Party Payments (in accordance with Section 8.5(a) – (c));

(k) FTE and Out-of-Pocket costs associated with recall or withdrawal of the [*] Co-Development Product or an Additional Co-Development Product other than such costs that result from a Party's or its Affiliate's breach of this Agreement (which costs will be borne solely by such Party);

(l) FTE and Out-of-Pocket Costs incurred in relation to (i) Product Liability claims and (ii) Third Party infringement claims, except for any such infringement claim with respect to which either Party is required to indemnify the other Party pursuant to ARTICLE XI, in each case arising from the Development, manufacture and Commercialization of the [*] Co-Development Product or an Additional Co-Development Product; and

(m) any other costs and expense of Incyte, its Affiliates, and its sublicensees specifically identifiable or reasonably allocable to the Commercialization of the [*] Co-Development Product or an Additional Co-Development Product in the United States;

provided that Allowable Expenses shall exclude Development Costs incurred prior to First Commercial Sale and further provided that expenses incurred for [*] by or on behalf of either Party in relation to the [*] Co-Detailing Product shall only be included within "Allowable Expenses" [*]. For clarity, Allowable Expenses will not include [*] with respect to [*] Product (whether under the [*] Program or as a Novel Program Product under any Novel Program), other than the [*] Co-Detailing Product; provided that the foregoing would not limit [*] right to [*] to the extent provided under this Agreement.

1.6 "Annual Net Sales" means Net Sales of the applicable Licensed Products for a particular Program in any Calendar Year, or, in the first or last year of the applicable Royalty Term, the portion of such Calendar Year during which this Agreement is in effect.

1.7 "Antibody" means a molecule that comprises or contains: (a) one or more immunoglobulin variable domains; (b) fragments, variants, modifications or derivatives of such immunoglobulin variable domains irrespective of origin or source, including antigen binding portions including Fab, Fab', $F(ab')_2$, Fv, dAb and CDR fragments, single chain antibodies (scFv), chimeric antibodies, diabodies and polypeptides (including humanized versions thereof), in each case that contain at least a portion of an immunoglobulin that is sufficient to confer specific antigen binding; or (c) the nucleic acid consisting of a sequence of nucleotides encoding (or complementary to a nucleic acid encoding) any of the foregoing molecules in (a) or (b).

1.8 "Arising IP" means all Inventions and Know-How discovered, made or conceived, or information created by either Party or jointly by the Parties or any of their

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Affiliates, employees, independent contractors or consultants in the course of conducting activities under this Agreement, together with all Intellectual Property Rights therein; including Platform Arising IP, Discovery Arising IP, Target Pair Arising IP, Sole Arising IP and Joint Arising IP.

1.9 "Bankruptcy Event" means with respect to a Party (a) the entry of an order for relief under the Bankruptcy Code (or any other bankruptcy, insolvency, reorganization or other similar act or law of any jurisdiction now or hereafter in effect) by such Party; (b) the commencement of an involuntary proceeding under the Bankruptcy Code or any other bankruptcy, insolvency, reorganization or other similar act or law of any jurisdiction now or hereafter in effect against such Party, if not dismissed, bonded or stayed within [*] after such commencement; (c) the making by such Party of a general assignment for the benefit of creditors; or (d) the appointment of or taking possession by a receiver, liquidator, assignee, custodian, or trustee of all or substantially all of the business or property of such Party.

1.10 "Bi-Specific Construct" means an Antibody that recognizes two or more different Targets or two or more distinct epitopes on the same Target through binding by distinct V-Regions on each Fab region of such bi-specific Antibody. Where "Bi-Specific Construct" is used in connection with a Program, it applies to the Bi-Specific Constructs generated (or that could be generated based on the General Monoclonal Antibodies) for such Program, including with respect to Program 1 and Program 2, prior to the Effective Date.

1.11 "BLA" means (a) (i) a Biologics License Application or New Drug Application submitted to the FDA, or any successor application or procedure, as more fully defined in the United States Federal Food, Drug, and Cosmetic Act, 21 U.S.C. § 301 *et seq*., as amended from time to time, or under Section 351 of the Public Health Service Act (PHSA), which is codified at 42 U.S.C. §262, or (ii) any non-United States counterpart of such a New Drug Application or Biologics License Application, and (b) all supplements and amendments, including supplemental New Drug Applications and Biologics License Applications (and any non-United States counterparts) that may be filed with respect to the foregoing.

1.12 "Business Day" means any day except Saturday, Sunday and any day on which banking institutions in New York, New York or Utrecht, Netherlands, generally are closed as a result of federal, state or local holiday.

1.13 "Calendar Quarter" means a calendar quarter ending on the last day of March, June, September or December.

1.14 "Calendar Year" means (a) for the first year of the Term, the period beginning on the Effective Date and ending on December 31, 2017, (b) for each year of the Term thereafter, each successive period of time commencing on January 1 and ending twelve (12) consecutive calendar months later on December 31, and (c) for the last year of the Term, the period beginning on January 1 of the year in which this Agreement expires or terminates and ending on the effective date of expiration or termination of this Agreement.

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1.15 "Candidate Nomination" means, with respect to a Program and its associated Target Pair, that [*] in such Program.

1.16 "[*] Antibody" means any Antibody that binds to [*].

1.17 "Change of Control" means, with respect to either Party, the occurrence of any of the following after the Effective Date:

(a) Any "person" or "group" (as such terms are defined below) (i) becomes the "beneficial owner" (as defined below), directly or indirectly, of shares or other interests (including partnership interests) of a Party then outstanding and normally entitled (without regard to the occurrence of any contingency) to vote in the appointment or election of the directors, the managers, the members of the management board or the members of the supervisory board or similar positions ("Voting Stock") of such Party representing [*] or more of the total voting power of all outstanding classes of Voting Stock of such Party or (ii) has the power, directly or indirectly, to elect [*] of the members of such Party's directors, managers, management board, supervisory board, or similar governing body ("Board of Directors"); or

(b) A Party enters into a merger, consolidation or similar transaction with another Person (whether or not such Party is the surviving entity) and as a result of such merger, consolidation or similar transaction (i) the members of a Board of Directors of such Party immediately prior to such transaction, immediately following such transaction, (A) constitute less than [*] of the members of a Board of Directors of such surviving Person or (B) do not jointly hold [*] of the voting power within the Board of Directors or (ii) the Persons that beneficially owned, directly or indirectly, the shares of Voting Stock of such Party immediately prior to such transaction cease to beneficially own, directly or indirectly, shares of Voting Stock of such Party representing at least [*] of the total voting power of all outstanding classes of Voting Stock of the surviving Person in substantially the same proportions as their ownership of Voting Stock of such Party immediately prior to such transaction; or

(c) A Party sells or transfers to any Third Party, in one or more related transactions, properties or assets representing all or substantially all of such Party's assets to which this Agreement relates; or

(d) The general meeting of shareholders of a Party adopt a resolution or the holders of shares or other interests of a Party approve a proposal, as applicable, for the dissolution of such Party or for the approval of a resolutions or a plan, as applicable, resulting in the liquidation of all or substantially all of such Party's assets.

(e) For the purpose of this definition of Change of Control, (a) "person" and "group" have the meanings given such terms under Section 13(d) and 14(d) of the United States Securities Exchange Act of 1934 and the term "group" includes any group acting for the purpose of acquiring, holding or disposing of securities within the meaning of Rule 13d-5(b)(1) under the said Act; (b) a "beneficial owner" shall be determined in accordance with Rule 13d-3 under the aforesaid Act; and (c) the terms "beneficially owned" and "beneficially own" shall have meanings correlative to that of "beneficial owner."

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1.18 "Clinical Trial" means a Phase I Study, a Phase II Study, a Phase III Study, a Pivotal Study, a Phase IV Study or a combination of two (2) or more of any of the foregoing studies in any jurisdiction.

1.19 "Commercialization" or "Commercialize" means any activities directed to obtaining pricing and/or reimbursement approvals, marketing, promoting, distributing, importing, Detailing, offering to sell, and/or selling a product (including establishing the price for such product).

1.20 "Commercially Reasonable Efforts" of a Party means the reasonable, diligent, good faith efforts of the type to accomplish such objective as such Party would normally use to accomplish a similar objective under similar circumstances, it being understood and agreed that, with respect to efforts to be expended in relation to a Licensed Product, such efforts shall be substantially consistent with those efforts and resources commonly used by such Party for any other product owned by it or in relation to which it may have rights, which other product is at a similar stage in its Development or product life and is of similar market and economic potential as products expected to result from the Licensed Antibodies at a similar stage in their Development or product life provided that such efforts continue to be commercially reasonable in light of the scientific and economic outlook for the product, all as measured by the facts and circumstances at the time such efforts are due.

1.21 "Confidential Information" means (a) all confidential or proprietary information relating to Licensed Antibodies, and (b) all other confidential or proprietary documents, technology, Know-How or other information (whether or not patentable) actually disclosed by one Party to the other pursuant to this Agreement or the Prior Confidentiality Agreements.

1.22 "Control" or "Controlled" means, with respect to any (a) material, document, item of information, method, data or other Know-How or (b) other Intellectual Property Rights, the possession by a Party or its Affiliates, whether by ownership or license (other than by licenses granted under this Agreement), of the ability to grant to the other Party access, a license and/or a sublicense as provided herein without requiring the consent of a Third Party or violating the terms of any agreement or other arrangement with any Third Party, in each case as of the Execution Date, or if any of the same are acquired or created after the Execution Date, at the date it is acquired or created by the relevant Party or its Affiliate.

1.23 "Cover", "Covering" or "Covered" means, with respect to a product, technology, process or method, that, but for a license granted to a Person under a Valid Claim included in the Patent Rights under which such license is granted, the Development, manufacture, Commercialization, importation, and/or other use of such product or the practice of such technology, process, or method by such Person would infringe such Valid Claim (or, in the case of a Valid Claim that has not yet issued, would infringe such Valid Claim if it were to issue).

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1.24 "Data Package" means, on a Program-by-Program basis, a data package intended to support the achievement of the Candidate Nomination for a Bi-Specific Construct in such Program, including the following information, in a form reasonable under the circumstances and to the extent applicable to the given Research Plan: (a) a written report summarizing any [*] the applicable Program, and all [*] the applicable Research Plan, (b) a [*] relating to the [*] Antibodies for the applicable [*] and the [*], (c) available information and data relating to the [*] Bi-Specific Constructs [*] applicable Target Pair, and any results and data relating to [*], (d) a list of all Patents Controlled by Merus that at the time of submission of such data package would be licensed to Incyte for Development and Commercialization of such Bi-Specific Construct(s) set forth in (c) as Licensed Antibodies and Licensed Products under this Agreement and any Patents Controlled by Merus Covering the Antibodies set forth in (b), and (e) any other information and data that the JRC agrees, at the time of designation of such Target Pair (in accordance with Sections 4.4 or 4.5) or prior to Candidate Nomination, should be included within such Data Package to support the determination of Candidate Nomination for such Program.

1.25 "Detail" means the act of presenting information on the [*] Co-Detailing Product in a manner consistent with the Detailing Plan. When used as a verb "Detail" or "Detailing" means to engage in a Detail.

1.26 "Development" or "Develop" means, with respect to a biologic molecule or Antibody, any activity directed to obtaining or maintaining Regulatory Approval, including all preclinical and clinical drug or biologic product development activities, including: the conduct of Clinical Trials, vector construction, cell line development, master cell bank generation, test method development and stability testing, toxicology, formulation and delivery system development, process development, pre-clinical and clinical Licensed Antibody and Licensed Product supply, manufacturing scale-up, development-stage manufacturing, quality assurance/quality control procedure development and performance with respect to clinical materials, statistical analysis and report writing and clinical studies, regulatory affairs with respect to the foregoing, and all activities conducted under a Development Plan. Development expressly excludes activities conducted under the [*] Discovery Plan, Novel Discovery Plans and the Research Plans. When used as a verb, "Develop" means to engage in Development. For clarity, "Development" shall include Phase IV Studies or any other Clinical Trial commenced after Regulatory Approval.

1.27 "Development Costs" means the costs and expenses incurred by or on behalf of a Party attributable to, or reasonably allocable to, the Development of Licensed Products in accordance with the applicable Development Plan and the Program 1 Joint Development Budget, the [*] Co-Development Budget, or an Additional Co-Development Budget (if any), as applicable. Development Costs shall not include [*]. "Development Costs" shall include (a) the costs of [*], (b) the [*] costs of the relevant Party or its Affiliates [*] performing Development activities, (c) all Out-of-Pocket Costs incurred by the Parties or their Affiliates, including payments made to Third Parties with respect to any of the foregoing (except to the extent that [*]), (d) [*], (e) the cost of [*] and (f) the cost of [*], including: (i) all costs of [*] used in Development, [*], (ii) expenses incurred to [*], and (iii) costs and expenses of [*], in each case

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of (i) through (iii), to the extent associated with Development activities under the applicable Development Plan and Development Budget. Development Costs expressly include Research Costs for Program 1 Antibodies but exclude Research Costs for Program 2 Antibodies, [*] Antibodies, and Novel Program Antibodies.

1.28 "Development Plan" means the Program 1 Joint Development Plan, the Program 1 Incyte Territory Development Plan, the Program 1 US Development Plan, the [*] Co-Development Plan, and an Additional Co-Development Plan (if any), as applicable.

1.29 "Discovery Arising IP" means all Inventions and Know-How discovered, made or conceived, or information created by either Party or jointly by the Parties or any of their Affiliates, employees, independent contractors or consultants in the course of conducting activities under any Research Plan, [*] Discovery Plan, or Novel Discovery Plan under this Agreement, together with all Intellectual Property Rights therein, including [*]; provided that Discovery Arising IP excludes [*].

1.30 "Drop Date" means, with respect to a Dropped Program and the corresponding Dropped Target Pairs, the date of Incyte's written notice to Merus of its desire to drop the applicable Program pursuant to Section 4.8.

1.31 "Dropped Bi-Specific Construct" means a Bi-Specific Construct that is part of a Dropped Program and that was [*] for such Dropped Program.

1.32 "Dropped Bi-Specific Product" means a product or product candidate (other than a Licensed Antibody or Licensed Product) that contains a Dropped Bi-Specific Construct as an active ingredient, including all formulations and dosages.

1.33 "Dropped Program" means a Program that is dropped by Incyte in accordance with Section 4.8 prior to achievement of Program Selection for such Program.

1.34 "Dropped Target Pair" means the Target Pair that was the subject of research activities under a Dropped Program.

1.35 "EMA" means the European Medicines Agency, or a successor agency thereto.

1.36 "Executive Officers" means the Chief Executive Officer of Incyte (or a senior executive officer of Incyte designated by Incyte's Chief Executive Officer) and the Chief Executive Officer of Merus (or a senior executive officer of Merus or its Affiliate as designated by Merus's Chief Executive Officer).

1.37 "Existing Program Patents" means those Patent Rights filed by Merus with respect to (i) Program 1 and Program 2, (ii) any IMOD Pipeline Product, or (iii) a [*] Program that exist as of the Execution Date, as set forth on Exhibit 1.37.

1.38 "FDA" means the United States Food and Drug Administration, or a successor agency thereto.

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1.39 "Field" means all fields of use.

1.40 "First Commercial Sale" means, with respect to a Licensed Product, the first arm's length commercial sale for monetary value of such Licensed Product to a Third Party (who is not a sublicensee) by, as applicable, Merus or its Affiliates or sublicensees or Incyte or its Affiliates or sublicensees in a country following applicable Regulatory Approval (other than applicable governmental price and reimbursement approvals) of such Licensed Product in such country. Sales or transfers (a) to an Affiliate or sublicensee (unless the Affiliate or sublicensee is the last entity in the distribution chain of the Licensed Product), or (b) of reasonable quantities of Licensed Product for Clinical Trial purposes, for a bona fide charitable purpose, or for compassionate or similar use shall not be considered a First Commercial Sale. For purposes of clarification, except as otherwise provided in the previous sentence, any first arm's length commercial sale to a distributor or wholesaler under any non-conditional sale arrangement would be a First Commercial Sale.

1.41 "Force Majeure Event" means an event, act, occurrence, condition or state of facts, in each case outside the reasonable control of a Party, including: acts of God; acts of any government; any rules, regulations or orders issued by any governmental authority or by any officer, department, agency or instrumentality thereof; fire; storm; flood; earthquake; accident; war; rebellion; insurrection; riot; terrorism and invasion; in each case that interfere with the normal business operations of such Party.

1.42 "FPFV" means the first patient's first screening visit in a Clinical Trial at or prior to which such subject signs an informed consent to participate in such Clinical Trial.

1.43 "FTE" means a full-time equivalent person year (consisting of a total of [*] hours per year) of scientific, technical or commercialization work undertaken by Incyte or Merus employees, as applicable.

1.44 "FTE Rate" means the rate per FTE (which may be prorated on a daily basis as necessary) of [*] per annum, with respect to Development or Commercialization activities conducted pursuant to this Agreement, subject to annual adjustment by the rate of the Employment Cost Index for total compensation for the "management, professional and related" occupational group, as published by the United States Department of Labor, Bureau of Labor Statistics (or any similar index agreed upon by the Parties if such index ceases to be compiled and published).

1.45 "General Monoclonal Antibody" means, with respect to a Target Pair designated by Incyte for inclusion in a Research Plan, the [*] but which are [*].

1.46 "Generic Competition" means, with respect to a Licensed Product in any country, that one or more Generic Products [*] in such country, and such Generic Product(s) have a market share (in the aggregate) of [*] or greater in a Calendar Quarter. Market share shall be based on the aggregate market in such country of such Licensed Product and the Generic Product(s), based on units of such Licensed Product sold and units of such Generic Product(s) sold in the aggregate, as reported by IMS International, or if such data are not available, such other reliable data source as reasonably agreed by the Parties.

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1.47 "Generic Product" means, on a Licensed Product-by-Licensed Product and country-by-country basis, any pharmaceutical or biological product (a) that contains (i) an identical Licensed Antibody or active ingredient(s) as such Licensed Product, or (ii) a "highly similar" active ingredient(s) as such Licensed Product, as the phrase "highly similar" is used in 42 U.S.C. § 262(i)(2), and subject to the factors set forth in FDA's Guidance for Industry, "Quality Considerations in Demonstrating Biosimilarity of a Therapeutic Protein Product to a Reference Product," (April 2015), at Section V, and any successor FDA guidance thereto, (b) for which Regulatory Approval is obtained by referencing Regulatory Materials of such Licensed Product, (c) is approved for use in such country pursuant to a Regulatory Approval process governing approval of interchangeable or biosimilar biologics as described in 42 U.S.C. § 262, or an equivalent process for Regulatory Approval in any country outside the United States, or any other equivalent provision that comes into force, or is the subject of a notice with respect to such Licensed Product under 42 U.S.C. § 262(l)(2) or any other equivalent provision that comes into force in such country, and (d) is sold in the same country (or is commercially available in the same country via import from another country) as such Licensed Product by any Third Party that is not a sublicensee of a Party or its Affiliates and did not purchase such product in a chain of distribution that included any of a Party or any of its Affiliates or its Sublicensees.

1.48 "HCDR3" means the third heavy chain complementarity-determinant region determined by the amino acid sequence of the variable (V) domain that is flanked by the invariant cysteine 104 and the invariant tryptophan 118 according to the IMGT system of numbering (as set forth at http://www.imgt.org/IMGTScientificChart/Nomenclature/IMGT-FRCDRdefinition.html) corresponding to cysteine 92 and tryptophan 103 in the Kabat system and cysteine 92 and tryptophan 103 of the Chothia system.

1.49 "HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereto.

1.50 "IMOD Pipeline Product" means [*] product or product candidate that contains a Bi-Specific Construct specifically binding to an IMOD Target Pair, including all formulations and dosages of such Bi-Specific Construct.

1.51 "IMOD Target Pair" means a Target Pair comprised of any two (2) IMOD Targets, or any two (2) distinct epitopes on any IMOD Target.

1.52 "IMOD Targets" means collectively [*], and each of (a) through (g) individually, an "IMOD Target".

1.53 "Incyte Group Member" means Incyte and any direct or indirect wholly owned subsidiary of Incyte.

1.54 "Incyte IP" means Incyte Know-How and Incyte Patent Rights.

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1.55 "Incyte Know-How" means all Know-How that (a) is Controlled by Incyte or any of its Affiliates as of the Execution Date or, subject to Section 5.3(d)(iv) (with respect to Program 1), during the Term (subject to Section 15.4(c)) and (b) is [*] to Develop, manufacture, or Commercialize any Licensed Antibodies or Licensed Products; provided that Incyte Know-How includes Know-How in Incyte's Sole Arising IP but excludes Know-How in Target Pair Arising IP and Joint Arising IP.

1.56 "Incyte Patent Rights" means all Patent Rights that (a) are Controlled by Incyte or any of its Affiliates as of the Execution Date or during the Term (subject to Section 15.4(c)) and (b) are [*] to Develop, manufacture, use or Commercialize any Licensed Antibodies or Licensed Products; provided that Incyte Patent Rights include Patent Rights in Incyte's Sole Arising IP, but excludes Patent Rights in Target Pair Arising IP and Joint Arising IP.

1.57 "[*] Targets" means a list of [*] Targets [*] within [*].

1.58 "Incyte Territory" means the entire world other than the United States.

1.59 "IND" means an Investigational New Drug Application filed with the FDA under 21 C.F.R. Part 312 or similar non-United States application or submission in any country or group of countries for permission to conduct human clinical investigations.

1.60 "Indication" means any disease, condition or syndrome, or sign or symptom of, or associated with, a disease or condition.

1.61 "Initial Research Term" means the period commencing on the Effective Date and ending on the [*] of the Effective Date.

1.62 "Initiation" or "Initiate" means, with respect to a Clinical Trial, the first dosing of the first human subject in such Clinical Trial.

1.63 "Intellectual Property Rights" means (a) Patent Rights, (b) Know-How, (c) copyrights (whether registered or unregistered), (d) rights in software, (e) trademarks, service marks, trade names, trade dress, domain names and similar rights, including goodwill therein, and (f) any other forms of proprietary or industrial rights pertaining to inventions, original works, and other forms of intellectual property now known or recognized in any jurisdiction, including the right to bring a claim with respect to any of the foregoing for past, present or future infringement, and any applications or registrations thereof.

1.64 "Internal Merus Program" means a bona fide internal program of research and development activities that [*] conducted by Merus or any of its Affiliates and that is directed to the identification, research and development of any Bi-Specific Constructs directed to one or more named Target Pair(s) where (a) [*] such research and development activities, and (b) [*] research, Development or Commercialization under this Agreement. [*] Internal Merus Program, (i) such [*], with respect to each such named Target Pair, be [*] under this Agreement and (ii) such [*], with respect to each such Target Pair, be [*] under this Agreement. For purposes of this definition, [*] and [*].

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1.65 "Inventions" means all inventions, discoveries, improvements and other technology that are discovered, made or conceived by or on behalf of either Party or its respective Affiliates or both Parties or the respective Affiliates, whether solely or jointly with any Third Party, during and in the course of activities performed under this Agreement.

1.66 "Joint Arising IP" means all Inventions and Know-How discovered, made or conceived or information created, jointly by both Parties or any of their Affiliates, employees, independent contractors or consultants in the course of conducting activities under this Agreement, together with all Intellectual Property Rights therein; provided that Joint Arising IP excludes Platform Arising IP, Discovery Arising IP, and Target Pair Arising IP.

1.67 "Know-How" means any information, ideas, data, inventions, works of authorship, database rights, trade secrets, technology, practices, techniques, procedures, knowledge, skill, experience or materials, including formulations, molecules, assays, reagents, compounds, biologic molecules, compositions, human or animal tissue, samples or specimens, and combinations or components thereof, whether or not proprietary or patentable, or public or confidential, and whether stored or transmitted in oral, documentary, electronic or other form, including all Regulatory Documentation, but excluding any such information or materials publicly disclosed in Patent Rights.

1.68 "Law" means any law, statute, rule, regulation, ordinance or other pronouncement having the effect of law, of any federal, national, multinational, state, provincial, county, city or other political subdivision, including (a) good clinical practices and adverse event reporting requirements, guidance from the International Conference on Harmonization or other generally accepted conventions, and all other rules, regulations and requirements of the Department of Health and Human Services, including the FDA, Center for Medicare & Medicaid Services (CMS) and other applicable Regulatory Authorities, (b) the Foreign Corrupt Practices Act of 1977, as amended, or any comparable laws in any country, and (c) all export control laws.

1.69 "Licensed Antibody" means a Program 1 Antibody, Program 2 Antibody, a [*] Antibody, or a Novel Program Antibody.

1.70 "Licensed Patent Rights" means (a) with respect to the Patent Rights licensed to Merus hereunder, the Incyte Patent Rights, and (b) with respect to the Patent Rights licensed to Incyte hereunder, the Merus Patent Rights and Patent Rights in the Merus Platform IP.

1.71 "Licensed Product" means a Program 1 Product, Program 2 Product, [*] Product, or Novel Program Product, as applicable. As used in this Agreement, except where not appropriate in context, a Licensed Product also includes the Licensed Antibody contained in such Licensed Product.

1.72 "Licensed Target Pair" means the Program 1 Target Pair, Program 2 Target Pair, [*] Target Pairs and Novel Program Target Pairs.

1.73 "Major Market" means the United States and the Non-U.S. Major Markets.

[*] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

1.74 "Manufacturing Cost" means the fully burdened cost, including any internal and Out-of-Pocket Costs and expenses incurred to manufacture a Bi-Specific Construct, Licensed Antibody or Licensed Product, in each case solely to the extent allocable to such manufacture, including:

(a) costs of [*];

(b) costs associated with [*];

(c) costs of [*] costs;

(d) operating costs of facilities and equipment [*];

(e) costs to [*] in compliance with cGMP;

(f) [*] costs;

(g) charges for [*] costs;

(h) [*] costs;

(i) a [*] of [*];

(j) any [*] paid or payable in relation to the manufacture of a Bi-Specific Construct, Licensed Antibody or Licensed Product or any portion or component thereof; and

(k) amounts that are paid to a Third Party, in connection with manufacturing a Bi-Specific Construct, Licensed Antibody or Licensed Product.

1.75 "Merus IP" means Merus Know-How and Merus Patent Rights.

1.76 "Merus Know-How" means all Know-How that (a) is Controlled by Merus or any of its Affiliates as of the Execution Date or, subject to Section 5.3(d)(iv) (with respect to Program 1), during the Term (subject to Section 15.4(c)) and (b) is necessary or useful to Develop, manufacture, or Commercialize any Licensed Antibodies or Licensed Products; provided that Merus Know-How includes Know-How in Merus's Sole Arising IP and Discovery Arising IP, but excludes Know-How in Target Pair Arising IP, Joint Arising IP, and Merus Platform IP.

1.77 "Merus Patent Rights" means all Patent Rights that (a) are Controlled by Merus or its Affiliates as of the Execution Date or during the Term (subject to Section 15.4(c)) and (b) are necessary or useful to Develop, manufacture, use or Commercialize any Licensed Antibodies or Licensed Products; provided that Merus Patent Rights include Patent Rights in Existing Program Patents, Divisionals, Merus's Sole Arising IP and Discovery Arising IP, but excludes Patent Rights contained in the Target Pair Arising IP, Joint Arising IP, and Merus Platform IP.

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1.78 "Merus Platform" means Merus's proprietary (a) Biclonics® [*] technology, (b) technology for [*] into Bi-Specific Constructs, including the technology used to [*] to generate Bi-Specific Constructs, (c) [*] and [*], and (d) [*] technology and other [*], including any modifications or improvements to the foregoing as may be made from time to time.

1.79 "Merus Platform IP" means all Know-How and Patent Rights that are Controlled by Merus or any of its Affiliates on the Execution Date or at any time during the Term (subject to Section 15.4(c)) that relates to the Merus Platform, including the Platform Arising IP.

1.80 "MHLW" means the Japanese Ministry of Health, Labor and Welfare, or a successor agency thereto.

1.81 "Net Profits" and, with correlative meaning, "Net Losses", means Net Sales of the [*] Co-Development Products or an Additional Co-Development Product, as applicable, in the United States less Allowable Expenses.

1.82 "Net Sales" means, with respect to any Licensed Product, the net sales on behalf of a Royalty Paying Party or its Affiliates, licensees or sublicensees sold to Third Parties as determined in accordance with the Royalty Paying Party's (or its Affiliate's, licensee's, or sublicensee's, as applicable) usual and customary accounting methods, which are in accordance with Accounting Standards, as consistently applied by such Royalty Paying Party (or its Affiliate, licensee, or sublicensee, as applicable), including [*] and [*] Licensed Products.

(a) In the case of any sale or other disposal of the Licensed Product between or among a Royalty Paying Party and its Affiliates, licensees and sublicensees for resale, Net Sales shall be deemed to occur and shall be calculated as above only on the [*] sale thereafter to a Third Party.

(b) In the case of any sale that is not invoiced or is delivered before invoice, Net Sales shall be calculated at the time all the revenue recognition criteria under the applicable Accounting Standards are met.

(c) In the case of any sale or other disposal for value, such as barter or counter-trade, of Licensed Product, or part thereof, other than in an arm's length transaction exclusively for cash, Net Sales shall be calculated as above on the [*] of the [*] received or the [*] (if higher) of the Licensed Product in the country of sale or disposal, as determined in accordance with the Accounting Standards.

(d) In the event the Licensed Product is sold in a finished dosage form containing the Licensed Product in combination with one or more other active ingredients (a "Combination Product"), the Net Sales of the Licensed Product, for the purposes of determining royalty payments, shall be determined:

(i) if the Licensed Product and other active ingredients contained in the Combination Product are each sold separately in finished form, by multiplying the Net Sales (as defined above in this Section 1.82) of the Combination Product by the fraction, A/(A+B) where [*] is the [*] in the prior Calendar Year when sold separately in finished form and [*] is the [*] in the prior Calendar Year of the other product(s) sold separately in finished form;

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(ii) if the Licensed Product contained in the Combination Product is sold separately in finished form but the other active ingredients are not sold separately in finished form, by multiplying the Net Sales (as defined above in this Section 1.82) of the Combination Product by the fraction, A/C where [*] is the [*] of the Licensed Product in the prior Calendar Year when sold separately in finished form and [*] is the [*] in the prior Calendar Year of the Combination Product sold separately in finished form

(iii) if neither clauses (i) or (ii) above is applicable, by mutual agreement of the Parties based on the relative value contributed by each component, such agreement shall not be unreasonably withheld.

1.83 "Non-U.S. Major Market" means [*].

1.84 "Not Available" means, subject to Section 2.8(c), that as of the date of a notice from Incyte proposing a given Target Pair pursuant to Section 4.4(c) (with respect to a [*] Target Pair) or Section 4.5(b) (with respect to a Novel Program Target Pair): (a) [*] such Target Pair that would prevent Merus from granting the license and other rights to Incyte hereunder if such Target Pair were selected by Incyte pursuant to Section 4.4(c) (with respect to a [*] Target Pair) or Section 4.5(b) (with respect to a Novel Program Target Pair); provided that [*] (i) the program for such Target Pair [*] and (ii) [*] as applicable, unless [*] at a time when the [*]; or (b) [*] (i) Merus [*] Sections 4.4 or 4.5, and Incyte declined to include such Target Pair under this Agreement at such time, and (ii) [*] with respect to the applicable Target Pair. For clarity, (A) no [*] Target Pair may be Not Available during the [*] Exclusivity Period, (B) during the IMOD Reserved Period, the Reserved IMOD Target Pairs cannot be Not Available and (C) during the Research Term, all [*] Antibodies Controlled by Merus or any of its Affiliates will be made available for Bi-Specific Constructs under this Agreement. The Parties hereby agree and acknowledge that only those Target Pairs set forth on Exhibit 1.84 are Not Available as of the Execution Date.

1.85 "Novel Program" means a program of research, Development and Commercialization activities conducted pursuant to this Agreement with respect to the Novel Program Products.

1.86 "Novel Program Antibody" means, on a Novel Program Target Pair-by-Novel Program Target Pair basis, (a) any Bi-Specific Construct specifically binding to a given Novel Program Target Pair, and (b) the Selected Monoclonal Antibodies used to generate the Target Pair Biclonics Matrix under the Research Plan (or Bi-Specific Constructs that could be generated by combining General Monoclonal Antibodies for each Target in the Novel Program Target Pair) for such Novel Program Target Pair. For clarity, a "Novel Program Antibody" includes [*] for such Novel Program Target Pair (including the lead Bi-Specific Construct and any back-up Bi-Specific Constructs), and any modification or derivative thereof.

[*] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

1.87 "Novel Program Product" means a product or product candidate that contains a Novel Program Antibody as an active ingredient, including all formulations and dosages of such Novel Program Antibody.

1.88 "Novel Program Target Pair" means any Target Pair that is the subject of activities under this Agreement that is not (a) a Program 1 Target Pair, (b) a Program 2 Target Pair, or (c) a [*] Target Pair.

1.89 "Out-of-Pocket Costs" means, with respect to certain activities hereunder, direct expenses paid or payable by either Party or its Affiliates to Third Parties (other than employees of such Party or its Affiliates) that are specifically identifiable and incurred to conduct such activities for the applicable Licensed Products, have been recorded in accordance with the Accounting Standards, and for the avoidance of doubt [*].

1.90 "Party" means Merus or Incyte. "Parties" means Merus and Incyte.

1.91 "Patent Rights" means all patents and patent applications in any country in the world, including any continuations, continuations-in-part, divisionals, provisionals or any substitute applications, any patent issued with respect to any such patent applications, any reissue, reexamination, renewal or extension (including any Patent Term Extension in the United States or supplemental protection certificate) of any such patent, and any confirmation patent or registration patent or patent of addition based on any such patent, and all non-United States counterparts of any of the foregoing.

1.92 "Patent Term Extension" means any patent term extension, adjustment or restoration or supplemental protection certificates anywhere in the world.

1.93 "Person" means any natural person, general or limited partnership, corporation, limited liability company, limited liability partnership, firm, association or organization or other legal entity.

1.94 "Phase I Study" means a study in humans which provides for the first introduction into humans of a product, conducted in healthy volunteers or patients to obtain information on product safety, tolerability, pharmacological activity or pharmacokinetics, as more fully defined in 21 C.F.R. § 312.21(a) (or the non-United States equivalent thereof).

1.95 "Phase II Study" means a study in humans of the safety, dose ranging and efficacy of a product, which is prospectively designed to generate sufficient data (if successful) to commence Pivotal Studies, as further defined in 21 C.F.R. § 312.21(b) (or the non-United States equivalent thereof).

1.96 "Phase III Study" means a controlled study in humans of the efficacy and safety of a product, which is prospectively designed to demonstrate statistically whether such product is effective and safe for use in a particular Indication in a manner sufficient to submit a BLA to obtain Regulatory Approval to market the product, as further defined in 21 C.F.R. § 312.21(c) (or the non-United States equivalent thereof).

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1.97 "Phase IV Study" means a human clinical trial which is conducted on a product after Regulatory Approval of the product has been obtained from an appropriate Regulatory Authority, and includes (a) trials conducted voluntarily for enhancing marketing or scientific knowledge or (b) trials conducted after Regulatory Approval due to request or requirement of a Regulatory Authority or as a condition of a previously granted Regulatory Approval.

1.98 "Pivotal Study" means a human clinical trial of a product on a sufficient number of subjects that, prior to commencement of the trial, satisfies both of the following ((a) and (b)):

(a) such trial is designed to establish that such product has an acceptable safety and efficacy profile for its intended use, and to determine warnings, precautions, and adverse reactions that are associated with such product in the dosage range to be prescribed, which trial is intended to support Regulatory Approval of such product in the United States or European Union and will provide substantial evidence of safety and effectiveness for reliance by Regulatory Authorities in granting Regulatory Approval; and

(b) such trial is a registration trial sufficient for submitting an application for Regulatory Approval for such product in the United States or the European Union, as evidenced by (i) an agreement with or statement from the FDA or the EMA on a Special Protocol Assessment or equivalent, or (ii) other guidance or minutes issued by the FDA or EMA, for such registration trial.

1.99 "Platform Arising IP" means all Inventions and Know-How discovered, made or conceived, or information created by either Party or jointly by the Parties or any of their Affiliates, employees, independent contractors or consultants in the course of conducting activities under this Agreement, together with all Intellectual Property Rights therein, where such Inventions are [*].

1.100 "Prior Confidentiality Agreements" means the Mutual Confidential Disclosure Agreement by and between Incyte and Merus, dated May 17, 2016.

1.101 "Product Arising Claim" means a claim within Patent Rights that claims (a) a Licensed Antibody [*], (b) a Licensed Product [*], or (c) the [*] of a Licensed Antibody or Licensed Product.

1.102 "Product Liability" means any product liability claim asserted or filed by a Third Party (without regard to their merit or lack thereof), seeking damages or equitable relief of any kind, relating to personal injury, wrongful death, medical expenses, an alleged need for medical monitoring, consumer fraud or other alleged economic losses, allegedly caused by any Licensed Antibody or Licensed Product, and including claims by or on behalf of users (including spouses, family members and personal representatives of such users) of any Licensed Antibody or Licensed Product (as applicable) relating to the use, sale, distribution or purchase of any Licensed Antibody or Licensed Product (as applicable) sold by a Party, its Affiliates, sublicensees or distributors, including claims by Third Party payers, such as insurance carriers and unions.

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1.103 "Program" means Program 1, Program 2, any [*] Program or any Novel Program.

1.104 "Program 1" means the program of research, Development and Commercialization activities for Program 1 Products conducted pursuant to this Agreement.

1.105 "Program 1 Antibody" means (a) any Bi-Specific Construct specifically binding to the Program 1 Target Pair and (b) the Selected Monoclonal Antibodies used to generate the Target Pair Biclonics Matrix under the Research Plan (or Bi-Specific Constructs that could be generated by combining General Monoclonal Antibodies for each Target in the Program 1 Target Pair) for such Program 1 Target Pair. For clarity, a "Program 1 Antibody" includes [*] for such Program 1 Target Pair (including the lead Bi-Specific Construct and any back-up Bi-Specific Constructs) and any modification or derivative thereof.

1.106 "Program 1 Product" means a product or product candidate that contains a Program 1 Antibody as the active ingredient, including all formulations and dosages of such Program 1 Antibody.

1.107 "Program 1 Manufacturing Plan" means the plan for the clinical and commercial manufacture of Program 1 Antibody and Program 1 Product.

1.108 "Program 1 Target Pair" means [*].

1.109 "Program 2" means the program of research, Development and Commercialization activities with respect to Program 2 Products conducted under this Agreement.

1.110 "Program 2 Antibody" means (a) any Bi-Specific Construct specifically targeting the Program 2 Target Pair and (b) the Selected Monoclonal Antibodies used to generate the Target Pair Biclonics Matrix under the Research Plan (or Bi-Specific Constructs that could be generated by combining General Monoclonal Antibodies for each Target in the Program 2 Target Pair) for such Program 2 Target Pair. For clarity, a "Program 2 Antibody" includes all Bi-Specific Constructs [*] for such Program 2 Target Pair (including the lead Bi-Specific Construct and any back-up Bi-Specific Constructs) and any modification or derivative thereof.

1.111 "Program 2 Product" means a product or product candidate that contains a Program 2 Antibody as the active ingredient, including all formulations and dosages of such Program 2 Antibody.

1.112 "Program 2 Target Pair" means [*].

1.113 "Program Selection" means, with respect to a Program, the [*] for the first Bi-Specific Construct directed to the Target Pair that is the subject of such Program. For purposes of this definition, [*] means that [*] for such Bi-Specific Construct [*].

1.114 "Proof of Concept" means the [*] at a [*], each as defined in the protocol of a Phase II Study or equivalent Clinical Trial.

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1.115 "Publication" means any publication in a scientific journal, any abstract to be presented to any scientific audience, any presentation at any scientific conference, including slides and texts of oral or other public presentations, any other scientific presentation and any other oral, written or electronic disclosure directed to a scientific audience which pertains to the Licensed Antibody, the Licensed Product or the use of the Licensed Product.

1.116 "Regulatory Approval" means all approvals (including any applicable governmental price and reimbursement approvals), licenses, registrations, and authorizations of any federal, national, multinational, state, provincial or local Regulatory Authority, department, bureau and other governmental entity that are necessary for the marketing and sale of a product in a country or group of countries.

1.117 "Regulatory Authority" means, with respect to a country, the regulatory authority or regulatory authorities of such country (including state and local) with authority over the testing, manufacture, use, storage, disposal, importation, promotion, marketing, pricing or sale of a pharmaceutical or biologic product in such country.

1.118 "Regulatory Documentation" means, with respect to the Licensed Antibodies and Licensed Products, all INDs and other regulatory applications submitted to any Regulatory Authority, Regulatory Approvals, pre-clinical and clinical data and information, regulatory materials, drug dossiers, master files (including Drug Master Files, as defined in 21 C.F.R. 314.420 and any non-United States equivalents), and any other reports, records, regulatory correspondence and other materials relating to Development or Regulatory Approval of a Licensed Antibody or Licensed Product, or required to manufacture, distribute or sell the Licensed Products, including any information that relates to pharmacology, toxicology, chemistry, manufacturing and controls data, batch records, safety and efficacy, and any safety database.

1.119 "Regulatory Exclusivity" means, on a Licensed Product-by-Licensed Product and country-by-country basis, that (a) a Party or any of its Affiliates or sublicensees have been granted the exclusive legal right by a Regulatory Authority (or is otherwise entitled to the exclusive legal right by operation of Law) to exclude Third Parties from Commercializing such Licensed Product in such country, including without limitation by orphan drug exclusivity, pediatric designation, or new product designation, or (b) the data and information submitted by a Party or any of its Affiliates or sublicensees to the relevant Regulatory Authority in such country for purposes of obtaining Regulatory Approval is subject to regulatory exclusivity and may not be disclosed, referenced or relied upon in any way by any Person other than such Party, its Affiliates or sublicensees (including by relying upon the Regulatory Authority's previous findings regarding the safety or effectiveness of such Licensed Product) to support the Regulatory Approval or marketing of any product by a Third Party in such country.

1.120 "Regulatory Expenses" means, with respect to a Licensed Antibody or Licensed Product, all FTE and Out-of-Pocket Costs incurred by or on behalf of a Party in connection with the preparation and filing of regulatory submissions for Licensed Product and obtaining of, maintaining, enhancing or expanding Regulatory Approvals.

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1.121 "Research Costs" means the costs and expenses incurred by or on behalf of a Party that are attributable to, or reasonably allocable to, activities conducted with respect to a given Target Pair and associated Bi-Specific Constructs in accordance with the applicable Research Plan, [*] Discovery Plan or Novel Discovery Plan and associated budgets. Research Costs shall [*]. "Research Costs" shall include (a) the costs of [*] for a given Target Pair, including [*] associated therewith, (b) the [*] costs of a Party or its Affiliates [*] Research Plan, (c) all Out-of-Pocket Costs incurred by a Party or its Affiliates, including payments made to Third Parties with respect to any of the foregoing (except to the extent that such costs have been included in [*] costs), and (d) costs associated with [*] for such Target Pair, including the [*] in relation to [*] under Sections 4.11 and 4.12(b), in each case of (a) through (d) to the extent associated with research activities under the applicable Research Plan, [*] Discovery Plan or Novel Discovery Plan.

1.122 "Reserved IMOD Target Pairs" means [*].

1.123 "Right of Reference or Use" means a "Right of Reference or Use" as that term is defined in 21 C.F.R. §314.3(b), and any non-United States equivalents.

1.124 "Royalty Paying Party" means the Party required to pay royalties to the other Party with respect to a Licensed Product pursuant to Section 9.3.

1.125 "Royalty Receiving Party" means the Party that is entitled to receive royalties from the other Party with respect to a Licensed Product pursuant to Section 9.3.

1.126 "SEC" means the United States Securities and Exchange Commission.

1.127 "Selected Monoclonal Antibodies" means, with respect to a Target Pair designated by Incyte for inclusion in a Research Plan, the monoclonal Antibodies generated or used in the applicable Research Plan that are selected by Incyte, in its sole discretion, in writing based on data generated by Merus and Incyte, and used to generate the Target Pair Biclonics Matrix. For clarity, the Selected Monoclonal Antibodies will be [*] Target Pair Biclonics Matrix and will include [*] Antibodies. Any General Monoclonal Antibody deemed a Selected Monoclonal Antibody by Incyte pursuant to Section 4.11 will also be a Selected Monoclonal Antibody. The Selected Monoclonal Antibodies will [*]. The number of Selected Monoclonal Antibodies shall not exceed [*] for a given Program (or exceed [*] for a given Program if Incyte [*] Selected Monoclonal Antibodies above [*], provided that the number of Selected Monoclonal Antibodies [*] a Target Pair; and further provided that if Incyte selects more than [*] Selected Monoclonal Antibodies for a given Program, within [*] [*] after [*] for such Program, Incyte shall designate, in its sole discretion, the number of Selected Monoclonal Antibodies [*] such that there will thereafter be only [*] Selected Monoclonal Antibodies for such Program and not more than [*] Selected Monoclonal Antibodies [*] in the relevant Target Pair. Notwithstanding the foregoing, upon determination of the final Selected Monoclonal Antibodies for a given Target Pair, the number of Selected Monoclonal Antibodies [*] Target Pair, but in no event may the number of Selected Monoclonal Antibodies on [*] Target Pair exceed [*]. For clarity, all Bi-Specific Constructs created by the [*] Selected Monoclonal Antibody panel for such Program would remain included as Licensed Antibodies.

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1.128 "Share Subscription Agreement" means the share subscription agreement entered into on even date hereof by and between Merus and Incyte (or one of its Affiliates) providing for Incyte's (or one of its Affiliate's) purchase of common shares of Merus.

1.129 "Sole Arising IP" means Inventions discovered, made or conceived, or information created, by one of either Party or any of its Affiliates, employees, independent contractors or consultants in the course of conducting activities under this Agreement, together with all Intellectual Property Rights therein; provided that Sole Arising IP excludes Platform Arising IP, Discovery Arising IP, and Target Pair Arising IP.

1.130 "Target" means (a) a specific biological molecule that is identified by a GenBank accession number or similar information, or by its amino acid or nucleic acid sequence, (b) any naturally occurring mutant or allelic variant of a molecule disclosed in the foregoing clause (a), including transcriptional and posttranscriptional isoforms (e.g., alternative splice variants), and post-translational modification variants (e.g., protein processing, maturation and glycosylation variants), and (c) truncated forms (including fragments thereof); in each case of (b) and (c) that have a biological function substantially identical to that of a molecule disclosed in the foregoing clause (a). For clarity, in the case of a Target Pair that consists of two (2) distinct epitopes on the same Target, the term "Target" shall refer to each such epitope.

1.131 "[*] Transaction" means any transaction in which Merus enters into a [*] with a Third Party pursuant to which Merus grants to such Third Party the right to develop or commercialize Antibodies that bind to a [*] Target (the "[*] Target") where such [*] would prevent Incyte from including within a Program under this Agreement [*] Target in a Target Pair, provided that notwithstanding the foregoing, any transaction in which Merus enters into a [*] with a Third Party where Merus grants rights to develop or commercialize Antibodies that bind to [*] Target Pairs ([*] Target Pairs) where such Target Pairs [*] Target and [*] Target(s) that are [*] such Agreement, shall not be a [*] Transaction.

1.132 "Target Pair" means (a) two (2) different Targets or (b) two (2) distinct epitopes on the same Target. Reference to an Antibody or Bi-Specific Construct "specifically binding" to a Target Pair means that one V-Region on such Antibody or Bi-Specific Construct binds to one of the Targets in such Target Pair and a second V-Region on such Antibody or Bi-Specific Construct binds to the other Target in the Target Pair. For clarity, the use of the term "Target Pair" in this Agreement shall be construed in the context in which it is used to refer either to a Target Pair generally that is not within the scope of this Agreement, or to a Target Pair designated by the Parties under the terms of ARTICLE IV as included within the scope of this Agreement for an applicable Program (e.g., Program 1 Target Pair), in each case, as applicable.

1.133 "Target Pair Arising IP" means all Inventions and Know How discovered, made or conceived, or information created by either Party or jointly by the Parties or any of their Affiliates, employees, independent contractors or consultants in the course of conducting

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activities under this Agreement, together with all Intellectual Property Rights therein, directed to [*] Antibodies, Novel Program Antibodies, Program 1 Antibodies, and Program 2 Antibodies generated under the respective Research Plan, but excluding [*]; provided, that the Target Pair Arising IP excludes [*].

1.134 "Target Pair Biclonics Matrix" means, with respect to a given Target Pair designated by Incyte for inclusion within the collaboration, the matrix of Bi-Specific Constructs directed to such Target Pair that is generated using the Selected Monoclonal Antibodies for such Target Pair. For example, if there are [*] Selected Monoclonal Antibodies designated by Incyte for one Target in such Target Pair and [*] Selected Monoclonal Antibodies designated by Incyte for the other Target in such Target Pair, the Target Pair Biclonics Matrix includes [*] Bi-Specific Constructs corresponding to the combinations of such Selected Monoclonal Antibodies.

1.135 "Terminated Product" means any product containing a Bi-Specific Construct within a Terminated Program that was a Licensed Product as of the effective date of termination.

1.136 "Terminated Program" means (a) with respect to the termination of this Agreement with respect to a Program pursuant to Sections 10.2(a), 10.2(b), or 10.2(c), the Program subject to such termination, including all of the associated Licensed Antibodies and Licensed Products, and (b) with respect to termination of this Agreement in its entirety, all Programs and all of the associated Licensed Antibodies and Licensed Products; provided that, if a Program becomes a Terminated Program prior to Program Selection and prior to expiration of the Research Term, it shall be treated under this Agreement as a Dropped Program.

1.137 "Terminated Target Pair" means a Target Pair that was the subject of a Terminated Program.

1.138 "[*]" means (a) [*] having [*]; (b) any naturally occurring mutant or allelic variant of a molecule disclosed in the foregoing clause (a), including transcriptional and posttranscriptional isoforms (e.g., alternative splice variants), and post-translational modification variants (e.g., protein processing, maturation and glycosylation variants); and (c) truncated forms (including fragments thereof); in each case of (b) and (c), that have a biological function substantially identical to that of a molecule disclosed in the foregoing clause (a). For the purposes of this Agreement, [*] shall also include any cell surface protein that specifically binds to any molecule described in (a), (b) or (c).

1.139 "[*] Antibodies" means, on a [*] Target Pair-by-[*] Target Pair basis, (a) all Bi-Specific Constructs specifically binding to such [*] Target Pair, and (b) the Selected Monoclonal Antibodies used to generate the Target Pair Biclonics Matrix under the Research Plan (or Bi-Specific Constructs [*] Target Pair) for such [*] Target Pair. For clarity, a "[*] Antibody" includes all Bi-Specific Constructs generated under the Research Plan [*] for such [*] Target Pairs (including the [*] Bi-Specific Constructs), and any modification or derivative thereof.

1.140 "[*] Co-Development Product" means a [*] Product arising from the [*] Co-Development Program.

[*] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

1.141 "[*] Co-Development Program" means a [*] Program for which the [*] Co-Development Option has been timely exercised pursuant to Section 5.4.

1.142 "[*] Exclusivity Period" means the period beginning on the Execution Date and ending [*]following the Effective Date.

1.143 "[*] Non-Co Product" means a [*] Product arising from a [*] Non-Co Program.

1.144 "[*] Non-Co Program" means all [*] Programs other than the [*] Co-Development Program.

1.145 "[*] Product" means a product or product candidate that contains a [*] Antibody as the active ingredient, including all formulations and dosages of such [*] Antibody.

1.146 "[*] Program" means the program of research, Development and Commercialization activities conducted with respect to any [*] Product. [*] Programs include the [*] Co-Development Program (if any) and the [*] Non-Co Programs.

1.147 "[*] Target Pair" means a Target Pair where at least one Target is [*].

1.148 "Third Party" means any Person other than a Party or any of its Affiliates.

1.149 "United States" means the United States of America and its territories and possessions.

1.150 "V-Region" means the V-DOMAIN of the immunoglobulin (IG), encoded by the V-J-REGION (VL) and the rearranged V-D-J-REGION (VH).

1.151 "Valid Claim" means (a) a claim of an issued patent that has not expired or been abandoned, or been revoked, held invalid, unpatentable, or unenforceable by a patent office, court or other governmental agency of competent jurisdiction in a final and non-appealable judgment (or judgment from which no appeal was taken within the allowable time period) or (b) a claim within a patent application that has not been revoked, cancelled, withdrawn, held invalid, unpatentable, or finally abandoned and that has not been pending for more than [*] from the date of its earliest priority date.

1.152 Additional Definitions. Each of the following definitions is set forth in the Section of this Agreement indicated below:

DEFINITION	SECTION
Additional Co-Development Budget	5.1(c)
Additional Co-Development Option	5.5(a)
Additional Co-Development Plan	5.1(c)
Additional Co-Funding Termination Notice	5.5(f)
Additional Co-Funding Termination Date	5.5(f)
Additional JDC	3.2

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DEFINITION	SECTION
Additional Option Period	5.5(b)(i)
Additional Pivotal Period Costs	5.5(f)
Agreement	Preamble
Alliance Manager	3.7
Arising Manufacturing Patent	8.2(b)(i)
Arising Product-Specific Patent	8.2(b)(ii)
Auditee	9.8(f)
Audit Rights Holder	9.8(f)
Audit Team	9.8(a)
Bankruptcy Code	2.6(a)
Board of Directors	1.17(a)
Breaching Party	10.2(b)
Buy-In Data	5.3(d)(i)
Buy-In Party	5.3(d)(i)
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JFC	3.2
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JMC	3.2

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DEFINITION	SECTION
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DEFINITION	SECTION
[*] Co-Detailing Product	7.3(b)(i)
[*] Co-Development Budget	5.1(b)
[*] Co-Development Option	5.4(a)
[*] Co-Development Period	5.4(a)
[*] Co-Development Plan	5.1(b)
[*] Co-Funding Termination Date	5.4(f)
[*] Co-Funding Termination Notice	5.4(f)
[*] Discovery Plan	4.10(a)(i)
[*] Gatekeeper Notice	4.4(c)
[*] JCC	3.2
[*] JDC	3.2
[*] Option Period	5.4(a)
[*] [*] Costs	5.4(f)
[*] Program Cap	4.3(b)
Third-Party Infringement	8.4(a)
Third Party Payments	8.5(c)
[*] [*] Terms	2.10(b)
Transition	10.5
Trigger Notice	7.3(a)
Unenforced Merus Platform Patent	9.3(e)
Voting Stock	1.17(a)

1.153 Construction. In construing this Agreement, unless expressly specified otherwise:

(a) references to Sections and Exhibits are to sections of, and exhibits to, this Agreement;

(b) except where the context otherwise requires, use of either gender includes the other gender, and use of the singular includes the plural and vice versa;

(c) headings and titles are for convenience only and do not affect the interpretation of this Agreement;

(d) any list or examples following the word “including” shall be interpreted without limitation to the generality of the preceding words;

(e) the word “days” means calendar days unless otherwise specified;

(f) all references to “dollars” or “$” or “USD” herein shall mean U.S. Dollars; and

(g) each Party represents that it has been represented by legal counsel in connection with this Agreement and acknowledges that it has participated in the drafting hereof. In interpreting and applying the terms and provisions of this Agreement, the Parties agree that no presumption will apply against the Party which drafted such terms and provisions.

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ARTICLE II
COLLABORATION OVERVIEW; LICENSES

2.1 Overview of Collaboration. The Parties shall undertake a collaboration under this Agreement consisting, in general, of the following major component programs:

(a) Program 1. A worldwide collaboration with respect to Program 1 Products, pursuant to which the Parties may share Development Costs for agreed upon studies, Incyte shall have the exclusive right to Develop, manufacture, and Commercialize Program 1 Products in the Incyte Territory, and Merus shall have the exclusive right to Develop, manufacture, and Commercialize Program 1 Products in the United States, all as more fully set forth in this Agreement, including Sections 4.10(b), 5.3, 7.2(a), and ARTICLE VI;

(b) Program 2. A worldwide collaboration with respect to Program 2 Products, pursuant to which Incyte shall have the exclusive worldwide right to Develop, manufacture and Commercialize Program 2 Products, all as more fully set forth in this Agreement, including Sections 4.10(b), 5.1(a), and 7.2(c);

(c) [*] Program. A worldwide collaboration with respect to multiple potential [*] Products, pursuant to which Incyte shall have the exclusive worldwide right to Develop, manufacture and Commercialize [*] Products, except that Merus shall have the right with respect to one [*] Product to co-fund development and share in profits and losses in the United States, and Co-Detail in the United States, all as more fully set forth in this Agreement, including Sections 4.4 4.10(a), 4.10(b), 5.1(b), 5.4, 7.2(b), 7.3, and 9.6; and

(d) Novel Programs. A worldwide collaboration with respect to multiple Novel Program Products, pursuant to which Incyte shall have the exclusive worldwide right to Develop, manufacture and Commercialize such Novel Program Products, except that Merus shall have the right as set forth in Section 5.5 with respect to up to two (2) Novel Programs to co-fund development and share in profits and losses in the United States, all as more fully set forth in this Agreement, including Sections 4.5, 4.10(b), 5.1(a), and 7.2(c).

2.2 Goal of Research Plans. The overall goal of the Research Plans under this Agreement is for Merus to generate and deliver to Incyte suitable Bi-Specific Constructs for the Target Pair of each Program such that a total of eleven (11) Programs achieve Program Selection. Such eleven (11) Programs include Program 1, Program 2, [*] [*] Programs and [*] Novel Programs; provided that for each of Program 1, Program 2, and all the [*] Programs that are dropped prior to Program Selection, the number of possible Novel Programs shall be increased by [*] (or if all of the foregoing are dropped, [*]), increasing the total number of Novel Programs to [*].

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2.3 Rights Granted by Merus to Incyte.

(a) Program 1. Subject to the terms of this Agreement, Merus hereby grants to Incyte (i) a co-exclusive (with Merus and its Affiliates), worldwide license, with the right to sublicense (subject to Section 2.5), under Merus IP, Merus Platform IP and Merus's and its Affiliates' interests in Joint Arising IP and Target Pair Arising IP, to conduct research and Development activities under the Program 1 Incyte Territory Development Plan and Program 1 Joint Development Plan and (ii) an exclusive (even as to Merus and its Affiliates) license, with the right to sublicense (subject to Section 2.5), under Merus IP, Merus Platform IP and Merus's and its Affiliates' interests in Joint Arising IP and Target Pair Arising IP, to Commercialize, make, have made, use, offer for sale, sell and import Program 1 Antibodies and Program 1 Products in the Incyte Territory and to make and have made Program 1 Antibodies and Program 1 Products worldwide for purposes of Commercialization in the Incyte Territory.

(b) Program 2. Subject to the terms of this Agreement, Merus hereby grants to Incyte an exclusive (even as to Merus and its Affiliates), worldwide license, with the right to sublicense (subject to Section 2.5), under Merus IP, Merus Platform IP and Merus's and its Affiliates' interests in Joint Arising IP and Target Pair Arising IP, to research, Develop, Commercialize, make, have made, use, offer for sale, sell and import Program 2 Antibodies and Program 2 Products.

(c) [*] Program. Subject to the terms of this Agreement, Merus hereby grants to Incyte, an exclusive (even as to Merus and its Affiliates), worldwide license, with the right to sublicense (subject to Section 2.5), under Merus IP, Merus Platform IP and Merus's and its Affiliates' interests in Joint Arising IP and Target Pair Arising IP, to research, Develop, Commercialize, make, have made, use, offer for sale, sell and import [*] Antibodies and [*] Products. The grant set forth in this Section 2.3(c) is effective as of the Effective Date for purposes of the [*] Discovery Plan and will automatically become effective on a [*] Program basis upon the designation of a [*] Target Pair for the applicable [*] Program (or, as the case may be, a Novel Program, by Incyte pursuant to Section 4.4, as applicable).

(d) Novel Programs. Subject to the terms of this Agreement, Merus hereby grants to Incyte an exclusive (even as to Merus and its Affiliates), worldwide license, with the right to sublicense (subject to Section 2.5), under Merus IP, Merus Platform IP and Merus's and its Affiliates' interests in Joint Arising IP and Target Pair Arising IP, to research, Develop, Commercialize, make, have made, use, offer for sale, sell and import Novel Program Antibodies and Novel Program Products. The grant set forth in this Section 2.3(d) is effective as of the Effective Date for purposes of any Novel Discovery Plan and will automatically become effective on a Novel Program basis upon the designation of a Novel Program Target Pair (or, as the case may be, a [*] Target Pair, by Incyte pursuant to Section 4.4, as applicable) for the applicable Novel Program in accordance with Section 4.5.

2.4 Rights Granted by Incyte to Merus for Program 1. Subject to the terms of this Agreement, Incyte hereby grants to Merus under Incyte IP and Incyte's and its Affiliates' interests in Joint Arising IP and Target Pair Arising IP (a) a co-exclusive (with Incyte and its Affiliates), worldwide license, with the right to sublicense (subject to Section 2.5), to research and conduct Development activities under the Program 1 US Development Plan and Program 1

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Joint Development Plan and (b) an exclusive (even as to Incyte and its Affiliates) license, with the right to sublicense (subject to Section 2.5), to Commercialize, use, offer for sale, sell and import Program 1 Antibodies and Program 1 Products in the United States.

2.5 Sublicenses.

(a) Incyte shall have the right to grant sublicenses through multiple tiers of sublicensees under the licenses granted in Section 2.3 to its Affiliates and to Third Parties that are conducting research, Development, or Commercialization activities with Incyte or its Affiliates with respect to the Licensed Antibodies and the Licensed Products; provided that Incyte shall remain responsible for its obligations under this Agreement and shall be responsible for the performance of the relevant sublicensee, and any such sublicenses shall be pursuant to a written agreement that is consistent with the terms and conditions of this Agreement.

(b) Subject to Section 2.10, Merus shall have the right to grant sublicenses, through multiple tiers of sublicensees, under the licenses granted in Section 2.4, to its Affiliates and to Third Parties that are conducting research, Development, or Commercialization activities with Merus or its Affiliates with respect to the Licensed Antibodies and the Licensed Products; provided that Merus shall remain responsible for its obligations under this Agreement and shall be responsible for the performance of the relevant sublicensee, and any such sublicenses shall be pursuant to a written agreement that is consistent with the terms and conditions of this Agreement.

(c) If either Party grants a sublicense to a Third Party as permitted by this Section 2.5, then such Party shall provide the other Party prompt written notice thereof and shall provide the other Party with an executed copy of any such sublicense (redacted as necessary to protect confidential or commercially sensitive information). Except as otherwise agreed by the Parties in writing, each Party shall be jointly and severally responsible with its sublicensees to the other Party for failure by its sublicensees to comply with this Agreement. If (i) the sublicensee fails to cure a material breach or to take reasonable steps to cure such breach under any such sublicense within [*] after notice of such breach and (ii) such material breach also constitutes a breach of this Agreement, the Party that granted such sublicense shall terminate the sublicense at the request of the other Party.

2.6 Section 365(n) of the Bankruptcy Code; License Registration.

(a) Section 365(n) of the Bankruptcy Code. All rights and licenses granted under or pursuant to any Section of this Agreement, including the licenses granted under this ARTICLE II and the rights granted under Sections 4.1(c) and 5.3(e), are and will otherwise be deemed to be for purposes of Section 365(n) of the United States Bankruptcy Code (Title 11, U.S. Code), as amended (the "Bankruptcy Code"), licenses of rights to "intellectual property" as defined in Section 101(35A) of the Bankruptcy Code. The Parties will retain and may fully exercise all of their respective rights and elections under the Bankruptcy Code. Each Party agrees that the other Party, as licensee of such rights under this Agreement, will retain and may fully exercise all of its rights and elections under the Bankruptcy Code or any other provisions of

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applicable Law outside the United States that provide similar protection for "intellectual property." The Parties further agree that, in the event of the commencement of a bankruptcy proceeding by or against a Party under the Bankruptcy Code or analogous provisions of applicable Law outside the United States, the other Party will be entitled to a complete duplicate of (or complete access to, as the other (non-bankrupt) Party deems appropriate) such intellectual property and all embodiments of such intellectual property, which, if not already in such Party's possession, will be promptly delivered to it upon such Party's written request thereof. Any agreements supplemental hereto will be deemed to be "agreements supplementary to" this Agreement for purposes of Section 365(n) of the Bankruptcy Code.

(b) License Agreement Registration. A Party may, in its sole discretion, register or record the existence of this Agreement, the exclusivity of the licenses under this Agreement and the Patent Rights licensed to such Party under this Agreement with applicable intellectual property registers, patent offices or other governmental authorities as necessary to support the rights licensed to such Party under this Agreement in an applicable territory. Upon a Party's request, the other Party will execute and record such documents as are necessary in connection with such registration or recordation.

2.7 Retained Rights.

(a) No Implied Licenses or Rights. Except as expressly provided in this Agreement, all rights in and to the Merus IP, Merus Platform IP, and Merus's and its Affiliates' interests in Joint Arising IP and Target Pair Arising IP and any other Patent Rights or Know-How of Merus and its Affiliates, are hereby retained by Merus and its Affiliates. Except as expressly provided in Section 2.4, and subject to Section 2.8, all rights in and to the Incyte IP, Incyte's and its Affiliates' interests in Joint Arising IP and Target Pair Arising IP and any other Patent Rights or Know-How of Incyte and its Affiliates, are hereby retained by Incyte and its Affiliates.

(b) Other Retained Rights. Notwithstanding (i) the licenses granted to Incyte pursuant to Section 2.3, Merus retains the right to practice under the Merus IP, Merus Platform IP, Joint Arising IP, and Target Pair Arising IP to perform its obligations under this Agreement and (ii) the licenses granted to Merus pursuant to Section 2.4, Incyte retains the right to practice under the Incyte IP, Joint Arising IP, and Target Pair Arising IP to perform its obligations under this Agreement.

2.8 Exclusivity; Certain Covenants.

(a) Merus.

(i) For the duration of the Term, and except as otherwise permitted under Section 10.5, neither Merus nor any of its Affiliates shall, with respect to [*], (A) itself develop or commercialize, or collaborate or partner with any Third Party to develop or commercialize any product which contains an Antibody, (B) authorize any Third Party to develop, manufacture or commercialize any product which contains an Antibody, or (C) provide

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or make available to any Third Party any Antibody or the sequence information therefor, wherein the [*] in each case of (A) through (C) has (1) [*] or greater homology and/or (2) [*] relative to the [*], provided that the foregoing limitations in this Section 2.8(a)(i) shall not apply to any [*]. Notwithstanding the foregoing, the restrictions in (A)–(C) shall not be construed to (x) limit Merus's rights under Section 10.5 following termination of a Program, or (y) obligate Merus or its Affiliates to [*] a Third Party from [*] manufacturing, developing or commercializing a Bi-Specific Construct [*] that such Third Party [*] generated, where such Third Party's [*] is a [*] created or developed by Merus for such Third Party in compliance with this Section 2.8(a)(i) and the terms of this Agreement.

(ii) During the [*] Exclusivity Period, neither Merus nor any of its Affiliates shall (or shall authorize any Third Party to) Develop or Commercialize outside of this Agreement any Bi-Specific Construct specifically binding to [*].

(iii) For the duration of the applicable Term with respect to a Licensed Product arising from a [*] Program, neither Merus nor any of its Affiliates shall (or shall authorize any Third Party to) Develop or Commercialize outside of this Agreement any Bi-Specific Construct specifically binding to the [*] Target Pair for such [*] Program, unless (A) such [*] Target Pair is a Dropped Target Pair, in which case Section 4.8 shall apply, or (B) the corresponding [*] Program is a Terminated Program.

(iv) For the duration of the applicable Term with respect to a Licensed Product arising from a Program (other than a [*] Program, but including a Novel Program for which the Target Pair is a [*] Target Pair, in accordance with Section 4.4), neither Merus nor any of its Affiliates shall (or shall authorize any Third Party to) Develop or Commercialize outside of this Agreement any Bi-Specific Construct specifically binding to a Target Pair for such Program, unless (A) such Target Pair is a Dropped Target Pair, in which case Section 4.8 shall apply, or (B) the corresponding Program is a Terminated Program.

(v) For the duration of the Research Term, (A) Merus shall not exclusively license rights to a [*] to any Third Party and (B) any and all [*] Controlled by Merus or its Affiliates will be available for use in Bi-Specific Constructs under this Agreement, provided that the foregoing shall not be construed to limit Merus's ability to grant exclusivity to a Third Party with respect to a Target Pair that includes a [*] (or Bi-Specific Constructs directed to such Target Pair), provided that no exclusivity is granted with respect to the [*] arm of such Target Pair, or any specific sequences thereof.

(b) Incyte.

(i) For the duration of the Term, and except as provided in this Agreement, neither Incyte nor any of its Affiliates shall, with respect to [*], (A) itself develop or commercialize, or collaborate or partner with any Third Party to develop or commercialize any product which contains an Antibody, (B) authorize any Third Party to develop, manufacture or commercialize any product which contains an Antibody, or (C) provide or make available to any Third Party any Antibody or the sequence information therefor, wherein the [*] in each case of

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(A) through (C) has (1) [*] or greater homology and/or (2) [*]relative to the [*]; provided that the foregoing limitations in this Section 2.8(b)(i) shall not apply (I) to any [*] or (II) to any [*] before the Execution Date [*] as demonstrated by reasonable evidence. Notwithstanding the foregoing, the restrictions in (A)–(C) shall not be construed to (x) limit Incyte's rights set forth elsewhere in this Agreement, or (y) obligate Incyte or its Affiliates to [*] a Third Party from [*] manufacturing, developing or commercializing a Bi-Specific Construct [*] that such Third Party [*] generated, where such Third Party's [*] is a [*] created or developed by Incyte for such Third Party in compliance with this Section 2.8(b)(i) and the terms of this Agreement.

(ii) During the [*] Exclusivity Period, neither Incyte nor any of its Affiliates shall (or shall authorize any Third Party to) Develop or Commercialize outside of this Agreement any Bi-Specific Construct specifically binding to [*].

(iii) For the duration of the applicable Term with respect to a Licensed Product arising from a [*] Program, neither Incyte nor any of its Affiliates shall (or shall authorize any Third Party to) Develop or Commercialize outside of this Agreement any Bi-Specific Construct specifically binding to the [*] Target Pair for such [*] Program, unless (A) such [*] Target Pair is a Dropped Target Pair, in which case Section 4.8 shall apply, or (B) the corresponding [*] Target Program is a Terminated Program.

(iv) For the duration of the applicable Term with respect to a Licensed Product arising from a Program (other than a [*] Program, but including a Novel Program for which the Target Pair is a [*] Target Pair, in accordance with Section 4.4), neither Incyte nor any of its Affiliates shall (or shall authorize any Third Party to) Develop or Commercialize outside of this Agreement any [*] specifically binding to a Target Pair for such Program, unless (A) such Target Pair is a Dropped Target Pair, in which case Section 4.8 shall apply, or (B) the corresponding Program is a Terminated Program.

(c) Certain Covenants.

(i) Without limiting Merus's obligations under Section 2.8(a), during the Research Term, neither Merus nor any of its Affiliates shall (A) enter into any [*] Transaction or (B) [*] any Third Party [*] Transaction (i.e., the [*] Transaction must be [*] a Third Party), where, as of the proposed execution date of such agreement or the proposed date of [*], the applicable [*] Target is also contained in any Target Pair that is either (1) the [*] under this Agreement or (2) a [*] Target Pair or [*] Target Pair.

(ii) During the Research Term, if Merus intends to enter into a [*] Transaction, then, prior to entering into such [*] Transaction, Merus shall notify the Gatekeeper in writing of the [*] Target that is proposed to be the subject of such [*] Transaction. Within [*] following the Gatekeeper's receipt of such notice, the Gatekeeper shall verify whether such [*] [*] Target is an [*] Target. If such proposed [*] Target is [*] Target, the Gatekeeper shall provide written notice to both Merus and Incyte including the identity of such Target that is [*] Target. Incyte shall have [*] following such notification from the Gatekeeper in which to notify Merus in writing that it wishes to designate a Target Pair including [*] Target to be the subject of

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a Novel Program under this Agreement; provided that the Novel Program Cap has not been reached; provided further that [*] a Novel Program Target Pair if such Novel Program Cap has been reached. If Incyte provides such notice to Merus, then such designated Target Pair shall thereafter be a Novel Program Target Pair, the terms of Section 2.8(c)(i) will apply (including to any [*] Transaction that includes such Target as [*] Target), and Merus may not enter into such [*] Transaction. If Incyte does not provide such notice within such time period, Merus may enter into such [*] Transaction.

(iii) Without limiting Sections 2.8(c)(i) and 2.8(c)(ii) above, during the Research Term, Merus may not enter into any agreement with any Third Party that grants rights to such Third Party to [*] potential Target Pairs [*] such agreement, where such grant of rights would [*] Incyte of [*] such Third Party agreement for inclusion under this Agreement (in accordance with the terms of this Agreement), prior to the [*] by such Third Party. Once [*] it shall [*] if the program for such Target Pair would [*] if it were [*]. For clarity, Merus may enter into an agreement with a Party that grants rights to such Third Party to [*] potential Target Pairs [*] such agreement, so long as such Third Party's [*] is subject to Incyte's rights and Merus's obligations under this Agreement.

(iv) For clarity, the obligations in this Section 2.8(c) are in addition to the obligations set forth in Section 4.5(a) and are not intended to limit in any manner Section 4.5(a).

2.9 IMOD Target Pair Availability. Beginning on the Effective Date and for a period of [*] thereafter (the "IMOD Reserved Period"), the Reserved IMOD Target Pairs cannot be Not Available and Incyte may designate any or all such IMOD Target Pairs as Novel Program Target Pairs pursuant to Section 4.5(b) without going through the Gatekeeper process set forth therein. Merus shall (a) within [*] of the Effective Date, and (b) not more than [*], but not less than [*], prior to the expiration of the IMOD Reserved Period, provide Incyte with a written report with respect to any research conducted and data generated by Merus on any of the Reserved IMOD Target Pairs, in order for Incyte to determine whether it wishes to designate any such IMOD Target Pair as a Novel Program Target Pair prior to the expiration of the IMOD Reserved Period. In addition, during the IMOD Reserved Period, Merus shall also provide Incyte with updates on any material developments with respect to the IMOD Target Pairs. During and following the expiration of the IMOD Reserved Period, the terms of Section 4.5(a) shall apply to the Reserved IMOD Target Pairs; provided that the [*] period set forth in Section 4.5(a) shall begin during the IMOD Reserved Period if Merus meets the requirements of Section 4.5(a) for a Reserved IMOD Target Pair during the IMOD Reserved Period.

2.10 [*] Right of First Refusal.

(a) If, at any time during the Term applicable to Program 1, Merus intends (i) [*], or (ii) [*], then, prior to entering into any discussions or negotiations with [*] for [*] of the [*] or promptly following [*] of [*] in the United States, as applicable, Merus shall provide Incyte with prior written notice and [*] relating to such [*], as applicable, and, for a period of [*] after receipt of such notice and information, Incyte will have an exclusive right of first

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negotiation to enter into a definitive agreement with Merus for such [*]. Notwithstanding the foregoing, the rights in this Section 2.10(a) shall not apply to (i) any [*]; (ii) any [*] or (iii) rights granted for the [*] for or on behalf of Merus or its Affiliates' for its or their [*].

(b) If the Parties fail to enter into a definitive agreement prior to the expiration of the [*] period set forth in Section 2.10(a), Merus may enter into negotiations with [*] for such [*], on [*], provided that, prior to entering into any definitive agreement with [*], Merus shall be required to first offer to Incyte in writing (the "[*] Notice") a [*] and that in [*] by [*] (or, if [*] is making such an offer, [*] such [*]) (such terms, the "[*] Terms") for Incyte to determine whether it wishes to [*] to Merus for the [*]. Incyte shall have [*] following such [*] Notice to offer to Merus [*] (including [*] [*] that [*] the [*] Terms ("Incyte [*] Terms"). If Incyte provides Incyte [*] Terms that is [*] the [*] Terms, Merus may, [*] (i) [*] to [*] a definitive agreement for such [*] based on such [*], or (ii) [*] (based on a [*] of the [*]) a [*] to [*] that are, [*] than the [*]. If [*] terms to Merus, taken in the aggregate, than the Incyte [*] [*] Terms, then [*], based on such [*] [*] Terms, provided that Incyte shall have [*] in which to [*] of [*] Terms with a [*] Incyte [*] Terms. If [*] does not [*] to Merus, [*] the Incyte [*] Terms, then Merus and Incyte shall [*] for such [*] of Incyte [*] Terms.

(c) Merus shall [*] Incyte the [*] terms than the [*] Terms, until either (i) Merus elects to negotiate and enter into a definitive agreement with Incyte on [*] Incyte [*] Terms, or (ii) Incyte either notifies Merus in writing that [*] terms than the [*] Terms [*], or [*] Incyte [*] Terms to Merus within the [*] period following a [*] Notice. Notwithstanding the foregoing, if Merus does not [*] with Incyte or with [*] in [*] within [*] of such election under the foregoing clause (ii), this Section 2.10 shall apply if Merus [*] with respect to [*] to [*]. Either Party may terminate the negotiations under this Section 2.10 at any time in its sole discretion; provided that the terms of this Section 2.10 [*] Merus if Merus [*] such agreement with respect to [*], and thereafter intends to [*] set forth in Sections 2.10(a)(i) or 2.10(a)(ii) with respect to [*] in or to abandon [*] under Section 2.10(a).

ARTICLE III
GOVERNANCE

3.1 Joint Steering Committee.

(a) Establishment. The Parties shall establish a joint steering committee ("JSC") within [*] after the Effective Date that will have the responsibility for the overall coordination and oversight of the Parties' activities with respect to each Program under this Agreement. As soon as practicable following the Effective Date (but in no event more than [*] following the Effective Date), each Party shall designate its initial [*] representatives on the JSC. The JSC may increase or decrease the number of representatives that each Party may appoint on the JSC, provided that each Party has the same number of representatives. Each Party's representatives and any substitute for a representative shall be bound by the obligations of confidentiality set forth in ARTICLE XIII. The JSC may invite non-members (including scientific consultants and advisors of a Party who are under an obligation of confidentiality consistent with this Agreement) to participate in the discussions and meetings of the JSC,

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provided that such participants shall have no voting authority at the JSC. A representative from Incyte shall act as the chairperson of the JSC. The chairperson shall not have any greater authority than any other representative on the JSC and shall conduct the following activities of the JSC: (i) calling meetings of the JSC; (ii) preparing and issuing minutes of each such meeting within [*] thereafter; (iii) ensuring that any decision-making delegated to the JSC is carried out in accordance with Section 3.5; and (iv) preparing and circulating an agenda for the upcoming meeting. Each Party shall be free to change its representatives on notice to the other or to send a substitute representative to any JSC meeting; provided that each Party shall ensure that, at all times during the existence of the JSC, its representatives on the JSC are appropriate in terms of expertise and seniority (including at least one member of senior management) for the then-current stage of Development and Commercialization of the Licensed Products and have the authority to bind such Party with respect to matters within the purview of the JSC.

(b) Responsibilities. The JSC shall provide strategic guidance to the Parties, facilitate communications between the Parties, and shall have responsibility for: (i) the general oversight of the collaboration, including approval of the [*] Discovery Plan, any Novel Discovery Plan, Research Plans, Development Plans, Program 1 Joint Development Budget, Program 1 Manufacturing Plan and the Detailing Plan (if any), and amendments thereto and review of the [*] Co-Development Budget and Additional Co-Development Budgets and amendments thereto; (ii) periodic review of the overall goals and strategy of the Programs; (iii) attempting to resolve any disputes arising from any Subcommittee, and to consider any other issues brought to its attention by the Parties; (iv) determining a joint course of action with respect to any Third-Party Infringement in accordance with Section 8.4; and (v) performing such other functions as appropriate to further the purposes of this Agreement, as mutually agreed upon by the Parties in writing.

3.2 Subcommittees. The JSC may by unanimous decision (with each Party's representatives together having a single vote) establish and disband such subcommittees ("Subcommittees") as deemed necessary by the JSC including based on the then current stage of Development and Commercialization. Each such Subcommittee shall consist of the same number of representatives designated by each Party, which number shall be mutually agreed by the Parties. Each Party shall be free to change its representatives or increase or decrease the number of its representatives on notice to the other or to send a substitute representative to any Subcommittee meeting; provided that each Party shall ensure that, at all times during the existence of any Subcommittee, its representatives on such Subcommittee are appropriate in terms of expertise and seniority for the then-current stage of Development and Commercialization of the Licensed Product in the Field and have the authority to bind such Party with respect to matters within the purview of the relevant Subcommittee. Each Party's representatives and any substitute for a representative shall be bound by the obligations of confidentiality set forth in ARTICLE XIII. Except as expressly provided in this Agreement, no Subcommittee shall have the authority to bind the Parties hereunder and each Subcommittee shall report to, and any decisions shall be made by, the JSC. The initial Subcommittees will be the Joint Research Committee ("JRC"), the Joint Development Committee for Program 1 ("Program 1 JDC"), the Joint Development Committee for the [*] Co-Development Product ("[*] JDC"), the Joint Development Committee for an Additional Co-Development Product

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("Additional JDC"), the Joint Commercialization Committee for the Program 1 Product ("Program 1 JCC"), the Joint Commercialization Committee for the [*] Co-Detailing Product ("[*] JCC"), the Joint Manufacturing Committee ("JMC"), the Joint Intellectual Property Committee ("JIPC") and the Joint Finance Committee ("JFC"). The JSC may by unanimous decision (with each Party's representatives together having a single vote) modify the structure of the JRC to create project-specific or multi-project specific JRCs as necessary.

(a) Joint Research Committee.

(i) The JRC will have the responsibility for the overall coordination and oversight of the pre-clinical and non-clinical research activities with respect to Program 1 and Program 2 under the Initial Research Plans and for each of the [*] Programs and the Novel Programs pursued pursuant to the relevant Research Plan prepared in accordance with Section 4.10(b). As soon as practicable following the Effective Date (but in no event more than [*] following the Effective Date), each Party shall designate its initial [*] representatives on the JRC. Incyte shall appoint a person from among its representatives on the JRC to serve as the chairperson of the JRC. The chairperson shall not have any greater authority than any other representative on the JRC and shall conduct the following activities of the JRC: (A) calling meetings of the JRC; (B) preparing and issuing minutes of each such meeting within [*] thereafter; (C) preparing and circulating an agenda for the upcoming meeting; and (D) ensuring that any decision-making delegated to the JRC is carried out in accordance with Section 3.5. The JRC may create project-specific teams as needed to facilitate management and coordination of research activities.

(ii) The JRC shall have responsibility for (A) overseeing the initial transfer of information and designated activities from Merus to Incyte relating to each Target Pair pursuant to Section 4.1(a); (B) reviewing and discussing proposed Target Pairs; (C) preparing a Research Plan for each Program and any amendments thereto and presenting them to the JSC for approval; (D) overseeing the subsequent flow and transfer of information between the Parties related to the Target Pairs pursuant to Section 4.1(b) and with respect to, including the Data Package pursuant to Section 4.12, pursuant to Section 4.1(b); and (E) overseeing, reviewing and coordinating the pre-clinical and non-clinical research activities for each of the Programs under the relevant Research Plans.

(b) Program 1 Joint Development Committee.

(i) The Program 1 JDC will be the principal body through which the Development of the Program 1 Product is planned, administered and evaluated, and shall have the responsibility for the overall coordination and oversight of the Development activities for the Program 1 Product. At least [*] prior to Initiation of IND-enabling studies, each Party shall designate its initial three (3) representatives on the Program 1 JDC. A representative of Incyte shall act as the chairperson of the Program 1 JDC. The chairpersons shall not have any greater authority than any other representative on the Program 1 JDC and shall conduct the following activities of the Program 1 JDC: (A) calling meetings of the Program 1 JDC; (B) preparing and issuing minutes of each such meeting within [*] thereafter; (C) preparing and circulating an

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agenda for the upcoming meeting; and (D) ensuring that any decision-making delegated to the Program 1 JDC is carried out in accordance with Section 3.5. The Program 1 JDC shall automatically terminate if Program 1 is terminated or dropped from this Agreement.

(ii) The Program 1 JDC shall have responsibility for (A) discussing potential initial and subsequent Indications for Development for Program 1 Products; (B) reviewing and commenting on the Program 1 Incyte Territory Development Plan (or any amendments or updates thereto) prepared by Incyte pursuant to Section 5.3(a)(ii), and the Program 1 US Development Plan (or any amendments or updates thereto) prepared by Merus pursuant to Section 5.3(a)(ii), and, in each case, present such plans to the JSC for approval; (C) evaluating and commenting upon any proposal from either Party to conduct Clinical Trials or other Development activities on a joint basis, as provided in Section 5.3(a)(ii), and if it determines such proposed activity could be a Global Study, presenting such Global Study to the JSC for its consideration and potential approval; (D) preparing the Program 1 Joint Development Plan and any amendments thereto to include any Global Study which the Parties agree to conduct as a Program 1 Joint Development Activity, including a Program 1 Joint Development Budget therefor, pursuant to Section 5.3(b), and presenting them to the JSC for approval; (E) overseeing the flow of and transfer of information between the Parties related to Program 1; and (F) overseeing, reviewing and coordinating the conduct of activities and work under the Program 1 Incyte Territory Development Plan, Program 1 US Development Plan and Program 1 Joint Development Plan, as each may be amended.

(c) [*] Joint Development Committee.

(i) The [*] JDC will be the principal body through which the Development of the [*] Co-Development Product is planned, administered and evaluated, and shall have the responsibility for the overall coordination and oversight of the Development activities for the [*] Co-Development Product. Within [*] after Merus's exercise of its [*] Co-Development Right, each Party shall designate its initial three (3) representatives on the [*] JDC. Incyte shall appoint a person from among its representatives on the [*] JDC to serve as the chairperson of the [*] JDC. The chairperson shall not have any greater authority than any other representative on the [*] JDC and shall conduct the following activities of the [*] JDC: (A) calling meetings of the [*] JDC; (B) preparing and issuing minutes of each such meeting within [*] thereafter; (C) preparing and circulating an agenda for the upcoming meeting; and (D) ensuring that any decision-making delegated to the [*] JDC is carried out in accordance with Section 3.5. The [*] JDC shall automatically terminate if there is no longer a [*] Co-Development Product under this Agreement.

(ii) The [*] JDC shall have responsibility for (A) reviewing and commenting on any amendment or update to the [*] Co-Development Plan and [*] Co-Development Budget and presenting the [*] Co-Development Plan and the [*] Co-Development Budget to the JSC for discussion and approval and (B) overseeing, reviewing and coordinating the conduct of activities and work under the [*] Co-Development Plan.

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(d) Additional Joint Development Committee.

(i) The Additional JDC will be the principal body through which the Development of an Additional Co-Development Product is planned, administered and evaluated, and shall have the responsibility for the overall coordination and oversight of the Development activities for such Additional Co-Development Product. Within [*] after Merus's exercise of an Additional Co-Development Option, each Party shall designate its initial [*] representatives on the Additional JDC. Incyte shall appoint a person from among its representatives on the Additional JDC to serve as the chairperson of the Additional JDC. The chairperson shall not have any greater authority than any other representative on the Additional JDC and shall conduct the following activities of the Additional JDC: (A) calling meetings of the Additional JDC; (B) preparing and issuing minutes of each such meeting within [*] thereafter; (C) preparing and circulating an agenda for the upcoming meeting; and (D) ensuring that any decision-making delegated to the Additional JDC is carried out in accordance with Section 3.5. The Additional JDC shall automatically terminate if there is no longer an Additional Co-Development Product under this Agreement.

(ii) The Additional JDC shall have responsibility for (A) reviewing and commenting on any amendment or update to each Additional Co-Development Plan and Additional Co-Development Budget and presenting each Additional Co-Development Plan and Additional Co-Development Budget to the JSC for discussion and approval and (B) overseeing, reviewing and coordinating the conduct of activities and work under the Additional Co-Development Plan.

(e) Program 1 Joint Commercialization Committee.

(i) The Program 1 JCC shall oversee Commercialization of Program 1 Products worldwide. At least [*] prior to anticipated NDA filing of a Program 1 Product in the United States, each Party shall designate its initial [*] representatives on the Program 1 JCC. A representative of Incyte shall act as the chairperson of the Program 1 JCC. The chairperson shall not have any greater authority than any other representative on the Program 1 JCC and shall conduct the following activities of the Program 1 JCC: (A) calling meetings of the Program 1 JCC; (B) preparing and issuing minutes of each such meeting within [*] thereafter; (C) preparing and circulating an agenda for the upcoming meeting; and (D) ensuring that any decision-making delegated to the Program 1 JCC is carried out in accordance with Section 3.5. The Program 1 JCC shall automatically terminate if Program 1 Product terminated or dropped from this Agreement.

(ii) The Program 1 JCC shall be responsible for: (A) overseeing, reviewing and coordinating the Commercialization of the Program 1 Products in the Field worldwide; (B) discussing, and if agreed pursuant to Section 7.4(a), developing and overseeing the Global Branding Strategy; (C) setting overall strategic objectives and plans related to Commercialization of the Program 1 Products in the Field in each of the United States and the Incyte Territory, consistent with the Parties' rights under this Agreement and Section 7.2(a); (D) reviewing Commercialization issues for the Program 1 Products in the Incyte Territory that will have an impact on Commercialization of the Program 1 Products in the United States; (E) reviewing Commercialization issues for the Program 1 Products in the United States that will

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have an impact on Commercialization of the Program 1 Products in the Incyte Territory; (F) providing a forum for the Parties to discuss the Commercialization of the Program 1 Products in the Field worldwide; and (G) such other responsibilities as may be assigned to the Program 1 JCC pursuant to this Agreement or as may be mutually agreed upon by the Parties from time to time.

(f) [*] Joint Commercialization Committee.

(i) The [*] JCC shall oversee Detailing of [*] Co-Detailing Product in the United States. Within [*] after Merus's exercise of the Co-Detailing Right, each Party shall designate its initial three (3) representatives on the [*] JCC. A representative of Incyte shall act as the chairperson of the [*] JCC. The chairperson shall not have any greater authority than any other representative on the [*] JCC and shall conduct the following activities of the [*] JCC: (A) calling meetings of the [*] JCC; (B) preparing and issuing minutes of each such meeting within [*] thereafter; (C) preparing and circulating an agenda for the upcoming meeting; and (D) ensuring that any decision-making delegated to the [*] JCC is carried out in accordance with Section 3.5. The [*] JCC shall automatically terminate if there is no longer a [*] Co-Detailing Product under this Agreement.

(ii) The [*] JCC shall be responsible for: (A) overseeing the implementation of, reviewing and coordinating the Detailing of the [*] Co-Detailing Product in the Field in the United States; (B) applying the Global Branding Strategy (or other branding strategy, if appropriate) to the [*] Co-Detailing Product in the United States; (C) setting overall strategic objectives and plans related to Detailing [*] Co-Detailing Product in the Field in the United States; (D) reviewing, commenting on and approving any amendment or update to the Detailing Plan and Detailing Budget, and presenting the Detailing Plan and the Detailing Budget to the JSC and to Incyte for approval; (E) reviewing Detailing issues for the [*] Co-Detailing Product; (F) providing a forum for the Parties to discuss the Detailing of the [*] Co-Detailing Product in the Field in the United States; and (G) such other responsibilities as may be assigned to the [*] JCC pursuant to this Agreement or as may be mutually agreed upon by the Parties from time to time.

(g) Joint Manufacturing Committee.

(i) The JMC shall oversee the manufacture of Licensed Products worldwide. As soon as practicable following the Effective Date (but in no event more than [*] following the Effective Date), each Party shall designate its initial [*] representatives on the JMC. A representative of Incyte shall act as the chairperson of the JMC. The chairperson shall not have any greater authority than any other representative on the JMC and shall conduct the following activities of the JMC: (A) calling meetings of the JMC; (B) preparing and issuing minutes of each such meeting within [*] thereafter; (C) preparing and circulating an agenda for the upcoming meeting; and (D) ensuring that any decision-making delegated to the JMC is carried out in accordance with Section 3.5.

(ii) The JMC shall be responsible for: (A) overseeing, reviewing and coordinating the manufacture of Program 1 Products worldwide; (B) discussing and preparing the Program 1 Manufacturing Plan and presenting it to the JSC for approval, (C) providing a forum for the Parties to discuss the clinical and commercial requirements for and manufacture of Program 1 Products; (D) overseeing the manufacturing process transfer from Merus to Incyte pursuant to Section 6.1; (E) overseeing, reviewing and coordinating the Parties' activities with respect to Licensed Antibody and Bi-Specific Construct [*] for Licensed Products; and (F) such other responsibilities as may be assigned to the JMC pursuant to this Agreement or as may be mutually agreed upon by the Parties from time to time.

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(h) Joint Intellectual Property Committee.

(i) The JIPC shall provide a platform for the exchange of information between the Parties, and for decision-making with respect to actions allocated to the Parties under ARTICLE VIII, relating to the filing, prosecution and maintenance of all Patent Rights licensed by one Party to the other in Sections 2.3 and 2.4; provided, that the Parties shall discuss filing, prosecution and maintenance of the Merus Platform IP only with respect to the Licensed Antibodies and Licensed Products. As soon as practicable following the Effective Date (but in no event more than [*] following the Effective Date), each Party shall designate its [*] representatives on the JIPC. A representative of Incyte shall act as the chairperson of the JIPC. The chairperson shall not have any greater authority than any other representative on the JIPC and shall conduct the following activities of the JIPC: (A) calling meetings of the JIPC at least every quarter; (B) preparing and issuing minutes of each such meeting within [*] thereafter; and (C) preparing and circulating an agenda for the upcoming meeting.

(ii) The JIPC shall discuss the following with respect to Patent Rights described under Section 3.2(h)(i): (A) [*]; (B) [*]; and (C) [*], except with respect to [*]. With respect to [*], the JIPC shall discuss [*] the Licensed Antibodies or the Licensed Products. In discussing the foregoing matters, the JIPC shall [*] Parties and shall [*] Intellectual Property [*] under this agreement to both Parties including the [*] one Party to the other. The applicable Party or the Parties shall determine such foregoing matters as set forth in ARTICLE VIII based on decision-making of the JIPC with respect to the foregoing matters.

(i) Joint Finance Committee. The JFC shall provide a forum for the discussion and exchange of information between the Parties relating to Research Costs, the Program 1 Joint Development Budget, the [*] Co-Development Budget, the Additional Co-Development Budget, Allowable Expenses, Net Profits and Net Losses. As soon as practicable following the Effective Date (but in no event more than [*] following the Effective Date), each Party shall designate its [*] representatives on the JFC. A representative of Incyte shall act as the chairperson of the JFC. The chairperson shall not have any greater authority than any other representative on the JFC and shall conduct the following activities of the JFC: (A) calling meetings of the JFC at least every quarter; (B) preparing and issuing minutes of each such meeting within [*] thereafter; and (C) preparing and circulating an agenda for the upcoming meeting.

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3.3 Committee Meetings. Commencing in the first Calendar Quarter of 2017, the JSC and each of the Subcommittees that have been established shall each hold at least one (1) meeting per Calendar Quarter at such times during such Calendar Quarter as the chairperson elects to do so. Except where a Party fails to appoint a member or members to the JSC or its Subcommittees or fails to participate in meetings of the JSC or its Subcommittees pursuant to Section 3.5(b)(i), meetings of the JSC and the Subcommittees, respectively, shall be effective only if at least one (1) representative of each Party is present or participating. The JSC and its Subcommittees may meet either (i) in person at either Party's facilities or at such locations as the Parties may otherwise agree or (ii) by audio or video teleconference; provided that no less than one (1) meeting during each Calendar Year shall be conducted in person, with such in-person meetings alternating between the locations of each Party, or as otherwise mutually agreed. Other representatives of each Party involved with the Licensed Product may attend meetings as non-voting participants, subject to the confidentiality provisions set forth in ARTICLE XIII. Additional meetings of the JSC and its Subcommittees may also be held with the consent of each Party, or as required under this Agreement, and neither Party shall unreasonably withhold its consent to hold such additional meetings. Each Party shall be responsible for all of its own expenses incurred in connection with participating in all such meetings.

3.4 Authority. The JSC and any Subcommittee shall have only the powers assigned expressly to it in this ARTICLE III and elsewhere in this Agreement, and shall not have any power to amend, modify or waive compliance with or the terms of this Agreement. In furtherance thereof, each Party shall retain the rights, powers and discretion granted to it under this Agreement and no such rights, powers or discretion shall be delegated or vested in the JSC or any Subcommittee unless such delegation or vesting of rights is expressly provided for in this Agreement or the Parties expressly so agree in writing.

3.5 Decisions.

(a) Initial Dispute Resolution Procedures. Subject to the provisions of this Section 3.5, actions to be taken by the JSC and each of the Subcommittees shall be taken only following a unanimous vote, with all of each Party's representatives together having one (1) vote. If any Subcommittee fails to reach unanimous agreement on a matter (with each Party's representatives together having a single vote) before it for decision for a period in excess of [*], either Party may refer the matter to the JSC.

(b) Final Decision-Making. If the JSC, using good faith efforts in compliance with Section 3.5(c), fails to reach unanimous agreement on a matter within the scope of the JSC's authority (with each Party's representatives together having a single vote) before it for decision (whether originating there or referred to it by a Subcommittee) for a period in excess of [*], the following provisions shall apply:

(i) The JSC representatives appointed by [*] shall have the deciding vote on [*] other than (A) those matters for which [*] has the deciding vote pursuant to Section 3.5(b)(ii) and (B) those matters related to [*] requiring the consent of both Parties' representatives and as to which neither Party has final say as expressly provided in

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Section 3.5(b)(iii). [*] shall have the right to appeal any such final decision of the [*] representatives to the JSC by referring such dispute to the [*] Executive Officer or a designee of the [*] Executive Officer with decision-making authority for resolution, in which case the [*] Executive Officer or designee shall make himself or herself reasonably available to [*] representatives for a period of [*] to review and discuss such issue, including holding an in-person meeting with [*] representatives, if requested. In such case, the [*] Executive Officer or designee shall have the deciding vote on such issue. For clarity, Incyte shall have final decision-making authority over the budgets for all Development Plans and for the [*].

(ii) Except for those matters related to [*] requiring the consent of both Parties' representatives and as to which neither Party has final say as expressly provided in Section 3.5(b)(iii), the JSC representatives appointed by [*] shall have the deciding vote on any matter involving (A) the [*] of any [*] Antibody or [*] Product in or for the United States, including (1) [*] in the United States, (2) the [*] or [*] thereto, and (3) any disputes regarding whether an activity under Sections 5.3(a)(iii) or 5.3(c) is [*] of [*] Products in the United States; provided that the [*] JSC representatives must make such determination reasonably; and (B) any matter within the scope of responsibility of the JIPC pertaining to Patent Rights contained within [*] [*] or pertaining to [*]. [*] shall have the right to appeal any such decision of the JSC to the [*] Executive Officer or a designee of the [*] Executive Officer with decision-making authority for resolution, in which case the [*] Executive Officer or designee shall make himself or herself reasonably available to [*] representatives for a period of [*] to review and discuss such issue, including holding an in-person meeting with [*] representatives, if requested. In such case, the [*] Executive Officer or designee shall have the deciding vote on such issue.

(iii) Neither Party shall have the final say over a matter that relates to any [*] or any [*] [*] and/or its related [*], as contemplated in Section 5.3(b), and, unless and until both Parties' representatives on the JSC approve such [*] and associated [*], neither Party shall [*], and either Party shall have the right to [*], in accordance with Section 5.3(c). In addition, neither Party shall have final say over (A) the [*] Products for the [*], and, if the Parties are unable to agree [*] on a [*] Products applicable to [*], each Party shall have the right to [*], or (B) the [*] for [*] and, if the Parties are unable to agree through the JSC on the [*] for [*], each Party shall have the right to pursue [*] for its territory.

(c) Good Faith. In conducting themselves on the JSC or any Subcommittees, and in exercising their rights under this ARTICLE III, all representatives of both Parties shall consider diligently, reasonably and in good faith all input received from the other Party, and shall use reasonable efforts to reach consensus on all matters before them. Notwithstanding such final decision making rights of a Party, neither Party shall exercise its right to finally resolve a dispute pursuant to Section 3.5(b): (i) in a manner that excuses such Party from any of its obligations specifically enumerated under this Agreement; (ii) in a manner that negates any consent rights or other rights specifically allocated to the other Party under this Agreement; (iii) to resolve any dispute regarding whether a Party may [*]; (iv) to [*]; (v) to resolve any dispute regarding whether a milestone event set forth in Section 9.2 has been achieved; (vi) in a manner that would require the other Party to perform any act that it reasonably believes to be inconsistent with any Law or any approval, order, policy or guidelines of a Regulatory Authority; or (vii) or in a manner that has a material adverse impact on the rights or ability of a Party to [*] Products in its territory.

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3.6 Committee Membership.

(a) Appointment is a Right. The appointment of members of the JSC and any Subcommittees is a right of each Party and not an obligation and shall not be a "deliverable" as referenced in any existing authoritative accounting literature. Each Party shall be free to determine not to appoint members to the JSC or any Subcommittee.

(b) Consequence of Non-Appointment. If a Party does not appoint members of the JSC or any Subcommittee, it shall not be a breach of this Agreement, nor shall any consideration be required to be returned, and unless and until such members are appointed, the Parties shall discharge the roles of the JSC or any Subcommittee thereof directly.

3.7 Alliance Manager. Each Party shall appoint a person(s) who shall oversee contact between the Parties for all matters between meetings of the JSC and each Subcommittee and shall have such other responsibilities as the Parties may agree in writing after the Effective Date (each, an "Alliance Manager"). Each Party may replace its Alliance Manager at any time by notice in writing to the other Party.

ARTICLE IV
TARGET PAIR AND PROGRAM SELECTION; RESEARCH

4.1 Information Transfer.

(a) Initial Information Transfer. Merus shall make available to Incyte, in a mutually-agreed upon format and without further financial consideration, (i) the Merus Know-How related to the Initial Research Plans and Program 1 and Program 2 and any research plan Merus has in place related to [*], in each case within [*] after the Effective Date and (ii) the Merus Know-How and any research plan Merus has in place related to any other Program within [*] after Incyte's designation of the Target Pair for such Program in accordance with this ARTICLE IV. In addition, within [*] after the Effective Date, Merus shall disclose summaries of currently existing Merus Know-How [*] regarding Target Pairs [*].

(b) Technical Assistance; Continuing Information Transfer. From the Effective Date through the [*] thereof, Merus shall make its relevant scientific and technical personnel and any academic collaborators, as applicable, reasonably available to Incyte to answer any questions or provide instruction as reasonably requested by Incyte concerning the information delivered pursuant to Section 4.1(a). On an ongoing and Program-by-Program basis during the Research Term, every [*] (or such other frequency as determined by the Parties), (i) prior to Candidate Nomination, each Party shall make available to the other Party, in a mutually agreed-upon format, material data generated under the [*] Discovery Plan, any Novel Discovery Plan and each Research Plan, and (ii) following Candidate Nomination, each Party shall make available to the other Party material data generated under the applicable Development Plan, and

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such other aspects of the Incyte Know-How or Merus Know-How, as applicable, that arise from such Party's [*] and (A) that are [*] the other Party's conduct of activities, in each case [*], or (B) that are [*] the other Party.

(c) Right of Reference or Use. Merus hereby grants to Incyte, solely for the purposes set forth in this Agreement, a [*] relating to Licensed Antibodies or Licensed Products arising from Programs and existing as of the Execution Date or [*], and agrees to sign, and cause its Affiliates to sign, any instruments reasonably requested by Merus in order to effect such grant.

4.2 Gatekeeper.

(a) Generally. Incyte shall promptly, but in no case later than [*] after the Effective Date, engage and retain an independent Third Party [*] and [*] (the "Gatekeeper") for the purpose of confirming whether a proposed Target Pair is Not Available and confirming whether a proposed [*] Target is an Incyte Specified Target, such engagement to include provisions relating to confidentiality substantially similar to those contained in this Agreement. Incyte will provide Merus a copy of the agreement for review reasonably prior to execution (which may be redacted to remove any sensitive financial or competitive information), and shall consider in good faith any Merus comments thereto. The cost of the Gatekeeper shall be borne by [*]. Until [*], the Gatekeeper will be responsible for maintaining the list of Incyte Specified Targets and an up-to-date list of Target Pairs that are Not Available (the "Not Available List"). Upon notice from Incyte of engagement of the Gatekeeper, Merus shall provide the Gatekeeper (with a copy to Incyte) with the initial Not Available List (which shall include the reason for each Target Pair being Not Available). All communications regarding the availability of a Target Pair between the Parties shall be exchanged through the Gatekeeper.

(b) Notice of Not Available. During the Research Term, Merus shall promptly, but in no case later than [*] after the occurrence of the events in the following subsections (i) or (ii), notify the Gatekeeper (i) if any Target Pair becomes Not Available and provide the reason for such Target Pair becoming Not Available and (ii) if any Target Pair ceases to be Not Available. Upon receipt of such notification, the Gatekeeper shall update the Not Available List accordingly. For clarity, Merus shall [*] at the time such [*]; provided that Merus shall be [*] to Incyte if Incyte seeks to designate a Target Pair for a Program in accordance with Section 4.4(c) or Section 4.5(b), as applicable.

4.3 Target Pairs; Program Caps.

(a) Generally. The Parties agree that, as of the Effective Date, the Target Pairs under each of Program 1 and Program 2 have been designated, and that Program 1 and Program 2 are the only Programs for which a Target Pair has been designated. For each of the [*] Programs and Novel Programs, subject to Sections 4.2, 4.4 and 4.5, Incyte has the sole right to designate a Target Pair as the subject of further research activities pursuant to a Research Plan. For clarity, except with respect to the rights granted to Incyte for Selected Monoclonal Antibodies binding to individual Targets composing a particular Target Pair and the right of

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Incyte to [*] for a [*] as a Licensed Antibody as described in Section 4.3(b), the designation by Incyte of a Target Pair for inclusion in a Program does not grant to Incyte any rights to Develop and Commercialize Antibodies binding to either (i) an [*] Target Pair, or (ii) any [*] in such Target Pair and [*] in any other Target Pair that has been [*] this Agreement, unless Incyte has elected or elects, subject to the Novel Program Cap or [*] Program Cap, as applicable, to include such [*] as the subject of a Novel Program under this Agreement. By way of example only, if Incyte designates each of (i) Target A x Target B and (ii) Target C x Target D as Target Pairs in two Programs under this Agreement, Incyte [*] this Agreement to Develop or Commercialize Antibodies [*] (unless Incyte had [*] Target), or to [*] Target Pair that is a [*] (e.g., [*])), unless Incyte has designated a Novel Program or [*] Program around such Target or Target Pair, subject to the Novel Program Cap or [*] Program Cap, as applicable. For clarity, nothing under this Section 4.3(a) shall prevent Incyte from Developing or Commercializing Antibodies directed at any single Target outside this Agreement, subject to Section 2.8(b)(i).

(b) Program Caps. At any given time during the Research Term, there may be a maximum of eleven (11) Programs being actively pursued under this Agreement. More specifically, subject to the adjustments set forth below, in addition to Program 1 and Program 2, there may be an active maximum of (i) [*] Novel Programs (including any Novel Programs that have passed Program Selection, irrespective of whether such Programs have been terminated) (the "Novel Program Cap"), and (ii) [*] Programs (including any [*] Programs that have passed Program Selection, irrespective of whether such Programs have been terminated) unless no [*] Target Pairs are designated by Incyte during the [*] Exclusivity Period, in which case the maximum shall be [*] Programs (the "[*] Program Cap"); provided that if the [*] Program Cap has been reached, any additional [*] Target Pair that Incyte wishes to designate may be included as a Novel Program Target Pair for a Novel Program if, at such time, the Novel Program Cap has not been reached. Furthermore, (A) if [*] becomes a Dropped Program, then the Novel Program Cap shall be [*], (B) if [*] becomes a Dropped Program, then the Novel Program Cap shall be [*], and (C) if (a) Incyte never designated any [*] Programs or (b) all [*] Programs included within the [*] Program Cap become Dropped Programs, then the Novel Program Cap shall be [*] such that, if all of the foregoing (A), (B), and (C) occur, the Novel Program Cap shall be [*]. Notwithstanding the foregoing, the Parties may mutually agree at any time to increase the Novel Program Cap or the [*] Program Cap, either temporarily (e.g., to facilitate the conduct of research activities under particular Programs), or for the remainder of the Research Term. For clarity, if Incyte chooses to pursue a Selected Monoclonal Antibody as a Licensed Antibody and Licensed Product, Incyte would provide to Merus written notice thereof, and such Selected Monoclonal Antibody will be included as a Program within the Novel Program Cap or [*] Program Cap, as applicable, and subject to the terms of this Agreement.

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4.4 [*] Target Pairs.

(a) Generally. Pursuant to the [*] Discovery Plan, the Parties will seek to identify one or more Target Pairs for nomination by Incyte as [*] Target Pairs. Potential [*] Target Pairs can arise de novo from the research or be defined by either of the Parties as set forth below.

(b) [*] Idea Sharing by Merus. During the Initial Research Term, Merus shall promptly propose to Incyte in writing all Target Pairs that Merus has identified for the potential creation of Bi-Specific Constructs, for which one of the Fab regions specifically binds to [*]. In each case where Merus proposes a [*] Target Pair to Incyte, Merus shall make available to Incyte, in a mutually-agreed upon format and without further financial consideration, and as applicable, the Merus Know-How related to such [*] Target Pairs and the proposed monoclonal Antibodies (and sequences therefor) and actual or proposed Bi-Specific Constructs specifically binding to such [*] Target Pairs, if any, which shall include a written report [*] the research and Development of Bi-Specific Constructs directed to such [*] Target Pair; provided that the absence or unavailability of any of such information shall not limit Merus's obligations to promptly propose Target Pair ideas to Incyte (but the [*] period set forth below shall not commence until such information is provided). Incyte may evaluate such [*] Target Pairs and the associated Bi-Specific Constructs and provide written notice to Merus not later than [*] after disclosure of such proposal and information thereof as to whether Incyte desires to designate such Target Pair as a [*] Target Pair under this Agreement. For clarity, a [*] Target Pair may include an IMOD Target. Notwithstanding anything in this Section 4.4(b), after the [*] Exclusivity Period, Merus is not required to disclose or offer to Incyte for inclusion under this Agreement any [*] Target Pairs that are [*] by [*] and [*] activities under this Agreement.

(c) [*] Idea Sharing by Incyte. Subject to the [*] Cap, at any time during the Research Term, Incyte may, in its sole discretion, provide written notice to Merus that Incyte wishes to propose a Target Pair for designation under a Program under this Agreement. Within [*] thereafter, Merus shall provide an updated Not Available List to the Gatekeeper (which shall include the reason for each Target Pair being Not Available); provided that such update shall be based on the status as of the date of Incyte's notice. Incyte may then, in its sole discretion, provide written notice to the Gatekeeper proposing one or more [*] Target Pairs for designation under a [*] Program, provided that [*], any such [*] Target Pair would only be able to be included within the collaboration [*]. Within [*] following the Gatekeeper's receipt of such notice, the Gatekeeper shall verify whether such [*] Target Pair requested by Incyte is on the Not Available List and notify Incyte in writing (the "[*] Gatekeeper Notice") with respect thereto and, if it is Not Available, provide the reason given by Merus when placing such Target Pair on the Not Available List; provided that no [*] Target Pair proposed by Incyte shall be Not Available at any time during the [*] Exclusivity Period. If such proposed Target Pair requested by Incyte is on the Not Available List, then, at Incyte's request, Merus shall provide Incyte with written evidence [*] to Incyte that such Target Pair is Not Available. If such proposed [*] Target Pair requested by Incyte is not on the Not Available List, then the Gatekeeper shall also notify Merus of Incyte's proposed [*] Target Pair, and subject to the [*] Program Cap, such proposed [*] Target Pair shall be designated as a [*] Target Pair. For clarity, if the [*] Cap has been

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reached and the Novel Program Cap has not yet been reached, Incyte may nominate [*] Target Pairs for inclusion as Novel Programs pursuant to Section 4.5. If the [*] Gatekeeper Notice indicates that the proposed [*] Target Pair is Not Available, then Incyte shall have the right to pursue such [*] Target Pair and Bi-Specific Constructs directed to such [*] Target Pair outside of this Agreement.

(d) Ongoing [*] Target Pair Idea Sharing by Merus. Once the [*] Program Cap has been reached, Merus shall have no further obligation to offer potential [*] Target Pairs to Incyte pursuant to Section 4.4(b) (but shall remain required to disclose such Target Pairs pursuant to Section 4.5(a) if the Novel Program Target Cap has not been reached). Notwithstanding the foregoing, if during the Initial Research Term, a [*] Program [*], such that there are [*] Programs (that were not included under Novel Programs) at such time than the [*] Program Cap, [*] to Merus's [*] to Incyte for inclusion under a [*] Program under this Agreement (including with respect to any [*]). For clarity, (i) Section 4.4(b) shall not apply following [*] to any Target Pairs that are Not Available and (ii) Section 4.8 shall apply to any new Bi-Specific Constructs that [*] that [*] identifies after the applicable [*].

4.5 Novel Program Target Pairs.

(a) Target Pair Idea Sharing by Merus. During [*] until the Novel Program Cap is reached, Merus shall promptly propose to Incyte in writing [*] Bi-Specific Constructs (excluding any [*] Target Pair already disclosed to Incyte pursuant to Section 4.4 and, for clarity, including any Target Pair where one or both of the Targets is an IMOD Target), and shall make available to Incyte, in a mutually-agreed upon format and without further financial consideration, the Merus Know-How related to such Target Pairs and the proposed monoclonal Antibodies (and sequences therefor) and actual or proposed Bi-Specific Constructs specifically binding to such Target Pairs, if any, which shall include a written report [*] Bi-Specific Constructs directed to such Target Pair; provided that the absence or unavailability of any of such information shall not limit Merus's obligations to promptly propose Target Pair ideas to Incyte (but the [*] set forth below shall not commence until such information is provided). Incyte may evaluate such Target Pairs and the associated Bi-Specific Constructs for inclusion as Novel Program Target Pairs under this Agreement. For a period of [*] after Incyte's receipt of such proposal and information, such Target Pair may not be considered Not Available or added to the Not Available List and Incyte may designate such Target Pair as a Novel Program Target Pair hereunder, but may be added to the Not Available list at Merus's discretion following the expiration of such period, provided that Merus had satisfied the criteria for an Internal Merus Program at the time such Target Pair was offered to Incyte. At any time after such [*] period, Incyte may propose such Target Pair pursuant to Section 4.5(b). Notwithstanding anything in this Section 4.5(a), Merus is not required to disclose or offer to Incyte for inclusion under this Agreement any Targets or Target Pairs that are [*] by [*] and [*] activities under this Agreement.

(b) Target Pair Idea Sharing by Incyte. Subject to the Novel Program Cap, at any time during the Research Term, Incyte may, in its sole discretion, provide written notice to Merus that Incyte wishes to propose a Target Pair for designation under a Program under this Agreement. Within [*] thereafter, Merus shall provide an updated Not Available List to the

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Gatekeeper (which shall include the reason for each Target Pair being Not Available); provided that such update shall be based on the status as of the date of Incyte's notice. Incyte may then, in its sole discretion, provide written notice to the Gatekeeper proposing Target Pairs (other than and in addition to the Program 1 Target Pair, Program 2 Target Pair and any [*] Target Pairs included in the [*] Program Cap) for inclusion as a Novel Program Target Pair under this Agreement, provided that after the expiration of the Initial Research Term, any such Target Pair would only be able to be included within the collaboration as a replacement for a Dropped Target Pair. For clarity, Target Pairs proposed by Incyte under this Section 4.5(b) may (i) be [*] Target Pairs or (ii) include one or more IMOD Targets. Within [*] following the Gatekeeper's receipt of such notice, the Gatekeeper shall verify whether such Target Pair requested by Incyte is on the Not Available List and notify Incyte in writing (the "Novel Gatekeeper Notice") with respect thereto and, if it is Not Available, provide the reason given by Merus when placing such Target Pair on the Not Available List; provided that no Novel Program Target Pair containing [*] as a Target shall be Not Available at any time during the [*] Exclusivity Period, and no Reserved IMOD Target Pair may be Not Available during the IMOD Reserved Period. If such proposed Novel Program Target Pair requested by Incyte is on the Not Available List, then, at Incyte's request, Merus shall [*] such Novel Program Target Pair is Not Available. If such proposed Novel Program Target Pair requested by Incyte is not on the Not Available List, then the Gatekeeper shall also notify Merus of Incyte's proposed Target Pair and, subject to the Novel Program Cap, such proposed Novel Program Target Pair shall be a Novel Program Target Pair. If the Novel Gatekeeper Notice indicates that the proposed Novel Program Target Pair is Not Available, then Incyte shall have the right to pursue such Novel Program Target Pair and Bi-Specific Constructs directed to such Novel Program Target Pair outside of this Agreement.

(c) Ongoing Novel Program Target Pair Idea Sharing by Merus. Once the Novel Program Cap has been reached, Merus shall have no further obligation to offer potential Targets and Target Pairs to Incyte for inclusion as Novel Program Target Pairs under this Agreement pursuant to Section 4.5(a). Notwithstanding the foregoing, if [*], a Novel Program [*], such that there are [*] applicable Novel Program Cap, [*] to Merus's [*] Targets and Target Pairs to Incyte for inclusion as Novel Program Target Pairs under this Agreement (including with respect to [*]). For clarity, (i) Section 4.5(a) shall not apply following a Drop Date to any Target Pairs that are Not Available and (ii) Section 4.8 shall apply to any new Bi-Specific Constructs that specifically bind to the Dropped Target Pair that Merus identifies after the applicable Drop Date.

4.6 Back-Up Bi-Specific Construct Substitution. At any time during the Term, Incyte may elect, at its discretion, to cease Development of one or more of the Bi-Specific Construct(s) for a Program (including both Novel Programs and [*] Programs). At any time during the Term, Incyte may elect, at its discretion, to advance one or more back-up Bi-Specific Constructs directed at the same Target Pair. If such election is made by Incyte [*] for the applicable Program, Incyte shall provide written notice to Merus and (a) the Parties shall [*] directed to such back-up Bi-Specific Constructs, and (b) the time period in which [*] shall be no less than [*] from the date of such notice.

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4.7 Change in Status. If, at any time during the Research Term, any Target Pair that was identified as Not Available in a [*] Gatekeeper Notice or Novel Gatekeeper Notice is no longer Not Available, Merus shall promptly, but in any case within [*] provide written notice to Incyte and make available, [*], the Merus Know-How related to such Target Pairs and the Bi-Specific Constructs specifically binding to the Target Pairs. Incyte may, in its sole discretion, select such Target Pair for inclusion in this Agreement, subject to this ARTICLE IV.

4.8 Dropped Programs and Dropped Target Pairs.

(a) Program 1 and Program 2. Incyte may elect, at its sole discretion, to drop from this Agreement either or both of Program 1 and Program 2 (and the corresponding Target Pair and all Bi-Specific Constructs that are the subject of such Program) by written notice to Merus delivered prior to Program Selection for Program 1 or Program 2, as applicable, and each such Program and associated Target Pair(s) will, effective as of the date of Incyte's notice to Merus, become a Dropped Program and Dropped Target Pair, as applicable. Effective upon the date of such notice, such Dropped Target Pair shall no longer be a Program 1 Target Pair or Program 2 Target Pair. Simultaneous with such notice, or [*], Incyte may, at its discretion, designate one additional Novel Program Target Pair in lieu of such Dropped Target Pair, for each of Program 1 and/or Program 2, as applicable, pursuant to Section 4.5. Upon effectiveness of each such notice designating such additional Novel Program Target Pair, the Program covering such additional Target Pair shall thereafter be treated as a Novel Program.

(b) [*] Programs. For [*] Programs, on a Program-by-Program basis, at any time prior to the expiration of the Research Term, and prior to Program Selection for such [*] Program, Incyte may elect, at its discretion and by written notice to Merus, to drop any one or more [*] Programs (and the [*] Target Pair and all Bi-Specific Constructs that are the subject of such Program) from this Agreement, and each such Program and associated [*] Target Pair(s) will, effective as of the date of Incyte's notice to Merus, become a Dropped Program and Dropped Target Pair, as applicable. Simultaneous with such notice, or [*], Incyte may, at its discretion, either (i) designate a replacement [*] Target Pair in lieu of such Dropped Target Pair to be the subject of research activities hereunder or (ii) if [*], such that there are no longer any [*] Programs under this Agreement (not including any [*] Programs falling under the Novel Program Cap), designate [*] pursuant to Section 4.5 [*] to be the [*] hereunder. Upon effectiveness of each such notice designating such additional [*] Target Pair or Novel Program Target Pair, as applicable, the Program covering such additional Target Pair shall thereafter be treated as a [*] Program or Novel Program, as applicable.

(c) Novel Programs. For Novel Programs, on a Program-by-Program basis, at any time prior to the expiration of the Research Term, and prior to Program Selection for such Program, Incyte may elect, at its discretion and by written notice to Merus, to drop such Programs (and the Target Pair and all Bi-Specific Constructs that are the subject of such Program) from this Agreement, and each such Program and associated Target Pair(s) will, effective as of the date of Incyte's notice to Merus, become a Dropped Program and Dropped Target Pair, as applicable. Simultaneous with such notice, or at any time thereafter prior to expiration of the Research Term, Incyte may, at its discretion, designate a replacement Target

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Pair in lieu of such Dropped Target Pair to be the subject of research activities hereunder. Upon effectiveness of each such notice designating such additional Novel Program Target Pair, the Program covering such additional Target Pair shall thereafter be treated as a Novel Program.

(d) Ongoing Right to Drop and Replace. For clarity, Incyte's right to drop Programs and, at its discretion, elect to replace them pursuant to Sections 4.8(a), 4.8(b), and 4.8(c) applies also to Programs that replaced such Dropped Programs. For example, if Incyte drops Program 1 and replaces it with a Novel Program pursuant to Section 4.8(a), that Novel Program may subsequently be dropped and replaced with another Novel Program pursuant to Section 4.8(c) and so on until the earlier of either expiration of the Research Term or Program Selection for such Novel Program.

(e) Release of Exclusivity. Upon any Target Pair becoming a Dropped Target Pair pursuant to Sections 4.8(a), 4.8(b) or 4.8(c) above then, subject to the applicable terms of this Agreement, Merus may thereafter Develop or Commercialize any Bi-Specific Construct that specifically binds to the applicable Dropped Target Pair.

(f) [*] New Bi-Specific Constructs on Dropped Target Pairs. During the Research Term, if Merus or an Affiliate commences internal research and Development activities with respect to any Bi-Specific Construct that specifically binds any Dropped Target Pair, and such Bi-Specific Construct [*], Merus [*] with respect to such [*] for consideration as a potential Novel Program Target Pair in accordance with Section 4.5(a), or a potential [*] Target Pair in accordance with Section 4.4(b), as applicable. Subject to the [*] Program Cap and the Novel Program Cap, as applicable (provided that Incyte may elect to drop a Target Pair pursuant to Section 4.8(a), 4.8(b), or 4.8(c) if such caps have been reached), Incyte shall have the right, exercisable within [*] following [*], to re-designate such Dropped Target Pair hereunder. If Incyte determines that it wishes to re-designate such Dropped Target Pair, Incyte shall reimburse Merus, within [*] following receipt of an invoice, for [*] of Merus's [*] incurred in [*] with respect to the [*] such Bi-Specific Construct and such Dropped Target Pair following the Drop Date. Upon Merus's receipt of such payment, such Dropped Target Pair will be reinstated under this Agreement and shall count towards the [*] Program Cap or the Novel Program Cap, as applicable.

(g) License Grant. Promptly following Merus's request after a Program becoming a Dropped Program pursuant to this Section 4.8, Incyte for itself and on behalf of its Affiliates, shall and hereby does grant to Merus a non-exclusive (subject to Incyte's rights with respect to Selected Monoclonal Antibodies), worldwide, license (subject to the royalties set forth in Section 9.3(a)(ii)) in and to (i) any Incyte IP that is [*] or [*] Dropped Bi-Specific Products [*] for such Dropped Program for the Development, manufacture, or Commercialization of such Dropped Bi-Specific Products and (ii) all Arising Manufacturing Patents and Arising Product-Specific Patents, discovered, made or conceived under such Dropped Program for the Development, manufacture, or Commercialization of such Dropped Bi-Specific Products. Incyte shall also provide to Merus copies of all data generated by Incyte with respect to the Dropped Target Pair and Merus may use and disclose such data under reasonable confidentiality protections to the extent necessary for the Development, manufacture, or Commercialization of

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such Dropped Bi-Specific Products. Notwithstanding the foregoing, Incyte shall retain the license under Section 2.3 to the Selected Monoclonal Antibodies that were part of such Dropped Program for use in connection with any other Programs then existing or that may begin during the Research Term.

4.9 Research Term.

(a) Research Term Duration. Commencing on the Effective Date, pursuant to the terms of this Agreement, the Parties shall collaborate to conduct discovery and research activities, including the activities set forth in this ARTICLE IV, until the earlier of (a) the date upon which a total of [*] Program Selections have occurred in relation to Bi-Specific Constructs arising from Programs conducted under this Agreement, and (b) the [*] of the Effective Date, (such period ending on the earlier of (a) or (b), including any extensions under the remainder of this Section 4.9, collectively, the "Research Term"), provided that, following the expiration of the Initial Research Term, the total number of Programs being pursued under this Agreement may not be increased (e.g., if there are a total of seven (7) Programs ongoing at end of the Initial Research Term, no new Programs can be added but each of those seven (7) Programs may be dropped and a substitute selected one or more times pursuant to Section 4.8). Notwithstanding the foregoing, following the expiration of the Initial Research Term and during the remainder of the Research Term, Section 4.8 shall continue to apply, and Incyte may, [*], [*] for any [*]. If, as of the [*] of the Effective Date, fewer than [*] Program Selections have occurred (or such number of Program Selections corresponding to the total number of Programs that had either achieved Program Selection or were ongoing as of the expiration of the Initial Research Term, if less than [*]), Incyte shall have the right, at its discretion, to extend the Research Term for successive additional [*] periods (each, an "Extension Period"), by providing written notice to Merus no later than [*] prior to the [*] (and each subsequent [*]) of the Effective Date, and paying an extension fee (the "Research Term Extension Fee") for each such [*] extension, of [*] within [*] following an invoice from Merus for such amount. Incyte's ability to extend the Research Term in accordance with the foregoing sentence shall apply until the achievement of [*] Program Selections (or such number of Program Selections corresponding to the total number of Programs that had either achieved Program Selection or were ongoing as of the expiration of the Initial Research Term, if less than [*]).

(b) Expiration of the Research Term. If the Research Term expires at the end of an Extension Period because Incyte elects not to pay a Research Term Extension Fee under Section 4.9, and at such time [*] Program Selections have not been achieved, then if Merus is conducting activities under any Research Plan for a Program that has not yet achieved Program Selection, Merus shall, in accordance with the applicable Research Plan, (i) [*] all Programs that have not yet achieved Program Selection, and (ii) [*] for any Program for which a Target Pair has been designated pursuant to Sections 4.4 and/or 4.5 prior to the expiration of the Research Term but for which research activities have not yet commenced, in each case of (i) and (ii), until the earlier of (A) [*] under this Agreement, or (B) Incyte notifies Merus in writing that it [*]. Without limiting the foregoing, if at the expiration of the Research Term at the end of an Extension Period in accordance with this Section 4.9(b), regardless of whether [*] Program Selections have been achieved, Merus shall [*] with respect to any other active Programs, until [*].

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4.10 Conduct of Discovery and Research Activities

(a) Discovery Activities.

(i) [*] Discovery Activities. Within [*] after the Effective Date, the JRC will prepare a plan and budget for review and approval by the JSC for the discovery of suitable [*] Target Pairs during the [*] Exclusivity Period ("[*] Discovery Plan"). The [*] Discovery Plan will assign responsibility for activities needed to identify Target Pairs for designation by Incyte as [*] Target Pairs. Merus shall use [*] to perform the obligations allocated to it under [*] Discovery Plan in accordance with the budget. Incyte may, in its sole discretion (A) perform activities set forth in the [*] Discovery Plan in parallel with Merus, (B) perform an activity in lieu of Merus, if Merus has not performed such activity pursuant to the timeline set forth in the [*] Discovery Plan, or (C) perform any other discovery activity. The duration of the [*] Discovery Plan shall be determined by the JRC.

(ii) Novel Discovery Activities. Should the Parties mutually agree that discovery activities directed toward a potential Novel Program should be conducted under this Agreement, the JRC will prepare a plan and budget for review and approval by the JSC for the discovery of suitable Novel Program Target Pairs ("Novel Discovery Plan"). The Novel Discovery Plan will assign responsibility for activities needed to identify Target Pairs for designation by Incyte as Novel Program Target Pairs. Merus shall use [*] to perform the obligations allocated to it under any Novel Discovery Plan in accordance with the budget. Incyte may, in its sole discretion (A) perform activities set forth in the Novel Discovery Plan in parallel with Merus, (B) perform an activity in lieu of Merus, if Merus has not performed such activity pursuant to the timeline set forth in the Novel Discovery Plan, or (C) perform any other discovery activity. The duration of each Novel Discovery Plan shall be determined by the JRC.

(b) Research Plans. Within [*] after the Effective Date, the JRC shall prepare a research plan and budget for research activities for Program 1 and Program 2 (the "Initial Research Plans"). The Initial Research Plans shall include the Selected Monoclonal Antibodies and General Monoclonal Antibodies for Program 1 and Program 2 previously generated by Merus. For a period of [*] after receipt of the Initial Research Plans, Incyte shall [*] such Selected Monoclonal Antibodies [*] [*] and [*] Selected Monoclonal Antibodies which thereafter shall be the Selected Monoclonal Antibodies for Program 1 or Program 2, as applicable. Within [*] after designation of each Target Pair hereunder (other than the Program 1 Target Pair and Program 2 Target Pair), the JRC shall prepare a research plan and budget for research activities related to such Target Pair and the associated Bi-Specific Constructs through to Candidate Nomination (together with the Initial Research Plans, the "Research Plans") for review and approval by the JSC. For each such Program, Incyte shall have the right, in its discretion, to select the Selected Monoclonal Antibodies that will be used to generate the Target Pair Biclonics Matrix. The Research Plans shall (i) assign responsibilities to Merus including for generating Antibodies and Bi-Specific Constructs to be incorporated within each of the Licensed

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Products and conducting *in vitro* and *in vivo* pharmacology on such Bi-Specific Constructs and providing resulting materials and information to Incyte and (ii) include a budget, timeline, milestones and desired pre-clinical target characteristics for research and Development activities through to Candidate Nomination. The intent of each Research Plan is to set forth the activities necessary to achieve Candidate Nomination with respect to a given Program. The duration of each Research Plan shall be less than or equal to [*] unless otherwise determined by the JRC; provided that Merus shall not be obligated to create a Target Pair Biclonics Matrix for more than (A) [*] Target Pairs per year during Calendar Years [*] or (B) [*] Target Pairs per Calendar Year thereafter. Merus shall use [*] to perform the obligations allocated to it under each Research Plan in accordance with the budget and shall ensure that any obligations Merus has to Third Parties do not cause Merus to have insufficient capacity to perform its obligations under this Agreement. Incyte may, in its sole discretion, (x) perform Research activities set forth in the Research Plans in parallel with Merus, (y) perform a research activity in lieu of Merus, if Merus has not performed such activity pursuant to the timeline set forth in a Research Plan, or (z) perform any other research activity related to such Program.

(c) Discovery and Research Activity Costs. All Research Costs for Program 1 are Development Costs and shared equally by the Parties pursuant to Section 5.3(b)(iii). All Research Costs for Program 2, and each Novel Program, and for the [*] Discovery Plan, any Novel Discovery Plan and each [*] Program, up to [*] of the amount budgeted in the [*] Discovery Plan, any Novel Discovery Plan and applicable Research Plan (the "Reimbursable Research Costs") shall be borne by Incyte. If Merus in good faith believes it will be necessary to incur costs in excess of the Reimbursable Research Costs in carrying out activities that are necessary in order to fulfil the requirements of the [*] Discovery Plan, any Novel Discovery Plan or a Research Plan, it shall secure Incyte's prior written consent before conducting such activities. Provided such prior written consent has been secured, such costs will also be reimbursed by Incyte. Merus shall have no obligation to carry out any research activities that will incur Research Costs that exceed the Reimbursable Research Costs unless Incyte has provided its consent to reimburse such excess Research Costs or unless it is necessary for Merus to re-perform research activities that were improperly performed under a Research Plan and are necessary for Merus to provide a complete and accurate Data Package. At the time the [*] Discovery Plan, any Novel Discovery Plan or any Research Plan for which there are Reimbursable Research Costs is created by the JRC and approved by the JSC, the Parties shall agree on a [*] reporting and payment structure to implement the cost sharing set forth in this Section 4.10(c). If Incyte performs an activity in lieu of Merus pursuant to Section 4.10(a), the cost of performing such activity shall be removed from the budget allocated to Merus for such activity and Incyte shall not be required to reimburse Merus for such costs, provided it so notified Merus in advance that it was performing itself such activity.

(d) Reporting. Merus shall provide the JRC with a written report at least [*] summarizing in reasonable detail Merus's and its Affiliates' activities, progress and expenditures compared to allocated budget under the [*] Discovery Plan, any Novel Discovery Plans and Research Plans. Incyte shall provide the JRC with a written report at least [*] summarizing in reasonable detail Incyte's and its Affiliates' activities, if any, under the [*] Discovery Plan, any Novel Discovery Plans and Research Plans, or any other activities it elected to undertake, as contemplated under Section 4.10(a).

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4.11 Additional Research Activities. The JRC may require that certain activities under the Research Plans be repeated, new research be conducted, that Bi-Specific Constructs be created, modified or re-engineered or other research-related activities related to the Licensed Antibodies be performed and the JRC will adjust the applicable Research Plan and the associated budget accordingly. In each case, [*] shall be responsible for all Research Costs incurred under any such amended Research Plan budget that is approved by the JSC. During the Term, in connection with Development activities under any Program, Incyte may, in its discretion, select by written notice to Merus, one or more General Monoclonal Antibodies for potential use in the generation of a Bi-Specific Construct under such Program. Promptly after such notice, Merus will notify Incyte whether Merus has granted rights to such General Monoclonal Antibody to any Third Party. If Merus has granted rights to such General Monoclonal Antibody to a Third Party, Incyte may (but shall not be required to) request that Merus create a monoclonal Antibody that is less than [*] homologous in HCDR3 to such General Monoclonal Antibody and subsequently deem such modified General Monoclonal Antibody a Selected Monoclonal Antibody under such Program. Incyte may request that Merus generate Bi-Specific Constructs using such modified General Monoclonal Antibody (in which case, the provisions of Section 2.8(b) shall not be applicable to such modified General Monoclonal Antibody). If Merus has not granted rights to the General Monoclonal Antibody to any Third Party, Incyte may deem such General Monoclonal Antibody as a Selected Monoclonal Antibody under such Program. If Incyte wishes to designate one or more General Monoclonal Antibodies as Selected Monoclonal Antibodies under this Section 4.11, and the total number of Selected Monoclonal Antibodies would subsequently exceed the applicable number authorized by Section 1.127, Incyte shall contemporaneously designate an equal number of Selected Monoclonal Antibodies of its choice to become General Monoclonal Antibodies such that there will thereafter be only the number of Selected Monoclonal Antibodies authorized by Section 1.127 for such Program. If Incyte deems one or more General Monoclonal Antibodies as Selected Monoclonal Antibodies under this Section 4.11, and the total number of Selected Monoclonal Antibodies on either individual arm of a Target Pair would subsequently exceed [*], Incyte shall contemporaneously designate an equal number of Selected Monoclonal Antibody of its choice to become a General Monoclonal Antibody such that there will thereafter be no more than [*] Selected Monoclonal Antibodies on either individual arm of such Target Pair in accordance with Section 1.127. Once such Selected Monoclonal Antibodies becomes a General Monoclonal Antibodies, all licenses granted to Incyte under such Antibody as a Selected Monoclonal Antibody shall terminate.

4.12 Candidate Nomination.

(a) Data Packages. Merus shall: (i) at the direction of the JRC, provide to Incyte the Data Package for Program 1 and Program 2 and their corresponding Bi-Specific Constructs, and (ii) on a Program-by-Program basis, use Commercially Reasonable Efforts to provide to Incyte within [*] (or such other longer period as may be set forth in the applicable Research Plan) following designation of each Target Pair pursuant to Sections 4.4 or 4.5, the Data Package for such Target Pair, including the corresponding General Monoclonal Antibodies,

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Selected Monoclonal Antibodies and the Bi-Specific Construct(s) that specifically bind to such Target Pair that are the subject of such Program, and which have been the subject of research activities under the applicable Research Plan.

(b) Data Package Review. Following Incyte's receipt of a Data Package, Incyte shall have [*], or such other period as the Parties may mutually agree, in which to review the applicable Data Package to determine whether it wishes to proceed with Candidate Nomination, provided that if Incyte requests additional reasonable information and clarifications during such [*] period, then such [*] period will be automatically extended (as necessary) for up to an additional [*] period, during which period Incyte may continue to request additional reasonable information and clarifications and Merus shall provide such information and clarifications to Incyte. For clarity, Incyte may [*] set forth in the applicable Research Plan [*] as set forth in Section 4.11. Incyte will use [*] to initiate the vector construction activities required for Candidate Nomination once Incyte has received all additional reasonable information and clarification that it has requested from Merus under this Section 4.12(b) with respect to a complete and accurate Data Package.

ARTICLE V
DEVELOPMENT; REGULATORY MATTERS

5.1 Conduct of Development Activities.

(a) Program 2, Novel Programs and [*] Non-Co Products. Incyte will, subject to the terms of this Agreement, have the sole right, at its expense, to conduct the Development of: Program 2 Antibodies and Program 2 Products; [*] Antibodies and [*] Products (other than the [*] Co-Development Product, if any) and Novel Program Antibodies and Novel Program Products (other than Additional Co-Development Products, if any), in each case worldwide. At the time of Candidate Nomination for each Program, the Parties shall discuss and agree, through the JRC, on a plan for (i) information sharing in relation to Development activities conducted between Candidate Nomination and Program Selection for the applicable Program, and (ii) achieving Program Selection for such Program.

(b) [*] Co-Development Product. The Development of the [*] Co-Development Product, if any, shall be governed by a written Development plan that describes the proposed program of worldwide Development for the [*] Co-Development Product (the "[*] Co-Development Plan") and associated budget for such worldwide Development ("[*] Co-Development Budget"). Incyte shall have the sole right and responsibility for preparing and amending the [*] Co-Development Plan and preparing and approving the [*] Co-Development Budget. Except as otherwise provided in this Agreement, and subject to Section 5.4, all decisions with respect to the creation, modification and implementation of the [*] Co-Development Plan and all Development activities for the [*] Co-Development Product, shall be made by Incyte in its sole discretion.

(c) Additional Co-Development Plans. The Development of an Additional Co-Development Product shall be governed by a written Development plan that describes the

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proposed program of worldwide Development for such Additional Co-Development Product (the "Additional Co-Development Plan") and associated budget for such worldwide Development ("Additional Co-Development Budget"). [*] shall have the [*] responsibility for preparing and amending the Additional Co-Development Plan and preparing and approving the Additional Co-Development Budget. Except as otherwise provided in this Agreement, and subject to Section 5.5, all decisions with respect to the creation, modification and implementation of the Additional Co-Development Plan and all Development activities for the Additional Co-Development Product shall be made by Incyte in its sole discretion.

(d) Potential Merus Activities. Notwithstanding Sections 5.1(a) and 5.1(b), Incyte may request that Merus conduct (i) additional research activities for one or more of the Programs following Candidate Nomination for such Programs, or (ii) certain Development activities that are included within Development plans for such Programs between Candidate Nomination and Program Selection for each such Program, by making a written proposal (which may be in PowerPoint or other format) setting out the research and Development activities that Incyte desires Merus to conduct, and the deliverables, estimated timeline and resource requirements for such activities. Subject to the capacity limitations set forth in Section 4.10(b), Merus shall [*] additional research and/or Development activities, and to the extent that Merus performs such activities, Incyte shall reimburse Merus for the associated documented costs as Research Costs hereunder.

5.2 Development Diligence for Programs. For each Program achieving Candidate Nomination under this Agreement, excluding Program 1, but including Program 2, each [*] Program, and each Novel Program, Incyte shall use [*] (a) to progress research and Development activities for each such Program and (b) to [*] for [*] Bi-Specific Construct arising therefrom within [*] following Candidate Nomination for such Program, as such period may be extended by the JSC. Following Program Selection, and on a Program-by-Program basis, Incyte shall use [*] (i) to Develop the Program 2 Product, [*] Products (including both the [*] Non-Co Product and the [*] Co-Development Product), and the Novel Program Products in the Major Markets, and (ii) to seek and obtain Regulatory Approval for [*] Licensed Product arising from each such Program in each Major Market.

5.3 Program 1 Products.

(a) Generally.

(i) From and after the Effective Date, (A) Incyte will, subject to the terms of this Agreement, be responsible, at its expense, for the Development of the Program 1 Product for Regulatory Approval in the Incyte Territory; and (B) Merus will be responsible, at its expense, for the Development of the Program 1 Product for Regulatory Approval in the United States. The Parties will strive to work together on particular projects; however, the Parties will have the right to conduct Development and Commercialization of the Program 1 Product independently as provided in this Section 5.3. The Parties shall provide access to certain information related to the Development and Commercialization of the Program 1 Product to the Program 1 JDC, the Program 1 JCC, the JSC, and to each other as expressly described in this Agreement and subject to the terms of this Section 5.3.

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(ii) The Development of the Program 1 Product shall be governed by a Development plan that describes the proposed overall program of Development for the Program 1 Product in the United States (the "Program 1 US Development Plan") and in the Incyte Territory (the "Program 1 Incyte Territory Development Plan") as well as a Program 1 Joint Development Plan covering Program 1 Joint Development Activities. Incyte shall have the sole right and responsibility for preparing the Program 1 Incyte Territory Development Plan. Except as otherwise provided in this Agreement (including as provided in Section 5.3(b)), with respect to the Program 1 Product in the Incyte Territory, all decisions with respect to the creation, modification and implementation of the Program 1 Incyte Territory Development Plan and Program 1 Joint Development Plan and all Development activities shall be made by Incyte in its sole discretion; provided that Incyte shall present to the Program 1 JDC a draft of the Program 1 Incyte Territory Development Plan and any material changes to the Program 1 Incyte Territory Development Plan, and shall give due consideration to any comments of Merus thereto. Merus shall have the sole right and responsibility for preparing the Program 1 US Development Plan. Except as otherwise provided in this Agreement (including as provided in Sections 5.3(b)), with respect to the Program 1 Product in the United States, all decisions with respect to the creation, modification and implementation of the Program 1 US Development Plan and Program 1 Joint Development Plan and all Development activities shall be made by Merus in its sole discretion; provided that Merus shall present to the Program 1 JDC a draft of the Program 1 US Development Plan and any material changes to the Program 1 US Development Plan, and shall give due consideration to any comments of Incyte thereto.

(iii) Notwithstanding the foregoing, prior to commencing any independent Clinical Trial or other Development activities as part of Program 1 (i.e., not including any proposed Global Studies, which are subject to Section 5.3(b)) that may have an effect on Development of Program 1 Product in the United States (in case of such activities by Incyte) or in the Incyte Territory (in the case of such activities by Merus), the Party that proposes to conduct such Clinical Trial or other Development activities shall first submit to the Program 1 JDC the proposed protocol for such proposed Clinical Trial or Development activities and a written summary, in a form mutually agreed by the Parties, of such Clinical Trial or Development activities for review by the Program 1 JDC; provided that neither Party may proceed with such Clinical Trial or Development activities if the non-proposing Party reasonably determines that such Clinical Trial or Development activities is reasonably likely to have a material adverse effect on the Development or Commercialization of the Program 1 Product in the non-proposing Party's territory; and provided further that such Clinical Trial or Development activities shall be subject to the non-proposing Party's rights to buy-in to the results generated thereunder in accordance with Section 5.3(d).

(b) Program 1 Joint Development Activities.

(i) Prior to a Party conducting any Clinical Trial or Development activity that may support the worldwide (i.e., both the United States and one or more countries in

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the Incyte Territory) Development of a Program 1 Product, it shall be required to submit to the Program 1 JDC a proposal to collaborate with the other Party to conduct Clinical Trials or other Development activities in connection with the Development of a Program 1 Product; provided that such proposal is submitted in writing as far in advance as reasonably practicable and in any event not later than [*] before (A) the planned FPFV, in the case of Clinical Trials or (B) planned commencement of such other Development activities. Such proposal shall contain, at a minimum, information supporting the rationale for the proposed activity related to the Program 1 Product from a scientific, regulatory and commercial standpoint, as well as an estimated developmental critical path and an estimate of the cost of such Development. The Program 1 JDC may review and comment on such proposal and shall present it to the JSC for approval.

(ii) At any time during the period between when such proposal has been presented to the Program 1 JDC and the JSC has approved such Clinical Trial or other Development activity, and for [*] after such approval, the other Party may elect to participate in such Clinical Trial or other Development activity.

(iii) In the event (A) the Program 1 JDC determines that such Clinical Trial or Development activity may support the worldwide Development of Program 1 Products (a "Global Study"); (B) the Program 1 JDC approves such proposal, with the consent of both Parties, or, if the JDC does not approve such proposal and the matter is escalated to the JSC, the JSC approves such proposal, with the consent of both Parties and with neither Party having final say; and (C) the Parties agree to collaborate to conduct such Clinical Trial or other Development activity with respect to the Program 1 Product (any of the items in (A) through (C), a "Program 1 Joint Development Activity"), then the Parties shall, through the Program 1 JDC, create a development plan (the "Program 1 Joint Development Plan") that includes a detailed description of the Program 1 Joint Development Activity to be undertaken by the Parties (or if a Program 1 Joint Development Plan already exists, amend such plan to include the new Program 1 Joint Development Activity) and develop a detailed annual budget for all Development Costs for such Joint Development Activity to be included in the Program 1 Joint Development Plan (the "Program 1 Joint Development Budget"). Each Party shall use [*] to perform the obligations allocated to such Party under the Program 1 Joint Development Plan. All Development Costs set forth in the Program 1 Joint Development Budget shall be shared equally by the Parties whether incurred by Merus or Incyte or their respective Affiliates (i.e., each Party shall be responsible for fifty percent (50%) of the Development Costs set forth in the Program 1 Joint Development Budget). At the time Program 1 Joint Development Plan and associated Program 1 Joint Development Budget (or any amendments thereto) is established by the Program 1 JDC and approved by the JSC, the Parties shall agree on a [*] reporting and payment structure to implement the cost sharing set forth in the preceding sentence. In the event either Party fails to timely make an undisputed payment under such agreed on payment structure, the payment amount shall be reflected as a credit against the monies due by the other Party under ARTICLE IX, or, if no such credit is available as no such monies are due by the other Party, shall be paid by such Party within [*] after invoice, and the terms of subsection (iv) below shall apply.

(iv) Should either Party (A) fail to timely pay any such invoice for Development Costs for activities set forth and in accordance with the Program 1 Joint

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Development Budget within [*] following written notice from the other Party, or (B) elect, by [*] advance written notice to the other Party, to cease funding Program 1 Development Costs under the Program 1 Joint Development Budget (such action, a "Program 1 Opt-Out"), then such Party shall continue to have the right to Develop and Commercialize the Program 1 Product in the United States (in the case of Merus) or the Incyte Territory (in the case of Incyte) in accordance with the terms of this Agreement, but shall thereafter have no right to access or use any clinical and non-clinical data generated as a result of any Joint Development Activity occurring under the Program 1 Joint Development Plan, or any activities conducted by Incyte in relation to the Development and Commercialization of the Program 1 Product, in each case after the date of the occurrence of either of the events in (A) or (B) (such date, the "Program 1 Opt-Out Date"). If such Party subsequently desires to obtain access to any such data generated after the Program 1 Opt-Out Date, the terms of Section 5.3(d) shall apply.

(c) Right to Proceed with Development Activity. If the other Party declines or does not elect to participate in a proposed Program 1 Joint Development Activity at least [*] prior to (i) in the case of Clinical Trials, the estimated FPFV date (as notified by the submitting Party in its proposal for such Program 1 Joint Development Activity) or (ii) planned date of commencement of such other Program 1 Joint Development Activities, the submitting Party may proceed with such Clinical Trial or Development activity for its territory and would be solely responsible for the conduct and costs of such Clinical Trial or Development activity; provided that neither Party may proceed with such Clinical Trial or Development activity if a Party reasonably determines that the activity is reasonably likely to have a material adverse impact on the Development and/or Commercialization of the Program 1 Products in its territory. Any dispute regarding whether an activity is reasonably likely to have a material adverse impact on the Development and/or Commercialization of the Program 1 Product in a Party's territory shall be resolved in accordance with Section 3.5(b).

(d) Program 1 Buy-In Right.

(i) If (A) a Party fails to elect to participate in a Clinical Trial or Development activity pursued by the other Party pursuant to Section 5.3(b), (B) either Party exercises a Program 1 Opt Out with respect to any Program 1 Joint Development Activity or (C) a Party desires to access data generated by a Clinical Trial or Development activity performed independently by the other Party, such Party (the "Buy-In Party") may obtain access to and use of all clinical and non-clinical data generated pursuant to the relevant Clinical Trial or Development activity (the "Buy-In Data"), as if such Party had co-funded such Clinical Trial or Development activity from the outset, in accordance with the following procedure: At least on a semi-annual basis, the Party participating in a Clinical Trial or Development activity pursuant to Section 5.3(a) shall update the Buy-In Party on the status of such Clinical Trial or Development activity, including a summary of relevant Buy-In Data. At any time, the Buy-In Party may provide the other Party with notice of its election to participate in such Clinical Trial or Development activity, and promptly thereafter the other Party shall provide the Buy-In Party with an invoice for [*] of the Development Costs incurred by the other Party in the generation of such clinical data as of the date of the Buy-In Party's written request, which invoice the Buy-In Party shall pay within [*] after receipt. Thereafter, to the extent the Development activity has not

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been completed, the Buy-In Party shall be responsible for [*] of the Development Costs incurred by the other Party through to completion of such Development activity. Such payment shall entitle the Buy-In Party to (1) use the Buy-In Data to the same extent as such Party would have been permitted to use such Buy-In Data if it had co-funded such Clinical Trial or Development activity as a Program 1 Joint Development Activity from the outset under Section 5.3(b), and (2) the rights set forth in Section 5.3(e). The other Party shall, as applicable, provide copies of, and/or a Right of Reference or Use of, the requested Buy-In Data to the Buy-In Party promptly after receipt of the invoiced amount.

(ii) For the avoidance of doubt, the buy-in right pursuant to this Section 5.3(d) does not include the right to operational participation in the conduct of the Clinical Trial or Development activity unless, at the sole discretion of the Party that initiated the Clinical Trial or Development activity, such Party grants operational participation to the Buy-In Party.

(iii) In the event the Buy-In Party fails to meet any payment obligation pursuant to this Section 5.3(d), and such failure continues for [*] after the original due date of the payment, until such delinquency is cured, the Buy-In Data with respect to such exercise of the buy-in right shall not be shared with the Buy-In Party. In the event such delinquency is not cured within such [*] period, the Buy-In Party's notice of election to participate shall be considered void.

(iv) With respect to Buy-In Data falling within Section 5.3(d)(i)(C), such Buy-In Data will not be included, with respect to Program 1, within (A) the Merus Know-How for purposes of Section 2.3 (where Incyte is the Buy-In Party) or (B) the Incyte Know-How for purposes of Section 2.4 (where Merus is the Buy-In Party), until the Buy-In Party has fully satisfied its payment obligations with respect to such Buy-In Data under this Section 5.3(d). Following payment, such Buy-In Data will be included for Program 1 within the Merus Know-How, or the Incyte Know-How, as applicable, that is licensed to the other Party under this Agreement.

(v) If a Party does not buy in pursuant to this Section 5.3(d), then such Party shall have no right to obtain access to or to use the Buy-In Data in accordance with Section 5.3(e) below, except to the extent such Buy-In Data is relevant to or necessary to address issues relating to the safety of the Program 1 Product, including data relating to adverse effects associated with the Program 1 Product and safety related clinical, manufacturing and controls activities relating to the Program 1 Product, in each case solely (A) to the extent required to be reported to or made available to Regulatory Authorities in such Party's Territory, and (B) solely in such countries where such Party has the right to Develop and Commercialize the Program 1 Product.

(e) Rights to Data and Documentation. With respect to any Program 1 Joint Development Activities or where the Buy-In Party buys in:

(i) Subject to Section 5.3(d), each Party shall have the right to possess, retain and use all clinical and non-clinical data and related Regulatory Documentation Controlled by either Party and generated in the course of Program 1 Joint Development Activities in order to Develop, obtain Regulatory Approval for and Commercialize the Program 1 Product in such Party's territory in accordance with the terms of this Agreement;

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(ii) Each Party hereby grants to the other Party a Right of Reference or Use to any and all such Regulatory Documentation, and agrees to sign, and cause its Affiliates to sign, from time to time, promptly upon request, any instruments reasonably requested by such other Party in order to effect such grant;

(iii) Each Party shall maintain complete and accurate records of all results, data, Development Costs and developments made pursuant to its efforts under the Program 1 Joint Development Plan. Such records shall appropriately reflect all work done and results achieved in the performance of Program 1 Joint Development Activities in sufficient detail and in good scientific manner appropriate for patent and regulatory purposes;

(iv) In any agreement between either Party and a clinical research organization related to a Program 1 Joint Development Activity, the contracting Party shall use reasonable efforts to name the other Party as a third party beneficiary for the purpose of receiving data derived from Clinical Trials related to such Program 1 Joint Development Activity from such clinical research organization; and

(v) Each Party shall be invited to and shall have the right to have a reasonable number of its representatives join in calls and meetings with vendors and contractors performing Program 1 Joint Development Activities on behalf of the other Party.

5.4 [*] Antibody Co-Development Option.

(a) [*] Co-Development Option. At any time following Candidate Nomination for a [*] Program, and with respect to only one [*] Program or [*] Program that is a Novel Program, Merus shall have the option (the "[*] Co-Development Option") to co-Develop [*] Products arising from such [*] Program (i.e., that are directed to the [*] Target Pair that is the subject of such [*] Program or Novel Program, as applicable). The [*] Co-Development Option shall be exercisable by Merus by providing Incyte written notice any time after Program Selection for the applicable [*] Program, but no later than [*] prior to the anticipated date of the FPFV for the first Clinical Trial for the first [*] Antibody arising from such [*] Program, of which Incyte shall inform Merus in writing (the "[*] Option Period"). For clarity, unless Section 5.5 applies, (i) Merus is not required to exercise the [*] Co-Development Option for the first [*] Program anticipated to reach FPFV, or at all, but Merus may only exercise the [*] Co-Development Option once, for a single [*] Program (or Novel Program, as applicable) and (ii) if Merus does not exercise the [*] Co-Development Option for any [*] Program within the applicable [*] Option Period, then products arising from such [*] Program will thereafter be [*] Non-Co Products and will not be available for substitution under Section 5.4(e).

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(b) [*] Co-Development Plan and Budget. Upon or before the earlier of (i) [*] following Merus's exercise of the [*] Co-Development Option or (ii) if Merus has not yet exercised the [*] Co-Development Option, no later than [*] prior to expected FPFV for the first Clinical Trial (with an update provided one time upon Merus's request during such [*] period), Incyte shall present to the [*] JDC for consideration the then-current draft of the [*] Co-Development Plan for each [*] Co-Development Product (or the then current development plan and budget for the applicable [*] Product if the [*] Co-Development Option has not been exercised. Merus may provide comments on the [*] Co-Development Plan and [*] Co-Development Budget, and Incyte shall consider such comments in good faith; provided that the [*] Co-Development Plan and [*] Co-Development Budget (and any amendments thereto) shall be prepared and approved by Incyte in its sole discretion. For so long as there is a [*] Co-Development Program, Incyte will present any proposed amendments to the [*] Co-Development Plan to the [*] JDC for discussion at least annually, prior to [*] of each Calendar Year.

(c) [*] Co-Development Cost Share and Profit Share. If Merus exercises the [*] Co-Development Option, Merus shall be responsible for co-funding thirty-five percent (35%) of Incyte's global Development Costs for such [*] Program that are incurred after the exercise of the [*] Co-Development Option. Upon Merus's exercise of the [*] Co-Development Option, Section 9.6 shall apply to such [*] Co-Development Product, provided that, if Merus fails to timely pay any Development Costs due with respect to a [*] Co-Development Program as required in Section 5.4(d) within [*] of notice of such failure, the following shall apply at the end of such [*]: (i) such Program shall no longer be a [*] Co-Development Program or [*] Co-Development Product under this Agreement, (ii) Merus will be deemed to have delivered a [*] Co-Funding Termination Notice with respect to such Program under Section 5.4(f), (iii) Section 5.4(f), Section 9.2(a)(ii) and Section 9.3(b)(ii) (rather than Section 9.6) shall apply to Licensed Products arising from such Program, and (iv) Merus's obligation to co-fund Development Costs for such [*] Program shall cease.

(d) Payment; Reporting. Within [*] following the end of each Calendar Quarter after Merus has exercised the [*] Co-Development Option, Incyte shall prepare and deliver to Merus a [*] report detailing its Development Costs incurred during such period with respect to the [*] Co-Development Program together with an invoice for thirty-five percent (35%) of such Development Costs identified. Merus shall pay all undisputed amounts payable under any such invoice within [*] after its receipt of such invoice, provided that, with respect to any Development Costs incurred by Incyte in relation to the [*] Co-Development Product in excess of [*] of the then-approved [*] Co-Development Budget without prior notification to Merus and the approval of the [*] JDC (and if not approved by the [*] JDC, the JSC), Merus shall be required to pay any undisputed excess amounts within [*] after its receipt of the invoice including such excess costs. Merus shall have the right to audit the records of Incyte with respect to any purported Development Costs included in such reports, in accordance with Section 9.8.

(e) [*] Co-Development Product Substitution. If Incyte terminates this Agreement with respect to a [*] Co-Development Program and advances an alternative [*] Program pursuant to Section 4.8(b), then Merus shall have the right to exercise the [*] Co-Development Option with respect to such alternative [*] Program; provided that, to exercise the

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[*] Co-Development Option on such alternative [*] Program, Merus must (i) be current on reimbursement of its share of Development Costs for the [*] Co-Development Program, (ii) provide written notice of such exercise to Incyte any time after Program Selection for such alternative [*] Program, but no later than [*] prior to the anticipated date of the FPFV for the first Clinical Trial for the first [*] Antibody arising from such alternative [*] Program, of which Incyte shall inform Merus in writing, and (iii) reimburse Incyte for [*] of all Research Costs and Development Costs then-incurred by Incyte.

(f) Termination of [*] Co-Funding. At any time following the exercise of the [*] Co-Development Option, Merus may provide written notice to Incyte indicating that Merus wishes to permanently cease co-funding the [*] Co-Development Program (the "[*] Co-Funding Termination Notice") (it being understood that such notice shall be deemed to have been delivered in accordance with Section 5.4(c)(ii)). Effective as of the date of the Co-Funding Termination Notice (the "[*] Co-Funding Termination Date"), the [*] Co-Development Program shall be a [*] Non-Co Program, there shall be no [*] Co-Development Program under this Agreement, and from and after the [*] Co-Funding Termination Date, Section 9.2(a)(ii) shall apply to the [*] Non-Co Program [*] the [*] Co-Funding Termination Date. After the [*] Co-Funding Termination Date, Incyte shall pay Merus an additional royalty at the applicable rate set forth in the table below on Annual Net Sales of the [*] Non-Co Product in the United States under such [*] Non-Co Program that was formerly the [*] Co-Development Program in addition to any royalties that are due on Annual Net Sales of such [*] Non-Co Product in the United States pursuant to Section 9.3(b)(ii) (e.g., if [*] of the [*] Costs, additional Development Costs for such Additional Co-Development Program and applicable Net Losses, if any, are paid by Merus, Merus will receive a royalty of [*] on Annual Net Sales of [*] Non-Co Product in the United States plus the amount specified in Section 9.3(b)(ii)), with the applicable additional royalty rate determined as set forth in the table below.

Timing of Opt-Out from [*] Co-Funding Obligation	Additional Royalty Rate
If the [*] Co-Funding Termination Notice is delivered prior to [*]	[*]
If the [*] Co-Funding Termination Notice is delivered after [*] but prior to [*].	[*]
If the [*] Co-Funding Termination Notice is delivered following [*], when Merus has paid [*] of its share of Development Costs prior to such [*] but less than [*] of its share of [*] for the [*] Co-Development Program [*] (the "[*]").	[*]
If the [*] Co-Funding Termination Notice is delivered when Merus has paid [*] of its share of Development Costs prior to [*] and [*] or more, but less than [*], of its share of the [*].	[*]
If the [*] Co-Funding Termination Notice is delivered after Merus has paid [*] of its share of the [*] and [*] of the [*] Co-Funding Termination Notice.	4%

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The determination of whether Merus has paid greater than its share of [*] of the [*] Costs shall be made by Incyte promptly after [*] based on the [*] Costs. If the [*] Co-Funding Termination Notice is delivered following [*] and Merus has paid less than its share of [*]of the actual [*] Costs but paid more than its share of [*] of the amount [*] Costs, then promptly following the completion and finalization of actual [*] Costs, Incyte shall provide written notice to Merus of such actual [*] Costs and Merus shall have the right to reimburse Incyte within [*] after receipt of such notice for additional Development costs for the [*] Co-Development Program so that it has paid its share of [*] of such actual [*] Costs. After Incyte's timely receipt of such reimbursement, Merus shall receive the [*] additional royalty set forth in the table above. If Merus does not timely make such reimbursement, Merus shall receive the [*] additional royalty set forth in the table.

5.5 Additional Co-Development Options.

(a) Additional Co-Development Options. In addition to the rights granted to Merus in connection with the [*] Co-Development Option, Merus shall have the option to co-fund Development of Licensed Products arising from up to [*] additional Programs (each, an "Additional Co-Development Option") under this Agreement as follows:

(i) Provided that [*] Novel Programs [*], Merus shall have the right to exercise an Additional Co-Development Option for the [*] Novel Program (including any Novel Program selected after Program 1, Program 2 or all [*] Programs become Dropped Programs) under this Agreement [*] during the Research Term.

(ii) During the Research Term, if [*] becomes a Dropped Program, then, Merus shall have the right to exercise an Additional Co-Development Option for the Novel Program (which may cover a [*] Target Pair if included under the Novel Program Cap) that is the [*] Novel Program (including in such count the Program that replaces [*], any Novel Program that [*] and any Novel Program that replaces [*] Programs) under this Agreement [*] during the Research Term.

(b) Exercise of an Additional Co-Development Option.

(i) An Additional Co-Development Option shall be exercisable by Merus by providing Incyte written notice any time after Program Selection for the Novel Program falling within Section 5.5(a)(i) or 5.5(a)(ii), as applicable, but no later than [*] after the end of the Research Term in the case of Section 5.5(a)(i) or [*] prior to [*] in the case of Section 5.5(a)(ii), which date Incyte shall inform Merus of in writing, (the "Additional Option Period"). For clarity, (i) Merus is not required to exercise either Additional Co-Development Option, (ii) a Novel Program to which an Additional Co-Development Option applies may cover a [*] Target Pair to the extent permitted in Section 4.3(b), and (iii) if Merus does not exercise an Additional Co-Development Option within the applicable Additional Option Period, then Licensed Products arising from such Novel Program will be Novel Program Products or [*] Non-Co Products and not Additional Co-Development Products.

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(c) Additional Co-Development Plans. Upon or before the earlier of (i) [*] following Merus's exercise of an Additional Co-Development Option, or (ii) if Merus has not yet exercised an applicable Additional Co-Development Option, no later than [*] prior to [*] (with an update provided one time upon Merus's request during such [*]) for the applicable Novel Program that is eligible for the exercise of the Additional Co-Development Option, Incyte shall present to the JSC for consideration the then current draft of the Additional Co-Development Plan for such Additional Co-Development Product, and Merus shall have the right to provide comments on such Additional Co-Development Plan and the associated Additional Co-Development Budget, and Incyte shall consider such comments in good faith; provided that the Additional Co-Development Plan and Additional Co-Development Budget (and any amendments thereto) shall be prepared and approved by Incyte in its sole discretion. For so long as there is an applicable Additional Co-Development Program, Incyte shall present any proposed amendments to each Additional Co-Development Plan to the Additional JDC for discussion at least annually, prior to [*] of each Calendar Year.

(d) Additional Co-Development Cost Share and Profit-Share. Following the exercise of the Additional Co-Development Option, Incyte shall prepare and deliver to Merus a report covering the Research Costs and Development Costs incurred for the applicable Program prior to exercise of such Additional Co-Development Option and Merus shall reimburse Incyte for [*] of such costs within [*] of invoicing by Incyte. Thereafter, Merus shall be responsible for co-funding thirty-five percent (35%) of Incyte's global Development Costs for such Additional Co-Development Program that are incurred after the exercise of the Additional Co-Development Option. Upon Merus's exercise of an Additional Co-Development Option, Section 9.6 shall apply to such Additional Co-Development Product; provided that provided that if Merus fails to timely pay any Development Costs due with respect to an Additional Co-Development Program as required in this Section 5.5(d) within [*] of notice of such failure, the following shall apply at the end of such [*]: (i) such Program shall no longer be an Additional Co-Development Program under this Agreement, (ii) Merus will be deemed to have delivered an Additional Co-Funding Termination Notice with respect to such Program under Section 5.5(f), (iii) Section 5.5(f), Section 9.2(a)(ii) and Section 9.3(b)(ii) (rather than Section 9.6) shall apply to Licensed Products arising from such Program, and (iii) Merus's obligation to co-fund Development Costs for such Additional Program shall cease. Notwithstanding the foregoing, with respect to any Development Costs incurred by Incyte in relation to the Additional Co-Development Product in excess of one [*] of the then-approved Additional Co-Development Budget without prior notification to Merus and the approval of the Additional JDC (and if not approved by the Additional JDC, the JSC), Merus shall be required to pay any undisputed excess amounts within [*] after its receipt of the invoice including such excess Development Costs.

(e) Reporting. Within [*] following the end of each Calendar Quarter after Merus has exercised the Additional Co-Development Option, Incyte shall prepare and deliver to Merus a [*] report detailing its Development Costs incurred during such period with respect to such Additional Co-Development Program together with an invoice for thirty-five percent (35%) of such Development Costs identified. Merus shall pay all undisputed amounts payable under any such invoice within [*] after its receipt of such invoice. Merus shall have the right to audit the records of Incyte with respect to any purported Development Costs included in such reports, in accordance with Section 9.8.

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(f) Termination of Additional Co-Development Program Co-Funding. At any time following the exercise of any Additional Co-Development Option, Merus may provide written notice to Incyte indicating that Merus wishes to permanently cease co-funding the applicable Additional Co-Development Program (the "Additional Co-Funding Termination Notice") (it being understood that such notice shall be deemed to have been delivered in accordance with Section 5.5(d)(ii)). Effective as of the date of the Co-Funding Termination Notice (the "Additional Co-Funding Termination Date"), such Program shall no longer be an Additional Co-Development Program, and from and after the Additional Co-Funding Termination Date, Section 9.2(a)(ii) shall apply [*] the Additional Co-Funding Termination Date. After the Additional Co-Funding Termination Date, Incyte shall pay Merus an additional royalty at the applicable rate set forth in the table below on Annual Net Sales in the United States of the applicable Novel Program Product under the Program that was formerly the Additional Co-Development Program in addition to any royalties that are due on such Novel Program Product pursuant to Section 9.3(b)(ii) (e.g., if [*] of the Additional Pivotal Period Costs, additional Development Costs for such Additional Co-Development Program and applicable Net Losses, if any, are paid by Merus, Merus will receive a royalty of [*] on Annual Net Sales of the Additional Non-Co Product in the United States plus the amount specified in Section 9.3(b)(ii))), with the applicable additional royalty rate determined as set forth in the table below.

Timing of Opt-Out from Additional Co-Development Program Co-Funding Obligation	**Additional Royalty Rate**
If the applicable Additional Co-Funding Termination Notice is delivered prior to [*]	0%
If the applicable Additional Co-Funding Termination Notice is delivered after [*] but prior to [*].	[*]
If the applicable Additional Co-Funding Termination Notice is delivered following [*], when Merus has paid [*] of its share of Development Costs prior to [*] but less than [*] of its share of the [*] for such Additional Co-Development Program during [*] (the "[*] Costs").	[*]
If the applicable Additional Co-Funding Termination Notice is delivered when Merus has paid [*] of its share of Development Costs prior to [*] and [*] or more,, but less than [*], of its share of the [*] Costs.	[*]
If the applicable Additional Co-Funding Termination Notice is delivered for the Additional Co-Development Program after Merus has paid [*] of its share of the [*] Costs and has timely paid its share of [*] through [*] Co-Funding Termination Notice.	4%

The determination of whether Merus has paid greater than its share of [*] of the [*] Costs shall be made by Incyte promptly after [*] based on the [*] Costs. If the Additional Co-Funding

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Termination Notice is delivered following [*] and Merus has paid less than its share of [*] of the actual [*] Costs but paid more than its share of [*] of the amount [*] Costs, then promptly following the completion and finalization of actual [*] Costs Incyte shall provide written notice to Merus of such actual [*] Costs and Merus shall have the right to reimburse Incyte within [*] after receipt of such notice for additional Development costs for the Additional Co-Development Program so that it has paid its share of [*] of such actual [*] Costs. After Incyte's timely receipt of such reimbursement, Merus shall receive the [*] additional royalty set forth in the table above. If Merus does not timely make such reimbursement, Merus shall receive the [*] additional royalty set forth in the table.

5.6 Development Reports.

(a) Merus shall provide the Program 1 JDC with a written report (which may be in PowerPoint or other format) at least [*] summarizing in reasonable detail Merus's and its Affiliates' activities and progress related to the Development of the Program 1 Product in the United States, including information concerning the conduct of non-clinical activities and Clinical Trials, applications for and securing of Regulatory Approvals, First Commercial Sale of such Licensed Products on a country-by-country basis and any future planned Development activities.

(b) Incyte shall provide the Program 1 JDC, [*] JDC or Additional JDC, as applicable, with a written report (which may be in PowerPoint or other format) at least [*] summarizing in reasonable detail Incyte's and its Affiliates' and sublicensees' activities and progress related to the Development of (i) Program 1 Products in the Incyte Territory and (ii) the [*] Co-Development Product and an Additional Co-Development Product worldwide, including information concerning the conduct of non-clinical activities and Clinical Trials, applications for and securing of Regulatory Approvals, First Commercial Sale of such Licensed Products and any future planned Development activities.

5.7 Regulatory Matters Related to Licensed Products.

(a) Regulatory Submissions. Merus shall develop, produce, oversee, monitor and coordinate all regulatory actions, communications and filings with, and submissions to, the FDA with respect to the Program 1 Product in the United States; provided that Merus shall [*] to enable Incyte to [*]. Incyte shall oversee, monitor and coordinate all regulatory actions, communications and filings with, and submissions to: (i) except as provided above, all Regulatory Authorities with respect to the Program 1 Product, provided that Incyte shall [*] to enable Merus to [*], and (ii) all Regulatory Authorities with respect to the Program 2 Product, [*] Products, and Novel Program Products, provided that with respect to the [*] Co-Development Products and an Additional Co-Development Product, if any, Incyte shall provide Merus with copies of [*] to enable Merus to [*]. Each Party shall keep the Program 1 JDC, and Incyte shall keep the [*] JDC and Additional JDC, reasonably informed in connection with the preparation of all Regulatory Documentation, Regulatory Authority review of Regulatory Documentation, and Regulatory Approvals, annual reports, annual re-assessments, and variations and labeling, in each case with respect to the Program 1 Product, the [*] Co-Development Product, or an

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Additional Co-Development Product, if any, as applicable; provided that the providing Party shall have the right to redact any information to the extent not related to the Program 1 Products, the [*] Co-Development Products, or an Additional Co-Development Product, if any. Each Party shall respond within a reasonable time frame to all reasonable inquiries by the other Party with respect to any information provided pursuant to this Section 5.7(a). Unless already the Confidential Information of a Party, any information disclosed pursuant to this Section 5.7(a) shall be the Confidential Information of the Disclosing Party.

(b) Regulatory Meetings and Correspondence.

(i) Merus shall be responsible for interfacing, corresponding and meeting with the FDA with respect to Program 1 Product in the United States. Incyte shall be responsible for interfacing, corresponding and meeting with: (A) all Regulatory Authorities with respect to the Program 1 Products in the Incyte Territory and (B) all Regulatory Authorities with respect to the Program 2 Product, [*] Products, and Novel Program Products.

(ii) The Party not responsible for interfacing, corresponding and meeting with the applicable Regulatory Authorities in a country with respect to the Program 1 Products shall have the right to have a senior, experienced employee reasonably acceptable to the responsible Party, participate as an observer in material or scheduled face-to-face meetings, video conferences and any teleconferences, involving participation of personnel beyond regulatory experts, with Regulatory Authorities in the Major Markets, and shall be provided with advance access to the responsible Party's material documentation prepared for such meetings. Prior to submission of material correspondence to the applicable Regulatory Authority, the responsible Party shall, sufficiently in advance for the other Party to review and comment, provide the other Party any material correspondence with Regulatory Authorities in the Major Markets related to such meetings. The responsible Party shall also provide the other Party with copies of any material correspondence with Regulatory Authorities in the Major Markets relating to Development of, or the process of obtaining Regulatory Approval for, the Program 1 Product, and respond within a reasonable time frame to all reasonable inquiries by the other Party with respect thereto.

(c) Global Safety Database; Pharmacovigilance Agreement. Incyte shall establish, hold and maintain the global safety database for Program 1 Product (the "Global Safety Database") into which it shall enter information on all adverse events concerning the Program 1 Product occurring anywhere in the world and reported to either of the Parties in accordance with a pharmacovigilance agreement for the Program 1 Product to be negotiated and entered into by the Parties at least [*] prior to FPFV for the first Clinical Trial (each, a "Pharmacovigilance Agreement"). Pursuant to the terms of the Pharmacovigilance Agreement, such database shall comply in all material respects with all Laws reasonably applicable to pharmacovigilance anywhere the Program 1 Product is being or has been Developed or Commercialized. The Pharmacovigilance Agreement shall, among other things, govern cooperation between the Parties that will enable each of them to comply with its respective obligations under applicable Laws with regard to adverse event data collection, analysis and reporting to Regulatory Authorities and to enable each Party to satisfy its duty of care, and to

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govern the Global Safety Database. Pursuant to the terms of the Pharmacovigilance Agreement, Merus shall have access and rights to use the Global Safety Database, and each Party shall provide information on all adverse events concerning Program 1 Product for the Global Safety Database.

5.8 Recall or Withdrawal of Program 2 Product, [*] Products and Novel Program Products. Incyte shall be responsible for all recalls, withdrawals and market notifications of the Program 2 Product, [*] Products and Novel Program Products worldwide.

5.9 Recall or Withdrawal of the Program 1 Product. If any Regulatory Authority threatens or initiates any action to remove the Program 1 Product from the market anywhere in the world, the Party receiving notice thereof shall notify the other Party of such communication immediately, but in no event later than [*], after receipt thereof. Notwithstanding the foregoing, in all cases Incyte (acting as the holder of the Regulatory Approval in the Incyte Territory) shall determine whether to initiate any recall, withdrawal or market notification of the Program 1 Product in the Incyte Territory, and Merus, as holder of the Regulatory Approval in the United States shall determine whether to initiate any such recall, withdrawal or market notification of the Program 1 Product in the United States, including the scope of such recall or withdrawal (e.g., a full or partial recall, or a temporary or permanent recall) or market notification; provided, however that before Incyte or Merus (as the case may be) initiates a recall, withdrawal or market notification, the Parties shall promptly meet and discuss in good faith the reasons therefor, provided that such discussions shall not delay any action that Incyte or Merus (as the case may be) reasonably believes has to be taken in relation to any recall, withdrawal or market notification. In the event of any such recall, withdrawal or market notification, Incyte or Merus (as the case may be), as the holder of the Regulatory Approval in its respective territory, shall determine the necessary actions to be taken in its territory, and, shall implement such action, with the other Party providing reasonable input (which the first Party shall in good faith consider and incorporate into any recall, withdrawal or market notification strategy) and reasonable assistance, to conduct such recall, withdrawal or market notification. Each Party shall be responsible for all recall, withdrawal or market notification related costs it incurs in connection with its respective territory.

ARTICLE VI
PRECLINICAL, CLINICAL AND COMMERCIAL SUPPLY

6.1 Manufacturing Technology Transfer. Within [*] after the Effective Date with respect to Program 1 and Program 2, and as reasonably requested by Incyte at any time following the designation of a Program hereunder, Merus, through the JMC, shall transfer to Incyte (and/or its designated Affiliates or contractors) Merus's manufacturing technology for the applicable Licensed Antibodies and shall provide to Incyte copies or tangible embodiments of all data, information, materials and Know-How included within such manufacturing technology for such Licensed Antibodies. In addition, upon the request of Incyte from time-to-time during the Term, Merus shall provide to Incyte (and/or its designated Affiliates or contractors) such reasonable technical assistance, at Incyte's cost for any material activities, as Incyte may request in connection with the manufacture of the applicable Licensed Antibodies. With respect to Program 1, the costs related to any manufacturing technology transfer under this Section 6.1 are Development Costs.

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6.2 Pre-Clinical Supply. Unless otherwise mutually agreed by the Parties, Merus shall be responsible, until completion of the manufacturing technology transfer to Incyte, for preclinical manufacture and supply of Program 1 Antibody and Program 2 Antibody (and any other Licensed Antibody for which Merus has commenced manufacturing activities for Bi-Specific Constructs with respect to such Licensed Antibody), with reasonable amounts and lead time provided by the JRC. The costs of such preclinical manufacture and supply of Program 1 Antibody are Development Costs. The costs of such preclinical manufacture and supply of Program 2 Antibody and any other Licensed Antibody are Research Costs.

6.3 Program 1 Clinical and Commercial Product Supply.

(a) Process Development. The Parties shall coordinate through the JMC for the joint development and establishment of the manufacturing process that the Parties intend to use globally with respect to Program 1 Product (the "Program 1 Joint Manufacturing Process"), which shall include processes for both early-stage clinical supply (i.e., Phase I Study and Phase 2 Studies) and for late-stage clinical (i.e., Phase III Studies) and commercial supply of Program 1 Product. Incyte shall be the lead Party for the development and establishment of such Program 1 Joint Manufacturing Process, including the preparation of a plan therefor, which may include the engagement of one or more Third Party contract manufacturing organizations to perform activities, including process development, scale up and manufacturing, in relation to Program 1 Product. The Parties shall jointly make all decisions regarding the Program 1 Joint Manufacturing Process, notwithstanding anything to the contrary in this Agreement. The development and establishment of the Program 1 Joint Manufacturing Process is a Development Cost. If the Parties fail to agree on a Program 1 Joint Manufacturing Process and the Parties are unable to resolve such dispute within a reasonable period of time, then each Party may independently develop a manufacturing process for Program 1 Product for its respective territory (i.e., Merus in the United States and Incyte in the Incyte Territory). If the Parties elect to develop separate manufacturing processes for Program 1 Product, each Party shall thereafter be solely responsible for manufacture of Program 1 Product in its respective territory.

(b) Technology Transfer of Program 1 Joint Manufacturing Process. If the Parties develop a Program 1 Joint Manufacturing Process, and to the extent that a Party has manufacturing technology for such Program 1 Joint Manufacturing Process, such Party shall, upon the other Party's written request (i) transfer to the requesting Party (or its Affiliates, sublicensees or designated Third Party contract manufacturer) the manufacturing technology and copies or tangible embodiments of all data, information, materials and Know-How covering the Program 1 Joint Manufacturing Process ("Program 1 Joint Manufacturing Technology"), and (ii) provide to the requesting Party reasonable technical assistance in relation to the establishment of such Program 1 Joint Manufacturing Process in such Party's territory. Each Party shall grant, and hereby grants to the other Party co-exclusive (with rights to grant sublicenses to contract manufacturers), royalty-free, non-terminable license for so long a Party is Developing, using, or Commercializing Program 1 Product in its territory, with the right to grant sublicenses through

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multiple tiers (in accordance with the terms and conditions of this Agreement), in and to (A) in the case of Incyte's license to Merus, the Incyte IP necessary or useful to practice the Program 1 Manufacturing Technology, and (B) in the case of Merus's license to Incyte, the Merus IP necessary or useful to practice the Program 1 Joint Manufacturing Technology, in each case of (A) and (B), to the extent necessary for each Party and its Affiliates and designated contract manufacturers to manufacture and have manufactured anywhere in the world Program 1 Antibody and Program 1 Product for development, use and commercialization in such Party's territory. The costs associated with performing the technology transfer activities and providing the technical assistance described in (i) above shall be Development Costs. Merus may request two Program 1 Joint Manufacturing Process technology transfer for early-stage clinical supply and two for late-stage clinical/commercial supply of Program 1 Product.

(c) Clinical Supply.

(i) Generally. The Parties shall cooperate to mutually establish one or more sources of supply for the clinical supply of the Program 1 Antibody and Program 1 Product. Upon request of either Party, Incyte may negotiate and enter into a clinical supply agreement, for supply of Program 1 Antibody and Program 1 Product for use in Clinical Trials, including formulation and CMC work which shall be included within Program 1 Joint Development Activities. Incyte shall permit Merus to review and comment on any such supply agreement prior to execution, and shall consider Merus's comments in good faith. If the Parties have agreed on a Program 1 Joint Manufacturing Process, the Parties shall discuss through the JMC, taking into account restrictions imposed by Third Parties, which of the following would be the most suitable mechanism for Merus to secure supply: (A) Merus becomes a party to such Third Party supply agreement for the purposes of obtaining its clinical supply of Program 1 Antibody and Program 1 Product, (B) Merus negotiates with and enter into a supply agreement directly with such Third Party with whom Incyte has entered into a supply agreement Incyte for the purposes of obtaining Merus's clinical supply of Program 1 Antibody and Program 1 Product at the same cost at which Incyte is obtaining its clinical supply of Program 1 Antibody and Program 1 Product, or (C) the Parties negotiate a supply agreement pursuant to which Incyte will supply Merus with such Program 1 Antibody and Program 1 Product at Incyte's Manufacturing Cost if Incyte is manufacturing Program 1 Antibody and Program 1 Product.

(ii) Joint Activities. The Parties shall cooperate to mutually agree on supply of Program 1 Antibody and Program 1 Product for Program 1Joint Development Activities reasonably prior to such Joint Development Activity and based on a reasonable, mutually agreed allocation. Incyte shall be the lead Party for clinical supply for any Program 1Joint Development Activities, provided that Incyte shall consult with Merus and shall consider Merus's comments in relation to such clinical supply activities in good faith and accommodate any reasonable request by Merus to provide Program 1 Antibody and Program 1 Product for Program 1 Joint Development Activities. All such manufacture will be conducted as a Program 1 Joint Development Activity in accordance with the Program 1 Manufacturing Plan and costs thereof treated as Development Costs.

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(iii) Independent Activities. Each Party shall be responsible (itself or through an Affiliate or Third Party contract manufacturer), at its discretion and expense, for manufacture and clinical supply of Program 1 Antibody and Program 1 Product for use in independent clinical Development activities for such Party's territory. If either Party wishes to use the same manufacturer for clinical supply as that used by the other Party, such Party may make such a request in writing, and the other Party shall use reasonable efforts to assist such first Party in accessing such manufacturer for clinical supply of Program 1 Antibody and Program 1 Product.

(iv) Supply Shortage. If there is insufficient clinical supply of Program 1 Antibody or Program 1 Product to satisfy planned or ongoing Clinical Trials in both the United States and the Incyte Territory at any given time, the Party responsible for supplying such clinical supply shall make half of such supply available for the United States and half available for the Incyte Territory (or such other allocation as may be mutually agreed by the Parties).

(d) Commercial Supply. Each Party shall be responsible for, and have the right to manufacture and supply (itself or through a Third Party contract manufacturer) at its cost, all Program 1 Antibody and Program 1 Product for commercialization purposes in such Party's territory. If the Parties agreed on a Program 1 Joint Manufacturing Process, Incyte shall lead process development for commercial supply in accordance with Section 6.3(a) and the Parties shall coordinate through the JMC to determine second source and supply continuity matters applicable to each Party's territory with each Party having the right to determine the supply chain for its respective territory. All costs of either Party for such process development will be treated as Development Costs. The Parties may also mutually agree that one Party shall be responsible for commercial supply of Program 1 Product and Program 1 Antibody worldwide, and in such case the Parties shall cooperate in good faith to agree upon the terms of such supply, which may include either Party or both Parties entering into a commercial supply agreement with a Third Party contract manufacturer for such supply. Whichever Party the Parties determine that will manufacture Program 1 Antibody and Program 1 Product for commercialization, the other Party may request that the manufacturing Party supply such Program 1 Antibody and Program 1 Product to such other Party. Upon such Party's request for supply of Program 1 Antibody and Program 1 Product, the Parties shall negotiate in good faith a commercial supply agreement that provides for the manufacturing Party to supply such other Party with Program 1 Antibody and Program 1 Product for Commercialization purposes at the [*], as well as other customary terms and provisions. If the Parties agree to contract with a Third Party contract manufacturer for commercial supply of Program 1 Antibody and Program 1 Product, [*] shall lead such negotiations, shall permit [*] to review and comment on any draft supply agreements, and shall consider [*] comments in good faith. [*] may request, and [*] shall consider, at its discretion, that [*] becomes a party to such Third Party supply agreement for the purposes of obtaining its commercial supply of Program 1 Antibody and Program 1 Product.

(e) Technology Transfer of [*] Program 1 Manufacturing Process. If either Party is [*] manufacturing or having manufactured Program 1 Product, such Party shall, upon the other Party's written request made from time to time, (i) [*] and (ii) provide to the requesting Party [*]. The requesting Party shall reimburse the transferring Party for [*] of the transferring Party's costs with respect to [*] Program 1 manufacturing process.

6.4 Program 2, [*] Programs and Novel Program Clinical and Commercial Product Supply. Incyte shall be responsible (itself or through an Affiliate or Third Party) for all clinical and commercial supply of Licensed Antibodies and Licensed Products for Program 2, all [*] Programs, and Novel Programs, including all activities related to such manufacture. The Manufacturing Costs for research activities in an applicable Research Plan for the [*] Co-Development Product and any Additional Co-Development Product shall be deemed Development Costs.

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ARTICLE VII
COMMERCIALIZATION AND CO-DETAILING OPTION

7.1 Commercialization Diligence.

(a) Program 1 Product. Merus shall use Commercially Reasonable Efforts to Commercialize the Program 1 Product for at least one Indication in the United States after receipt of Regulatory Approval therefor. Incyte shall use Commercially Reasonable Efforts to Commercialize the Program 1 Product for at least one Indication in the Non-U.S. Major Markets after receipt of Regulatory Approval therefor.

(b) Program 2, [*] Products and Novel Program Products. Incyte shall use Commercially Reasonable Efforts to Commercialize the Program 2 Product, at least one [*] Product per [*] Program, and at least one Novel Program Product per Novel Program, in each case for at least one Indication in the Major Markets after receipt of Regulatory Approval therefor.

7.2 Marketing Responsibilities For Licensed Products.

(a) Program 1 Product.

(i) Incyte Territory. Incyte (itself or through its Affiliates or sublicensees) shall have the sole right to Commercialize Program 1 Products in the Incyte Territory, including to invoice and book sales, establish and modify all terms and conditions of sale (including contracting, pricing and discounts) and warehousing, and distribute the Program 1 Products in the Incyte Territory and to perform or cause to be performed all related services. Incyte shall handle all reimbursement, price reporting, returns, order processing, invoicing, collection, distribution, and inventory management with respect to the Program 1 Products in the Incyte Territory.

(ii) Merus Territory. Merus (itself or through its Affiliates or sublicensees) shall have the sole right to Commercialize Program 1 Products in the United States, including to invoice and book sales, establish and modify all terms and conditions of sale (including contracting, pricing and discounts) and warehousing, and distribute the Program 1 Products in the United States and to perform or cause to be performed all related services. Merus

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shall handle all reimbursement, price reporting, returns, order processing, invoicing, collection, distribution, and inventory management with respect to the Program 1 Products in the United States.

(iii) Coordination. The Parties shall coordinate their respective Commercialization activities for Program 1 Products through the Program 1 JCC.

(b) [*] Products. Subject to Merus's Co-Detailing Right with respect to the [*] Co-Development Product, if any, Incyte (itself or through its Affiliates or sublicensees) shall have the sole right to Commercialize [*] Products worldwide, including to invoice and book sales, establish and modify all terms and conditions of sale (including contracting, pricing and discounts) and warehousing, and distribute the [*] Products and to perform or cause to be performed all related services. Incyte shall handle all reimbursement, price reporting, returns, recalls, or withdrawals, order processing, invoicing, collection, distribution, and inventory management with respect to the [*] Products globally. Merus may co-Detail the [*] Co-Development Product if any, solely to the extent permitted pursuant to Section 7.3.

(c) Program 2 Product and Novel Program Products. Incyte (itself or through its Affiliates or sublicensees) shall have the sole right to Commercialize the Program 2 Product and Novel Program Products worldwide. In furtherance thereof, Incyte shall have the sole right to invoice and book sales, establish and modify all terms and conditions of sale (including contracting, pricing and discounts) and warehousing, and distribute the Program 2 Products and Novel Program Products and to perform or cause to be performed all related services. Incyte shall handle all reimbursement, price reporting, returns, recalls, or withdrawals, order processing, invoicing, collection, distribution, and inventory management with respect to the Program 2 Product, and Novel Program Products.

7.3 Merus Co-Detailing Option for the [*] Co-Development Product.

(a) Co-Detailing Right. Subject to Merus's having met its co-funding obligations for the [*] Co-Development Product under this Agreement, Merus shall have a one-time non-exclusive right to Detail the [*] Co-Development Product, in the United States on the terms and conditions set forth in this Section 7.3 ("Co-Detailing Right"). Prior to Merus exercising its Co-Detailing Right, Incyte shall notify Merus in writing as soon as practicable prior to the anticipated launch of the first [*] Co-Development Product in the United States, of which date Incyte shall notify Merus in writing (the "Trigger Notice") and shall provide Merus, along with such Trigger Notice, Incyte's then-current Detailing plan and budget ("Detailing Plan" and "Detailing Budget," respectively) with respect to the [*] Co-Development Product in the United States. Merus may exercise its Co-Detailing Right by providing Incyte written notice at any time within the [*] period following its receipt of the complete Trigger Notice. For clarity, Incyte shall have no obligation to provide any further notification to Merus under this Section 7.3(a) after Merus has exercised its Co-Detailing Right with respect to the [*] Co-Development Program.

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(b) Effects of Exercise of Co-Detailing Right. If Merus exercises its Co-Detailing Right:

(i) The [*] Co-Development Product shall also be referred to as the "[*] Co-Detailing Product";

(ii) Incyte shall, no later than [*] prior to the initial anticipated launch of the [*] Co-Detailing Product in the United States, set out the anticipated number of FTE sales representatives it determines are required for Detailing the [*] Co-Detailing Product in the United States. Merus may elect within [*] of receipt of the foregoing information to be responsible for up to [*] but not less than [*] of the Details based on a primary detail equivalent to be set forth in the [*] Co-Detailing Plan for the [*] Co-Detailing Product in the United States. Once Merus has elected a percentage of Details in the range above, such percentage shall remain unchanged unless mutually agreed by the Parties. The Parties shall review and discuss any proposed changes to the aggregate Detailing effort through the [*] JCC with any updates to be provided in the [*] Co-Detailing Plan sufficiently in advance of any material change in Detailing level;

(iii) It is understood that any Co-Detailing Plan shall include [*], and a [*] between the Parties; provided that if such product is Detailed by a Party's sales representatives in the [*], the [*] by or on behalf of a Party to such sales representative for such [*] shall be [*] of the [*] to such sales representative under such sales representative's [*] offered by or on behalf of such Party;

(iv) Merus shall be responsible for its costs in conducting co-Detailing activities as well as [*] in accordance with Section 7.3(b)(v); provided that such costs shall be included in Allowable Expenses subject to the terms thereof;

(v) Merus's sales representatives will be included in all training programs with respect to the [*] Co-Detailing Product that Incyte provides to its own sales representatives who are Detailing the [*] Co-Detailing Product. Such training shall be provided by Incyte to Merus [*], provided that Merus shall be responsible for [*] to that [*], including any [*] that may be incurred by [*] the [*]; provided that [*] subject to the terms thereof. Merus representatives conducting Detailing activities must do so in accordance with such training and Incyte's standard operating procedures as provided in writing to Merus;

(vi) Incyte shall provide Merus's sales representatives with the same promotional materials (including any updates thereto), including literature and samples, as Incyte provides to its own similarly-situated representatives, and shall make available to Merus's sales representatives the same information and at that same time as supplied to Incyte's own sales representatives with respect to ex-factory sales, dispensing and distribution data, reimbursement data and the like;

(vii) All training and promotional materials for the [*] Co-Detailing Product (including messaging) shall be subject to approval by Incyte and presented to the [*]

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Joint Commercialization Committee. Merus shall promote the [*] Co-Detailing Product in accordance with the standards reasonably established by Incyte for the [*] Co-Detailing Product as applicable to the Incyte representatives and provided in writing to Merus, or Merus's own standards if more stringent and with prior notice to Incyte; and

(viii) The costs of the foregoing Detailing activities are Allowable Expenses (subject to the terms thereof) and allocation for such expenses between the Parties shall be set forth in the Detailing Budget) based on the level of Detailing undertaken by each Party and shall be dependent upon the percentage of Detailing effort Merus elects to undertake.

7.4 Global Branding; Trademarks.

(a) Global Branding Strategy. The Program 1 JCC shall have the right but not the obligation, from time to time during the Term, to implement (and thereafter modify and update) a global branding strategy, including global positioning (the "Global Branding Strategy"), for the Program 1 Product throughout the world. Each Party shall strive to adhere to the Global Branding Strategy in its Commercialization of the Program 1 Product in its territory. Incyte shall have sole discretion over Global Branding Strategy for the Program 2 Product, [*] Products, and Novel Program Products.

(b) Trademarks. The Parties may mutually agree on a global trademark for Program 1 Product and appropriate ownership thereof, but, absent such agreement, Program 1 trademarks will be handled as follows. Merus and its Affiliates shall select and own the trademarks under which the Program 1 Product will be marketed in the United States; provided that not such trademark may contain the word "Incyte". Incyte and its Affiliates shall select and own the trademarks under which the Program 1 Product will be marketed in the Incyte Territory and under which all other Licensed Products will be marketed worldwide; provided that no such trademark shall contain the word "Merus". The owner of a respective trademark shall be solely responsible for the prosecution of such trademark and determining what, if any, action to take in response to any alleged infringement of such trademark by Third Parties.

ARTICLE VIII
INTELLECTUAL PROPERTY OWNERSHIP, PROTECTION AND RELATED MATTERS

8.1 Inventorship; Ownership.

(a) Inventorship. Inventorship of Inventions shall be determined in accordance with the patent Laws of the United States; provided that in the event that determining inventorship in accordance with such Laws would render any Patent Right that claims or covers such Invention invalid, inventorship shall be determined in accordance with the Laws of the jurisdiction where such Patent Right is filed.

(b) Inventor Assignment Obligation. Each Party shall cause all employees, independent contractors, consultants and others who perform activities for such Party under this

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Agreement to be under an obligation to assign (or, if such Party is unable to cause such person or entity to agree to such assignment obligation despite such Party using Commercially Reasonable Efforts to negotiate such assignment obligation, provide a license under) their rights in any Inventions and Intellectual Property Rights to such Party, except where applicable Law requires otherwise and except in the case of governmental, not-for-profit and public institutions which have standard policies against such an assignment (in which case a suitable license, or right to obtain such a license, shall be obtained).

(c) Ownership and Disclosure Obligations.

(i) Incyte Ownership. As between the Parties, Incyte shall own all right, title and interest in and to any and all Sole Arising IP discovered, made or created solely by Incyte or any of its Affiliates or its or their employees, independent contractors or consultants.

(ii) Merus Ownership. As between the Parties, Merus shall own all right, title and interest in and to any and all (A) Sole Arising IP discovered, made or created by solely Merus or any of its Affiliates or its or their employees, independent contractors or consultants, (B) [*], and (C) Platform Arising IP. Incyte shall promptly disclose to Merus in writing the conception, discovery, development, making, or reduction to practice of any [*] and Platform Arising IP discovered, made or created by Incyte or any of its Affiliates or its or their employees, independent contractors or consultants, or jointly with Merus or any of its Affiliates or its or their employees, independent contractors or consultants. Incyte, for itself and on behalf of its Affiliates, shall and hereby does assign to Merus all its right, title and interest in and to any [*] and Platform Arising IP. Incyte shall execute and record assignments and other necessary documents consistent with such ownership.

(iii) Joint Arising IP and [*]. As between the Parties, each Party shall own an equal, undivided interest in any Joint Arising IP [*]. Each Party shall promptly disclose to the other Party in writing, and shall cause its Affiliates, licensees and sublicensees to so disclose, the conception, discovery, development, making, or reduction to practice of any Joint Arising IP [*]. Each Party shall have the right to use such Joint Arising IP, or license such Joint Arising IP to its Affiliates or any Third Party, or sell or otherwise transfer its interest in such Joint Arising IP to its Affiliates or a Third Party, in each case without the consent of the other Party and without a duty to account to the other Party, so long as such use, sale, license, or transfer is subject to and consistent with the terms of this Agreement, including exclusivity obligations. Each Party shall have the right to use such [*], or license such [*] to its Affiliates or any Third Party, or sell or otherwise transfer its interest in such [*] to its Affiliates or a Third Party, in each case for Licensed Antibodies and Licensed Products under this Agreement, without the consent of the other Party and without a duty to account to the other Party, so long as such use, sale, license, or transfer is subject to and consistent with the terms of this Agreement, including exclusivity obligations.

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8.2 Patent Filing; Assignment.

(a) Primary Patent Estate.

(i) Merus Platform. Merus shall be solely responsible for filing all patent applications with the appropriate patent authorities worldwide for any Patent Rights that claim the Merus Platform.

(ii) Existing Program 1 and Program 2 Patents. Promptly after the Effective Date, the Parties, through the JIPC, shall [*] for [*] (the "[*]"). For clarity, any [*] may not [*] of the [*] of the Selected Monoclonal Antibodies for such applicable Program.

(iii) [*] Patents and [*] Patents. [*] shall file all patent applications with the appropriate patent authorities worldwide for any [*] and the [*]. [*] shall consult with [*] through the JIPC on such Patent Rights, and shall consider in good faith [*] reasonable comments with respect to such Patent Rights. Promptly after the filing of any Patent Rights for [*] and the [*], the Parties, through the JIPC, shall discuss filing further Patent Rights (including divisionals, continuations, continuations in part, re-issues, and re-examinations) for [*] of the [*] and the [*] for such applicable Program (together with the [*], the "[*]"). For clarity, any [*] may not [*] of the [*] of the Selected Monoclonal Antibodies.

(b) Secondary Patent Estate.

(i) Manufacturing Patents. [*] shall file all patent applications with the appropriate patent authorities worldwide for any Arising IP (other than [*]) that claim the [*] Licensed Antibody or Licensed Product ("Arising Manufacturing Patent") [*]. [*] shall consult with [*] through the JIPC on such Arising Manufacturing Patents, and shall consider in good faith [*] reasonable comments with respect to such Arising Manufacturing Patents.

(ii) Arising [*] Patents. [*] shall file all patent applications with the appropriate patent authorities worldwide for any Arising IP (other than [*]) that [*] a Licensed Antibody or Licensed Product ("Arising [*] Patent") [*]. [*] shall consult with [*] through the JIPC on such Arising [*] Patents, and shall consider in good faith Merus's reasonable comments with respect to such Arising [*] Patents.

8.3 Prosecution and Maintenance of Patent Rights.

(a) Merus Platform IP. Merus shall have the sole right to prosecute and maintain all Merus Platform IP.

(b) Merus-Prosecuted Patents. Merus shall have the initial right to prosecute and maintain Patent Rights for (i) the [*] IP, (ii) the [*] IP, (iii) the [*] and (iv) the Program 1 Antibody and Program 1 Product, in each case using external patent counsel selected and mutually agreed upon by the Parties. If Merus declines to prosecute or maintain any such Patent Rights in any country or jurisdiction, or desires to allow any such Patent Rights to lapse in any country or jurisdiction, or desires to abandon any such Patent Rights in any country or

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jurisdiction before all appeals within the respective jurisdiction have been exhausted, then Merus shall provide Incyte with [*] written notice of such decision so as to permit Incyte to decide whether to prosecute or maintain such Patent Rights in the respective country or jurisdiction and to take any necessary action. Following such notice from Merus, Incyte may, by providing prompt written notice thereof to Merus, assume control of the prosecution and/or maintenance of such Patent Rights in the respective country or jurisdiction. The costs of prosecuting and maintaining such Patent Rights for Program 1, [*] Co-Development Program, and Additional Co-Development Program shall be [*]. [*] shall [*] for the costs of prosecuting and maintaining such Patent Rights for [*] and [*] for Program 2, [*] Non-Co Programs and Novel Programs (other than Additional Co-Development Programs). [*] shall be responsible for the costs of prosecuting and maintaining such Patent Rights for [*] for Program 2, [*] Non-Co Programs and Novel Programs (other than Additional Co-Development Programs).

(c) Incyte-Prosecuted Patents. Incyte shall have the initial right to prosecute and maintain the [*] and the [*], in each case using external patent counsel [*] by the Parties [*] (except within the definition of an [*] for [*] Products) worldwide. If Incyte declines to prosecute or maintain any such Patent Rights in any country or jurisdiction, or desires to allow any such Patent Rights to lapse in any country or jurisdiction, or desires to abandon any such Patent Rights in any country or jurisdiction before all appeals within the respective jurisdiction have been exhausted, then Incyte shall provide Merus with [*] written notice of such decision so as to permit Merus to decide whether to prosecute or maintain such Patent Rights in the respective country or jurisdiction and to take any necessary action. Following such notice from Incyte, Merus may, by providing prompt written notice thereof to Incyte, assume control of the prosecution and/or maintenance of such Patent Rights in the respective country or jurisdiction.

(d) Other Merus Patent Rights. At Merus's expense, Merus shall have the sole right and discretion to file, prosecute and maintain all Merus Patent Rights not covered by Sections 8.3(b) and 8.3(c).

(e) Other Incyte Patent Rights. At Incyte's expense, Incyte shall have the sole right and discretion to file, prosecute and maintain all Incyte Patent Rights not covered by Sections 8.3(b) and 8.3(c).

(f) Cooperation. For the purposes of this Section 8.3(f), a Party responsible for the filing, prosecution and maintenance of a Patent Right under this Agreement will be referred to as the "Controlling Party" and the other Party will be referred to as the "Non-Controlling Party". Solely with respect to the rights and obligations described in Sections 8.3(b) and 8.3(c), the following will apply:

(i) The Non-Controlling Party shall, at the Controlling Party's expense and reasonable request, assist and cooperate in the filing, prosecution and maintenance of or any related necessary action for the applicable Patent Rights, including by making its employees, agents, and consultants reasonably available to the Non-Controlling Party. Such cooperation will be coordinated through the JIPC.

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(ii) The Controlling Party shall keep the Non-Controlling Party reasonably informed as to Material developments with respect to the prosecution and maintenance of the Patent Rights. The Controlling Party shall provide the Non-Controlling Party sufficiently in advance, when possible, for the Non-Controlling Party to comment, with copies of all patent applications and other Material submissions and communications (including oral communications) with any patent authorities pertaining to the applicable Patent Rights.

(iii) The Controlling Party shall consider in good faith and reasonably implement the Non-Controlling Party's comments and recommended actions, but the Controlling Party shall have the final say in determining whether or not to incorporate such comments.

(iv) "Material" for the purposes of this Section 8.3(f) means that the [*] could [*] the patents that claim or cover the Licensed Antibodies, Licensed Products, or Merus Platform.

(g) Patent Term Extensions. The Controlling Party may seek and obtain Patent Term Extensions, including supplementary protection certificates and any other extensions that are now or become available in the future, wherever applicable, in the countries or other jurisdictions that it controls. The Controlling Party shall keep the Non-Controlling Party reasonably informed of its efforts to obtain such extension or supplementary protection certificate. The Non-Controlling Party shall provide prompt and reasonable assistance, as requested by the Controlling Party. For purposes of this Section 8.3(g), Merus is the Controlling Party for Patent Rights for Program 1 in the United States and Incyte is the Controlling Party for Patent Rights for Program 2, [*] Program, and Novel Program worldwide and for Patent Rights for Program 1 in the Incyte Territory.

8.4 Third-Party Infringement.

(a) Notice. Each Party shall promptly provide the other Party with written notice reasonably detailing (i) any alleged, or threatened infringement by a Third Party of Intellectual Property Rights in Joint Arising IP, Target Pair Arising IP, Incyte IP, Merus IP, or Merus Platform IP, which infringing activities involves the using, making, importing, exporting, offering for sale or selling of Licensed Antibodies or Licensed Products, including any "patent certification" filed in the United States under 21 U.S.C. §355(b)(2) or 21 U.S.C. §355(j)(2) or biosimilar litigation initiated under 42 U.S.C. §262, or similar provisions in other jurisdictions, or (ii) any declaratory judgment for non-infringement of any such Intellectual Property Rights described in clause (i) (each of (i) and (ii), a "Third-Party Infringement"). As soon as practicable after receipt of such notice, but no later than [*] thereafter, the Parties shall consult via the JIPC to determine the response to any Third-Party Infringement.

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(b) Enforcing Parties and Recoveries. One of the Parties, as set forth below, will have either the initial right (the "Initial Enforcing Party") or the sole right (the "Sole Enforcing Party") to proceed with legal enforcement against any Third-Party Infringement, including assertion, in connection with any Third-Party Infringement Claim (an "Infringement Action") subject to the remainder of this Section 8.4(b):

(i) Program 1. For Third-Party Infringement pertaining to Patent Rights that claim or cover Program 1 Antibodies and Program 1 Products, Merus is the Sole Enforcing Party with respect to Infringement Actions in the United States, and Incyte is the Sole Enforcing Party with respect to Infringement Actions in the Incyte Territory. Any recoveries resulting from such an Infringement Action shall be applied as follows:

A. First, to reimburse each Party for all Out-of-Pocket Costs in connection with such Infringement Action (on a pro rata basis, based on each Party's respective litigation costs, to the extent the recovery was less than all such litigation costs); and

B. Second, any remainder shall be paid (a) [*] to Merus and [*] to Incyte for actions in the United States and (b) [*] to Merus and [*] to Incyte for actions in the Incyte Territory.

(ii) Program 2, [*] Program and Novel Program. For Third-Party Infringement of any Patent Rights (other than [*] and [*] IP) that claim or cover Program 2 Antibodies, [*] Antibodies, Novel Program Antibodies, Program 2 Products, [*] Products, or Novel Program Products, [*] is the Sole Enforcing Party worldwide. For Third-Party Infringement of any Patent Rights within the [*] IP that claim or cover Program 2 Antibodies, [*] Antibodies, Novel Program Antibodies, Program 2 Products, [*] Products, or Novel Program Products, [*] is the Sole Enforcing Party worldwide; provided that where there is [*] within the [*] Licensed Antibody or Licensed Product (for clarity the [*] from the [*] for the [*] Licensed Antibody or Licensed Product), [*] is the Initial Enforcing Party worldwide and [*] is the Second Enforcing Party worldwide for any [*] within the [*] IP that claim or cover Program 2 Antibodies, [*] Antibodies, Novel Program Antibodies, Program 2 Products, [*] Products, or Novel Program Products. Any recoveries resulting from such an Infringement Action relating shall be applied as follows:

A. First, to reimburse each Party for all Out-of-Pocket Costs in connection with such Infringement Action (on a pro rata basis, based on each Party's respective litigation costs, to the extent the recovery was less than all such litigation costs); and

B. Second, any remainder shall be paid [*] to Merus and [*] to Incyte.

(iii) Other Merus IP. For Third-Party Infringement of all other Merus IP that is not covered by Sections 8.4(b)(i) or 8.4(b)(ii), Merus is the Sole Enforcing Party worldwide and shall retain all recoveries resulting from such Infringement Action; provided on a country-by-country basis where there is [*] Licensed Antibody or Licensed Product (for clarity the [*] Licensed Antibody or Licensed Product) then [*] is the Initial Enforcing Party and [*] is the Second Enforcing Party with respect to Infringement Actions. Any recoveries resulting from such an Infringement Action shall be applied as defined in Section 8.4(b)(v)(A) and Section 8.4(v)(B).

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(iv) Other Incyte IP. For Third-Party Infringement of all other Incyte IP that is not covered by Sections 8.4(b)(i) or 8.4(b)(ii), Incyte is the Sole Enforcing Party worldwide and shall retain all recoveries resulting from such Infringement Action.

(v) Other Joint Arising IP. For Third-Party Infringement of all other Joint Arising IP and [*] that is not covered by Sections 8.4(b)(i) or 8.4(b)(ii), [*] is the Initial Enforcing Party and [*] is the Second Enforcing Party worldwide. Any recoveries resulting from such an Infringement Action relating shall be applied as follows:

A. First, to reimburse each Party for all Out-of-Pocket Costs in connection with such Infringement Action (on a pro rata basis, based on each Party's respective litigation costs, to the extent the recovery was less than all such litigation costs); and

B. Second, any remainder shall be paid [*] to Merus and [*] to Incyte.

(c) Initial and Second Enforcement Rights.

(i) Except with respect to [*] to which this Section 8.4(c) shall not apply, if the JSC fails to agree on a joint course of Infringement Action with respect to a Third-Party Infringement within [*] after a Party's receipt of the notice set forth in Section 8.4(a), then notwithstanding Section 3.5, the Initial Enforcing Party may determine and control an Infringement Action designed to curtail or defend against such Third Party Infringement, at its own expense as it reasonably determines appropriate. In the event such course of action includes litigation, the other Party (the "Second Enforcing Party") may choose, at its own expense, to be represented in such action by counsel of its own choice; provided that if the Second Enforcing Party is required as a necessary party to such Infringement Action other than as a joint owner, the Initial Enforcing Party shall pay the Second Enforcing Party's reasonable expenses associated therewith. The Initial Enforcing Party shall keep the Second Enforcing Party reasonably informed as to any Infringement Action. The Initial Enforcing Party shall provide the Second Enforcing Party sufficiently in advance, where reasonable, for the Second Enforcing Party to comment, with copies of all submissions in the Third Party Infringement. The Second Enforcing Party will have the right to provide input regarding the Third Party Infringement, and the Initial Enforcing Party will consider all such input in good faith. At the request and expense of the Initial Enforcing Party, the Second Enforcing Party shall provide reasonable assistance to the Initial Enforcing Party in connection therewith, including by executing reasonably appropriate documents, cooperating in discovery and joining as a party to the action. In connection with any such Infringement Action, the Initial Enforcing Party shall not enter into any settlement admitting the invalidity of, or otherwise impairing the licenses and rights of the Second Enforcing Party hereunder without the prior written consent of the Second Enforcing Party, such consent not to be unreasonably withheld.

(ii) If within [*] after the Initial Enforcing Party's receipt of a notice of a Third-Party Infringement, the Initial Enforcing Party does not initiate any Infringement Action as described in Section 8.4(c)(i), the Second Enforcing Party may, subject to the following

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sentence, in its sole discretion, bring and control any legal action in connection therewith at its sole expense. If the Second Enforcing Party intends to bring or defend any such legal action, it shall first notify the Initial Enforcing Party in writing of such intent and the reasons therefor and provide the Initial Enforcing Party with an opportunity to indicate to the Second Enforcing Party its reasons for not bringing or defending such legal action, and if the Initial Enforcing Party provides either a reasonable (A) legal basis for the Second Enforcing Party not bringing or defending such legal action, or (B) explanation of how the Initial Enforcing Party is taking commercial steps to curtail or defend the Third-Party Infringement, the Second Enforcing Party shall not bring or defend such legal action. The Second Enforcing Party shall keep the Initial Enforcing Party reasonably informed as to any legal courses of action it pursues pursuant to this Section 8.4(c)(ii). The Second Enforcing Party shall provide the Initial Enforcing Party sufficiently in advance, where reasonable, for the Initial Enforcing Party to comment, with copies of all submissions in the Third Party Infringement. The Initial Enforcing Party will have the right to provide input regarding the Third Party Infringement, and the Second Enforcing Party will consider all such input in good faith. At the request and expense of the Second Enforcing Party, the Initial Enforcing Party shall provide reasonable assistance to the Second Enforcing Party in connection therewith, including by executing reasonably appropriate documents, and cooperating in discovery; provided that nothing herein shall require the Initial Enforcing Party to join as a party or otherwise participate in such legal action, if in the Initial Enforcing Party's reasonable opinion such participation will damage any of the Initial Enforcing Party's commercial relationships. The Initial Enforcing Party may choose, at its own expense, to be represented in any such action by counsel of its own choice; provided that if the Initial Enforcing Party is required as a necessary party to such action other than as a joint owner, the Second Enforcing Party shall pay the Initial Enforcing Party's reasonable expenses associated therewith. In connection with any such proceeding, the Second Enforcing Party shall not enter into any settlement admitting the invalidity of or otherwise impairing the Initial Enforcing Party's rights under the Initial Enforcing Party's Intellectual Property without the prior written consent of the Initial Enforcing Party, such consent not to be unreasonably withheld.

(d) Sole Enforcement Rights. If the JSC fails to agree on a joint course of action with respect to a Third-Party Infringement within [*] after receipt of the notice set forth in Section 8.4(a), the Sole Enforcing Party will have the sole right to determine and control an Infringement Action designed to curtail or defend such Third-Party Infringement at its own expense as it reasonably determines appropriate. In the event such course of action includes litigation, the other Party (the "Participating Party") may choose, at its own expense, to be represented in such Infringement Action by counsel of its own choice; provided that if the Participating Party is required as a necessary party to such action other than as a joint owner, the Sole Enforcing Party shall pay the Participating Party's reasonable expenses associated therewith. The Sole Enforcing Party shall keep the Participating Party reasonably informed as to any Infringement Action it pursues pursuant to this Section 8.4(d). The Sole Enforcing Party shall provide the Participating Party sufficiently in advance, where reasonable, for the Participating Party to comment, with copies of all submissions in the Third Party Infringement. The Participating Party will have the right to provide input regarding the Third Party Infringement, and the Sole Enforcing Party will consider all such input in good faith. At the

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request and expense of the Sole Enforcing Party, the Participating Party shall provide reasonable assistance to the Sole Enforcing Party in connection therewith, including by executing reasonably appropriate documents, cooperating in discovery and joining as a party to the action. In connection with any such proceeding, the Sole Enforcing Party shall not enter into any settlement admitting the invalidity of, or otherwise impairing the licenses and rights of the Participating Party hereunder, without the prior written consent of the Participating Party, such consent not to be unreasonably withheld.

(e) Third-Party Opposition; Invalidity Proceedings. Each Party shall promptly provide the other Party with written notice reasonably detailing any opposition, inter partes reexamination, inter partes review, post grant proceeding, interference, or other similar action alleging the invalidity, unpatentability, unenforceability brought against any Intellectual Property Rights under this Agreement. Upon receipt of such notice, the Parties shall coordinate through the JIPC to establish a mutually agreed plan for a counterclaim against such opposition or proceeding. If the Parties are unable to agree on a plan for a counterclaim, the Controlling Party may determine and control any such counterclaim. For purposes of this Section 8.4(e), Merus is the Controlling Party for Patent Rights for Program 1 in the United States and Incyte is the Controlling Party for Patent Rights for Program 2, [*] Program, and Novel Program worldwide and for Patent Rights for Program 1 in the Incyte Territory.

8.5 Third Party Licenses.

(a) If Incyte in good faith believes that [*] to obtain a license under any Patent Rights of a Third Party [*] that would be infringed by the [*] by Incyte of a [*] Antibody, Novel Program Antibody, Program 2 Antibody, [*] Product, Novel Product, Program 2 Product in any country, or the Program 1 Antibody or Program 1 Product in any country in the Incyte Territory, then Incyte shall promptly notify Merus in writing. The Parties shall thereafter [*] regarding whether [*] such Licensed Antibody or Licensed Product in such country. Subject to Section 8.5(d) with respect to Third Party licenses that are necessary for the [*], after [*], [*] shall have the [*] right to obtain a license and negotiate and execute a license agreement in connection with respect to any Patent Rights applicable to such Licensed Antibodies and Licensed Product.

(b) If either Party in good faith believes that [*] to obtain a license under any Patent Rights of one Third Party that would be infringed by the [*] by such Party of the Program 1 Product or Program 1 Antibody in its territory and the other Party's territory or that are part of a commonly owned family with Patent Rights in the United States and the Incyte Territory, then, prior to commencing negotiations or entering into an agreement with respect to any such Third Party Patent Rights, such Party shall promptly notify the other Party. The Parties shall thereafter conduct good faith discussions regarding whether such Third Party Patent Rights are necessary or would be commercially prudent to make, have made, use, sell, offer for sale or import Licensed Antibody or Licensed Product in the Incyte Territory and the United States. If the Parties agree that such Third Party Patent Rights are [*] Licensed Antibody and Licensed Product in both the United States and the Incyte Territory, then (i) Merus shall have the [*] right to obtain a license and negotiate and execute a license agreement with respect to any Patent

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Rights applicable to such applicable to such Licensed Antibodies and Licensed Products in the United States and (ii) Incyte shall have the [*] right to obtain a license and negotiate and execute a license agreement, in connection with the manufacture of such Licensed Antibodies and Licensed Products or with respect to any Patent Rights applicable to such Licensed Antibodies and Licensed Products in the Incyte Territory; provided that, if such licenses are unable to be separated by territory, then the Parties shall meet to discuss and determine which Party will be primarily responsible for the negotiation and execution of the license agreement and any such license from a Third Party must include a license or sublicense to the Party that is not primarily responsible for obtaining such license and its Affiliates and sublicensees with respect to the Licensed Antibody and Licensed Product. Notwithstanding the foregoing, neither Party shall [*] without the other Party's written consent.

(c) Subject to Section 8.5(d), if pursuant to Section 8.5(a) Incyte determines, or pursuant to Section 8.5(b) the Parties agree, that a license under such Third Party Patent Rights is [*] avoid infringement based on [*] Licensed Antibodies or Licensed Products, then responsibility for any [*] to the extent attributable to the applicable Licensed Antibody or Licensed Product ("Third Party [*]") shall be handled as follows, in each case solely to the extent that any such payments are specifically allocable to the applicable Licensed Product: (i) for [*] Co-Development Products and for Additional Co-Development Products, in each case in the United States, Incyte may include [*] of such Third Party [*] as an Allowable Expense, (ii) for the Program 1 Product in the Incyte Territory, [*] Co-Development Products in the Incyte Territory, [*] Non-Co Products worldwide, the Program 2 Product worldwide, Novel Program Products (other than an Additional Co-Development Product) worldwide, and an Additional Co-Development Product in the Incyte Territory, Incyte may deduct [*] of such Third Party Payments from amounts due by Incyte to Merus under Section 9.3, and (iii) for the Program 1 Product in the United States, Merus may deduct [*] of such Third Party Payments from amounts due by Merus to Incyte under Section 9.3; provided that, notwithstanding the foregoing, Section 9.3(e) shall apply to limit the maximum reductions that can be taken by a Party under this Section 8.5(c).

(d) Notwithstanding subsections (a) through (c), and subject to the remainder of this subsection (d), [*] shall be solely responsible, at its discretion, for determining whether to enter into a license (and the terms of any such license) with respect to Third Party Intellectual Property Rights relating to [*], including under [*] in connection with Licensed Antibodies and Licensed Products. [*] shall be responsible for [*] of all Third Party Payments associated with any such Third Party license. Notwithstanding the foregoing, if [*] elects not to take a license with respect to any Patent Rights, other than those [*] that relate to [*] in any one or more countries, where a license under such Patent Rights is necessary to avoid infringement based on the making, having made, using, selling, offering for sale or importing of Licensed Antibodies or Licensed Products [*] in such one or more countries, then [*] shall notify [*] of its intention to take such a license, and [*] shall thereafter have the right to negotiate and enter into, at its discretion on commercially reasonable terms, a license with the applicable Third Party under such Patent Rights, provided that [*] will consider in good faith and take into account any reasonable comments from [*] in relation thereto. [*] shall indemnify [*] with respect to the costs of obtaining such a license in accordance with the terms of [*]. [*] may either deduct any such indemnifiable amounts paid by [*] from the amounts due under ARTICLE IX or invoice [*] for its share of such amounts. [*] shall pay all such invoices within [*] of receipt.

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ARTICLE IX
FINANCIAL PROVISIONS

9.1 License Fee. Within [*] after the Effective Date, Merus shall submit an invoice to Incyte for a one-time, non-creditable, non-refundable license fee of One Hundred Twenty Million U.S. Dollars (USD 120,000,000), which Incyte shall pay within [*] after invoice receipt.

9.2 Milestone Payments. Incyte shall pay Merus the following amounts after the first achievement by Incyte, its Affiliates or its sublicensees of the corresponding milestone events set forth below:

(a) Development Milestones.

(i) For Program 2, each Novel Program, and each [*] Program that achieves Candidate Nomination, Incyte shall pay to Merus a non-creditable, non-refundable milestone payment of one million Dollars ($1,000,000) following confirmation by the JRC that a Bi-Specific Construct for the applicable Program has achieved Candidate Nomination.

(ii) The following development milestones shall apply with respect to Program 2, each Novel Program (other than any Additional Co-Development Programs), and each [*] Non-Co Program:

Development Milestone Events	**Payments**	
	First Indication	**Second Indication**
Initiation of [*]	[*]	[*]
Initiation of [*]	[*]	[*]
Regulatory Approval of [*]	[*]	[*]
Regulatory Approval by [*]	[*]	[*]
Regulatory Approval by [*]	[*]	[*]
[*]	**[*]**	**[*]**

Each of the foregoing development milestones shall be payable once only for each such Program, for the first Product arising from such Program to achieve the applicable milestone event, and shall be non-creditable and non-refundable. No development milestone payments shall be due under this Section 9.2(a)(i) with respect to Program 1, the [*] Co-Development Program, or any Additional Co-Development Program and any milestone that would have been payable prior to an Additional Co-Funding Termination Date or [*] Co-Funding Termination Date are not required to be paid.

(iii) The maximum aggregate milestone amount payable per each Program (for all Indications) under this Section 9.2(a) shall be one hundred million Dollars ($100,000,000).

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(b) Sales Milestones.

(i) Licensed Product Sales Milestones. Incyte shall make non-refundable, non-creditable, one-time payments to Merus as set forth below upon the first achievement of Annual Net Sales of (A) the Program 2 Product, (B) the Novel Program Products in each distinct Novel Program (other than any Additional Co-Development Programs), and (C) each [*] Non-Co Product that meets or exceeds the thresholds set forth below, with thresholds determined on a Program-by-Program basis (i.e., aggregating all Net Sales of Licensed Products from a given Program):

Annual Net Sales Threshold per Program	Milestone Payment
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
Total for each such Program	**USD250,000,000**

(ii) No sales milestone payments shall be due with respect to the Program 1 Product, the [*] Co-Development Product or an Additional Co-Development Product.

(c) Certain Limitations. None of the payments listed in this Section 9.2 shall be payable more than once per Program, and each shall be payable at the first achievement of a milestone event for a Licensed Product and shall not be payable again if subsequently another Licensed Product for a given Program achieves the same milestone event. For clarification, (i) if a milestone is paid for a Licensed Product in a Program, that milestone will not be paid again for a back-up or replacement Antibody for that Program, and (ii) if more than one threshold for payment of a sales milestone is met for the first in any single Calendar Year, both the applicable milestone payments will be due in such Calendar Year.

(d) Payment. Incyte shall provide Merus with written notice of the achievement of each milestone event: (A) within [*] after achievement of the milestone event set

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forth in Section 9.2(a) and within [*] after the end of any Calendar Quarter in which a milestone set forth in Section 9.2(b) is achieved. Incyte shall pay to Merus, by wire transfer to an account designated by Merus, the applicable non-refundable, non-creditable milestone payment listed above: (1) with respect to milestone events set forth in Section 9.2(a), within [*] after Incyte's receipt of invoice and (2) with respect to all milestone events set forth in Section 9.2(b), within [*] after the end of the applicable Calendar Quarter; provided that Incyte has received the relevant invoice from Merus for such sales milestones within [*] after Merus's receipt of notice from Incyte of the achievement of such sales milestones. In the event Incyte does not receive Merus's invoice within such [*] period as described above, Incyte's obligation to pay such amount within [*] after the end of the applicable Calendar Quarter shall be extended by the number of days that lapse between the date Incyte should have received Merus's invoice and the date Incyte actually receives such invoice.

9.3 Royalties.

(a) Merus Royalties to Incyte.

(i) Merus shall pay to Incyte, on a Program 1 Product-by-Program 1 Product basis, royalties on Annual Net Sales of Program 1 Product in the United States, at the following rates:

Annual Net Sales of Program 1 Product	**Royalty Rate**
On the portion of Annual Net Sales less than or equal to [*]	6%
On the portion of Annual Net Sales greater than [*] and less than or equal to [*]	[*]
On the portion of Annual Net Sales greater than [*]	10%

(ii) Merus shall pay to Incyte, on a Dropped Bi-Specific Product-by-Dropped Bi-Specific Product basis, royalties on aggregate Annual Net Sales of Dropped Bi-Specific Products worldwide at the following rates:

Stage of Development	**Royalty Rate**
If the applicable Drop Date is prior to [*]	[*]
If the applicable Drop Date is on or after [*] but prior to [*]	[*]

For clarity, after Program Selection, a Program cannot be dropped pursuant to Section 4.8 and the royalties in Section 10.6 will apply if a given Program is terminated.

(b) Incyte Royalties to Merus.

(i) Incyte shall pay to Merus, on a Licensed Product-by-Licensed Product basis, royalties on aggregate Annual Net Sales of the Program 1 Product in the Incyte Territory, the [*] Co-Development Product in the Incyte Territory, and any Additional Co-Development Product in the Incyte Territory at the following rates:

Annual Net Sales per Licensed Product	**Royalty Rate**
On the portion of Annual Net Sales less than or equal to [*]	6%
On the portion of Annual Net Sales greater than [*] and less than or equal to [*]	[*]
On the portion of Annual Net Sales greater than [*]	10%

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(ii) Incyte shall pay to Merus, on a Licensed Product-by-Licensed Product basis, royalties on aggregate worldwide Annual Net Sales of the Program 2 Product, each [*] Non-Co Product and each Novel Program Products (other than an Additional Co-Development Product), at the following rates:

Annual Net Sales per Licensed Product	Royalty Rate
On the portion of Annual Net Sales less than or equal to [*]	6%
On the portion of Annual Net Sales greater than [*] and less than or equal to [*]	[*]
On the portion of Annual Net Sales greater than [*]	10%

(c) Royalty Term. Royalties payable under this Section 9.3 shall be paid by the applicable Party on a [*] and [*] basis from the date of First Commercial Sale of each Licensed Product with respect to which royalty payments are due for a period which is the longest of: (i) the last to expire of any Valid Claim of Licensed Patent Rights, Patent Rights in [*], or Joint Patent Rights Covering such Licensed Product in such country, (ii) the expiration of Regulatory Exclusivity for such Licensed Product in such country, and (iii) [*] after the First Commercial Sale of such Licensed Product in such country (each such term with respect to a Licensed Product and a country, a "Royalty Term"), provided that if, during the Royalty Term, no Valid Claim of any Patent Right included under the foregoing clause (i) exists in the country of manufacture or sale that Covers the applicable Licensed Product, and subsection (ii) does not apply to such Licensed Product in such country, then the royalty rates payable by one Party to the other Party under Sections 9.3(a) or 9.3(b) shall be [*] for as long as no such Valid Claim exists.

(d) Generic Competition. Notwithstanding the foregoing, in the event that Generic Competition exists with respect to a given Licensed Product in a country, then the royalty rates in such country for such Licensed Product will be:

(i) reduced to [*] of the applicable rate in Section 9.3(a) or 9.3(b), beginning from [*] the conditions for Generic Competition are satisfied; and

(ii) reduced to [*] of the applicable rate in Section 9.3(a) or 9.3(b), beginning from [*] such Generic Product(s) achieve a market share (in the aggregate) in such country of [*] or greater in a Calendar Quarter.

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(e) Non-Enforcement of [*]. Notwithstanding Section 9.3(c), on a Licensed Product-by-Licensed Product and country-by-country basis, if during the Royalty Term (i) there is no Valid Claim of any Patent Right included in the (A) [*] or (B) [*], in each case that Covers such Licensed Product in such country, (ii) there is a Valid Claim of a Patent Right included within the [*] that Covers such Licensed Product, and such Valid Claim is, at such time, infringed by the use, manufacture or sale of one or more Third Party product(s) in such country, and (iii) [*] elects not to enforce such Patent Right included in the [*] (the "Unenforced [*] Patent") against such one or more Third Parties, then during any period in which [*] is not enforcing such Unenforced [*] Patent in good faith, claims of such Unenforced [*] Patent shall not count as Valid Claims under Section 9.3(c)(i) for the purposes of determining the Royalty Term for the applicable Licensed Product in such country.

(f) Royalty Floor. The cumulative offsets and reductions permitted pursuant to Sections 8.5(c), 9.3(c) and 9.3(d) shall not operate in the aggregate to reduce the royalty rates payable by one Party to the other Party under Sections 9.3(a) and (b) by greater than [*], [*], in which case the royalty floor shall be set at [*]; provided that [*] would be [*] with respect to [*].

(g) Expiration of the Royalty Term. Upon the expiration of the Royalty Term with respect to a Licensed Product in a country, (i) the licenses granted by Merus to Incyte pursuant to Section 2.3 shall be deemed to be fully paid-up, irrevocable and perpetual with respect to such Licensed Product in such country; and (ii) the licenses granted by Incyte to Merus pursuant to Section 2.4 shall be deemed to be fully paid-up, irrevocable and perpetual with respect to the Program 1 Products in such country.

9.4 Estimated Royalty Reports. On a Licensed Product-by-Licensed Product basis, within [*] after the end of each calendar month, beginning with the calendar month in which the First Commercial Sale of the applicable Licensed Product occurs in the selling Party's territory, the applicable selling Party will deliver to the other Party a non-binding, good-faith estimate of the following information on a Licensed Product-by-Licensed Product and country-by-country basis for the just-ended calendar month: (a) the gross sales and Net Sales of all Licensed Products in such Party's territory, (b) the number of units of Licensed Product sold by the selling Party and its Affiliates and sublicensees (if available) and provided as samples without charge to any Third Party in such Party's territory, (c) the basis for any adjustments to the royalty payable for the sale of all Licensed Products in the selling Party's territory, (d) the royalty due hereunder for the sales of all Licensed Products in the applicable territory and (e) the applicable exchange rate as determined in accordance with this Agreement. Within [*] after the end of each such calendar month, the selling Party will make any necessary adjustments to such estimate and provide the other Party with an updated and final report setting forth all of the information referenced in clauses (a) through (e) above in this Section 9.4, which report will serve as the basis for the calculation of the royalty payments due under Section 9.3 for Net Sales during the applicable calendar month. Royalties payable under this ARTICLE IX shall be payable in accordance with Section 9.5.

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9.5 [*] Royalty Reports; Payments. Within [*] after the end of [*], the Royalty Paying Party shall provide the Royalty Receiving Party with a report stating the sales in units and in value of the Licensed Product made by the Royalty Paying Party, its Affiliates, licensees and sublicensees, as applicable, in the Royalty Paying Party's territory, on a country-by-country basis, together with the calculation of the royalties due to the Royalty Receiving Party, including the method used to calculate the royalties and the exchange rates used. Royalty payments shall be made by the Royalty Paying Party to the bank account indicated by the Royalty Receiving Party within [*] after the end of [*]; provided that the Royalty Receiving Party has issued the relevant invoice for royalty payment within [*] after the Royalty Receiving Party's receipt of the royalty report from the Royalty Paying Party. In the event the Royalty Receiving Party fails to issue an invoice within such [*] period as described above, the Royalty Paying Party's obligation to pay such amounts within [*] after the end of [*] shall be extended by the number of days that lapse between the date the Royalty Receiving Party should have invoiced the Royalty Paying Party and the date the Royalty Receiving Party actually invoices the Royalty Paying Party.

9.6 Profit and Loss Sharing for [*] Co-Development Product and Additional Co-Development Products in the United States. Provided that Merus has exercised the [*] Co-Development Option or an Additional Co-Development Option and has paid its share of Development Costs, subject to Section 5.4, 5.5 and 5.6, as applicable, the terms and conditions of this Section 9.6 shall govern each Party's rights and obligations with respect to Net Profits and Net Losses relating to the [*] Co-Development Product and Additional Co-Development Product, as applicable.

(a) In General. Subject to Sections 5.4, 5.5, 5.6, 9.6(b), and 9.6(c), (a) Merus shall receive fifty percent (50%) of all Net Profits, and bear fifty percent (50%) of all Net Losses, as applicable, with respect to the [*] Co-Development Product and Additional Co-Development Product in the United States, and (b) Incyte shall retain fifty percent (50%) of all Net Profits, and bear fifty percent (50%) of all Net Losses, as applicable, with respect to the [*] Co-Development Product and Additional Co-Development Product in the United States. Merus shall be entitled to its share of the Net Profits and bear its share of Net Losses with respect to the [*] Co-Development Product regardless of whether it exercises its Co-Detailing Right with respect to the [*] Products.

(b) Detailing Overruns. If, following Merus's exercise of its Co-Detailing Right, the Allowable Expenses exceed the amounts budgeted for Detailing activities in the applicable Detailing Plan (and taking into account any amendments to such Detailing Plan that may be approved during a Calendar Year) by more than [*] (calculated for all costs incurred over such Calendar Year for all budgeted activities in the Detailing Plan), such excess Allowable Expenses (each, a "Detailing Overrun") shall be borne by [*] (for purposes of this Section 9.6(b), the "[*]") and shall be [*] hereunder for the [*]; provided that in the event and to the extent that such Detailing Overrun was [*] of, and [*] by, the [*], or did not result from [*] to [*], then such Detailing Overrun shall be [*] and [*] pursuant to Section 9.6(a).

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(c) Reconciliation; Calculation and Payment of Net Profit or Net Loss Share.

(i) Reports and Reconciliation Payments in General. Within [*] after the end of each Calendar Quarter (or for the last Calendar Quarter in a Calendar Year, [*] after the end of such Calendar Quarter), Incyte shall report to Merus its Net Sales, and, if Merus has exercised its Co-Detailing Right, Merus shall report to Incyte the co-Detailing expenses it proposes to include as Allowable Expenses that are incurred by Merus for such [*] Co-Detailing Product during such Calendar Quarter in the United States in a manner sufficient to enable Incyte to comply with its reporting requirements. Each such report from Incyte shall specify in reasonable detail all deductions allowed in the calculation of such Net Sales and all costs and expenses incurred by Incyte and included as Allowable Expenses, and such report from Merus shall specify in detail all co-Detailing expenses to be included in Allowable Expenses. If requested by either Party, the other Party shall supply any invoices or other supporting documentation for any payments to a Third Party shall be promptly provided that individually exceed [*] or with respect to which documentation is otherwise reasonably requested.

(ii) Calculation of Profit Share/Loss. Within [*] after the end of each Calendar Quarter (or for the last Calendar Quarter in a Calendar Year, [*] after the end of such Calendar Quarter), Incyte shall confer with Merus, and the Parties shall agree in good faith on a consolidated financial statement setting forth a reconciliation of all Net Sales and Allowable Expenses and stating whether there is a Net Profit or Net Loss. Reconciliation payments for Net Profit or Net Loss shall be made as set forth in subsections A, B and C below, as applicable:

A. If there is a Net Profit for such Calendar Quarter, then Incyte shall pay to Merus an amount equal to fifty percent (50%) of the Net Profit for such Calendar Quarter, taking into consideration all Allowable Expenses incurred by Merus during such Calendar Quarter and as reported to Incyte; or

B. If there is a Net Loss for such Calendar Quarter, then the Party that has borne less than its share of such Net Loss in such Calendar Quarter shall make a reconciling payment to the other Party to assure that each Party bears fifty percent (50%) of such Net Losses during such Calendar Quarter.

C. No separate payment shall be made for the last Calendar Quarter in any Calendar Year. Instead, at the end of each such Calendar Year, a final reconciliation shall be conducted by comparing the share of Net Profit or Net Loss to which a Party is otherwise entitled for such Calendar Year pursuant to this Section 9.6 against the sum of all amounts (if any) previously paid or retained by such Party for prior Calendar Quarters during such Calendar Year, and the Parties shall make reconciling payments to one another no later than [*] after the end of such Calendar Quarter, if and as necessary to ensure that each Party receives for such Calendar Year its share of Net Profits and bears its share of Net Losses in accordance with this Section 9.6.

(iii) Accounting for FTEs. Each Party shall record and account for its FTE effort to the extent that such FTE efforts are included in Development Costs or Allowable

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Expenses that are, or may in the future be, shared under this Agreement, and shall report such FTE effort to the applicable Subcommittee, if requested (such request not to be more than on a [*]). Each Party shall calculate and maintain records of FTE effort incurred by it in the same manner as used for other products developed by such Party, unless instructed by the applicable Subcommittee to employ other procedures, in which case such other procedures shall be applied equally to both Parties.

9.7 Financial Records. The Parties shall keep complete and accurate books and records in accordance with the defined Accounting Standards. The parties will keep such books and records for at [*] following the end of the Calendar Year to which they pertain. Such books of accounts shall be kept at the principal place of business of the financial personnel with responsibility for preparing and maintaining such records. With respect to royalties, such records shall be in sufficient detail to support calculations of royalties due to either Party. Merus and Incyte shall also keep complete and accurate records and books of accounts containing all data reasonably required for the calculation and verification of Allowable Expenses, Development Costs, including internal FTEs utilized by either Party in jointly funded Clinical Trials or other Development activities.

9.8 Audits.

(a) Each Party may, upon request and at its expense (except as provided for herein), cause one of the "Big Four" accounting firms (Deloitte, Ernst & Young, KPMG or PricewaterhouseCoopers) selected by it (except one to whom the Auditee has a reasonable objection), (the "Audit Team") to audit during ordinary business hours the books and records of the other Party and the correctness of any payment made or required to be made to or by such Party, and any report underlying such payment (or lack thereof), pursuant to the terms of this Agreement. Prior to commencing its work pursuant to this agreement, the Audit Team shall enter into an appropriate confidentiality agreement with the Auditee.

(b) In respect of each audit of the Auditee's books and records: (i) the Auditee may be audited only once per year, (ii) no records for any given year for an Auditee may be audited more than once; provided that the Auditee's records shall still be made available if such records impact another financial year which is being audited, (iii) the Audit Rights Holder shall only be entitled to audit books and records of an Auditee from the [*] Calendar Years prior to the Calendar Year in which the audit request is made.

(c) In order to initiate an audit for a particular Calendar Year, the Audit Right Holder must provide written notice to the Auditee. The Audit Rights Holder exercising its audit rights shall provide the Auditee with notice of one or more proposed dates of the audit not less than [*] prior to the first proposed date. The Auditee will reasonably accommodate the scheduling of such audit. The Auditee shall provide such Audit Team(s) with full and complete access to the applicable books and records and otherwise reasonably cooperate with such audit.

(d) The audit report and basis for any determination by an Audit Team shall be made available first for review and comment by the Auditee, and the Auditee shall have the

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right, at its expense, to request a further determination by such Audit Team as to matters which the Auditee disputes (to be completed no more than [*] after the first determination is provided to such Auditee and to be limited to the disputed matters). If the Parties disagree as to such further determination, the Audit Right Holder and the Auditee shall mutually select one of the "Big Four" accounting firms (Deloitte, Ernst & Young, KPMG or PricewaterhouseCoopers) that shall make a final determination as to the remaining matters in dispute that shall be binding upon the Parties. Such accountants shall not disclose to the Audit Rights Holder any information relating to the business of the Auditee except that which should properly have been contained in any report required hereunder or otherwise required to be disclosed to such Party to the extent necessary to verify the payments required to be made pursuant to the terms of this Agreement.

(e) If the audit shows any under-reporting or underpayment, or overcharging by any Party, that under-reporting, underpayment or overcharging shall be reported to the Audit Rights Holder and the underpaying or overcharging Party shall remit such underpayment or reimburse such overcompensation to the underpaid or overcharged Party within [*] after receiving the audit report. Further, if the audit for an annual period shows an under-reporting or underpayment or an overcharge by any Party for that period in excess of [*] of the amounts properly determined, the underpaying or overcharging Party, as the case may be, shall reimburse the applicable underpaid or overcharged Audit Rights Holder conducting the audit, for its respective audit fees and reasonable Out-of-Pocket Costs in connection with said audit, which reimbursement shall be made within [*] after receiving appropriate invoices and other support for such audit-related costs.

(f) For the purposes of the audit rights described herein, an individual Party subject to an audit in any given year will be referred to as the "Auditee" and the other Party who has certain and respective rights to audit the books and records of the Auditee will be referred to as the "Audit Rights Holder".

9.9 Tax Matters. The royalties, milestones and other amounts payable by pursuant to this Agreement ("Payments") shall not be reduced on account of any taxes unless required by Law. Each Party alone shall be responsible for paying any and all taxes (other than withholding taxes required by Law to be deducted and paid on by the other Party on such Party's behalf) levied on account of, or measured in whole or in part by reference to, any Payments it receives. The Parties will cooperate in good faith to obtain the benefit of any relevant tax treaties to minimize as far as reasonably possible any taxes which may be levied on any Payments. Each Party shall deduct or withhold from the Payments any taxes that it is required by Law to deduct or withhold. Notwithstanding the foregoing, if either Party is entitled under any applicable tax treaty to a reduction of the rate of, or the elimination of, applicable withholding tax, it may deliver to the other Party or the appropriate governmental authority (with the assistance of the other Party to the extent that this is reasonably required and is expressly requested in writing) the prescribed forms necessary to reduce the applicable rate of withholding or to relieve the other Party of its obligation to withhold tax, and the other Party shall apply the reduced rate of withholding tax, or dispense with withholding tax, as the case may be, provided that the other Party has received evidence of such delivery of all applicable forms (and, if necessary, its receipt of appropriate governmental authorization) at least [*] prior to the time that the Payment is due.

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If, in accordance with the foregoing, a Party withholds any amount, it shall make timely payment to the proper taxing authority of the withheld amount, and send to the other Party proof of such payment within [*] following that latter payment.

9.10 Currency Exchange. The currency exchange method set out in this Section 9.10 shall be applied for calculations of amounts for (a) Net Sales and royalties, and (b) Development Costs and Allowable Expenses. With respect to amounts invoiced in United States Dollars, all such amounts shall be expressed in United States Dollars. With respect to amounts invoiced in a currency other than United States Dollars, all such amounts shall be expressed both in the currency in which the amount was invoiced and in the United States Dollar equivalent. The United States Dollar equivalent shall be calculated using the average of the last (bid) United States dollar/foreign currency rates for the last Business Day of each month in the Calendar Quarter for which Net Sales, royalties, Development Costs and Allowable Expenses, each as applicable, are being reported, as reported by The Wall Street Journal, for the conversion of foreign currency sales into United States Dollars.

9.11 Invoices. Where any payment due under this Agreement requires a Party to invoice the other Party following notification of an event triggering such payment from the paying Party, including with respect to any milestone payments payable under this ARTICLE IX, the non-paying Party may invoice the paying Party for such payment prior to receiving such notification, if the non-paying Party becomes aware of the occurrence of the event triggering such payment obligation by means other than such notification, including by press release or other public disclosure of such event issued by the paying Party.

9.12 Late Payments. The paying Party shall pay interest to the receiving Party on the aggregate amount of any payments that are not paid on or before the date such payments are due under this Agreement at a rate per annum equal to the lesser of the [*] LIBOR rate for United States dollars, as reported by The Wall Street Journal, plus [*] or the highest rate permitted by applicable Law, calculated on the number of days such payments are paid after the date such payments are due; provided, that with respect to any disputed payments, no interest payment shall be due until such dispute is resolved and the interest which shall be payable thereon shall be based on the finally-resolved amount of such payment, calculated from the original date on which the disputed payment was due through the date on which payment is actually made.

ARTICLE X
TERM AND TERMINATION

10.1 Agreement Term. The term of this Agreement shall commence on the Effective Date and shall continue on a Program-by-Program basis unless earlier dropped pursuant to Section 4.8 or terminated pursuant to Section 10.2, until (a) with respect to Program 1, Program 2, [*] Non-Co Programs, and Novel Programs (other than any Additional Co-Development Programs), following the First Commercial Sale of any such Licensed Product, the expiration of the last-to-expire of all Royalty Terms with respect to all Licensed Products within such Program, and (b) with respect to the [*] Co-Development Program and Additional Co-Development Program, following the First Commercial Sale of any such [*] Co-Development

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Product or Additional Co-Development Product, as applicable, the later of (i) expiration of the last-to-expire of all Royalty Terms outside the United States for such [*] Co-Development Product or Additional Co-Development Product, as applicable, and (ii) the cessation of Commercialization of such [*] Co-Development Product or Additional Co-Development Product, as applicable, in the United States (the "Term").

10.2 Termination.

(a) Termination by Incyte for Convenience. Incyte shall have the right to terminate this Agreement for convenience (i) in its entirety upon [*] prior written notice to Merus, or (ii) on a Program-by-Program basis, at any time following Program Selection for the applicable Program (A) with respect to Program 1 or any [*] Co-Development Program upon [*] prior written notice to Merus, and (B) with respect to Program 2, any [*] Non-Co Program, or any Novel Program, upon [*] prior written notice to Merus. For clarity, an election by Incyte to cease activities under a given Program prior to Program Selection makes such Program a Dropped Program pursuant to Section 4.8 and such Program is not subject to this Section 10.2(a).

(b) Termination for Material Breach. If either Party (the "Non-Breaching Party") believes that the other Party (the "Breaching Party") is in material breach of this Agreement, then the Non-Breaching Party may deliver notice of such breach to the Breaching Party, which such notice shall describe such breach in sufficient detail to allow the Breaching Party to cure such breach. If the Breaching Party fails to cure such breach, or take such steps that would be considered reasonable to effectively cure such breach within the [*] period ([*] period for non-payment) after delivery of such notice, the Non-Breaching Party may terminate this Agreement upon written notice to the Breaching Party, which termination shall apply (i) solely with respect to a particular Program (and all Licensed Products for such Program) if the harm from such breach is related solely to such Program, or (ii) at the discretion of the Non-Breaching Party if such breach is not related solely to a single Program, either (A) with respect to the Programs that are the subject of such breach or (B) with respect to all [*] Programs if the breach is related to multiple [*] Programs or with respect to all Novel Programs if the breach is related to multiple Novel Programs. Except with respect to non-payment, if during such [*] period the Breaching Party is undertaking steps that would be considered reasonable to effectively cure such breach, the cure period shall be extended by an additional [*].

(c) Termination for Patent Challenge. Except to the extent the following is unenforceable under the laws of a particular jurisdiction, if a Party or any of its Affiliates, directly or indirectly, (i) initiates or requests an interference or opposition proceeding with respect to any Merus Patent Rights (if such Party is Incyte) or Incyte Patent Rights (if such Party is Merus), (ii) makes, files, or maintains any claim, demand, lawsuit, or cause of action to challenge the validity or enforceability of any Merus Patent Right (if such Party is Incyte) or Incyte Patent Rights (if such Party is Merus) in a tribunal or forum, or (iii) opposes any extension of, or the grant of a supplementary protection certificate with respect to, any Merus Patent Right (if such Party is Incyte) or Incyte Patent Rights (if such Party is Merus), then the other Party may terminate this Agreement solely with respect to any Programs to which such patent challenge relates upon [*] prior written notice to such Party. Any such termination will only become effective such Party or its Affiliate, as applicable, has not withdrawn such action before the end of the above notice period.

[*] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

(d) Termination Disputes. If the Breaching Party disputes in good faith the existence or materiality of a breach specified in a notice provided by the other Party under Section 10.2(b), or if a Non-Breaching Party gives notice of termination under Section 10.2(b) and the Breaching Party disputes whether such notice was proper, then the issue of whether such breach has occurred and/or whether this Agreement was properly terminated shall be resolved in accordance with ARTICLE XIV, and the Agreement shall remain in full force and effect until such dispute is resolved. If as a result of such dispute resolution process it is determined that (i) the Breaching Party has in fact materially breached the Agreement, then such Party must cure such breach within [*] following such determination; or (ii) the notice of termination was proper, then such termination shall be effective on the date on which such dispute is resolved. If as a result of the dispute resolution process it is determined that the Breaching Party has not materially breached the Agreement, or the notice of termination for uncured material breach was improper, then no termination shall have occurred and this Agreement shall remain in full force and effect.

10.3 Effects of Termination. Upon any termination of this Agreement, the following will apply:

(a) All rights and licenses granted by either Party hereunder shall immediately terminate with respect to the Terminated Programs;

(b) Incyte shall Transition the Terminated Programs to Merus pursuant to Section 10.5;

(c) Merus shall pay Incyte a grantback royalty pursuant to Section 10.6 with respect to any future Net Sales of Terminated Products;

(d) The provisions of Section 2.8 will cease to apply with respect to Terminated Programs;

(e) The provisions of ARTICLE VIII (other than Sections 8.1) will cease to apply to Terminated Programs; and

(f) Following any termination of a Program occurring prior to Program Selection for such Program, Section 4.8 shall apply.

10.4 Alternative to Termination by Incyte. If Incyte has a right to terminate this Agreement for Merus's uncured material breach pursuant to Section 10.2(b), subject to Section 10.2(d), Incyte may elect in its notice of termination to, in lieu of terminating this Agreement with respect to the affected Programs and [*], have all rights and licenses granted hereunder with respect to such Programs continue and receive [*] or as otherwise agreed by the Parties in writing in their sole discretion. The payment of amounts under this Section 10.4 shall be [*] in connection with [*] or, if such determination is agreed by the Parties, then in accordance with such agreement.

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10.5 Transition. In the event of termination of this Agreement, whether in its entirety or with respect to a Terminated Program, at Merus's request, Incyte shall transition to Merus Incyte's relevant rights and obligations with respect to the Terminated Program as reasonably necessary for Merus to Develop and Commercialize the Terminated Programs after termination as set forth in this Section 10.5(a) through 10.5(j) (the "Transition").

(a) Incyte shall, as soon as reasonably practicable, transfer and assign to Merus all of its right, title, and interest in all Regulatory Documentation then Controlled by Incyte and held in its name applicable to the Terminated Programs, the data comprising the Global Safety Database, and other documented technical information, Know-How, and materials Controlled by Incyte that were generated under this Agreement by Incyte with respect to the Terminated Program and are necessary for the Development, manufacture, and Commercialization of the Terminated Products (as they exist as of the effective date of termination) worldwide or, if the Terminated Product is a Program 1 Product, in the Incyte Territory, and Merus shall provide Incyte with access to and a right of reference to all of the foregoing for all uses in relation to Programs or activities under this Agreement;

(b) Incyte shall notify the applicable Regulatory Authorities and take any other action reasonably necessary to effect the transfer set forth in subsection (a) above;

(c) Unless expressly prohibited by any Regulatory Authority, Incyte shall transfer, as of the effective date of termination, to Merus control of all Clinical Trials being conducted by Incyte for the Terminated Programs that Merus shall designate in writing for continuation and shall [*] (unless Incyte terminates for Merus's uncured breach, in which case [*]), to enable such transfer to be completed without interruption of any such Clinical Trial; provided that, at Merus's request, Incyte shall [*] with reimbursement on a reasonably agreed schedule following the effective date of termination. In addition, with respect to each Clinical Trial for which such transfer is expressly prohibited by the applicable Regulatory Authority or for which Merus does not wish to continue, if any, Incyte shall in its discretion either (i) wind down such Clinical Trial if permitted by the applicable Regulatory Authorities and Law or (ii) continue to conduct such Clinical Trial to the point at which it may be so transferred, wound down, or to completion, in each case at Merus's cost;

(d) Incyte shall provide to Merus a summary report of the status of the Development and Commercialization of the Terminated Products in each country (i) worldwide with respect to Program 2, any [*] Program, and any Novel Program, and (ii) in the Incyte Territory with respect to Program 1 through the effective date of such termination;

(e) Incyte shall promptly transfer and assign to Merus all of Incyte's and its Affiliates' right, title, and interest in and to any Terminated Product-specific trademarks (but not any Incyte-owned house marks or any trademarks that cover products or services other than Terminated Products) owned by Incyte and used for the Terminated Products (i) worldwide with

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respect to Program 2, any [*] Program, and any Novel Program, and (ii) in the Incyte Territory with respect to Program 1; provided that such trademarks were used in connection with the Commercialization of Terminated Products as of or prior to the effective date of termination.

(f) Merus may, within [*] following the effective date of such termination, elect to obtain Incyte's inventory of Terminated Product manufactured by a Third Party; provided that if Merus elects to obtain Incyte's inventory of Terminated Product, Merus may not use any trademarks, names, and logos of Incyte contained therein (except to the extent transferred pursuant to Section 10.5(e)) in connection with the sale of such inventory. Merus shall pay Incyte [*] (or [*] if Incyte terminates due to Merus's breach) of Incyte's Manufacturing Costs for such inventory of Terminated Product. Merus shall indemnify Incyte in accordance with Section 11.2(a) from and against any losses, costs, damages, fees or expenses arising from sales by Merus or its Affiliates of any such Terminated Product;

(g) Incyte shall provide reasonable assistance to Merus and cooperation in connection with the transition of Incyte's applicable prosecution, maintenance, and enforcement responsibilities to Merus, including execution of such documents as may be necessary to effect such transition;

(h) If Incyte is responsible for manufacturing a Terminated Product prior to termination of this Agreement for a Terminated Program, Incyte shall:

(i) either (A) assign to Merus Incyte's right, title, and interest in and to any agreements with Third Parties for the manufacture of Terminated Product if such agreements are [*] transferable [*] to Incyte or (B) if such agreements are [*] or transferable [*] to Incyte, in exchange for a payment equal to [*] (or [*] if termination is due to Merus's breach) of Incyte's Manufacturing Cost, use Commercially Reasonable Efforts to supply Merus's and its Affiliates' requirements of Terminated Product in the dosage strength, formulation and presentation as were being Developed or Commercialized as of the effective date of termination until the earlier of [*] after the effective date of the termination and establishment by Merus of an alternative supply for such Terminated Product; provided that Merus shall use Commercially Reasonable Efforts to establish an alternative supply as promptly as reasonably practicable. For clarity, if Merus does not agree to an assignment under (A) above, Incyte shall have no obligation to supply Terminated Product to Merus;

(ii) cooperate with Merus in reasonable respects to transfer manufacturing documents and materials that are used (at the time of the termination) by Incyte in the manufacture of Terminated Products;

(iii) reasonably cooperate with Merus to transfer to Merus, or Merus's designated contract manufacturer, the manufacturing technologies (including all relevant Know-How) that are necessary (at the time of the termination) and Controlled by Incyte in the manufacture of Terminated Products, provided that Merus shall reimburse Incyte for Incyte's reasonable Out-of-Pocket Costs to provide such requested assistance;

[*] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

(i) Incyte, for itself and on behalf of its Affiliates, shall and hereby does grant to Merus (A) a [*] license under any [*], and (B) an [*] license under Incyte's interest in and to any [*] and [*], in each case of (A) and (B), that is [*] Terminated Products [*], only to [*] the Terminated Products. For clarity, Incyte retains all other rights in and to the [*] subject to the terms this Agreement for use with other Licensed Products that are not Terminated Products. The foregoing licenses will include the right for Merus to grant sublicenses through multiple tiers (subject to Section 2.5).

(j) Notwithstanding the foregoing, Incyte retains the license under Section 2.3 to the [*] Terminated Programs for internal research purposes and for use in connection with existing Programs and any other Programs that may begin during the Research Term, in each case until the end of the Term applicable to such Program, provided that with respect to (and to the extent that) any [*] are incorporated into any Terminated Product, or any [*] included within the Terminated Program, the exclusive license retained by Incyte shall exclude with respect to any grant of rights to use such [*] in relation to the development, manufacture or commercialization of Antibodies directed to the Terminated Target Pair.

10.6 Grantback Royalty. Following the effective date of termination of this Agreement in its entirety or with respect to any Program, Merus shall pay Incyte, on a Terminated Program-by-Terminated Program basis for which it elects to obtain the rights under Section 10.5, a royalty on Annual Net Sales by Merus or its Affiliates or sublicensees worldwide of Terminated Products at the following rates:

Stage of Development	**Royalty Rate**
If the effective date of termination occurs prior to [*]	[*]
If the effective date of termination occurs on or after [*] but prior to [*] for [*]	[*]
If the effective date of termination occurs on or after [*] for [*]	4%

The foregoing obligation for Merus to pay royalties to Incyte shall continue until the expiration of the Royalty Term that would have applied to such Terminated Product in such country or other jurisdiction had the Terminated Program not been terminated. For clarity, an election by Incyte to cease activities under a given Program prior to [*] is subject to Section 4.8 as a Dropped Program and either no royalty or a [*] royalty will be payable thereon in accordance with Section 9.3(a)(ii). For purposes of this Section 10.6, the definition of "Annual Net Sales", "Royalty Receiving Party" and "Royalty Paying Party", and Sections 8.5(c), 9.3 and 9.7 through 9.12 shall apply *mutatis mutandis* to the calculation, payment, recording, and auditing of Merus's obligations to pay royalties under this Section 10.6.

10.7 Survival. Article I (to the extent used in any surviving provisions), Section 2.6(a) and 6.3(b) (solely with respect to the license grant therein), Sections 8.1, 9.3(a)(ii) (for the applicable Royalty Term, and, for purposes of calculating the royalties set forth therein, the applicable portions of Sections 8.5(c), 9.3, 9.7, 9.9, 9.10 and 9.11), 9.3(g), 9.7 (with respect to

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obligation to maintain records), 9.8 (for the time period specified therein), 9.9 through 9.12 (solely with respect to payment obligations accrued as of the effective date of termination or expiration), 10.3, 10.5, 10.6, 10.7, Article XI, Section 12.6, Article 13 (for the time period specified therein) and Sections 15.1, 15.2, 15.5, 15.6, 15.9, 15.10, 15.11, 15.12, 15.14 and 15.15 shall survive termination or expiration (in accordance with Section 10.1 (Agreement Term) of this Agreement).

ARTICLE XI
INDEMNIFICATION

11.1 By Incyte.

(a) Incyte agrees, at Incyte's cost and expense, to defend, indemnify and hold harmless Merus and its Affiliates and sublicensees and their respective directors, officers, employees, subcontractors (including contract research organizations and contract manufacturers), and agents (the "Merus Indemnified Parties") from and against any losses, costs, damages, fees or expenses arising out of any Third Party claim against such Merus Indemnified Parties relating to (i) any breach by Incyte of any of its representations, warranties, or obligations pursuant to this Agreement; (ii) the gross negligence or willful misconduct of Incyte; (iii) the breach of Incyte's obligations under the [*] Discovery Plan, any Novel Discovery Plans, or Research Plans; and (iv) Incyte's, its Affiliates' or sublicensees' Development, manufacture or Commercialization of (A) Program 1 Antibody and Program 1 Product for the Incyte Territory or (B) Program 2 Antibody, Program 2 Product, [*] Antibodies, [*] Products, Novel Program Antibodies and Novel Program Products worldwide; provided that Incyte shall not defend, indemnify nor hold harmless Merus Indemnified Parties from and against any losses, costs, damages, fees or expenses arising out of any Third Party claims for which Merus is obligated to defend, indemnify or hold harmless the Incyte Indemnified Parties pursuant to Section 11.2.

(b) In the event of any such claim against the Merus Indemnified Parties by any Third Party, Merus shall promptly, and in any event within [*], notify Incyte in writing of the claim. Incyte shall have the right, exercisable by notice to Merus within [*] after receipt of notice from Merus of the claim, to assume direction and control of the defense, litigation, settlement, appeal or other disposition of the claim (including the right to settle the claim solely for monetary consideration) with counsel selected by Incyte and reasonably acceptable to Merus; provided that the failure to provide timely notice of a claim by a Third Party shall not limit a Merus Indemnified Party's right for indemnification hereunder except to the extent such failure results in actual prejudice to Incyte. The Merus Indemnified Parties shall cooperate with Incyte and may, at their option and expense, be separately represented in any such action or proceeding. Merus will have the right to provide input on all decisions regarding the defense, litigation, settlement, appeal or other disposition of any such claim, and Incyte shall consider all such input in good faith. Merus shall not be liable for any litigation costs or expenses incurred by the Merus Indemnified Parties without Incyte's prior written authorization. In addition, Incyte shall not be responsible for the indemnification or defense of any Incyte Indemnified Party to the extent arising from any negligent or intentional acts by any Merus Indemnified Party or the breach by Merus of any obligation or warranty under this Agreement, or any claims compromised or settled without its prior written consent.

(c) Notwithstanding anything to the contrary above, (i) in the event of any such claim against the Merus Indemnified Parties by a governmental or criminal action seeking an injunction against Merus, or (ii) if at the time that a claim for which indemnification may be sought under this Section 11.2, or at any time thereafter prior to the final resolution of such claim, a Bankruptcy Event of Incyte has occurred, Merus shall have the right to control the defense, litigation, settlement, appeal or other disposition of the claim [*].

[*] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

11.2 By Merus.

(a) Merus agrees, at Merus's cost and expense, to defend, indemnify and hold harmless Incyte and its Affiliates and sublicensees and their respective directors, officers, employees, subcontractors (including contract research organizations and contract manufacturers), and agents (the "Incyte Indemnified Parties") from and against any losses, costs, damages, fees or expenses arising out of any Third Party claim against such Incyte Indemnified Party(ies) relating to (i) any breach by Merus of any of its representations, warranties, or obligations pursuant to this Agreement; (ii) the gross negligence or willful misconduct of Merus; (iii) the breach of Merus's obligations under the [*] Discovery Plan, any Novel Discovery Plans, or Research Plans; (iv) Merus's, its Affiliates' or sublicensees' (A) manufacture or Development of Program 1 Antibody or Program 1 Product worldwide for Commercialization in, or Commercialization of Program 1 Antibody or Program 1 Product in, the United States, (B) breach of Merus's obligations with respect to co-Detailing of [*] Co-Detailing Product in the United States, (C) manufacture, Development, Commercialization, use, sale or other disposition of Dropped Products and/or Terminated Products worldwide, and/or (D) manufacture or Development of Program 1 Antibody or Program 1 Product, or Program 2 Antibody or Program 2 Product, in each case prior to the Effective Date; (v) any alleged infringement (directly or indirectly, by Merus or Incyte) of any claim (A) in those Patent Rights (of one or more Third Parties) as set forth in Exhibit 11.2(a)(v)(A), and (B) in those Patent Rights (of one or more Third Parties) as set forth in Exhibit 11.2(a) (v)(B) that [*]; (vi) any alleged infringement (directly or indirectly, by Merus or Incyte) of any claim in any Patent Rights of one or more Third Parties (other than those set forth in Exhibit 11.2(a)(v)(A) and Exhibit 11.2(a)(v)(B)) that [*] or Merus's or its Affiliate's [*]; provided that, in each of cases (i) through (vi), Merus shall not defend, indemnify nor hold harmless Incyte Indemnified Parties from and against any losses, costs, damages, fees or expenses arising out of any Third Party claims for which Incyte is obligated to defend, indemnify or hold harmless the Merus Indemnified Parties pursuant to Section 11.1. Notwithstanding anything else to the contrary, in no event shall Merus's obligation to indemnify Incyte pursuant to clause (vi) of this Section 11.2(a) [*] as of the date that judgment determining such liability is rendered (the "Indemnity Cap"). If the amount that Merus would have been required to indemnify Incyte pursuant to clause (vi) of this Section 11.2(a) but for the Indemnity Cap exceeds the Indemnity Cap and Incyte is required to pay such amount to a Third Party (the "Payment Shortfall") with respect to the Licensed Products that are the subject of such infringement action which is subject to such indemnification claim, then Incyte may [*] under this Agreement for the [*], as they become due, until the Payment Shortfall is fully recouped.

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(b) In the event of any such claim against the Incyte Indemnified Parties by any Third Party, Incyte shall promptly, and in any event within [*], notify Merus in writing of the claim. Merus shall have the right, exercisable by notice to Incyte within [*] after receipt of notice from Incyte of the claim, to assume direction and control of the defense, litigation, settlement, appeal or other disposition of the claim (including the right to settle the claim solely for monetary consideration) with counsel selected by Merus and reasonably acceptable to Incyte; provided that the failure to provide timely notice of a claim by a Third Party shall not limit an Incyte Indemnified Party's right for indemnification hereunder except to the extent such failure results in actual prejudice to Merus. The Incyte Indemnified Parties shall cooperate with Merus and may, at their option and expense, be separately represented in any such action or proceeding. Incyte will have the right to provide input on all decisions regarding the defense, litigation, settlement, appeal or other disposition of any such claim, and Merus shall consider all such input in good faith. Merus shall not be liable for any litigation costs or expenses incurred by the Incyte Indemnified Parties without Merus's prior written authorization. In addition, Merus shall not be responsible for the indemnification or defense of any Incyte Indemnified Party to the extent arising from any negligent or intentional acts by any Incyte Indemnified Party, or the breach by Incyte of any representation, obligation, or warranty under this Agreement, or any claims compromised or settled without its prior written consent.

(c) Notwithstanding anything to the contrary above: (i) in the event of any such claim against the Incyte Indemnified Parties by a governmental or criminal action seeking an injunction against Incyte, or (ii) if at the time that a claim for which indemnification may be sought under this Section 11.2, or at any time thereafter prior to the final resolution of such claim, a Bankruptcy Event of Merus has occurred, Incyte shall have the right to control the defense, litigation, settlement, appeal or other disposition of the claim at Merus's expense.

11.3 General Limitation of Liability. EXCEPT WITH RESPECT TO A PARTY'S LIABILITY PURSUANT TO ARTICLE XI , NEITHER PARTY SHALL BE LIABLE FOR SPECIAL, CONSEQUENTIAL, EXEMPLARY, PUNITIVE OR OTHER INDIRECT OR REMOTE DAMAGES, OR FOR LOSS OF PROFITS, LOSS OF DATA OR LOSS OF USE DAMAGES, IN EACH CASE ARISING IN ANY WAY OUT OF THIS AGREEMENT OR THE EXERCISE OF ITS RIGHTS HEREUNDER, WHETHER BASED UPON WARRANTY, CONTRACT, TORT, STRICT LIABILITY OR OTHERWISE, EVEN IF SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES OR LOSS; PROVIDED, THAT NOTWITHSTANDING THE FOREGOING, IF INCYTE IS LIABLE TO MERUS FOR NON-PAYMENT OF MERUS'S SHARE OF NET PROFITS PURSUANT TO SECTION 9.6, SUCH UNPAID NET PROFITS SHALL BE TREATED AS DIRECT DAMAGES, AND NOT AS LOST PROFITS FOR THE PURPOSES OF APPLICATION OF THIS SECTION 11.3.

11.4 Insurance. Each Party shall use Commercially Reasonable Efforts to maintain Third Party insurance and/or self-insurance, as applicable, including product liability insurance, with respect to its activities hereunder in amounts customary to such insurance and sufficient to meet its obligations under this Agreement, and shall claim upon such insurance policy according to such policy's relevant terms and conditions before relying upon indemnification from the other Party. Prior to the Effective Date, Merus will evaluate and consider in good faith patent infringement insurance to cover Merus's indemnification obligations under Section 11.2(a), and will discuss such evaluation with Incyte.

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ARTICLE XII
REPRESENTATIONS AND WARRANTIES AND COVENANTS

12.1 Representation of Authority; Consents. Incyte and Merus each represents and warrants to the other Party as of the Execution Date that:

(a) it has full right, power and authority to enter into this Agreement;

(b) this Agreement has been duly executed by such Party and constitutes a legal, valid and binding obligation of such Party, enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy, fraudulent conveyance, insolvency, reorganization, moratorium and other Laws relating to or affecting creditors' rights generally and by general equitable principles and public policy constraints (including those pertaining to limitations and/or exclusions of liability, competition Laws, penalties and jurisdictional issues including conflicts of Laws); and

(c) all necessary consents, approvals and authorizations of all government authorities and other persons required to be obtained by such Party in connection with the execution, delivery and performance of this Agreement have been and shall be obtained.

12.2 No Conflict. Each Party represents and warrants to the other Party that the execution and delivery of this Agreement and the performance of such Party's obligations hereunder (a) do not conflict with or violate such Party's corporate charter and bylaws or any requirement of applicable Laws and (b) do not and shall not conflict with, violate or breach or constitute a default or require any consent under, any oral or written contractual obligation of such Party. Each Party agrees that it shall not during the Term grant any right, license, consent or privilege to any Third Party or otherwise undertake any action, either directly or indirectly, that would conflict with the rights granted to the other Party or interfere with any obligations of such Party set forth in this Agreement.

12.3 Additional Merus Representations and Warranties. Merus represents and warrants, as of the Execution Date, except as disclosed in Exhibit 12.3:

(a) Neither it nor any of its Affiliates or any of its or their licensees or sublicensees has received written notice of any claim or litigation which alleges any Intellectual Property Rights of a Third Party are infringed by (i) the use of the Merus Platform, (ii) any Bi-Specific Constructs and the corresponding Selected Monoclonal Antibodies existing as of the Execution Date that bind to the Program 1 Target Pair, the Program 2 Target Pair or [*] or (iii) IMOD Pipeline Products;

(b) To the knowledge of Merus and its Affiliates, none of Merus or any of its Affiliates has in the past infringed or is currently infringing any Third Party Intellectual Property Rights through activities [*] (i) the [*], (ii) any [*] or the [*] that bind to the [*] Target Pair or [*] or (iii) [*];

[*] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

(c) To the knowledge of Merus and its Affiliates, there are no Third Party Patent Rights existing as of the Execution Date that would be infringed by (i) [*] and (ii) the [*] as contemplated under this Agreement, in each case as directed to the [*] Target Pair or, as of the Execution Date, [*] or any of the [*] Target Pairs.

(d) Only those Target Pairs set forth on Exhibit 1.84 are Not Available as of the Execution Date;

(e) There are no claims, judgments or settlements against or owed by Merus or any of its Affiliates with respect to (i) any Bi-Specific Constructs binding or the corresponding Selected Monoclonal Antibodies to the Program 1 Target Pair, the Program 2 Target Pair or [*], (ii) the IMOD Pipeline Products, (iii) the Merus IP or (iv) the Merus Platform IP nor, to the knowledge of Merus or any of its Affiliates, any pending reissue, reexamination, interference, opposition or similar proceedings with respect to Patent Rights claiming any of the foregoing (i) – (iv), and Merus has not received written notice of any threatened claims or litigation or any reissue, reexamination, interference, opposition or similar proceedings seeking to invalidate or otherwise challenge any Merus IP or Merus Platform IP;

(f) To the knowledge of Merus and its Affiliates, no Third Party is infringing or misappropriating any Merus IP or Merus Platform IP;

(g) (i) Merus is the legal and beneficial owner of or has the right to grant to Incyte the rights granted herein to all Merus IP and Merus Platform IP, and (ii) no Third Party has any right, interest or claim in or to such rights that would limit the rights granted to Incyte under this Agreement;

(h) All fees due to date that are required to maintain the Merus IP and Merus Platform IP have been paid in full and to Merus's knowledge, the Merus IP and Merus Platform IP is valid and enforceable;

(i) Merus has not granted to any Third Party rights that are inconsistent with Incyte's rights hereunder and there are no agreements or arrangements to which Merus or any of its Affiliates is a party relating to Licensed Antibodies or Merus IP or Merus Platform IP that would limit the rights granted to Incyte under this Agreement;

(j) Merus has disclosed to Incyte all material information known to it and its Affiliates with respect to the [*]. Merus has disclosed to Incyte all material information known to it and its Affiliates with respect to the [*] of (i) any [*] generated by Merus or its Affiliates prior to the Execution Date that bind to the Program 1 Target Pair, Program 2 Target Pair or [*] and (ii) any [*] generated by Merus or its Affiliates prior to the Execution Date;

(k) Merus has no existing IMOD Pipeline Products other than the IMOD Pipeline Products set forth on Exhibit 12.3(k);

[*] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

(l) All Merus Patent Rights existing as of the Execution Date are listed on Exhibit 12.3(l) (the "Existing Patents");

(m) Merus is (i) the sole and exclusive owner of the entire right, title and interest in the Existing Patents listed on Exhibit 12.3(l), Part 1 and the Merus Know-How and (ii) the sole and exclusive licensee of the Existing Patents listed on Exhibit 12.3(l), Part 2 through one or more in-license agreements ("Merus In-License Agreements"), in each case ((i) and (ii)) free of any encumbrance, lien, or claim of ownership by any Third Party. Merus is entitled to grant the licenses specified herein;

(n) Neither Merus nor any of its Affiliates has previously entered into any agreement, whether written or oral, with respect to the assignment, transfer, license, conveyance or encumbrance of, or otherwise assigned, transferred, licensed, conveyed or encumbered its right, title, or interest in or to the Existing Patents, Merus Know-How, the Licensed Products, or the Licensed Antibodies (including by granting any covenant not to sue with respect thereto) or any Patent Right or other intellectual property or proprietary right or Information that would be an Existing Patent or Merus Know-How but for such assignment, transfer, license, conveyance, or encumbrance;

(o) True, complete, and correct copies of the file wrapper and other documents and materials relating to the prosecution, defense, maintenance, validity, and enforceability of the Existing Patents have been provided or made available to Incyte prior to the Execution Date;

(p) To the knowledge of Merus, each of the Existing Patents properly identifies each and every inventor of the claims thereof as determined in accordance with the laws of the jurisdiction in which such Existing Patent is issued or such application is pending;

(q) No rights or licenses are required under the Merus IP for the conduct of the Development or Commercialization of Licensed Antibodies and Licensed Products directed to the Program 1 Target Pair or the Program 2 Target Pair as contemplated under this Agreement as of the Execution Date other than those granted to Incyte under this Agreement.

(r) (i) All inventors of Inventions claimed in the Existing Patents have assigned their entire right, title, and interest in and to such Inventions to Merus, (ii) to the knowledge of Merus, all authors of the Merus Know-How have assigned their entire right, title, and interest in and to such Merus Know-How to Merus; and (iii) to the knowledge of Merus, all assignments to Merus of inventorship rights relating to the Merus Patent Rights are legally binding and enforceable;

(s) The inventions claimed or covered by the Existing Patents (i) were not conceived, discovered, developed, or otherwise made in connection with any research activities funded, in whole or in part, by the federal government of the United States or any agency thereof, (ii) are not a "subject invention" as that term is described in 35 U.S.C. Section 201(f), and (ii) are not otherwise subject to the provisions of the Bayh-Dole Act; and

(t) [*]

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12.4 Merus Covenants.

(a) During the Term, Merus shall not grant to any Third Party rights that would be inconsistent with Incyte's rights hereunder, including a grant of rights that would remove the Merus IP from Merus's Control or limit the rights granted to Incyte under this Agreement;

(b) Between the Execution Date until the Effective Date, Merus shall not and shall cause its Affiliates not to (i) incur, create, assume, or permit the incurrence, creation, or assumption of any encumbrance, lien, or claim of ownership by any Third Party with respect to any Merus Platform IP or Merus IP; (ii) dispose of any of Merus Platform IP or Merus IP; or (iii) waive, release, grant, license, or transfer any right, title or interest in or to any Merus Platform IP or Merus IP in any manner that would limit the scope of the intellectual property rights included in, or the exclusivity of the license rights granted to Incyte under this Agreement;

(c) Between the Execution Date and the Effective Date and during the Term, neither Merus nor any of its Affiliates shall not (i) commit any acts or permit the occurrence of any omissions that would cause the breach or termination of any Merus In-License Agreement, or (ii) amending or otherwise modifying or permitting to be amended or modified, Merus In-License Agreement, in each case in any manner that would limit the scope of rights granted to Incyte. Merus shall promptly provide Incyte with notice of any alleged, threatened, or actual breach of any Merus In-License Agreement. As of the Execution Date, Merus has not received any notice of breach of any Merus In-License Agreement. To the knowledge of Merus, each Merus In-License Agreement is in full force and effect; and

(d) Between the Execution Date and the Effective Date and during the Term, Merus shall continue to prosecute and maintain all Intellectual Property Rights included within the Merus Platform IP in the ordinary course;

(e) Within [*] after the Effective Date, Merus shall inform Incyte in writing if Merus or any of its Affiliates becomes aware that the representations and warranties made by Merus pursuant this ARTICLE XII as of the Execution Date are not true and correct in any material respects on and as of the Effective Date if they were made on and as of the Execution Date.

(f) Merus shall not [*] under this Agreement.

12.5 Mutual Representations, Warranties, and Covenants.

(a) Neither Party, nor any of their Affiliates, nor any of their respective officers, employees, or agents has made an untrue statement of material fact or fraudulent statement to the FDA or any other Regulatory Authority with respect to the Development of the Licensed Antibodies or the Licensed Products, failed to disclose a material fact required to be disclosed to the FDA or any other Regulatory Authority with respect to the Development of the

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Licensed Antibodies or the Licensed Products, or committed an act, made a statement, or failed to make a statement with respect to the Development of the Licensed Antibodies or the Licensed Products or the Development of any Antibodies that could reasonably be expected to provide a basis for the FDA to invoke its policy respecting "Fraud, Untrue Statements of Material Facts, Bribery, and Illegal Gratuities", set forth in 56 Fed. Reg. 46191 (September 10, 1991) and any amendments thereto or any analogous laws or policies.

(b) Neither Party nor any of their or their Affiliates' employees or agents performing hereunder have ever been, are currently, or are the subject of a proceeding that could lead to it or such employees or agents becoming, as applicable, a Debarred Entity or Debarred Individual, an Excluded Entity or Excluded Individual or a Convicted Entity or Convicted Individual. If, during the Term, either Party, or any of its or its Affiliates' employees or agents performing hereunder, become or are the subject of a proceeding that could lead to a Person becoming, as applicable, a Debarred Entity or Debarred Individual, an Excluded Entity or Excluded Individual or a Convicted Entity or Convicted Individual, such Party shall immediately notify the other Party, and such other Party shall have the option, at its sole discretion, to either: (i) prohibit such Person from performing work under this Agreement (ii) terminate all work being performed or to be performed by the first Party pursuant to this Agreement. For purposes of this provision, the following definitions shall apply:

(i) A "Debarred Individual" is an individual who has been debarred by the FDA pursuant to 21 U.S.C. §335a (a) or (b) from providing services in any capacity to a Person that has an approved or pending drug or biological product application.

(ii) A "Debarred Entity" is a corporation, partnership or association that has been debarred by the FDA pursuant to 21 U.S.C. §335a (a) or (b) from submitting or assisting in the submission of any abbreviated drug application, or a subsidiary or affiliate of a Debarred Entity.

(iii) An "Excluded Individual" or "Excluded Entity" is (A) an individual or entity, as applicable, who has been excluded, debarred, suspended or is otherwise ineligible to participate in federal health care programs such as Medicare or Medicaid by the Office of the Inspector General (OIG/HHS) of the U.S. Department of Health and Human Services, or (B) is an individual or entity, as applicable, who has been excluded, debarred, suspended or is otherwise ineligible to participate in federal procurement and non-procurement programs, including those produced by the U.S. General Services Administration (GSA).

(iv) A "Convicted Individual" or "Convicted Entity" is an individual or entity, as applicable, who has been convicted of a criminal offense that falls within the ambit of 21 U.S.C. §335a (a) or 42 U.S.C. §1320a - 7(a), but has not yet been excluded, debarred, suspended or otherwise declared ineligible.

12.6 Disclaimer of Warranty. Nothing in this Agreement shall be construed as a representation made or warranty given by either Party that either Party will be successful in obtaining any Patent Rights, that any patents will issue based on pending applications or that any

such pending applications or patents issued thereon will be valid. EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, EACH PARTY EXPRESSLY DISCLAIMS, WAIVES, RELEASES AND RENOUNCES ANY WARRANTY, INCLUDING ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE AND NONINFRINGEMENT.

ARTICLE XIII
CONFIDENTIALITY

13.1 Product Information. Merus recognizes that by reason of, among other things, Incyte's status as an exclusive licensee under this Agreement, Incyte has an interest in Merus's maintaining the confidentiality of certain information of Merus. Accordingly, during the Term applicable to a Program and except with respect to Program 1, Merus shall, and shall cause its Affiliates and its and their respective officers, directors, employees, and agents to, keep completely confidential, and not publish or otherwise disclose, and not use directly or indirectly for any purpose other than to fulfill Merus's obligations, or exercise Merus's rights, hereunder Confidential Information Controlled by Merus or any of its Affiliates specifically relating to any Licensed Antibody or Licensed Product (the "Product Information"); except to the extent (a) the Product Information is in the public domain through no fault of Merus, its Affiliates or any of its or their respective officers, directors, employees, or agents; (b) such disclosure or use is expressly permitted under Section 13.3 or (c) such disclosure or use is otherwise expressly permitted by the terms of this Agreement. For purposes of Section 13.2 Incyte shall be deemed to be the disclosing Party with respect to Product Information under Section 13.2 and Merus shall be deemed to be the receiving Party with respect thereto. For further clarification, (i) without limiting this Section 13.1, to the extent Product Information is disclosed by Merus to Incyte pursuant to this Agreement, such information shall, subject to the other terms and conditions of this Article XIII, also constitute Confidential Information of Merus with respect to the use and disclosure of such Information by Merus, but (ii) the disclosure by Merus to Incyte of Product Information shall not cause such information to cease to be subject to the provisions of this Section 13.1 with respect to the use and disclosure of such Confidential Information by Merus. In the event (A) this Agreement is terminated in its entirety or with respect to a Terminated Program, or (B) a Program becomes a Dropped Program under Section 4.8, this Section 13.1 shall have no continuing force or effect with respect to the use or disclosure of such information solely in connection with Terminated Program(s) or Dropped Program (other than any such information relating to the Selected Monoclonal Antibodies), but the Product Information, to the extent disclosed by Incyte to Merus hereunder, shall continue to be Confidential Information of Incyte for purposes of the surviving provisions of this Agreement.

13.2 Confidential Information. Except to the extent expressly authorized by this Agreement or otherwise agreed in writing by the Parties, the Parties agree that, all Confidential Information of a Party ("Disclosing Party") shall not be used by the other Party (the "Receiving Party") except in performing its obligations or exercising rights explicitly granted under this Agreement. Each Receiving Party shall maintain in confidence the Confidential Information of the Disclosing Party and shall not otherwise disclose such Confidential Information to any Third Party without the prior written consent of the Disclosing Party. Each Party shall use at least the

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same standard of care as it uses to protect proprietary or confidential information of its own (but no less than reasonable care) to ensure that its employees, agents, consultants, contractors, and other representatives do not disclose or make any unauthorized use of the Confidential Information of the other Party. Each Party will promptly notify the other upon discovery of any unauthorized use or disclosure of the Confidential Information of the other Party. The foregoing obligations shall not apply to the extent that the Receiving Party is able to demonstrate that the Confidential Information:

(a) was known by the Receiving Party or its Affiliates prior to its date of disclosure to the Receiving Party; or

(b) is lawfully disclosed to the Receiving Party or its Affiliates by sources other than the Disclosing Party rightfully in possession of the Confidential Information and such sources are not under any obligations of confidentiality to the Disclosing Party; or

(c) becomes published or generally known to the public through no fault or omission on the part of the Receiving Party, its Affiliates or its sublicensees; or

(d) is independently developed by or for the Receiving Party or its Affiliates without reference to or reliance upon such Confidential Information, as established by written records.

Specific information shall not be deemed to be within any of the foregoing exclusions merely because it is embraced by more general information falling within those exclusions. Any confidential information disclosed under the Prior Confidentiality Agreement shall be treated as Confidential Information subject to the terms of this Agreement.

13.3 Permitted Disclosure. Notwithstanding the obligations set forth in Section 13.1, the Receiving Party may provide the Disclosing Party's Confidential Information:

(a) to the Receiving Party's respective employees, consultants and advisors, and to the employees, consultants and advisors of such Party's Affiliates, who have a need to know such information and materials for performing obligations or exercising rights expressly granted under this Agreement, provided that such Persons have an obligation to treat such information and materials as confidential consistent with this ARTICLE XIII;

(b) to the Receiving Party's potential or actual investors, financers, or acquirers as may be necessary in connection with their evaluation of such potential or actual investment, financing, or acquisition; provided that such Persons shall be subject to obligations of confidentiality and non-use with respect to such Confidential Information substantially similar to the obligations of confidentiality and non-use of the Receiving Party pursuant to this ARTICLE XIII.

(c) to patent offices in order to seek or obtain Patent Rights or to Regulatory Authorities in order to seek or obtain approval to conduct Clinical Trials or to gain Regulatory Approval with respect to the Licensed Product as contemplated by this Agreement; provided that such disclosure may be made only following reasonable notice to the Disclosing Party and to the extent reasonably necessary to seek or obtain such Patent Rights or approvals; or

(d) if such disclosure is required by Law or court or administrative orders, or to defend or prosecute litigation or arbitration; provided that prior to such disclosure, to the extent permitted by Law, the Receiving Party promptly notifies the Disclosing Party of such requirement and, after reasonable consultation with the Disclosing Party and using efforts to secure confidential treatment of such Confidential Information at least as diligent as such Party would use to protect its own confidential information (but in no event less than reasonable efforts), furnishes only that portion of the Disclosing Party's Confidential Information that the Receiving Party is legally required to furnish. Any information disclosed pursuant to this Section 13.3(d) remains the Confidential Information of the Disclosing Party.

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13.4 Publicity; Attribution; Terms of this Agreement; Non-Use of Names.

(a) Public Announcements. Except as required by judicial order or applicable Law or as set forth below, neither Party shall make any public announcement concerning this Agreement without the prior written consent of the other Party, which consent shall not be unreasonably withheld or delayed. The Party preparing any such public announcement shall provide the other Party with a draft thereof at least [*] prior to the date on which such Party would like to make the public announcement. Notwithstanding the foregoing, the Parties shall issue a joint press release in the form attached as Exhibit 13.4(a), within [*] after the Execution Date to announce the execution of this Agreement and describe the material financial and operational terms of this Agreement.

(b) Use of Names. Neither Party shall use the name, trademark, trade name or logo of the other Party or its employees in any publicity, publication, presentation or news release relating to this Agreement or its subject matter, without the prior express written permission of the other Party.

(c) Legal Disclosures. Notwithstanding the terms of this ARTICLE XIII, either Party shall be permitted to disclose the existence and terms of this Agreement to the extent required, in the reasonable opinion of such Party's legal counsel, to comply with applicable Laws, including the rules and regulations promulgated by the SEC or any other governmental authority. Notwithstanding the foregoing, before disclosing this Agreement or any of the terms hereof pursuant to this Section 13.4(c), the Parties will coordinate in advance with each other in connection with the redaction of certain provisions of this Agreement with respect to any filings with the SEC, the NASDAQ Stock Market or any other stock exchange on which securities issued by a Party or a Party's Affiliate are traded, and each Party shall use Commercially Reasonable Efforts to seek confidential treatment for such terms as may be reasonably requested by the other Party; provided that each Party will ultimately retain control over what information that Party discloses to their relevant exchange, and provided further that the Parties shall use Commercially Reasonable Efforts to file redacted versions with any governing bodies which are consistent with redacted versions previously filed with any other governing bodies. Other than such obligation, neither Party (nor its Affiliates) will be obligated to consult with or obtain approval from the other Party with respect to any filings to the SEC the NASDAQ Stock Market or any other stock exchange.

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(d) Advisors. Either Party may disclose the existence and terms of this Agreement in confidence to its attorneys and advisors, and to potential acquirers (and their respective professional attorneys and advisors), in connection with a potential merger, acquisition or reorganization and to existing and potential investors or lenders of such Party, as a part of their due diligence investigations, or to existing and potential licensees or sublicensees or to permitted assignees, in each case under an agreement to keep the terms of confidentiality and non-use substantially no less rigorous than the terms contained in this Agreement and to use such information solely for the purpose permitted pursuant to this Section 13.4(d).

(e) Development Activity Publicity. Notwithstanding anything to the contrary in this ARTICLE XIII, either Party may issue a press release or make a public disclosure relating to this Agreement or the Parties' activities under this Agreement to the extent that such Party sponsored or is sponsoring a Clinical Trial, such Party may disclose (i) the commencement and/or "top-line" results of such Clinical Trial, (ii) the achievement of any Development events for the Licensed Product, or (iii) the filing for or receipt of Regulatory Approval with respect to the Licensed Product. Either Party may disclose amounts paid to or received by either Party in respect of the achievement of any milestone events, or the termination of this Agreement. Prior to making any such disclosure, the Party making the disclosure shall provide the other Party with a draft of such proposed disclosure at least [*] (or, to the extent timely disclosure of a material event is required by Law or stock exchange or stock market rules, such period of time sufficiently in advance of the disclosure so that the other Party will have the opportunity to comment upon the disclosure) prior to making any such disclosure, for the other Party's review and comment, which shall be considered in good faith by the disclosing Party. For clarity, the Party making such disclosure shall have the final say over the contents of such disclosure. Pursuant to the confidentiality provisions of this Agreement, neither Party shall have the right to disclose [*] for inclusion within this Agreement except that (i) either Party may disclose the [*] after [*] and (ii) Incyte may disclose [*] corresponding to Programs [*].

(f) For purposes of clarity, either Party may issue a press release or public announcement or make such other disclosure relating to this Agreement if the contents of such press release, public announcement or disclosure (i) has previously been made public other than through a breach of this Agreement by the Receiving Party or its Affiliates or (ii) is contained in such Party's financial statements prepared in accordance with Accounting Standards.

13.5 Publications.

(a) Incyte and its Affiliates shall have the right to make disclosures pertaining to any Licensed Antibody or Licensed Product (other than the Program 1 Antibody and Program 1 Product) to Third Parties in Publications in accordance with the following procedure: Incyte shall provide Merus with an advance copy of the proposed Publication, and Merus shall then have [*] prior to submission for any Publication in which to review and recommend any changes it reasonably believes are necessary to preserve any Patent Rights or Know-How belonging in

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whole or in part to Merus. If Merus informs Incyte that such Publication, in Merus's reasonable judgment, could be expected to have a material adverse effect on any patentable invention owned by or licensed, in whole or in part, to Merus, or on any Know-How which is Confidential Information of Merus, Incyte shall delay or prevent such Publication as follows: (i) with respect to a patentable invention, such Publication shall be delayed for a sufficient period of time (not to exceed [*]) to permit the timely preparation and filing of a patent application; and (ii) with respect to Know-How which is Confidential Information of Merus, such Know-How shall be deleted from the Publication. Incyte shall have the right to present its Publications, which Publications shall be subject to the requirements in this Section 13.5, at scientific conferences, including at any conferences in any country in the world.

(b) If either Party wishes to make disclosures pertaining to the Program 1 Antibody or Program 1 Product to Third Parties in Publications, the publishing Party shall provide the JSC with an advanced copy of the proposed Publication and the JSC shall then have [*] in which to review, recommend any changes it reasonably believes are necessary to preserve any Patent Rights or Know-How belonging in whole or in party to such Party, and approve such publication. If the JSC approves the Publication or the publishing Party elects to proceed without such approval, and the non-publishing Party informs the publishing Party that such Publication, in the non-publishing Party's reasonable judgment, could be expected to have a material adverse effect on any patentable invention owned by or licensed, in whole or in part, to the non-publishing Party (other than pursuant to a license granted under this Agreement), or on any Know-How which is Confidential Information of the non-publishing Party, the publishing Party shall delay or prevent such Publication as follows: (i) with respect to a patentable invention, such Publication shall be delayed for a sufficient period of time (not to exceed [*]) to permit the timely preparation and filing of a patent application; and (ii) with respect to Know-How which is Confidential Information of such non-publishing Party, such Know-How shall be deleted from the Publication.

13.6 Term. All obligations under this ARTICLE XIII shall expire [*] following expiration or earlier termination of this Agreement.

13.7 Return of Confidential Information. Upon the expiration or termination of this Agreement, the Receiving Party shall destroy (or, upon the Disclosing Party's request, return) all Confidential Information received by the Receiving Party from the Disclosing Party (and all copies and reproductions thereof) and any notes, reports or other documents prepared by the Receiving Party which contain Confidential Information of the Disclosing Party. Nothing in this Section 13.7 shall require the alteration, modification, deletion or destruction of archival tapes or other electronic back-up media made in the ordinary course of business; provided that the Receiving Party shall continue to be bound by its obligations of confidentiality and other obligations under this ARTICLE XIII with respect to any Confidential Information contained in such archival tapes or other electronic back-up media. The destruction of Confidential Information shall be certified in writing to the Disclosing Party by an authorized officer of the Receiving Party supervising such destruction. Notwithstanding the foregoing, (i) the Receiving Party's legal counsel may retain one copy of the Disclosing Party's Confidential Information solely for the purpose of determining the Receiving Party's continuing obligations under this

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ARTICLE XIII and (ii) the Receiving Party may retain the Disclosing Party's Confidential Information and its own notes, reports and other documents (A) to the extent reasonably required (a) to exercise the rights and licenses of the Receiving Party expressly surviving expiration or termination of this Agreement; (b) to perform the obligations of the Receiving Party expressly surviving expiration or termination of this Agreement; or (B) to the extent it is impracticable to not do so without incurring disproportionate cost. Notwithstanding the return or destruction of the Disclosing Party's Confidential Information, the Receiving Party shall continue to be bound by its obligations of confidentiality and other obligations under this ARTICLE XIII.

ARTICLE XIV
DISPUTE RESOLUTION

14.1 Dispute Resolution Process. Matters before the JSC and Subcommittees shall be governed by the process specified in Section 3.5. Any controversy, claim or dispute arising out of or relating to this Agreement that is not subject to Section 3.5 shall be settled, if possible, through good faith negotiations between the Parties. If the Parties are unable to settle such dispute within [*], and a Party wishes to pursue the matter, the matter may be referred by either Party to the Executive Officers, who shall meet to attempt to resolve the dispute in good faith. Such resolution, if any, of a referred issue shall be final and binding on the Parties. All negotiations pursuant to this Section 14.1 are confidential and shall be treated as compromise and settlement negotiations for purposes of applicable rules of evidence. If the Executive Officers are unable to settle the dispute within [*] (or sooner if the circumstances require that the dispute be settled more rapidly) after referral thereto pursuant to Section 14.1, then each Party reserves its right to any and all remedies available under law or equity with respect to the dispute, subject to Section 14.2.

14.2 Injunctive Relief. Notwithstanding anything to the contrary in this ARTICLE XIV, any Party may seek immediate injunctive or other interim relief from any court of competent jurisdiction as necessary to enforce the provisions of ARTICLE XIII and to enforce and prevent infringement or misappropriation of the Patent Rights, Know-How or Confidential Information Controlled by such Party.

ARTICLE XV
MISCELLANEOUS

15.1 Governing Law. This Agreement (and any claims or disputes arising out of or related thereto or to the transactions contemplated thereby or to the inducement of any party to enter therein, whether for breach of contract, tortious conduct, or otherwise, and whether predicated on common law, statute, or otherwise) shall in all respects be governed by and construed in accordance with the laws of the State of New York, including all matters of construction, validity and performance, in each case without reference to any conflict of law rules that might lead to the application of the laws of any other jurisdiction.

15.2 Consent to Jurisdiction. Each Party irrevocably submits to the exclusive jurisdiction of the United States District Court for the Southern District of New York or the

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United States District Court for the District of Delaware, for the purposes of any suit, action or other proceeding arising out of this Agreement. Each Party agrees to commence any such action, suit or proceeding either in the United States District Court for the Southern District of New York or the United States District Court for the District of Delaware or if such suit, action or other proceeding may not be brought in such court for jurisdictional reasons, in the Supreme Court of the State of New York, New York County. Each Party further agrees that service of any process, summons, notice or document by United States registered mail to such Party's respective address set forth in Section 15.6 shall be effective service of process for any action, suit or proceeding in New York or Delaware with respect to any matters to which it has submitted to jurisdiction in this Section 15.2. Each Party irrevocably and unconditionally waives any objection to the laying of venue of any action, suit or proceeding arising out of this Agreement in (a) the United States District Court for the Southern District of New York or (b) the United States District Court for the District of Delaware, and hereby and thereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum. Notwithstanding anything in this Section 15.2, if the Parties are unable to bring any suit, action, or other proceeding arising out of this Agreement in the United States District Court for the Southern District of New York or the United States District Court for the District of Delaware due to a lack of diversity jurisdiction, each Party irrevocably submits to the exclusive jurisdiction of the courts of the State of New York or the State of Delaware.

15.3 Assignment. Neither Party may assign or transfer its rights or obligations under this Agreement without the prior written consent of the other Party; except that without such prior written consent either Party may make such assignment or transfer to (a) an Affiliate or (b) to a Third Party acquirer in a Change of Control, in each case whether in a merger, sale of stock, sale of assets or any other transaction, in each case involving all or substantially all of the business to which this Agreement relates. Any purported assignment in contravention of this Section 15.3 shall be null and void and of no effect. No assignment or transfer shall release either Party from responsibility for the performance of any accrued obligation of such Party hereunder. This Agreement and the Parties' rights and obligations hereunder inure to the benefit of and shall be binding upon and enforceable against the successor to or any permitted assignee or transferee from either of the Parties.

15.4 Change of Control.

(a) A Party (or its successor) shall provide the other Party with written notice of any Change of Control of such Party within [*] following the closing date of such transaction if such transaction is not otherwise publically disclosed.

(b) In the event of a Change of Control of Merus, Incyte shall have the right, in its sole and absolute discretion, by written notice delivered to Merus (or its successor) at any time prior to the date that is [*] after either the written notice contemplated by Section 15.4(a) or the date such Change of Control closing was publicly disclosed, as the case may be, to (i) terminate any or all provisions of this Agreement to the extent providing for any delivery by Incyte to Merus of information relating to Incyte's activities contemplated by this Agreement,

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except for the provisions of ARTICLE IX and except to the extent such information is required by Merus to perform is obligations under this Agreement or to which Merus is licensed or has a right to use hereunder; (ii) disband the JSC and each of its Subcommittees (other than the Program 1 JCC, Program 1 JDC, [*] JDC, Additional JDC, and JIPC), terminate the activities of the JSC and any of its Subcommittees (other than the Program 1 JCC, Program 1 JDC, [*] JDC, Additional JDC and JIPC), and thereafter undertake all such terminated activities solely and exclusively by itself; (iii) require Merus and the acquirer to adopt reasonable procedures to be agreed upon in writing to prevent disclosure to such acquirer of Confidential Information of Incyte; and (iv) subject to the remainder of this subsection (iv), terminate Merus's Co-Detailing Right or, if such right has already been exercised, terminate Merus's right to co-Detail pursuant to Section 7.3(b), and assume all detailing responsibility for the [*] Co-Development Product in the United States; provided that Merus may elect, upon written notice to Incyte given within [*] following notice from Incyte of its intent to terminate Merus's Co-Detailing right, for Merus (or such acquirer) to continue to exercise such Co-Detailing right for up to [*] following receipt of such notice from Incyte, to permit Merus or the acquirer adequate time to wind down and phase out sales force operations with respect to the [*] Co-Development Product.

(c) Notwithstanding anything to the contrary in this Agreement, with respect to any Intellectual Property Rights Controlled by the acquiring party or its Affiliates (other than the Party to this Agreement undergoing the Change of Control and its Affiliates prior to the effectiveness of such Change of Control) as of or prior to such Change of Control, or to the extent developed outside this Agreement, such Intellectual Property Rights shall not be included in the Intellectual Property Rights licensed to the other Party hereunder.

(d) In the event of a Change of Control of a Party, the development or commercialization of an Antibody or product that, as of the date of such Change of Control, is being developed or commercialized by the acquirer of such Party or any Affiliate of such acquirer, shall not, due to such development or commercialization, be in breach of the exclusivity provisions in Section 2.8 or the other terms of this Agreement; provided that (i) such acquirer or Affiliate keeps such development or commercialization program for such other Antibody or product separate from the Development and Commercialization of the Licensed Programs (including by using different personnel and (ii) the Party that experienced the Change of Control continues to meet its obligations hereunder.

15.5 Entire Agreement; Amendments. This Agreement and the Exhibits referred to in this Agreement together with the Share Subscription Agreement constitute the entire agreement between the Parties with respect to the subject matter hereof, and supersede all prior agreements and communications with respect to the subject matter hereof, whether written or oral, including the Prior Confidentiality Agreement. Any amendment or modification to this Agreement shall be made in writing and signed by authorized representatives of both Parties.

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15.6 Notices.

Notices to Incyte shall be addressed to:

Incyte Corporation
1801 Augustine Cut-off
Wilmington, DE 19803
Attention: Vijay Iyengar, EVP, Global Strategy & Corporate Development
Email: [*]

with a copy to:

Incyte Corporation
1801 Augustine Cut-off
Wilmington, DE 19803
Attention: Eric Siegel, EVP & General Counsel
Email: [*]with further copy to:

Morgan, Lewis & Bockius LLP
502 Carnegie Center
Princeton, NJ 08540-6241
Attention: Randall B. Sunberg
Email: [*]

Notices to Merus shall be addressed to:

Merus N.V.
Yalelaan 62
3584 CM Utrecht
The Netherlands
Attention: The Management Board
Email: [*]with a copy to:

Merus N.V.
Yalelaan 62
3584 CM Utrecht
The Netherlands
Attention: Head of Legal
Email: [*]

with further copy to:

Cooley LLP
3175 Hanover Street
Palo Alto, CA 94304-1130
United States of America
Attention: Barbara Kosacz
Email: [*]

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Either Party may change its address to which notices shall be sent by giving notice to the other Party in the manner herein provided. All reports, approvals, and notices required or permitted by this Agreement to be given to a Party (each a "Notice") shall be given in writing, by personal delivery, facsimile, electronic mail, or overnight courier, to the Party concerned at its address as set forth above (or at such other address as a Party may specify by written notice pursuant to this Section 15.6 to the other). All Notices shall be deemed effective, delivered and received (a) if given by personal delivery or by overnight courier, when actually delivered and signed for, or (b) if given by facsimile or electronic mail, when such facsimile or electronic mail is transmitted to the facsimile number or email address specified above and receipt therefor is confirmed.

15.7 Force Majeure. No failure or omission by either Party in the performance of any obligation of this Agreement shall be deemed a breach of this Agreement or create any liability if the same arises from any Force Majeure Event; provided that such excuse from liability shall be effective only to the extent and duration of the Force Majeure Event(s) causing the failure or delay in performance and provided that the Party has not caused such Force Majeure Event(s) to occur. The Party affected by such Force Majeure Event shall promptly notify the other Party and use Commercially Reasonable Efforts to overcome such Force Majeure Event as soon as and to the extent practicable, provided, however, that in no event shall any Party be required to prevent or settled any labor disturbance or dispute. All delivery dates under this Agreement that have been affected by a Force Majeure Event shall be tolled for the duration of such Force Majeure Event.

15.8 Compliance With Laws. Each Party shall perform its obligations under this Agreement in compliance with all applicable Laws.

15.9 Independent Contractors. It is understood and agreed that the relationship between the Parties is that of independent contractors and that nothing in this Agreement shall be construed to create a joint venture or any relationship of employment, agency or partnership between the Parties to this Agreement. Neither Party is authorized to make any representations, commitments, or statements of any kind on behalf of the other Party or to take any action that would bind the other Party except as explicitly provided in this Agreement. Furthermore, none of the transactions contemplated by this Agreement shall be construed as a partnership for any tax purposes.

15.10 Headings. The captions or headings of the sections and other subdivisions hereof are inserted only as a matter of convenience and reference and shall not constitute any part of this Agreement and shall have no effect on the meaning of the provisions hereof.

15.11 No Implied Waivers; Rights Cumulative. No failure or delay on the part of either Party to exercise any right under this Agreement shall constitute a waiver of such right by such Party, or be construed as a waiver of any breach of this Agreement, nor shall any single or partial exercise of any such right by a Party preclude any other or further exercise of such right or the exercise of any other right. Any waiver by a Party of a particular provision or right must be in writing, be specific to and reference a particular matter, and be signed by such Party.

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15.12 Severability. If, under applicable Laws, any provision of this Agreement is adjudicated invalid or unenforceable by a court of competent jurisdiction, or otherwise directly or indirectly affects the validity of any other material provision(s) of this Agreement (such invalid or unenforceable provision, a "Severed Clause"), such adjudication shall not affect or impair the remaining provisions of this Agreement, which shall continue in full force and effect. Promptly following such adjudication, the Parties shall negotiate in good faith to agree upon a valid and enforceable provision that is a reasonable substitute for the Severed Clause in view of the intent of this Agreement.

15.13 Execution in Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument. Signatures provided by facsimile transmission or in Adobe™ Portable Document Format (PDF) sent by electronic mail shall be deemed to be original signatures.

15.14 No Third Party Beneficiaries. No Person other than Merus and Incyte (and their respective permitted assignees) shall be deemed an intended beneficiary hereunder or have any right to enforce any obligation of this Agreement.

15.15 Exhibits. In the event of inconsistencies between this Agreement and any exhibits or attachments hereto, the terms of this Agreement shall control.

15.16 Effective Date; HSR Act.

(a) The Parties shall make all filings required under the HSR Act and perform their obligations as set forth in Section 7 of the Share Subscription Agreement.

(b) Notwithstanding Section 15.16(c) and anything in this Agreement to the contrary, the following provisions of this Agreement shall be in full force and effect as of the Execution Date: ARTICLE I (to the extent applicable to the subsequent articles), ARTICLE XII, ARTICLE XIII, ARTICLE XIV, and ARTICLE XV. On any termination of this Agreement under this Section 15.16, then this Section 15.16(b) and ARTICLE XIII shall survive (other than Sections 13.1, 13.4(e), and 13.5) the termination thereof (not those specified in Section 10.7).

(c) Unless terminated earlier pursuant to subsection (d) below, this Agreement shall be effective upon the Closing of the Share Subscription Agreement (as such term is defined therein) (such date, the "Effective Date").

(d) If the Share Subscription Agreement is terminated prior to the Closing of the Share Subscription Agreement (as such term is defined therein), this Agreement shall be terminated effective on the termination of the Share Subscription Agreement, unless otherwise mutually agreed by the Parties.

{Signature Page Follows}

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IN WITNESS WHEREOF, the Parties have caused their duly authorized officers to execute and acknowledge this Agreement as of the date first written above.

MERUS N.V.

By: /s/ Ton Logtenberg
Name: Ton Logtenberg
Title: Chief Executive Officer

By: /s/ Shelley Margetson
Name: Shelley Margetson
Title: Chief Operating Officer

INCYTE CORPORATION

By: /s/ Hervé Hoppenot
Name: Hervé Hoppenot
Title: President and Chief Executive Officer

Exhibit 1.37
Existing Program Patents

(i) *Program 1 and Program 2*

[*], and

[*].

(ii) *IMOD Pipeline Products*

[*], and

[*].

(iii) *[*] Program*

[*].

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Confidential Treatment Requested Under 17 C.F.R.§§ 200.80(b)(4) and 240-24b-2

Exhibit 1.84
Target Pairs that are Not Available

[*]

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Exhibit 11.2(a)(v)(A)
[*] Intellectual Property Rights

(a) [*];

(b) [*];

(c) all patents and patent applications worldwide from which, at any time, the foregoing patents or patent applications referred to in (a) and/or (b) claimed priority;

(d) all patents and patent applications worldwide that, at any time, claimed priority from any of the foregoing patents or patent applications referred to in (a)–(c), including all continuations, continuation-in-parts, or divisionals of any of the foregoing patents and patent applications referred to in (a)–(c);

(e) all patents worldwide issuing from any of the foregoing applications referred to in (a)–(d); and

(f) all re-issues, re-examinations, and extensions (such as patent term extensions or supplemental protection certificates) of any of the foregoing patents referred to in (a)–(e).

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Exhibit 11.2(a)(v)(B)
[*] Intellectual Property Rights

1. [*];
2. [*];
3. [*]; and
4. [*];
5. all patents and patent applications worldwide from which, at any time, the foregoing patents or patent applications referred to in (1), (2), (3), and/or (4) claimed priority;
6. all patents and patent applications worldwide that, at any time, claimed priority from any of the foregoing patents or patent applications referred to in (1), (2), (3), (4), and/or (5); and
7. all patents worldwide issuing from any of the foregoing applications referred to in (1), (2), (3), (4), (5), and/or (6).

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Confidential Treatment Requested Under 17 C.F.R.§§ 200.80(b)(4) and 240-24b-2

Exhibit 12.3
Exceptions to Merus Representations

Exceptions to Section 12.3(a):

Litigation in the United States filed by Regeneron for alleged infringement by Merus of U.S. Patent No. 8,502,018, case 1:14-CV-01650-KBF (SDNY), on appeal U.S. Court of Appeals for the Federal Circuit, No. 16-1346.

Litigation in the Netherlands filed by Regeneron for alleged infringement by Merus of EP Patent No. 1360287, reference number C/09/462691, case number 14/379.

Exceptions to Section 12.3(e):

Opposition filed by Regeneron against the following issued Merus Patent Rights:

1. JP 5749161 (patent maintained with amended claims)
2. EP 2147594B (patent maintained without amendments)
3. AU 2009263082 (outcome expected Q1 2017)

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Confidential Treatment Requested Under 17 C.F.R.§§ 200.80(b)(4) and 240-24b-2

Exhibit 12.3(k)
Existing IMOD Pipeline Products

[*]

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Exhibit 12.3(l)
Existing Patents

Part 1:

[*]

I. **[*]**

II. **[*]**

Part 2:

None

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Confidential Treatment Requested Under 17 C.F.R.§§ 200.80(b)(4) and 240-24b-2

Exhibit 13.4(a)
Form of Press Release

(see attached)

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Exhibit 4.13

Confidential Treatment Requested Under 17 C.F.R.§§ 200.80(b)(4) and 240-24b-2

SHARE SUBSCRIPTION AGREEMENT

By and Between

INCYTE CORPORATION

and

MERUS N.V.

Dated as of December 20, 2016

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Confidential Treatment Requested Under 17 C.F.R.§§ 200.80(b)(4) and 240-24b-2

MERUS N.V.

SHARE SUBSCRIPTION AGREEMENT

THIS SHARE SUBSCRIPTION AGREEMENT (the "**Agreement**") is made and entered into as of December 20, 2016 (the "**Signing Date**"), by and between Merus N.V., a public company with limited liability (*naamloze vennootschap*) incorporated under the laws of the Netherlands (the "**Company**"), and Incyte Corporation, a Delaware corporation (the "**Purchaser**").

WHEREAS, the Company and the Purchaser are entering into that certain Collaboration and License Agreement of even date herewith (the "**Collaboration Agreement**");

WHEREAS, the obligations in the Collaboration Agreement are conditioned upon the execution and delivery of this Agreement, pursuant to which the Company will issue and sell to the Purchaser a number of its common shares, nominal value €0.09 per share (the "**Common Shares**") as provided for herein; and

WHEREAS, the Purchaser desires to purchase and subscribe for, and the Company desires to sell and issue, the Common Shares on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual promises, representations, warranties, and covenants hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Definitions. When used in this Agreement, the following terms shall have the respective meanings specified below:

"**Action**" shall mean any action, cause or action, suit, prosecution, investigation, litigation, arbitration, hearing, order, claim, complaint or other proceeding (whether civil, criminal, administrative, investigative or informal) by or before any Governmental Authority or arbitrator.

"**Affiliate**" shall mean, with respect to any Person, another Person which controls, is controlled by or is under common control with such Person. A Person shall be deemed to control another Person if such Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise. For the purposes of this Agreement, in no event shall the Purchaser or any of its Affiliates be deemed Affiliates of the Company or any of its Affiliates, nor shall the Company or any of its Affiliates be deemed Affiliates of the Purchaser or any of its Affiliates.

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"**beneficially owns**" (including the correlative terms "**beneficial ownership**," "**beneficially owned,**" "**beneficial owner**" or "**beneficially owning**") shall mean beneficial ownership within the meaning of Rule 13d-3 and Rule 13d-5 under the Exchange Act.

"**Business Day**" shall mean any day except Saturday, Sunday and any day on which banking institutions in New York, New York, generally are closed as a result of federal, state or local holiday.

"**Change of Control**" shall mean, with respect to a Person, any of the following events: (i) any Person is or becomes the beneficial owner (as such term is defined in Rule 13d-3 under the Exchange Act, except that a Person shall be deemed to have beneficial ownership of all shares that any such Person has the right to acquire, whether such right which may be exercised immediately or only after the passage of time), directly or indirectly, of a majority of the total voting power represented by all shares of such Person's outstanding capital stock; (ii) such Person consolidates with or merges into another corporation or entity, or any corporation or entity consolidates with or merges into such Person, other than (A) a merger or consolidation which would result in the voting securities of such Person outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof) a majority of the combined voting power of the voting securities of such Person or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, or (B) a merger or consolidation effected to implement a recapitalization of such Person (or similar transaction) in which no Person becomes the beneficial owner, directly or indirectly, of a majority of the total voting power of all shares of capital stock of such Person, or (iii) such Person conveys, transfers or leases all or substantially all of its assets, to any Person other than a wholly owned Affiliate of such Person.

"**Code**" shall mean the United States Internal Revenue Code of 1986, as amended.

"**Common Share Equivalents**" means any securities of the Company which would entitle the holder thereof to acquire at any time Common Shares, including, without limitation, any debt, preferred shares, rights, options, warrants or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive, Common Shares.

"**Consent**" shall mean any, internal or external, approval, authorization, consent, license, franchise, Order, registration, notification, permit, certification, clearance, waiver or other confirmation of or by a Governmental Authority, other Person or company body.

"**Contract**" shall mean, with respect to any Person, any written agreement, contract, commitment, indenture, note, bond, loan, license, sublicense, lease, sublease, undertaking, statement of work or other arrangement to which such Person is a party or by which any of its properties or assets are subject.

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"**control**" (including the correlative terms "**controlled by**," "**controlling**," and "**under common control with**"), as applied to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of that Person, whether through the ownership or voting of securities, by contract or otherwise.

"**Controlled Affiliate**" shall mean, with respect to a Person, an Affiliate of such Person controlled by such Person.

"**Employee Benefit Plan**" shall mean any "employee benefit plan" (as such term is defined in Section 3(3) of ERISA, whether or not subject to ERISA), any severance, employment, incentive or bonus, retention, change in control, deferred compensation, termination pay, profit sharing, retirement, welfare, post-employment welfare, fringe benefit, vacation or paid time off, equity or equity-based or any other plan, policy, program, agreement, contract or arrangement that is sponsored, maintained, contributed to, or required to be contributed to by the Company or any of its Subsidiaries or under or with respect to which the Company or any of its Subsidiaries has any current or contingent liability or obligation

"**Environmental Law**" shall mean all national, supra-national, federal, state, local and foreign Laws concerning public health and safety, worker health and safety, pollution or protection of the environment; including without limitation all those relating to the generation, handling, transportation, treatment, storage, disposal, release, exposure to or cleanup of hazardous materials, substances or wastes, including petroleum, asbestos, polychlorinated biphenyls, asbestos, noise or radiation.

"**ERISA**" shall mean the United States Employee Retirement Income Security Act of 1974, as amended, and the rulings and regulations thereunder.

"**Exchange Act**" shall mean the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"**Governmental Authority**" shall mean any court, agency, authority, department, regulatory body or other instrumentality of any government or country or of any national, federal, state, provincial, regional, county, city or other political subdivision of any such government or country or any supranational organization of which any such country is a member.

"Health Care Laws" means all applicable Laws relating to pricing, marketing, promotion, sale, distribution, coverage, or reimbursement of a drug, biological or medical device.

"**Indebtedness**" shall mean, with respect to any Person at any applicable time of determination, without duplication, (a) all liabilities and obligations for borrowed money, (b) all liabilities and obligations evidenced by bonds, debentures, notes or other similar instruments or debt securities, (c) all liabilities and obligations under or in respect of swaps, hedges or similar instruments, (d) all liabilities and obligations in respect of letters of credit and similar instruments, (e) all liabilities and obligations (contingent or otherwise) arising from or in respect

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of (i) deferred compensation arrangements, or (ii) pension plans, (f) all guaranties in connection with any of the foregoing, and (g) all accrued interest, prepayment premiums, fees, penalties, expenses or other amounts payable in respect of any of the foregoing.

"**HSR Act**" shall mean the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereto.

"**Knowledge**" means the knowledge of Ton Logtenberg, Ph.D., Shelley Margetson, Mark Throsby, Ph.D., Hui Liu, Ph.D. or John de Kruif, Ph.D. after reasonable inquiry.

"**Law**" or "**Laws**" shall mean all laws, statutes, rules, regulations, orders, judgments, injunctions and ordinances of any Governmental Authority.

"**Leased Real Property**" shall mean all leasehold or subleasehold estates and all other rights to use or occupy any land, buildings, structures, improvements, fixtures or other interest in real property held by the Company or any of its Subsidiaries pursuant to any Lease.

"**Leases**" shall mean all leases, subleases, licenses, concessions and other Contracts pursuant to which the Company or any of its Subsidiaries holds any Leased Real Property as tenant, sublease, licensee or concessionaire (including the rights to all security deposits and other amounts and instruments deposited by or on behalf of the Company or and of its Subsidiaries thereunder) and all material amendments, extensions, renewals, guaranties and other agreements with respect thereto.

"**Liens**" shall mean a lien, charge, security interest, encumbrance, right of first refusal, preemptive right or other restriction.

"**Material Adverse Effect**" shall mean any change, event or occurrence (each, an "**Effect**") that, individually or when taken together with all other effects that have occurred prior to the date of determination of the occurrence of the Material Adverse Effect, is or is reasonably likely to be materially adverse to the business, clinical or pre-clinical programs, intellectual property, condition (financial or other), assets, liabilities or results of operations of the Company and its Subsidiaries, taken as a whole; provided, however, that in no event shall any of the following occurring after the date hereof, alone or in combination, be deemed to constitute, or be taken into account in determining whether a Material Adverse Effect has occurred: (i) changes in the Company's industry generally or in conditions in the Netherlands or global economy or capital or financial markets generally, including changes in interest or exchange rates, (ii) any Effect caused by the announcement or pendency of the transactions contemplated by the Transaction Agreements, or the identity of the Purchaser or any of its Affiliates as the purchaser in connection with the transactions contemplated by this Agreement or as a participant in the Collaboration Agreement, (iii) the performance of this Agreement, the Collaboration Agreement and the transactions contemplated hereby and thereby, including compliance with the covenants set forth herein and therein, or any action taken or omitted to be taken by the Company at the request or with the prior consent of the Purchaser, (iv) changes in general legal, regulatory, political, economic or business conditions or changes to IFRS (as hereinafter defined) or

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interpretations thereof occurring after the date hereof that, in each case, generally affect the biotechnology or biopharmaceutical industries, (v) acts of war, sabotage or terrorism occurring after the date hereof, or any escalation or worsening of any such acts of war, sabotage or terrorism, or (vi) earthquakes, hurricanes, floods or other natural disasters occurring after the date hereof, provided, however, that with respect to clauses (i), (iv), (v) and (vi), such effects, alone or in combination, may be deemed to constitute, or be taken into account in determining whether a Material Adverse Effect has occurred, but only to the extent such effects disproportionately affect the Company and its Subsidiaries compared to other participants in the biotechnology or biopharmaceutical industries.

"**Material Contract**" shall mean any Contract entered into by the Company or any of its Subsidiaries that is required under the Exchange Act to be filed as an exhibit to a Company SEC Document pursuant to Item 601(b)(10) of Regulation S-K.

"**NASDAQ**" shall mean the NASDAQ Stock Market LLC.

"**Order**" shall mean any assessment, award, decision, injunction, judgment, order, ruling, verdict or writ entered, issued, made, or rendered by any court, administrative agency, or other Governmental Authority or by any arbitrator.

"**Permitted Liens**" shall mean (a) mechanics', materialman's, workmens', repairmens', warehousemen's, supplier's, vendor's, carrier's and other similar Liens arising or incurred in the ordinary course of business by operation of Law securing amounts that are not yet due and payable, (b) Liens for Taxes, assessments and other charges of Governmental Authorities not yet due and payable, (c) Liens arising under original purchase price conditional sales Contracts and equipment leases with third parties, (d) pledges or deposits to secure obligations under workers or unemployment compensation Laws or to secure other statutory obligations, (e) easements, covenants, conditions and restrictions of record affecting title to the Leased Real Property which do not or would not materially impair the use or occupancy of any Leased Real Property in the operation of the business conducted thereon as of the date of this Agreement, and (f) any zoning, or other governmentally established restrictions of encumbrances.

"**Person**" shall mean any individual, partnership, limited liability company, firm, corporation, trust, unincorporated organization, government or any department or agency thereof or other entity, as well as any syndicate or group that would be deemed to be a Person under Section 13(d)(3) of the Exchange Act.

"**SEC**" shall mean the U.S. Securities and Exchange Commission.

"**Securities Act**" shall mean the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"**Tax**" or "**Taxes**" shall mean any federal, state, local, or non-U.S. income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental, customs duties, capital stock, franchise, profits, withholding, social security (or

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similar), unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated, or other tax of any kind whatsoever, including any interest, penalty, or addition thereto, whether disputed or not.

"**Tax Return**" shall mean any return, declaration, report, claim for refund, or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

"**Third Party**" shall mean any Person (other than a Governmental Authority) other than the Purchaser, the Company or any Affiliate of the Purchaser or the Company.

"**Trading Day**" shall mean a day on which the Trading Market is open for trading.

"**Trading Market**" shall mean the NASDAQ Global Market or New York Stock Exchange to the extent that the Common Shares are then listed on such exchange, as applicable.

"**Transaction Agreements**" shall mean this Agreement and the Collaboration Agreement.

"**Transfer**" by any Person means directly or indirectly, to sell, transfer, assign, pledge, encumber, hypothecate or similarly dispose of, either voluntarily or involuntarily, or to enter into any contract, option or other arrangement or understanding with respect to the sale, transfer, assignment, pledge, encumbrance, hypothecation or similar disposition of, any securities beneficially owned by such Person or of any interest (including any voting interest) in any securities beneficially owned by such Person. For the avoidance of doubt, a transfer of control of the direct or indirect beneficial ownership of securities is a Transfer of such securities for purposes of this Agreement.

"**Transfer Agent**" shall mean American Stock Transfer & Trust Company, LLC, or any successor transfer agent of the Company.

"**WARN Act**" shall mean the Worker Adjustment and Retraining Notification Act of 1988, as amended and any similar or related Law.

2. Closing, Delivery and Payment.

2.1 Closing. Subject to the terms and conditions hereof, and in reliance on the representations, warranties, covenants and other agreements hereinafter set forth, at the closing of the transactions contemplated hereby (the "**Closing**"), the Company hereby agrees to issue to the Purchaser, and the Purchaser agrees to subscribe for, 3,200,000 Common Shares (the "**Shares**"), at a purchase price of $25.00 per Common Share, free and clean of all Liens (other than Liens imposed by applicable securities Laws or contained herein), for an aggregate issue price of Eighty Million Dollars ($80,000,000) (the "**Purchase Price**"). The Closing shall take place remotely via the exchange of documents and signatures, as soon as practicable, but in no event later than at 10:00 a.m. on the first Business Day immediately following the date on which

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the last of the conditions set forth in Article 6 has been satisfied or waived (other than those conditions that by their nature can only be satisfied at the Closing), or at such other date and time as the Company and Purchaser shall mutually agree (which date and time are designated as the "**Closing Date**").

2.2 Delivery and Payment. At the Closing, subject to the terms and conditions hereof, the Company will instruct the Company's transfer agent to deliver to the Purchaser, via book entry to the applicable balance account registered in the name of the Purchaser, the Shares, against payment of the Purchase Price in U.S. dollars by wire transfer of immediately available funds to the order of the Company.

2.3 Deliveries at Closing.

(a) Deliveries by the Company. At the Closing, the Company shall deliver or cause to be delivered to the Purchaser the following items:

(i) a true copy of the Articles of Association of the Company, as amended and converted into the Articles of Association for a Dutch public company with limited liability (*naamloze vennootschap*), issued not more than ten (10) days prior to the Closing Date;

(ii) evidence of the filing of the Listing of Additional Shares notification to NASDAQ as it relates to the Shares;

(iii) a copy of the irrevocable instructions to the Transfer Agent instructing the Transfer Agent to deliver the Shares to Purchaser on an expedited basis;

(iv) a legal opinion of Eversheds B.V., the Company's Dutch counsel, dated as of the Closing Date, in the form attached hereto as Exhibit A;

(v) an opinion of Latham & Watkins LLP, counsel for the Company, addressed to the Purchaser, and dated the Closing Date, in substantially the form of the draft provided to the Purchaser on the date hereof;

(vi) a certificate, dated as of the Closing Date, signed by the members of the Company's management board, confirming that the conditions to the Closing set forth in Section 6.1 have been satisfied;

(vii) a private deed of issue of the Shares; and

(viii) all such other documents, certificates and instruments as the Purchaser may reasonably request in order to give effect to the transactions contemplated hereby and by the other Transaction Agreements.

(b) Deliveries by the Purchaser. At the Closing, the Purchaser shall deliver or cause to be delivered to the Company the Purchase Price, by wire transfer of immediately available funds to one or more accounts designated by the Company, such designation to be made no later than two (2) Business Days prior to the Closing Date.

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3. Representations and Warranties of the Company. Except as (A) set forth in the schedules delivered herewith (the **"Disclosure Schedules"**), which Disclosure Schedules shall be deemed a part hereof and shall qualify any representation made herein to the extent of the disclosure contained in the corresponding section of the Disclosure Schedules and (B) as set forth in the Company SEC Documents (as defined herein), and only to the extent such Company SEC Documents are specifically referenced in such representation or warranty, the Company hereby represents and warrants to the Purchaser that as of the date hereof:

3.1 Organization, Good Standing and Qualification.

(a) The Company is duly incorporated and validly exists as a public company with limited liability (*naamloze vennootschap*) under the laws of the Netherlands and has not been declared bankrupt, granted a suspension of payments or is otherwise subject to insolvency proceedings. The Company has all requisite corporate power and authority to own and operate its properties and assets, to execute and deliver the Transaction Agreements, to issue and sell the Shares, and to carry out the provisions of the Transaction Agreements and to carry on its business as presently conducted and as presently proposed to be conducted. Each of the Company's Subsidiaries (as defined herein) is an entity duly incorporated or otherwise organized, validly existing and in good standing (to the extent such concept exists in the relevant jurisdiction) under the Laws of the jurisdiction of its incorporation or organization, as applicable, and has all requisite power and authority to carry on its business to own and use its properties. Neither the Company nor any of its Subsidiaries is in violation or default of any of the provisions of its respective articles of association, charter, certificate of incorporation, bylaws, limited partnership agreement or other organizational or constitutive documents. Each of the Company and its Subsidiaries is duly qualified to do business as a foreign entity and is in good standing (to the extent such concept exists in the relevant jurisdiction) in each jurisdiction in which the conduct of its business or its ownership or leasing of property makes such qualification necessary, except to the extent any failure to so qualify has not had and would not reasonably be expected to have a Material Adverse Effect. During the twelve (12) months preceding the Signing Date, neither the Company nor any of its Subsidiaries has taken any action nor have any other steps been taken or Actions commenced or, to the Company's Knowledge, threatened against any of them, for their winding up or dissolution or for any of them to enter into any arrangement, scheme or composition for the benefit of creditors, or for the appointment of a receiver, administrator, liquidator, trustee or similar officer of any of them, or any of their respective properties, revenues or assets.

(b) During the twelve (12) months preceding the Signing Date, neither the Company nor any of its Subsidiaries has taken any action nor have any other steps been taken or Actions commenced or, to the Company's Knowledge, threatened against any of them, for their winding up or dissolution or for any of them to enter into any arrangement, scheme or composition for the benefit of creditors, or for the appointment of a receiver, administrator, liquidator, trustee or similar officer of any of them, or any of their respective properties, revenues or assets.

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3.2 Subsidiaries. The Company has disclosed all of its subsidiaries required to be disclosed in an exhibit to its Registration Statement on Form F-1 filed with the SEC (the "**Subsidiaries**"). The Company owns, directly or indirectly, all of the capital stock or other equity interests of each Subsidiary free and clear of any Liens, and all of the issued and outstanding shares of capital stock of each Subsidiary are validly issued and are fully paid and, if applicable in the relevant jurisdiction, non-assessable, and free of preemptive and similar rights to subscribe for or purchase securities.

3.3 Capitalization.

(a) The authorized share capital (*maatschappelijk kapitaal*) of the Company, immediately prior to the Signing Date, consists of 21,569,280 Common Shares, 16,085,851 of which were issued and outstanding, and 21,569,280 preferred shares, nominal value €0.09 per share, none of which were issued and outstanding. Under the Company's 2016 Supervisory Board Compensation Program, 2010 Employee Option Plan and 2016 Incentive Award Plan (together, the "**Plans**"), immediately prior to the Signing Date, (i) options to acquire 1,231,337 Common Shares have been granted and are outstanding, (ii) no restricted share units have been granted and are outstanding, and (iii) 989,888 Common Shares remained available for future issuance to supervisory or management board members, senior executives, employees and consultants of the Company and its Subsidiaries. Since the Signing Date, the Company has not issued any equity securities, other than those issued pursuant to the Plans.

(b) Except as disclosed in the Company SEC Documents, including its Articles of Association, dated May 19, 2016 (the "**Articles of Association**"), and other than the Common Shares reserved for issuance under the Plans and the Stichting Continuïteit Merus' call option in relation to preferred shares in the share capital of the Company, there are no outstanding options, rights (including conversion or preemptive rights and rights of first refusal), proxy or shareholder agreements, or agreements of any kind for the purchase or acquisition from the Company or any of its Subsidiaries of any of its securities, including the Shares. Except as stipulated in the Articles of Association, no Person is entitled to preemptive rights, rights of first refusal, rights of participation or similar rights with respect to any securities of the Company or any of its Subsidiaries, including with respect to the issuance of Shares contemplated hereby. There are no voting agreements, registration rights agreements or other agreements of any kind among the Company or any of its Subsidiaries and any other Person relating to the securities of the Company or any of its Subsidiaries, including the Shares.

(c) All of the issued and outstanding Common Shares have been duly authorized and validly issued and are fully paid and were issued in compliance with all applicable Laws concerning the issuance of securities. The Shares have been duly and validly authorized and, when issued and paid for pursuant to this Agreement, (i) will be validly issued, and fully paid, (ii) will form part of the same class of Common Shares and will have the same profit entitlement and voting rights as the Common Shares, (iii) will not be subject to pre-emptive rights, and (iv) shall be free and clear of all Liens, except for restrictions on transfer imposed by applicable securities Laws or contained herein.

(d) Neither the Company nor any of its Subsidiaries owns or holds the right to acquire any stock, partnership, interest, joint venture interest or other equity ownership interest in any Person, and, except as disclosed in the Company SEC Documents, the Company owns, directly or indirectly, all of the capital stock or other equity interests of each of its Subsidiaries, free and clear of any Liens.

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3.4 Authorization; Binding Obligations. All corporate action on the part of the Company and its supervisory and management boards necessary for the authorization of the Transaction Agreements, the performance of all obligations of the Company hereunder and thereunder at the Closing and the authorization, sale, issuance and delivery of the Shares pursuant hereto has been taken, including (i) the approval by the management board of the Company to issue the Shares, to exclude rights of pre-emption in respect of such issuance, and to approve payment in U.S. dollars for the Shares, (ii) the approval of the supervisory board of the Company of the foregoing resolutions of the management board of the Company, (iii) the execution of the Deed of Issue by the Company with respect to the Shares being issued, and (iv) the reservation of a sufficient number of Common Shares from the Company's authorized share capital to provide for the issuance of the Shares. Aside from (i) through (iv) above, no other action is required on the part of the Company, its supervisory board, its management board, or its shareholders prior to the Closing for the consummation of the transactions contemplated by the Transaction Agreements. Each of the Transaction Agreements has been duly executed and delivered by the Company and, assuming due authorization, execution and delivery by the Purchaser, constitutes valid and binding obligations of the Company enforceable in accordance with their terms, except (a) as limited by applicable bankruptcy, insolvency, reorganization, moratorium or other Laws of general application affecting enforcement of creditors' rights, (b) general principles of equity that restrict the availability of equitable remedies and (c) to the extent that the enforceability of indemnification provisions may be limited by applicable Laws.

3.5 Company SEC Documents; Financial Statements; NASDAQ; Indebtedness.

(a) Since May 18, 2016, the Company has timely filed with the SEC all of the reports and other documents required to be filed by it under the Exchange Act and Securities Act and any required amendments to any of the foregoing (the "**Company SEC Documents**"). As of their respective filing dates, each of the Company SEC Documents complied in all material respects with the requirements of the Securities Act and the Exchange Act applicable to such Company SEC Documents, and, when filed, no Company SEC Documents contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. None of the Company's Subsidiaries is subject to the periodic reporting requirements of the Exchange Act. As of the date hereof, there are no outstanding or unresolved comments in comment letters from the SEC staff with respect to any of the Company SEC Documents and the Company has not been notified that any of the Company SEC Documents is the subject of ongoing SEC review or outstanding investigation.

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(b) The financial statements of the Company included in the Company SEC Documents when filed complied as to form in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto, have been prepared in accordance with International Financing Reporting Standards as issued by the International Accounting Standards Board and endorsed/adopted by the European Union ("**IFRS**") applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto) and fairly present in all material respects the financial position of the Company as of the dates thereof and the results of its operations and cash flows for the periods then ended. Except (i) as set forth in the Company SEC Documents or (ii) for liabilities incurred in the ordinary course of business subsequent to the date of the most recent balance sheet contained in the Company SEC Documents, the Company has no liabilities, whether absolute or accrued, contingent or otherwise, other than those that would not, individually or in the aggregate, be material to the Company and its Subsidiaries taken as a whole. Neither the Company nor any of its Subsidiaries has or is subject to any "Off-Balance Sheet Arrangement" (as defined in Item 303(a)(4)(ii) of Regulation S-K promulgated under the Securities Act).

(c) The Common Shares are listed on the NASDAQ Global Market, and the Company has not received any notification that, and has no Knowledge that, NASDAQ is contemplating terminating such listing.

(d) As of the date hereof, neither the Company nor any of its Subsidiaries has any material Indebtedness that is not reflected on its most recent balance sheet included in the Company SEC Documents.

3.6 Obligations to Related Parties. There are no obligations of the Company or any of its Subsidiaries to supervisory or management board members, senior executives, shareholders, Affiliates, or employees of the Company or any of its Subsidiaries other than (a) for payment of salary for services rendered, (b) reimbursement for reasonable expenses incurred on behalf of the Company and any of its Subsidiaries, and (c) for other standard employee benefits made generally available to all employees (including equity award agreements outstanding under any equity incentive plan approved by the supervisory board of the Company). None of the supervisory or management board members, affiliates, senior executives, key employees or, to the Company's Knowledge, 5% shareholders of the Company or any members of their immediate families, is indebted to the Company or party to a transaction with the Company required to be disclosed in the Company SEC Documents under Item 404 of Regulation S-K that is not so disclosed.

3.7 Compliance with Other Instruments. Neither the Company nor any of its Subsidiaries is in violation or default of any term of its articles of association, charter, certificate of incorporation, bylaws, limited partnership agreement, or other organizational or constitutive documents, or of any provision of any mortgage, indenture, contract, lease, agreement, instrument or Contract to which it is party or by which it is bound or of any Order.

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The execution, delivery, and performance of and compliance with the Transaction Agreements, and the issuance and sale of the Shares pursuant hereto, will not, with or without the passage of time or giving of notice, (i) conflict with or result in a violation of the articles of association, charter, certificate of incorporation, bylaws, limited partnership agreement, or other organizational or constitutive documents of the Company or any of its Subsidiaries, in each case as in effect on Closing Date, (ii) result in any violation of any Law or Order to which the Company, any of its Subsidiaries or any of their respective assets is subject, (iii) (A) conflict with or result in a breach, violation of, or constitute a default under, (B) give any third party the right to modify, terminate or accelerate, or cause any modification, termination or acceleration of, any obligation under, or (C) require Consent under, any Contract to which the Company or any of its Subsidiaries is a party, or (iv) result in the creation of any Lien upon any of the Company's or any Subsidiary's assets or capital stock, except in the case of any of clauses (ii), (iii) and (iv) above, as would not reasonably be expected to have a Material Adverse Effect. Neither the execution, delivery or performance of any Transaction Agreement by the Company, nor the consummation by it of the obligations and transactions contemplated hereby and thereby (including the issuance of the Shares) requires any Consent, other than (i) filings required under applicable U.S. federal and state securities Laws, (ii) the notification of the issuance and sale of the Shares to NASDAQ, (iii) the registration of the related capital increase with the Dutch Trade Register, (iv) a resolution of the management board to issue the Shares to the Purchaser and the exclusion of any pre-emptive rights of current shareholders, approved by the supervisory board, (v) deed of issue in relation to the issuance of the Common Shares, and (vi) consent of the Company for the payment in U.S. Dollars (rather than Euros) for the Shares.

3.8 Litigation. Except as disclosed in the Company SEC Documents filed prior to the Signing Date, there is no material: (i) Action pending or, to the Company's Knowledge, threatened, against the Company or any of its Subsidiaries or (ii) Order in effect against the Company or any of its Subsidiaries.

3.9 Compliance with Laws; Permits. The Company and its Subsidiaries are not, and since January 1, 2014 have not been, in violation in any material respect of any applicable Law (including any Health Care Law) in respect of the conduct of its business or the ownership of its properties. No Consents are required to be filed in connection with the execution and delivery of this Agreement or the issuance of the Shares, except under the HSR Act or those that have been filed or obtained. The Company and each of its Subsidiaries has all franchises, permits, licenses and any similar authority necessary for the conduct of its business as now being conducted by it, except those the lack of which would not reasonably be expected to have a Material Adverse Effect.

3.10 Offering Valid. Assuming the accuracy of the representations and warranties of the Purchaser contained in Section 4.5 hereof, the offer, sale and issuance of the Shares will be exempt from the registration requirements of the Securities Act, and will have been registered or qualified (or are exempt from registration and qualification) under the registration, permit or qualification requirements of all applicable state securities Laws. Neither the Company nor any agent on its behalf has solicited or will solicit any offers to sell or has

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offered to sell or will offer to sell all or any part of the Shares to any person or persons so as to bring the sale of such Shares by the Company within the registration requirements of the Securities Act or the securities Laws of The Netherlands.

3.11 Investment Company. The Company is not, and after giving effect to the transactions contemplated by the Transaction Agreements will not be, an "investment company" or a company "controlled" by an "investment company," within the meaning of the Investment Company Act of 1940, as amended.

3.12 Sarbanes-Oxley; Internal Accounting Controls. The Company is in compliance in all material respects with the requirements of the Sarbanes-Oxley Act of 2002, including the rules and regulations of the SEC promulgated thereunder, applicable to it as of the date hereof. As of the Signing Date, the Company qualifies as an "emerging growth company" as defined in the Jumpstart Our Business Startups Act of 2012 (the "**JOBS Act**"). The Company maintains a system of internal accounting controls sufficient to provide reasonable assurance that: (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with IFRS and to maintain asset accountability, (iii) access to assets is permitted only in accordance with management's general or specific authorization, and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. The Company has established disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Company and designed such disclosure controls and procedures to provide reasonable assurance that information required to be disclosed by the Company in the reports 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.

3.13 Absence of Changes. Since June 30, 2016, (a) the Company and each of its Subsidiaries has conducted its business operations in the ordinary course of business consistent with past practice and (b) there has not occurred any event, change, development, circumstance or condition that, individually or in the aggregate, has had or would reasonably be expected to have a Material Adverse Effect.

3.14 Tax Matters.

(a) Except as set forth in the Company SEC Documents filed prior to the Signing Date, (i) the Company and each of its Subsidiaries has timely prepared and filed all federal and all other material Tax Returns required to have been filed by each of them with all appropriate Governmental Authorities and timely paid all Taxes shown thereon, (ii) all such Tax Returns are true, correct and complete in all material respects and (iii) all Taxes that the Company or any of its Subsidiaries is required to withhold or to collect for payment have been duly withheld and collected and paid to the proper Governmental Authority or third party when due;

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(b) Except as set forth in the Company SEC Documents filed prior to the Signing Date, (i) neither the Company nor any of its Subsidiaries (A) has been a member of an affiliated group filing a consolidated federal income Tax Return (other than a group the common parent of which was the Company) or (B) has any liability for the Taxes of any Person (other than the Company or any of its Subsidiaries) under U.S. Treas. Reg. § 1.1502-6 (or any similar provision of state, local, or non-U.S. Law), as a transferee or successor, by Contract, or otherwise (excluding Contracts entered into in the ordinary course of business and not primarily related to Taxes);

(c) Neither the Company nor any of its Subsidiaries has distributed stock of another Person, or has had its stock distributed by another Person, in a transaction that was purported or intended to be governed in whole or in part by Section 355 or 361 of the Code;

(d) Neither the Company nor any of its Subsidiaries is or has been a party to any "listed transaction," as defined in Section 6707A(c)(2) of the Code and U.S. Treas. Reg. § 1.6011-4(b)(2); and

(e) Neither the Company nor any Subsidiary has ever been, nor will they be at the Closing, a United States Real Property Holding Corporation within the meaning of Section 897(c)(2) of the Code during the applicable period specified in Section 897(c)(1)(A)(ii) of the Code.

3.15 Property. The Company does not own any real property. Except as would not reasonably be expected to, individually or in the aggregate, have a Material Adverse Effect, (a) the Company and each of its Subsidiaries has the right to use or occupy the Leased Real Property under valid and binding leases and (b) the Company and its Subsidiaries have good and valid title to, or a valid license to use or leasehold interest in, all of their respective material tangible assets, free and clear of all Liens (other than Permitted Liens).

3.16 Employee Benefits Matters.

(a) Except as would not reasonably be expected to have a Material Adverse Effect, (i) each Employee Benefit Plan (and each related trust, insurance Contract, or fund) has been maintained, funded and administered in accordance with its terms and in compliance with the applicable requirements of Law, including ERISA and the Code and other applicable Laws and (ii) all contributions, distributions, reimbursements and premium payments due with respect to each Employee Benefit Plan have been timely made or properly accrued. Each Employee Benefit Plan that is intended to meet the requirements of a "qualified plan" under Section 401(a) of the Code has received a favorable determination letter (or may rely on a favorable opinion letter) issued by the United States Internal Revenue Service and to the Company's Knowledge, nothing has occurred that would reasonably be expected to have a material adverse effect on the qualification of such Employee Benefit Plan.

(b) Except as would not reasonably be expected to have a Material Adverse Effect, (i) neither the Company nor any of its Subsidiaries maintains, sponsors,

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contributes to, has any obligation to contribute to, or has any current or potential liability or obligation under or with respect to (A) a "defined benefit plan" (as such term is defined in Section 3(35) of ERISA), (B) a "multiple employer plan" (within the meaning of Section 210 of ERISA or Section 413(c) of the Code), (C) a "multiemployer plan" as defined in Section 3(37) of ERISA, or (D) a "multiple employer welfare arrangement" (as such term is defined in Section 3(40) of ERISA); (ii) no Employee Benefit Plan provides and neither the Company nor any of its Subsidiaries has any current or potential obligation to provide post-termination or post-retirement health, life or other welfare benefits other than as required under Section 4980B of the Code or any similar state Law; and (iii) neither the Company nor any of its Subsidiaries has any current or potential liability or obligation by reason of at any time being treated as a single employer under Section 414 of the Code with any other Person.

(c) Except as would not reasonably be expected to have a Material Adverse Effect,, (i) there have been no prohibited transactions (as defined in Section 406 of ERISA or Section 4975 of the Code) and no breach of fiduciary duty (as determined under ERISA) with respect to any Employee Benefit Plan, (ii) the Company and its Subsidiaries have, for purposes of each Employee Benefit Plan, correctly classified those individuals performing services for the Company or any of its Subsidiaries as employees or non-employees, and (iii) there do not exist any pending or, to the Company's Knowledge, threatened claims (other than routine undisputed claims for benefits) or Actions with respect to any Employee Benefit Plan.

(d) The transactions contemplated by the Transaction Agreements will not (either alone or in combination with another event) (i) cause the acceleration of vesting in, or payment of, any material benefits or compensation under any Employee Benefit Plan, (ii) require the funding of any material amount of compensation or benefits due to any manager, employee, officer, director, shareholder or other service provider (whether current, former or retired) of the Company or any of its Subsidiaries or their beneficiaries and, (iii) otherwise materially accelerate or materially increase any liability or obligation under any Employee Benefit Plan.

3.17 Labor Matters.

(a) Neither the Company nor any of its Subsidiaries is a party to or bound by any collective bargaining agreement or other Contract or relationship with any union, labor organization, or other collective bargaining representative. There are no strikes, work stoppages or any other material labor disputes against the Company or any of its Subsidiaries pending or, to the Company's Knowledge, threatened, and no such disputes have occurred since January 1, 2015. No union organization or decertification activities are underway or, to the Company's Knowledge, threatened with respect to employees of the Company or any of its Subsidiaries.

(b) Each of the Company and its Subsidiaries is, and at all times since January 1, 2015, has been in compliance in all material respects with all applicable Laws respecting employment and employment practices, including provisions thereof relating to terms and conditions of employment, wages and hours, overtime, classification of employees and independent contractors, immigration, and the withholding and payment of social security and other employment Taxes.

(c) Since January 1, 2015, neither the Company nor any of its Subsidiaries has implemented any plant closing or layoff of employees that could implicate the WARN Act and result in material liability to the Company and its Subsidiaries, taken as a whole.

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3.18 Intellectual Property. The representations of the Company contained in Section 12.3 of the Collaboration Agreement are, subject to the exceptions and qualifications contained therein and disclosures related thereto, true, correct and complete.

3.19 Environmental Matters. Except as would not reasonably be expected to, individually or in the aggregate, have a Material Adverse Effect: (i) no notice, notification, demand, request for information, citation, summons, complaint or Order has been received since January 1, 2015 by, and no Action is pending or, to the Company's Knowledge, threatened by any Person against, the Company or any of its Subsidiaries, and no penalty has been assessed against the Company or any of its Subsidiaries, in each case, with respect to any matters relating to or arising out of any Environmental Law and (ii) the Company and its Subsidiaries are, and since January 1, 2015 have been, in compliance in all material respects with all applicable Environmental Laws, including any Consent required by Environmental Laws.

3.20 Insurance. Except as has not had, and would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect, (a) all insurance policies ("**Policies**") with respect to the business and assets of the Company and its Subsidiaries are in full force and effect, (b) neither the Company nor any of its Subsidiaries is in breach or default, and neither the Company nor any of its Subsidiaries has taken any action or failed to take any action that, with notice or the lapse of time, would constitute such a breach or default, or permit termination or modification of any of the Policies, and (c) the Company and its Subsidiaries have not received any written notice of cancellation or threatened cancellation of any of the Policies or of any claim pending regarding the Company or any of its Subsidiaries under any of such Policies as to which coverage has been questioned, denied or disputed by the underwriters of such Policies. The Company and its Subsidiaries maintain insurance with reputable insurers in such amounts and against such risks as is customary for the industries in which it and its Subsidiaries operate and as the management of the Company has in good faith determined to be prudent and appropriate.

3.21 Contracts. Neither the Company nor any of its Subsidiaries is in violation, default or breach under any of its Material Contracts. All Material Contracts required to be filed with the Company SEC Documents have been timely filed.

3.22 Application of Takeover Protections. Except as disclosed in the Company SEC Documents filed prior to the Signing Date, there is no control share acquisition, business combination, poison pill or other similar anti-takeover provision under the articles of association of the Company, its bylaws or, to the Company's Knowledge, the Laws of the Netherlands that is or could become applicable to, or is or could be to the detriment of, the

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Purchaser as a result of the Purchaser and the Company fulfilling their respective obligations or exercising their respective rights under the Transaction Agreements, including as a result of the issuance or ownership of the Shares.

3.23 Anti-Corruption and Anti-Bribery Laws. Neither the Company and its Subsidiaries, nor, to the Company's Knowledge, any of their respective director, officer, agent, employee or other authorized person acting on behalf of the Company is aware of or has taken any action, directly or indirectly, that could result in a violation or a sanction for violation by such persons of the Foreign Corrupt Practices Act of 1977 or the U.K. Bribery Act 2010, each as may be amended, or similar law of any other relevant jurisdiction, or the rules or regulations thereunder; and the Company has instituted and maintain policies and procedures to ensure compliance therewith. No part of the proceeds from the sale of the Shares will be used, directly or indirectly, in violation of the Foreign Corrupt Practices Act of 1977 or the U.K. Bribery Act 2010, each as may be amended, or similar law of any other relevant jurisdiction, or the rules or regulations thereunder.

3.24 Economic Sanctions. Neither the Company and its Subsidiaries, nor, to the Company's Knowledge, any of their respective director, officer, agent, employee or other authorized person acting on behalf of the Company: (i) is, or is controlled or 50% or more owned in the aggregate by or is acting on behalf of, one or more individuals or entities that are currently the subject of any sanctions administered or enforced by the United States or The Netherlands (collectively, "**Sanctions**" and such persons, "**Sanctioned Persons**" and each such person, a "**Sanctioned Person**") or (ii) has, within the last five (5) years, done the Company's business in a country or territory that was, or whose government was, at such time the subject of Sanctions that broadly prohibit dealings with that country or territory. Within the past five (5) years, to the Knowledge of the Company, it has neither been the subject of any governmental investigation or inquiry regarding compliance with Sanctions nor has it been assessed any fine or penalty in regard to compliance with Sanctions.

3.25 Accountants. The Company's registered public accounting firm is KPMG Accountants N.V. To the Company's Knowledge, KPMG Accountants N.V. are independent public accountants with respect to the Company within the meaning of the Securities Act and Exchange Act and the applicable published rules and regulations thereunder.

3.26 Money Laundering. The operations of the Company and its Subsidiaries are and have been conducted at all times in compliance with applicable financial record-keeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, applicable money laundering statutes and applicable rules and regulations thereunder (collectively, the "**Money Laundering Laws**"), and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company with respect to the Money Laundering Laws is pending or, to the Company's Knowledge, threatened.

3.27 No "Bad Actor" Disqualification. The Company has conducted a factual inquiry including the procurement of relevant questionnaires from each Covered Person (as

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defined below) or other means to determine whether any Covered Person (as defined below) is subject to any of the "bad actor" disqualifications described in Rule 506(d)(1)(i) to (viii) under the Securities Act ("**Disqualification Events**"). Neither the Company, nor, to the Company's Knowledge, after conducting such factual inquiries, any other Covered Person, is subject to a Disqualification Event, except for a Disqualification Event covered by Rule 506(d)(2) or (d)(3) under the Securities Act. The Company has complied, to the extent applicable, with any disclosure obligations under Rule 506(e) under the Securities Act. "**Covered Persons**" are those persons specified in Rule 506(d)(1) under the Securities Act, including the Company; any predecessor or affiliate of the Company; any director, executive officer, other officer participating in the offering, general partner or managing member of the Company; any beneficial owner of 20% or more of the Company's outstanding voting equity securities, calculated on the basis of voting power; any promoter (as defined in Rule 405 under the Securities Act) connected with the Company in any capacity at the time of the sale of the Shares; and any person that has been or will be paid (directly or indirectly) remuneration for solicitation of purchasers in connection with the sale of the Shares (a "**Solicitor**"), any general partner or managing member of any Solicitor, and any director, executive officer or other officer participating in the offering of any Solicitor or general partner or managing member of any Solicitor.

4. Representations and Warranties of the Purchaser. The Purchaser hereby represents and warrants as of the date hereof to the Company as follows:

4.1 Organization; Good Standing. The Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. The Purchaser has or will have all requisite power and authority to enter into the Transaction Agreements, to subscribe for the Shares and to perform its obligations under and to carry out the other transactions contemplated by the Transaction Agreements, and no further approval or authorization by any of its stockholders, partners, members or other equity owners, as the case may be, is required.

4.2 Requisite Power and Authority. The Purchaser has all necessary power and authority to execute and deliver the Transaction Agreements and all action on the Purchaser's part required for the lawful execution and delivery of the Transaction Agreements has been taken. The Transaction Documents been duly and validly executed and delivered by the Purchaser and the Transaction Agreements are, assuming due authorization, execution and delivery by the Company, valid and binding obligations of the Purchaser, enforceable in accordance with their terms, except (a) as limited by applicable bankruptcy, insolvency, reorganization, moratorium or other Laws of general application affecting enforcement of creditors' rights, (b) as limited by general principles of equity that restrict the availability of equitable remedies, and (c) to the extent that the enforceability of indemnification provisions may be limited by applicable Laws.

4.3 No Conflicts. The execution, delivery and performance of the Transaction Agreements and compliance with the provisions thereof by the Purchaser will not, with or without the passage of time or giving of notice: (i) conflict with or result in a violation of

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the certificate of incorporation, bylaws, or other organizational or constitutive documents of the Purchaser as in effect on the Closing Date, (ii) result in any violation of any Law or Order to which the Purchaser or any of its assets is subject, (iii) (A) conflict with or result in a breach, violation of, or constitute a default under, or (B) give any third party the right to modify, terminate or accelerate, or cause any modification, termination or acceleration of, any obligation under any Contract to which the Purchaser is a party, or (iv) result in the creation of any Lien upon any of the Purchaser's assets or capital stock, except in the case of any of clauses (ii), (iii) and (iv) above, as would not reasonably be expected to materially impair of the ability of the Purchaser to perform its obligations under the Transaction Agreements and the transactions contemplated thereby in any material respect.

4.4 No Governmental Authority or Third Party Consents. No Consent is required to be obtained or filed by the Purchaser in connection with the authorization, execution and delivery of any of the Transaction Agreements or with the subscription for the Shares, except under the HSR Act or such as have been obtained or filed.

4.5 Investment Representations. Purchaser understands that the Shares have not been registered under the Securities Act. The Purchaser also understands that the Shares are being offered and sold pursuant to an exemption from registration contained in the Securities Act based in part upon the Purchaser's representations contained in the Agreement. The Purchaser hereby represents and warrants as follows:

(a) Purchaser Acknowledgements. The Purchaser acknowledges that the Shares have not been registered under the Securities Act or under any state or foreign securities laws. The Purchaser (i) acknowledges that it is acquiring the Shares pursuant to an exemption from registration under the Securities Act solely for investment with no present intention to distribute any of the Shares to any person in violation of applicable securities Laws, (ii) will not sell or otherwise dispose of any of the Shares, except in compliance with the registration requirements or exemption provisions of the Securities Act and any other applicable securities Laws, (iii) has such knowledge and experience in financial and business matters and in investments of this type that it is capable of evaluating the merits and risks of its investment in the Shares and of making an informed investment decision, (iv) is an "accredited investor" (as that term is defined by Rule 501 of the Securities Act) and (v) (A) has been furnished with or has had full access to all the information that it considers necessary or appropriate to make an informed investment decision with respect to the Shares, (B) has had an opportunity to discuss with management of the Company the intended business and financial affairs of the Company and, in connection therewith, obtained information necessary to verify any information furnished to it or to which it had access (it being agreed and understood that this Clause (v) does not affect the Company's representations and warranties contained in Section 3) and (C) can bear the economic risk of (x) an investment in the Shares indefinitely and (y) a total loss in respect of such investment. The Purchaser has such knowledge and experience in business and financial matters so as to enable it to understand and evaluate the risks of and form an investment decision with respect to its investment in the Shares and to protect its own interest in connection with such investment. The Purchaser understands that there is no assurance that any exemption from

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registration under the Securities Act will be available to transfer the Shares and that, even if available, such exemption may not allow the Purchaser to transfer all or any portion of the Shares under the circumstances, in the amounts or at the times the Purchaser might propose.

(b) No "Bad Acts." The Purchaser's responses in its Private Placement "Bad Actor" Questionnaire, dated December 17, 2016, are true and correct.

(c) Financial Capability. The Purchaser has funds necessary to consummate the Closing on the terms and conditions contemplated by this Agreement.

(d) Ownership. Neither the Purchaser nor any of its Controlled Affiliates is the owner of record or the beneficial owner of Common Shares or Common Share Equivalents.

4.6 Transfer Restrictions.

(a) The Purchaser understands that the Shares shall be subject to restrictions on resale pursuant to this Agreement and applicable securities Laws and that any certificates representing the Shares or the applicable balance account of the Purchaser with the Company's transfer agent shall bear transfer restrictions with the effect of the following applicable legends:

(i) "These securities have not been registered under the Securities Act of 1933. They may not be sold, offered for sale, pledged or hypothecated in the absence of a registration statement in effect with respect to the securities under the Securities Act or an opinion of counsel (which counsel shall be reasonably satisfactory to Merus N.V.) that such registration is not required or unless sold pursuant to Rule 144 of the Securities Act.";

(ii) "These securities are subject to transfer and other restrictions set forth in a Share Subscription Agreement, dated December 20, 2016, copies of which are on file with Merus N.V."; and

(iii) any legend required by other applicable securities Laws.

(b) The Shares shall not bear the transfer restrictions set forth in Section 4.6(a)(i) hereof: (i) following a sale of Shares pursuant to an effective registration statement covering the resale of such Shares, (ii) following any sale of Shares pursuant to Rule 144 promulgated under the Securities Act ("**Rule 144**") (or any successor provision then in effect), or (iii) if such legend is not required under applicable requirements of the Securities Act (including judicial interpretations and pronouncements issued by the staff of the Commission). In addition, the Shares shall not bear the transfer restrictions set forth in Section 4.6(a)(iii) hereof following a sale of Shares if, following a sale, the shares are not required to carry a legend pursuant to such applicable securities Laws referred to in (iii) of the immediately preceding sentence. Notwithstanding the foregoing, the Company shall direct the Transfer Agent to remove the transfer restriction set forth in Section 4.6(a)(i) applicable to the Shares upon: (y) the written

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request of the Purchaser, within two (2) Business Days of such request, at such time as the Shares may be transferred without the requirement that the Company be in compliance with the public information requirements and without volume or manner-of-sale restrictions under Rule 144 or (z) the determination by counsel satisfactory to the Company that the Shares are no longer Registrable Shares (as defined below) pursuant to Section 5.11(c)(ii)(B).

(c) The Shares shall not bear the transfer restriction set forth in Section 4.6(a)(ii) hereof upon the termination of the restrictions set forth in Section 5.3.

5. Covenants and Agreements.

5.1 Further Assurances. Subject to the terms and conditions of this Agreement, each of the Company and the Purchaser agrees to use its reasonable best efforts to take, or cause to be taken, all actions, and to do, or cause to be done, and assist the other party hereto in doing, all things reasonably necessary, proper or advisable to obtain satisfaction of the conditions precedent to the consummation of the transactions contemplated at the Closing, including: (a) obtaining all necessary Consents and the making of all filings and the taking of all steps as may be necessary, including convening any prerequisite meetings of bodies of the Company, to obtain a required Consent or avoid an Action by any Governmental Authority, (b) the defending of any Actions challenging this Agreement or any other Transaction Agreements or the consummation of the transactions contemplated hereby or thereby, including seeking to have any stay or temporary restraining order entered by any court or other Governmental Authority vacated or reversed, and (c) the execution and delivery of any additional instruments necessary to consummate the transactions contemplated by, and to fully carry out the purposes of, this Agreement and the other Transaction Agreements.

5.2 Standstill. During the period commencing on the Closing Date and ending on the earliest of (i) the three (3) year anniversary of the Closing Date, (ii) the date the Company publicly announces its intent to initiate or consummate any merger, consolidation, acquisition, scheme, business combination or other extraordinary transaction in which the Company or any of its Subsidiaries is a constituent entity or party, (iii) the submission or announcement of the intent to make any bona fide offer or attempt by any third party to acquire all or a substantial portion of the securities or assets of the Company through any means, process or structure and (iv) the termination of the Collaboration Agreement (the "**Standstill Period**"), the Purchaser agrees that, without the prior approval of the Company, the Purchaser will not, directly or indirectly, through its Controlled Affiliates or as a "group" (within the meaning of Section 13(d)(3) of the Exchange Act) with any other Person:

(a) purchase, offer to purchase, or agree to purchase or otherwise acquire beneficial ownership of any Common Shares or Common Share Equivalents, provided that, after the issuance by the Company of Common Shares as a result of an equity financing, the Purchaser may purchase Common Shares in routine trading transactions in an amount up to such number of shares as would result in the Purchaser maintaining its percentage ownership of the issued and outstanding Common Shares as of immediately prior to such issuance;

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(b) make, or in any way participate in, any solicitation of proxies to vote, or seek to advise or influence any person with respect to the voting of, any voting securities of the Company or any of its Subsidiaries, or seek or propose to influence, advise, change or control the management, supervisory board, management board, policies, affairs or strategy of the Company by way of any public communication or other communications to securityholders intended for such purpose;

(c) make a proposal for, or offer of (with or without conditions) any acquisition of or extraordinary transaction involving the Company or any of its Subsidiaries or any of their respective securities or assets;

(d) effect or seek to effect (including, without limitation, by entering into discussions, negotiations, agreements or understandings with any third person), offer or propose (whether publicly or otherwise) to effect, or cause or participate in, or in any way assist or facilitate any other person to effect or seek, offer or propose (whether public or otherwise) to effect or participate (except as a holder of Common Shares) in a merger, consolidation, division, acquisition or exchange of substantially all assets or equity, change of control transaction, recapitalization, restructuring, liquidation or similar transaction involving the Company or any of its Subsidiaries;

(e) enter into any discussions, negotiations, arrangements or understandings with or form a group with, any third party in connection with such third party's taking, planning to take, or seeking to take any of the actions prohibited by clauses (a) through (d) of this Section 5.2 or otherwise act, alone or in concert with others, to seek to control or influence the supervisory and management boards or the management or policies of the Company, including its Subsidiaries; or

(f) publicly disclose any intention, plan or arrangement regarding any of the actions prohibited by clauses (a) through (e) of this Section 5.2;

provided that, the foregoing restrictions of this Section 5.2 shall not (i) restrict private, non-public discussions regarding a transaction otherwise prohibited by this Section 5.2 with the supervisory board or management board of the Company; (ii) prohibit the Purchaser or its subsidiaries from acquiring securities of, or from entering into any merger or other business combination with, another Person that beneficially owns securities of the Company; provided, that the purpose of entering into such transaction is not to circumvent the terms in this Section 5.2; or (iii) limit the ability of the Purchaser to exercise its rights under Section 5.12.

5.3 Restrictions on Transfer.

(a) During the period commencing on the Closing Date and ending on the earlier of (i) the eighteen (18) month anniversary of the Closing Date and (ii) the expiration of the Standstill Period (the "**Lock-Up Period**"), the Purchaser will not Transfer any Shares (or Common Shares purchased pursuant to Section 5.2(a) hereof). Notwithstanding this Section 5.3, the Purchaser shall be permitted to Transfer any portion or all of its Shares at any time under the following circumstances:

(i) Transfers to any Affiliate, but only if the transferee agrees in writing for the benefit of the Company (in form and substance satisfactory to the Company and with a copy thereof to be furnished to the Company) to be bound by the terms of this Agreement and if the transferee and the transferor agree for the express benefit of the Company that the transferee shall Transfer Shares so Transferred back to the transferor at or before such time as the transferee ceases to be an Affiliate of the transferor; or

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(ii) Transfers that have been approved in writing by the Company; or

(iii) if, following the Closing Date, the (A) Purchaser exceeds 20% ownership of the Company's voting securities solely as a result of an action taken by the Company and (B) as a result of (iii)(A), the Purchaser's auditors determine that the Company's financial results must be consolidated with the Purchaser's in the Purchaser's financial statements pursuant to the principles of consolidation under U.S. generally accepted accounting principles ("**U.S. GAAP**"), Transfers made in order to reduce the Purchaser's ownership of the Company voting securities to the greater of (y) 19.99% and (z) such amount as would not require such consolidation under U.S. GAAP.

(b) From the period commencing on the date of the expiration of the Lock-Up Period (the "**Lock-Up Expiration Date**") until the three (3) year anniversary of the Lock-Up Expiration Date, the Purchaser will not, without the prior written consent of the Company, Transfer more than (i) one-third (1/3) of the Shares during any twelve (12) month period or (ii) ten percent (10%) of the Shares during any three (3) month period; provided, that if the Standstill Period is terminated other than in connection with the three (3) year anniversary of the Closing Date, the volume limitations on Transfer set forth in this Section 5.3(b) shall also terminate.

5.4 Voting of Shares. During the Standstill Period, in any vote of the shareholders of the Company (including, without limitation, with respect to the election of members of the management board and supervisory board), the Purchaser shall, and shall cause its Controlled Affiliates to, vote with respect to all voting securities of the Company as to which it is entitled to vote in accordance with the recommendation of a majority of the supervisory board. Notwithstanding this Section 5.4, the Purchaser and its Affiliates may vote any or all of the voting securities of the Company as to which they are entitled to vote, as they may determine in their sole discretion with respect to (i) any transaction the consummation of which would result in a Change of Control of the Company, (ii) any resolution to issue Common Shares or to grant rights to subscribe for Common Shares or to designate the management board as the authorized body to issue Common Shares or grant rights to subscribe for Common Shares, (iii) any resolution to authorize the management board to repurchase more than 20% of the issued and outstanding Common Shares on the date of such resolution, (iv) any resolution to approve resolution of the management board regarding a significant change in the identity or nature of the

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Company pursuant to section 2:107a of the Dutch Civil Code, (v) any resolution to amend the articles of association of the Company that would (A) materially affect the voting rights of the Common Shares or (B) disproportionally (or uniquely) and adversely affect the rights or benefits attached to or derived from the Common Shares owned by the Purchaser and its subsidiaries as compared to the other holders of Common Shares, (vi) any resolution to dissolve or liquidate the Company or (vii) any resolution to merge or demerge the Company. During the Standstill Period, the Purchaser shall, and shall cause each of its Controlled Affiliates to, (a) be present in person or represented by proxy at all meetings of shareholders of the Company so that all voting securities of the Company as to which they are entitled to vote shall be counted as present for the purpose of determining the presence of a quorum at such meeting, provided that, if the Purchaser or Controlled Affiliate is represented by proxy, the Purchaser or Controlled Affiliate shall designate a third party to act as such proxy who is not a member of the Company's supervisory board, the Company's management board, or is an officer or employee of the Company; and (b) vote with respect to all voting securities of the Company as to which each is entitled to vote and not to abstain from any vote.

5.5 Securities Law Disclosure; Publicity. No public release or announcement concerning the transactions contemplated hereby or by any other Transaction Agreement, including the public filing of any Transaction Agreement pursuant to applicable securities Laws, shall be issued by the Company or the Purchaser without the prior consent of the Company (in the case of a release or announcement by the Purchaser) or the Purchaser (in the case of a release or announcement by the Company) (which consents shall not be unreasonably withheld, conditioned or delayed), except for any such release or announcement as may be required by securities Law or other applicable Law or the applicable rules or regulations of any securities exchange or securities market, in which case the Company or the Purchaser, as the case may be, shall allow the Purchaser or the Company, as applicable, reasonable time to comment on such release or announcement in advance of such issuance and the disclosing party shall consider the other party's comments in good faith. Following execution and delivery of this Agreement, the Company and the Purchaser shall issue a joint press release substantially in the form set forth in Exhibit B.

5.6 NASDAQ Matters. Prior to the Closing, the Company shall (a) take all actions which are necessary, including providing appropriate notice to NASDAQ of the transactions contemplated by this Agreement, for the Shares purchased at the Closing to remain listed on the NASDAQ Global Market and (b) comply with all listing, reporting, filing, and other obligations under the rules of NASDAQ and of the SEC.

5.7 Interim Operations of the Company. Prior to the Closing Date or the earlier termination of this Agreement in accordance with its terms, the Company shall not voluntarily delist from the NASDAQ Global Market. Between the date hereof and the Closing Date, the Company will not amend its articles of association in a manner that is adverse to the Purchaser's rights under the Transaction Agreements, and will not take or knowingly omit to take any action, or permit its Subsidiaries to take or to knowingly omit to take any action, that would or could reasonably be expected to have a Material Adverse Effect.

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5.8 Integration. The Company shall not sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any security (as defined in the Securities Act) that would be integrated with the offer or sale of the Shares to be issued to the Purchaser hereunder for purposes of the rules and regulations of any of the following markets or exchanges on which the Common Shares or the Company is listed or quoted for trading on the date in question: the Pink OTC Markets, the OTC Bulletin Board, the NASDAQ Capital Market, the NASDAQ Global Market, the NASDAQ Global Select Market, the NYSE MKT or the New York Stock Exchange.

5.9 Notification. After the date hereof and prior to the Closing Date, the Company shall promptly deliver to the Purchaser a written notice of any event or development that would, or could reasonably be expected to, result in any condition to Closing set forth in Section 6, not to be satisfied.

5.10 Use of Proceeds. The net proceeds received by the Company from each Closing shall be used for general corporate purposes at the direction of the management board of the Company.

5.11 Registration Rights. The Company covenants and agrees as follows:

(a) On June 1, 2017, or such earlier time as the Company in its sole discretion may agree in writing, or such later time as the Purchaser in its sole discretion may agree in writing, the Company shall file a registration statement to register the resale of the Registrable Shares on a Form F-3 registration statement (or such other form appropriate for such purpose if the Company does not meet the eligibility requirements for use of Form F-3) under the Securities Act and use reasonable best efforts to have such registration statement declared effective and maintain the effectiveness of such registration statement for a period ending on the date the Purchaser no longer holds Registrable Shares.

(b) All expenses, other than Selling Expenses (as defined below), incurred in connection with registrations, filings or qualifications pursuant to this Section 5.11, including all registration, filing and qualification fees; printers' and accounting fees; fees and disbursements of counsel for the Company; and the reasonable fees and disbursements, shall be borne and paid by the Company. All Selling Expenses shall be borne by the Purchaser; or if there are other selling shareholders with shares being registered pursuant to such registration statement, then pro rata by the selling shareholders based on the number of shares sold by such selling shareholder in the offering.

(c) For the purposes of this Section 5.11,

(i) "**Losses**" means any loss, damage, claim or liability (joint or several) to which a party hereto may become subject under the Securities Act, the Exchange Act, or other federal or state law, insofar as such loss, damage, claim or liability arises out of and is based upon: (A) any untrue statement or alleged untrue statement of a material fact contained in any registration statement of the Company registering the resale of the Registrable Shares, including any preliminary prospectus or final prospectus contained therein or any

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amendments or supplements thereto or (B) an omission or alleged omission to state in such registration statement a material fact required to be stated therein, or necessary to make the statements therein not misleading.

(ii) "**Registrable Shares**" means the Shares held by Purchaser including, without limitation, any Common Shares paid, issued or distributed in respect of any such Shares by way of stock dividend, stock split or distribution, or in connection with a combination of shares, recapitalization, reorganization, merger or consolidation, or otherwise, but excluding Common Shares acquired in the open market before or after the date hereof, provided, however, that the Shares will not be "Registrable Shares" (A) after the Shares have been sold pursuant to an effective registration statement or in compliance with Rule 144, (B) when the remaining Shares held by the Purchaser could, in the opinion of counsel satisfactory to the Company, be sold by the Purchaser in a single transaction under the terms of this Agreement and the volume and manner of sale limitations under Rule 144, or (C) upon such time as the registration statement registering the resale of the Registrable Shares has been effective for forty two (42) months following the Lock-up Expiration Date (regardless of whether such months are consecutive).

(iii) "**Selling Expenses**" means the fees and disbursements of counsel for the Purchaser.

(d) With a view to making available to the Purchaser the benefits of Rule 144, during the twelve (12) month period following the expiration of the Lock-Up Period, the Company covenants that it will use commercially reasonable efforts to (i) file in a timely manner all reports and other documents required, if any, to be filed by it under the Securities Act and the Exchange Act and the rules and regulations adopted thereunder and (ii) make available information necessary to comply with Rule 144 with respect to resales of the Shares under the Securities Act, at all times, to the extent required from time to time to enable the Purchaser to resell Shares without registration under the Securities Act within the limitation of the exemptions provided by (A) Rule 144 (if available with respect to resales of the Shares), as such rule may be amended from time to time or (B) any other rules or regulations now existing or hereafter adopted by the SEC.

(e) To the extent permitted by law, the Company will indemnify and hold harmless the Purchaser, and the partners, members, officers and directors of the Purchaser and each Person, if any, who controls the Purchaser (collectively, "**Purchaser Indemnified Parties**"), against any Losses, and the Company will pay to the Purchaser Indemnified Parties any legal or other reasonable and documented expenses incurred thereby in connection with investigating or defending any claim or proceeding from which Losses may result, as such expenses are incurred; provided, however, that the indemnity agreement contained in this Section 5.11(e) shall not apply to amounts paid in settlement of any such claim or proceeding if such settlement is effected without the consent of the Company, which consent shall not be unreasonably withheld, nor shall the Company be liable for any Losses to the extent that they arise out of or are based upon actions or omissions made in reliance upon and in conformity with written information furnished by or on behalf of any Purchaser Indemnified Party expressly for use in connection with such registration.

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(f) Promptly after receipt by the Purchaser under this Section 5.11 of notice of the commencement of any action (including any governmental action) for which a Purchaser Indemnified Party may be entitled to indemnification hereunder, the Purchaser Indemnified Party will, if a claim in respect thereof is to be made against the Company under this Section 5.11, give the Company notice of the commencement thereof. The Company shall have the right to participate in such action and, to the extent the Company so desires, and to assume the defense thereof with counsel mutually satisfactory to the Purchaser Indemnified Parties; provided, however, that the Purchaser Indemnified Parties shall have the right to retain one separate counsel for all such Purchaser Indemnified Parties, with the reasonable and documented fees and expenses to be paid by the Company, if representation of the Purchaser by the counsel retained by the Company would be inappropriate due to actual or potential conflict of interest between the Purchaser Indemnified Parties and the Company. The failure to give notice to the Company within a reasonable time of the commencement of any such action shall relieve the Company of any liability to the Purchaser Indemnified Parties under this Section 5.11, only to the extent that such failure materially prejudices the Company's ability to defend such action. The failure to give notice to the Company will not relieve it of any liability that it may have to the Purchaser otherwise than under this Section 5.11.

(g) To provide for just and equitable contribution to joint liability under the Securities Act in any case in which contribution under the Securities Act may be required on the part of the Purchaser Indemnified Parties, then such parties will contribute to the aggregate losses, claims, damages, liabilities, or expenses to which they may be subject (after contribution from others) in such proportion as is appropriate to reflect the relative fault of the Company and each Purchaser Indemnified Party in connection with the statements, omissions, or other actions that resulted in such loss, claim, damage, liability, or expense, as well as to reflect any other relevant equitable considerations. The relative fault of the Company and each Purchaser Indemnified Party shall be determined by reference to, among other things, whether the untrue or allegedly untrue statement of a material fact, or the omission or alleged omission of a material fact, relates to information supplied by the Company or by a Purchaser Indemnified Party and the parties' relative intent, knowledge, access to information, and opportunity to correct or prevent such statement or omission; provided, however, that, in any such case (x) the Purchaser will not be required to contribute any amount in excess of the public offering price of all such Registrable Shares offered and sold by the Purchaser pursuant to such registration statement, and (y) no Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) will be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

5.12 Participation in Future Financing.

(a) Subject to compliance with applicable securities laws, until the earlier of (i) such time as the Purchaser Transfers more than [*] of the Shares and (ii) termination of the Standstill Period, upon any issuance of Common Shares by the Company in a private

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placement to institutional investors for cash consideration (a "**Subsequent Financing**"), the Company agrees at least [*] Trading Days prior to the closing of the Subsequent Financing, to deliver to the Purchaser written notice of its intention to effect a Subsequent Financing (the "**Subsequent Financing Notice**"). The Subsequent Financing Notice shall describe in reasonable detail the proposed terms of such Subsequent Financing, the amount of proceeds intended to be raised thereunder and the Person or Persons through or with whom such Subsequent Financing is proposed to be effected. Upon receipt of the Subsequent Financing Notice, the Company and the Purchaser shall in good faith discuss the Purchaser's participation in the Subsequent Financing up to the Purchaser's Pro-Rata Share (as defined below) on the same terms, conditions and price provided for in the Subsequent Financing. For purposes of this Agreement, the Purchaser's "**Pro-Rata Share**" shall be equal to the number of Common Shares deemed to be beneficially owned by the Purchaser immediately prior to the date of the Subsequent Financing Notice (based upon documentation or written representation reasonably satisfactory to the Company), divided by the total number of Common Shares outstanding (including any Common Shares issuable upon conversion or exercise of outstanding Common Share Equivalents deemed to be beneficially owned by the Purchaser and included in the numerator of its pre-Subsequent Financing Notice beneficial ownership calculation) immediately prior to the closing of the Subsequent Financing.

(b) If the Purchaser desires to participate in such Subsequent Financing, the Purchaser must provide written notice to the Company, by not later than 5:30 p.m. (New York City time) on the [*] Trading Day after the Purchaser has received the Subsequent Financing Notice (the "**Participation Deadline**"), that the Purchaser is willing to participate in the Subsequent Financing and stating the amount of the Purchaser's elected participation, but in no event shall such amount of Common Shares that would cause the Purchaser to exceed its Pro-Rata Share. If the Company receives no such notice from the Purchaser as of the Participation Deadline, the Purchaser shall be deemed to have notified the Company that it does not elect to participate in the Subsequent Financing.

(c) Notwithstanding anything to the contrary in this Section 5.12, it is understood and agreed that: (i) the foregoing agreement to engage in good faith discussions with respect to a Subsequent Financing only applies in the event of a private placement with institutional investors (*i.e.*, not a public offering or in connection with a strategic transaction) and (ii) the Company will neither be obligated to include the Purchaser as an investor in any such private placement nor will the Purchaser be obligated to invest in any such private placement.

(d) If, by the [*] day following delivery of the Subsequent Financing Notice, no public disclosure regarding a transaction with respect to the Subsequent Financing has been made, such Subsequent Financing shall be deemed to have been abandoned and the Purchaser shall not be in possession of any material, non-public information with respect to the Company, unless the Company advises the Purchaser that the Subsequent Financing has not been abandoned. The Company understands and confirms that the Purchaser may rely on this Section 5.12(d) when effecting transactions in securities of the Company.

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5.13 PFIC Reporting. For so long as the Purchaser holds Shares, the Company hereby agrees to reasonably cooperate with the Purchaser in order to permit the Purchaser to determine whether the Company is at any time a "passive foreign investment company" (as defined in Section 1297(a) of the Code) (a "**PFIC**"). In furtherance of the foregoing, the Company shall notify the Purchaser if, in good faith, the Company reasonably believes the Company or any of its controlled Subsidiaries was a PFIC during the prior taxable year. If the Company determines that the Company or any of its controlled subsidiaries is a PFIC, the Company shall (i) promptly after such determination notify the Purchaser, (ii) timely provide such information to the Purchaser as the Purchaser may reasonably request to enable the Purchaser to complete its U.S. Internal Revenue Service Form 8621 with respect to such entity and (iii) use reasonable efforts to provide such statements, information and documentation as the Purchaser reasonably believes is necessary for it to make an election to treat such subsidiary as a "qualified electing fund" under Section 1295 of the Code.

5.14 Controlled Foreign Corporation. For so long as the Purchaser is a "United States shareholder" within the meaning of Section §951(b) of the Code (a "**10% U.S. Shareholder**") of the Company at any point during a taxable year, then the Company hereby agrees to reasonably cooperate with the Purchaser in order to permit the Purchaser to determine whether the Company is a "controlled foreign corporation" within the meaning of Section 957 of the Code (a "**CFC**"). If the Company is or is likely to have become a CFC, then the Company shall use reasonable efforts to provide to the Purchaser such information as it may reasonably request to assist the Purchaser to timely comply with its filing obligations under the Code, including but not limited to Internal Revenue Service Form 5471.

6. Conditions to Closing.

6.1 Conditions to Purchaser's Obligations at the Closing. The Purchaser's obligation to purchase Shares at the Closing is subject to the satisfaction, at or prior to the Closing Date, of the following conditions (unless waived in writing by the Purchaser):

(a) Representations and Warranties. The representations and warranties made by the Company in Section 3 hereof shall be true and correct in all material respects as of the Signing Date and the Closing Date as if made on such date, except to the extent any such representation and warranty is (i) already qualified by materiality, in which case it shall be true and correct as of such dates or (ii) specifically made as of a particular date, in which case it shall be true and correct as of such date.

(b) Performance of Obligations. The Company shall have performed and complied in all material respects with all agreements and conditions herein required to be performed or complied with by the Company on or before the Closing Date.

(c) Legal Investment. The sale and issuance of the Shares shall be legally permitted by all Laws to which the Purchaser and the Company are subject.

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(d) No Orders. No Order shall be in effect preventing the consummation of the transactions contemplated by the Transaction Agreements.

(e) Closing Deliverables. The Company shall deliver or cause to be delivered to the Purchaser all items listed in Section 2.3(a).

(f) Collaboration Agreement. The Company shall have executed the Collaboration Agreement, the only remaining condition to the effectiveness of the Collaboration Agreement shall be the Closing, the Effective Date (as such term is defined in the Collaboration Agreement) of the Collaboration Agreement shall occur concurrently with the Closing, no breach by the Company of any term of or obligation under the Collaboration Agreement shall have occurred and be continuing, and the Collaboration Agreement shall not have been terminated in accordance with its terms.

(g) Consents, Permits, and Waivers. All Consents necessary or appropriate for consummation of the transactions contemplated by the Transaction Agreements shall have been obtained, including the approval of the supervisory board of the Company. All filings to be made under the HSR Act or any other similar antitrust Laws (including but not limited to the Netherlands), with respect to the Transaction Agreements and the transactions contemplated hereby and thereby, shall have been made and the applicable waiting period, including all extensions thereof, under the HSR Act or any other similar antitrust Laws (including but not limited to the Netherlands), shall have expired or been terminated.

(h) Material Adverse Effect. No Material Adverse Effect shall have occurred and be continuing.

(i) The Company's NASDAQ Listing. The Company's Common Shares shall continue to be listed on the NASDAQ Global Market.

(j) No Outstanding Preference Shares. Stichting Continuïteit Merus shall not have exercised, either in whole or in part, its call option to have preference shares issued to it, or Stichting Continuïteit Merus shall have exercised, either in whole or in part, its call option to have preference shares issued to it in circumstances where such exercise is not detrimental to the Purchaser, to be determined in the Purchaser's reasonable discretion.

6.2 Conditions to Company's Obligations at the Closing. The Company's obligation to issue and sell Shares at the Closing is subject to the satisfaction, on or prior to the Closing Date, of the following conditions (unless waived in writing by the Company):

(a) Representations and Warranties. The representations and warranties in Section 4 made by the Purchaser shall be true and correct in all material respects as of the Signing Date and the Closing Date as if made on such date, except to the extent any such representation and warranty is (i) already qualified by materiality, in which case it shall be true and correct as of such dates or (ii) specifically made as of a particular date, in which case it shall be true and correct as of such date.

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(b) Performance of Obligations. The Purchaser shall have performed and complied with all agreements and conditions herein required to be performed or complied with by the Purchaser on or before the Closing Date.

(c) Legal Investment. The sale and issuance of the Shares shall be legally permitted by all Laws to which the Purchaser and the Company are subject.

(d) No Orders. No Order shall be in effect preventing the consummation of the transactions contemplated by the Transaction Agreements.

(e) Closing Deliverables. The Purchaser shall deliver or cause to be delivered to the Company all items listed in Section 2.3(b).

(f) Collaboration Agreement. The Purchaser shall have executed the Collaboration Agreement, the only remaining condition to the effectiveness of the Collaboration Agreement shall be the Closing, the Effective Date (as such term is defined in the Collaboration Agreement) of the Collaboration Agreement shall occur concurrently with the Closing, no breach by the Purchaser of any term of or obligation under the Collaboration Agreement shall have occurred and be continuing, and the Collaboration Agreement shall not have been terminated in accordance with its terms.

(g) Consents, Permits, and Waivers. All Consents necessary or appropriate for consummation of the transactions contemplated by the Transaction Agreements shall have been obtained. All filings to be made under the HSR Act or any other similar antitrust Laws (including but not limited to the Netherlands), with respect to the Transaction Agreements and the transactions contemplated hereby and thereby, shall have been made and the applicable waiting period, including all extensions thereof, under the HSR Act or any other similar antitrust Laws (including but not limited to the Netherlands), shall have expired or been terminated.

7. Notification under the HSR Act

7.1 As a result of the aggregate consideration being paid by the Purchaser under this Agreement and the Collaboration Agreement, which satisfies the size of transaction jurisdictional threshold under the HSR Act, the parties shall, as soon as practicable, and, in any event, no later than five (5) Business Days after the Signing Date, file or cause to be filed with the Federal Trade Commission (the "**FTC**") and the Department of Justice (the "**DOJ**") the notifications required to be filed under the HSR Act and the rules and regulations promulgated thereunder with respect to the transactions contemplated by this Agreement. The parties will use all reasonable efforts to respond on a timely basis to any requests for additional information made by either of such agencies. Each party will be responsible for its own costs and expenses and the Purchaser will be responsible for all filing fees associated with any notifications required to be filed under the HSR Act and the rules and regulations promulgated thereunder.

7.2 The Purchaser and the Company shall: (i) reasonably cooperate with each other in connection with any investigation or other inquiry relating to the transactions

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contemplated by the Transaction Agreements; (ii) reasonably keep the other party informed of any communication received by such party from, or given by such party to, the FTC, the DOJ or any other merger control authority and of any communication received or given in connection with any proceeding by a private party, in each case regarding the transactions contemplated by the Transaction Agreements; (iii) promptly respond to and certify substantial compliance with any inquiries or requests received from the FTC or the DOJ for additional information or documentation; (iv) reasonably consult with each other in advance of any meeting or conference with the FTC, the DOJ or any other merger control authority, and to the extent permitted by the FTC, the DOJ or such other merger control authority and reasonably determined by such party to be appropriate under the circumstances, give the other party or their counsel the opportunity to attend and participate in such meetings and conferences; and (v) permit the other party or their counsel to the extent reasonably practicable to review in advance, and in good faith consider the views of the other party or their counsel concerning, any submission, filing or communication (and documents submitted therewith) intended to be given by it to the FTC, the DOJ or any other merger control authority; provided, however, such party shall be under no obligation to reschedule any meetings or conferences with the FTC, the DOJ or any other merger control authority to enable the other party to attend.

8. Miscellaneous.

8.1 Termination. This Agreement may be terminated at any time prior to the Closing by:

(a) mutual written consent of the Company and the Purchaser;

(b) either the Company or the Purchaser, upon written notice to the other no earlier than ninety (90) days after the Signing Date (the "**Termination Date**"), if the Closing has not been consummated by the Termination Date;

(c) either the Company or the Purchaser, upon written notice to the other, if any of the conditions to the Closing set forth in Section 6.1(c), 6.1(d), 6.1(g), 6.2(c), 6.2(d) or 6.2(g) as applicable, despite the use of reasonable efforts shall have become incapable of fulfillment by the Termination Date and shall not have been waived in writing by the other party within ten (10) Business Days after receiving receipt of written notice of an intention to terminate pursuant to this clause (c); provided, however, that the right to terminate this Agreement under this Section 8.1(c) shall not be available to any party whose failure to fulfill any obligation under this Agreement has been the cause of, or resulted in, the failure to consummate the transactions contemplated hereby prior to the Termination Date;

(d) the Company, upon written notice to the Purchaser, so long as the Company is not then in breach of its representations, warranties, covenants or agreements under this Agreement such that any of the conditions set forth in Section 6.1(a) despite the use of reasonable efforts could not be satisfied by the Termination Date, (i) upon a material breach of any covenant or agreement on the part of the Purchaser set forth in this Agreement, or (ii) if any representation or warranty of the Purchaser shall have been or become untrue, in each case such that any of the conditions set forth in Section 6.2(a) or 6.2(b), as applicable, could not be satisfied by the Termination Date; or

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(e) the Purchaser, upon written notice to the Company, so long as the Purchaser is not then in breach of its representations, warranties, covenants or agreements under this Agreement such that any of the conditions set forth in Section 6.2(a) or 6.2(b), as applicable, despite the use of reasonable efforts could not be satisfied by the Termination Date, (i) upon a breach of any covenant or agreement on the part of the Company set forth in this Agreement, or (ii) if any representation or warranty of the Company shall have been or become untrue, in each case such that any of the conditions set forth in Section 6.1(a) or 6.1(b), 6.1(h), 6.1(i) or 6.1(j) as applicable, could not be satisfied by the Termination Date.

8.2 Effect of Termination. In the event of the termination of this Agreement pursuant to Section 8.1 hereof, (a) this Agreement (except for this Section 8 (other than Section 8.10 and 8.17), and any definitions set forth in this Agreement and used in such sections) shall forthwith become void and have no effect, without any liability on the part of any party hereto or its Affiliates, and (b) all filings, applications and other submissions made pursuant to this Agreement, to the extent practicable, shall be withdrawn from the agency or other Person to which they were made or appropriately amended to reflect the termination of the transactions contemplated hereby; provided, however, that nothing contained in this Section 8.2 shall relieve any party from liability for fraud or any intentional or willful breach of this Agreement.

8.3 Governing Law; Waiver of Jury Trial. This Agreement shall be governed by and construed in accordance with the Laws of the State of New York, without regard to the conflict of laws principles thereof that would require the application of the Law of any other jurisdiction, provided, that (i) the issue of the Shares as described in Section 2.1 and the private deed of issue of the Shares as described in Section 2.3(vii), (ii) the transfer of the Shares as described in Section 2.2, (iii) Section 3.1(a) to the extent relating to the Company, (iv) the capitalization of the Company as described in Section 3.3(a), (v) Section 3.4, to the extent relating to the Company and (vi) Section 3.22 (clauses (i) through (vi) above, jointly, the "**Dutch Law Matters**"), shall be governed exclusively by, and construed in accordance with, the laws of the Netherlands, without regard to the conflict of laws principles thereof that would require the application of the Law of any other jurisdiction. The parties irrevocably and unconditionally submit to the exclusive jurisdiction of the United States District Court for the Southern District of New York solely and specifically for the purposes of any action or proceeding arising out of or in connection with this Agreement, provided that the courts of the Netherlands shall have exclusive jurisdiction over the Dutch Law Matters. EACH OF THE PARTIES TO THIS AGREEMENT HEREBY AGREES THAT JURISDICTION AND VENUE IN ANY SUIT, ACTION OR PROCEEDING BROUGHT BY ANY PARTY ARISING OUT OF OR RELATING TO THIS AGREEMENT (INCLUDING ANY SUIT, ACTION OR PROCEEDING SEEKING EQUITABLE RELIEF) SHALL PROPERLY AND EXCLUSIVELY LIE IN THE STATE AND FEDERAL COURTS LOCATED IN THE STATE OF NEW YORK OR, IN ACCORDANCE WITH THIS SECTION 8.3, THE COURTS OF THE NETHERLANDS (THE "**CHOSEN COURTS**"). EACH PARTY HERETO FURTHER AGREES NOT TO BRING

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ANY SUCH SUIT, ACTION OR PROCEEDING IN ANY COURT OTHER THAN THE CHOSEN COURTS PURSUANT TO THE FOREGOING SENTENCE (OTHER THAN UPON APPEAL). BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH PARTY IRREVOCABLY SUBMITS TO THE JURISDICTION OF THE CHOSEN COURTS FOR ITSELF AND IN RESPECT OF ITS PROPERTY WITH RESPECT TO SUCH SUIT, ACTION OR PROCEEDING. THE PARTIES HERETO IRREVOCABLY AGREE THAT VENUE WOULD BE PROPER IN EACH OF THE CHOSEN COURTS, AND HEREBY WAIVE ANY OBJECTION THAT ANY SUCH CHOSEN COURT IS AN IMPROPER OR INCONVENIENT FORUM FOR THE RESOLUTION OF SUCH SUIT, ACTION OR PROCEEDING. TO THE EXTENT NOT PROHIBITED BY APPLICABLE LAW WHICH CANNOT BE WAIVED, EACH PARTY HERETO HEREBY WAIVES AND COVENANTS THAT IT WILL NOT ASSERT (WHETHER AS PLAINTIFF, DEFENDANT OR OTHERWISE) ANY RIGHT TO TRIAL BY JURY IN ANY FORUM IN RESPECT OF ANY ISSUE OR ACTION, CLAIM, CAUSE OF ACTION OR SUIT (IN CONTRACT, TORT OR OTHERWISE) INQUIRY, PROCEEDING OR INVESTIGATION ARISING OUT OF OR BASED UPON THIS AGREEMENT OR THE SUBJECT MATTER HEREOF OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE TRANSACTIONS CONTEMPLATED HEREBY, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING. EACH PARTY HERETO ACKNOWLEDGES THAT IT HAS BEEN INFORMED BY THE OTHER PARTIES HERETO THAT THIS SECTION 8.3 CONSTITUTES A MATERIAL INDUCEMENT UPON WHICH THEY ARE RELYING AND WILL RELY IN ENTERING INTO THIS AGREEMENT. ANY PARTY HERETO MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION 8.3 WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF EACH SUCH PARTY TO THE WAIVER OF ITS RIGHT TO TRIAL BY JURY.

8.4 Survival. The representations, warranties, covenants and agreements made herein shall survive for three (3) years following the Closing. The representations, warranties, covenants and obligations of the Company, and the rights and remedies that may be exercised by the Purchaser, shall not be limited or otherwise affected by or as a result of any information furnished to, or any investigation made by or knowledge of, the Purchaser or its representatives.

8.5 Successors and Assigns. Except as otherwise expressly provided herein, the provisions hereof shall inure to the benefit of, and be binding upon the parties hereto and their respective successors, assigns, heirs, executors and administrators and shall inure to the benefit of and be enforceable by each person who shall be a holder of the Shares from time to time; provided, however, that prior to the receipt by the Company of adequate written notice of the transfer of any Shares specifying the full name and address of the transferee, the Company may deem and treat the person listed as the holder of such Shares in its records as the absolute owner and holder of such Shares for all purposes. This Agreement may not be assigned by any party hereto without the consent of the other party, provided, that the Purchaser may assign its rights and obligations hereunder in whole or in part to any Affiliate of the Purchaser or to any successor of the Purchaser as a result of a Change of Control of the Purchaser, provided further, that in the case of such assignment the assignee shall agree in writing to be bound by the provisions of this Agreement and the Purchaser shall not be relieved of its obligations hereunder.

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8.6 Entire Agreement. This Agreement, the exhibits and schedules hereto, the other Transaction Agreements, and the other documents delivered pursuant hereto constitute the full and entire understanding and agreement between the parties with regard to the subjects hereof and no party shall be liable for or bound to any other in any manner by any oral or written representations, warranties, covenants and agreements except as specifically set forth herein and therein.

8.7 Severability. In the event one or more of the provisions of this Agreement should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein. Upon such determination that any provision of this Agreement, or the application of any such provision, is invalid, illegal, void or unenforceable, the Company and the Purchaser shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Company and the Purchaser as closely as possible to the fullest extent permitted by Law in an acceptable manner to the end that the transactions contemplated hereby and the other Transaction Agreements are fulfilled to the greatest extent possible.

8.8 Amendment. No provision in this Agreement shall be supplemented, deleted or amended except in a writing executed by an authorized representative of each of the Purchaser and the Company. Any amendment effected in accordance with this Section 8.8 shall be binding upon each holder of Shares purchased under this Agreement at the time outstanding, each future holder of all such Shares, and the Company, and any amendment not effected in accordance with this Section 8.8 shall be void and of no effect.

8.9 Waivers; Delays or Omissions. It is agreed that no delay or omission to exercise any right, power or remedy accruing to any party, upon any breach, default or noncompliance by another party under this Agreement, shall impair any such right, power or remedy, nor shall it be construed to be a waiver of any such breach, default or noncompliance, or any acquiescence therein, or of or in any similar breach, default or noncompliance thereafter occurring. It is further agreed that any Consent of any kind or character on any party's part of any breach, default or noncompliance under this Agreement or any waiver on such party's part of any provisions or conditions of the Agreement must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement, by Law, or otherwise afforded to any party, shall be cumulative and not alternative. Any waiver effected in accordance with this Section 8.9 shall be binding upon each holder of Shares purchased under this Agreement at the time outstanding, each future holder of all such Shares, and the Company, and any waiver not effected in accordance with this Section 8.9 shall be void and of no effect.

8.10 Equitable Relief. Each of the Company and the Purchaser hereby acknowledges and agrees that the failure of the Company to perform its respective agreements

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and covenants hereunder will cause irreparable injury to the Purchaser, for which damages, even if available, will not be an adequate remedy. Accordingly, the Company hereby agrees that the Purchaser shall be entitled to seek the issuance of equitable relief by any court of competent jurisdiction to compel performance of the Company's obligations.

8.11 Notices. All notices and other communications under this Agreement must be in writing and are deemed duly delivered when (a) delivered if delivered personally or by nationally recognized overnight courier service (costs prepaid), (b) sent by facsimile with confirmation of transmission by the transmitting equipment (or, the first Business Day following such transmission if the date of transmission is not a Business Day) or (c) received or rejected by the addressee, if sent by United States of America certified or registered mail, return receipt requested; in each case to the following addresses or facsimile numbers and marked to the attention of the individual (by name or title) designated below (or to such other address, facsimile number or individual as a party may designate by notice to the other parties):

If to the Company:

Merus N.V.
Yalelaan 62
3584 CH Utrecht
The Netherlands
Attention: Management Board of Merus N.V.
Anne Noordzij, Head of Legal

with a copy (which will not constitute notice) to:

Latham & Watkins LLP
200 Clarendon Street
Boston, MA 02116
Facsimile: XXXXXXXXX
Attention: Peter N. Handrinos

and

Eversheds B.V.
De Cuserstaat 85a
1008 AC Amsterdam
The Netherlands
Facsimile: XXXXXXXXX
Attention: Tom van Wijngaarden

If to the Purchaser:

Incyte Corporation
1801 Augustine Cut-Off

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Wilmington, DE 19803
United States of America
Facsimile: XXXXXXXXX
Attention: General Counsel

with a copy (which will not constitute notice) to:

Morgan, Lewis & Bockius LLP
502 Carnegie Center
Princeton, NJ 08540
United States of America
Facsimile: XXXXXXXXX
Attention: Randall Sunberg
Emilio Ragosa

8.12 Expenses. Each party shall pay all costs and expenses that it incurs with respect to the negotiation, execution, delivery and performance of this Agreement.

8.13 Attorneys' Fees. In the event that any Action is instituted under or in relation to this Agreement, including without limitation to enforce any provision in this Agreement, the prevailing party in such dispute shall be entitled to recover from the losing party all fees, costs and expenses of enforcing any right of such prevailing party under or with respect to this Agreement, including without limitation, such reasonable fees and expenses of attorneys and accountants, which shall include, without limitation, all fees, costs and expenses of appeals.

8.14 Titles and Subtitles. The titles of the sections and subsections of the Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

8.15 Counterparts. This Agreement may be executed in any number of counterparts (including via facsimile, PDF or other electronic signature), each of which shall be an original, but all of which together shall constitute one instrument.

8.16 Broker's Fees. Each party hereto represents and warrants that no agent, broker, investment banker, person or firm acting on behalf of or under the authority of such party hereto is or will be entitled to any broker's or finder's fee or any other commission directly or indirectly in connection with the transactions contemplated herein. Each party hereto further agrees to indemnify each other party for any claims, losses or expenses incurred by such other party as a result of the representation in this Section 8.16 being untrue.

8.17 Pronouns. All pronouns contained herein, and any variations thereof, shall be deemed to refer to the masculine, feminine or neutral, singular or plural, as to the identity of the parties hereto may require. The words "include," "includes" and "including" will be deemed to be followed by the phrase "without limitation". The meanings given to terms defined herein will be equally applicable to both the singular and plural forms of such terms. All

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references to "dollars" or "$" will be deemed references to the lawful money of the United States of America. All exhibits attached hereto and all other attachments hereto are hereby incorporated herein by reference and made a part hereof.

8.18 Third Party Beneficiaries. None of the provisions of this Agreement shall be for the benefit of or enforceable by any Third Party, including any creditor of any party hereto. No Third Party shall obtain any right under any provision of this Agreement or shall by reason of any such provision make any claim in respect of any debt, liability or obligation (or otherwise) against any party hereto.

8.19 No Strict Construction. This Agreement has been prepared jointly and will not be construed against either party. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto, and no presumption or burden of proof shall arise favoring or disfavoring any party hereto by virtue of the authorship of any provisions of this Agreement.

[*Signature Page to Follow*]

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date set forth in the first paragraph hereof.

Company:

MERUS N.V.

By: /s/ Ton Logtenberg	By: /s/ Shelley Margetson
Name: Ton Logtenberg	Name: Shelley Margetson
Title: Chief Executive Officer	Title: Chief Operating Officer

[*Signature Page to the Merus Share Subscription Agreement*]

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date set forth in the first paragraph hereof.

Purchaser:

INCYTE CORPORATION

By: /s/ Hervé Hoppenot
Name: Hervé Hoppenot
Title: President and CEO

[*Signature Page to the Merus Share Subscription Agreement*]

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EXHIBIT A

FORM OF OPINION OF EVERSHEDS B.V.

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EVERSHEDS

Subject to review of documents and opinion committee approval - for discussion purposes only -

Personal and confidential

To: the Purchaser (as defined in the Share Subscription Agreement (as defined below))

19 December 2016 -
Subject to review of documents and opinion committee approval - for discussion purposes only -

Dear Sir/Madam,

We have acted as counsel as to matters of Netherlands law to Merus N.V., a public company incorporated under the laws of the Netherlands having its registered office (*statutaire zetel*) in Utrecht, the Netherlands and its principal place of business at Yalelaan 62,3584 CM Utrecht, the Netherlands (the "**Company**") in connection with the offering by the Company of […] common shares with a nominal value of EUR 0.09 per share (the "**Offer Shares**"), pursuant to a share subscription agreement, dated […] between the Company as company and, *inter alios*, [...] as purchaser (hereinafter the "**Purchaser**") (the "**Share Subscription Agreement**") and a collaboration agreement, dated […], between the Company and the Purchaser (the "**Collaboration Agreement**").

This opinion is rendered to you upon your request in connection with the Share Subscription Agreement and the Collaboration Agreement.

In rendering this opinion letter, we have solely examined and relied upon the documents as specified in **Annex 1**. Any attachments thereto and documents mentioned or referred to therein are excluded for the purpose of this opinion letter except to the extent explicitly stated otherwise in **Annex 1**.

We have only expressed opinions on matters of the laws of the European territory of the Kingdom of the Netherlands ("**the Netherlands**") as they currently stand and as they have been published as at the date of this opinion letter. We have made no investigations into the laws of any other jurisdiction as a basis for the opinions as expressed herein, and we do not express or imply any opinion on such jurisdictions.

Furthermore, for the purpose of this opinion letter, we have not expressed an opinion on Dutch tax law, European law (unless directly applicable in the Netherlands), international law, competition law and/or anti-trust law. This includes (without limitation) the (i) rules and/or (ii) promulgated rules of or by any bilateral or multilateral treaty or treaty organisation, unless implemented under the laws of the Netherlands. Finally, no opinion

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EVERSHEDS

Subject to review of documents and opinion committee approval - for discussion purposes only -

has been expressed on any commercial, accounting or other non-legal matter or on the ability as a matter of fact (as opposed to law) of the Company to meet its financial obligations or any other obligation under the Opinion Documents.

We have not been concerned with investigating or verifying the accuracy of any fact, representation or warranty as set out or as referred to in the Opinion Documents, with the exception of those matters on which we have specifically expressed our opinions. To the extent that the accuracy of such facts, representations or warranties not so investigated or verified and any of the facts stated in the Opinion Documents is relevant to this opinion letter, we have assumed, with your permission, that such facts, representations and warranties are true and correct.

The opinions as rendered in this opinion letter have been given on the basis of, and are subject to (i) the assumptions set out in **Annex 2** and (ii) the qualifications set out in **Annex 3**. The opinions given in this opinion letter are strictly limited to the matters set out in paragraphs 1 up to and including 19 below.

Annex 1, **Annex 2** and **Annex 3** (together hereinafter the "**Annexes**") form an integral part of this opinion letter. This opinion letter cannot be read and/or interpreted without the **Annexes**.

We are of the opinion that:

Corporate Status

1. The Company is validly existing under the laws of the Netherlands as a '*naamloze vennootschap*' (a public company with limited liability).

Corporate Power

2. The Company has the corporate power (i) to execute the Opinion Documents and (ii) to perform its obligations thereunder, including the issuance of the Offer Shares and excluding pre-emption rights with respect to the Offer Shares.

Corporate Action

3. The Company has taken all corporate actions required under its Articles of Association, its Rules and/or the laws of the Netherlands to authorize the execution of the Deed of Issue of Shares, the Share Subscription Agreement, the issuance of the Offer Shares and excluding pre-emption rights with respect to the Offer Shares.

Valid Execution

4. The Opinion Documents have been validly executed on behalf of the Company.

Share Capital

5. The Offer Shares have been duly authorised and duly issued.
6. Upon payment in full by the Purchaser for the Offer Shares in accordance with the terms of Share Subscription Agreement, the Offer Shares have been fully paid.
7. Any statutory pre-emptive rights and pre-emptive rights under the Articles of Association relating to the issue of the Offer Shares have been validly excluded.

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EVERSHEDS

Subject to review of documents and opinion committee approval - for discussion purposes only -

Enforceability of Obligations

8. The obligations expressed to be assumed by the Company in the Deed of Issue of Shares are legal, valid and binding obligations of the Company, enforceable against it in the Netherlands in accordance with their terms.

No Authorisations, Consents or Approvals

9. There are no governmental or regulatory consents, approvals or authorisations required under the laws of the Netherlands or by any authority of the Netherlands for (i) the Company's authorization, entry into and performance of the Opinion Documents and (ii) the offering or issuance of the Offer Shares.

No Violation of Law

10. The issuance of the Offer Shares by or on behalf of the Company does not conflict with or does not result in a breach of any provision of the laws of the Netherlands or the Articles of Association.

No Registration, Filing or similar Formalities

11. Under the laws of the Netherlands there are no registration, filing or similar formalities required of the Company to ensure the admissibility in evidence, validity, binding effect and enforceability against the Company of the Share Subscription Agreement and the Collaboration Agreement. [1]

Exchange Control Restrictions

12. There are no exchange control restrictions in the Netherlands which would prevent the Company from paying dividends to shareholders in U.S. Dollars or any other currency and no approvals are required from governmental, judicial or public bodies or authorities in the Netherlands in order for the Company to pay dividends.

No Immunity

13. Neither the Company nor any of its assets is entitled to immunity from any legal proceedings in the Netherlands in order to enforce the Opinion Documents or any liability or obligation of the Company arising thereunder.

Choice of Law

14. The courts of the Netherlands will generally give effect to the choice of the laws of the State of New York as the governing law of the Share Subscription Agreement and, where it pertains to the Dutch Law Matters as defined in the Share Subscription Agreement, to the choice of the laws of the Netherlands.

15. The courts of the Netherlands will generally give effect to the choice of the laws of the State of New York as the governing law of the Collaboration Agreement.

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[1] Please note that the share issuance needs to be registered in the Company's shareholders register.

[*] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

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Subject to review of documents and opinion committee approval - for discussion purposes only -

Submission to Jurisdiction

16. The submission by the Company in the Share Subscription Agreement and the Collaboration Agreement to the exclusive jurisdiction of the United States District Court for the Southern District of New York United States is valid and binding on the Company. Such submission does not preclude that claims for provisional measures in summary proceedings may be brought before a competent Dutch court.

Enforcement of Judgments

17. There is no enforcement treaty between the Netherlands and the United States. Consequently, a judgment of a court sitting in the United States District Court for the Southern District of New York cannot automatically be enforced in the Netherlands. In order to obtain a judgment in respect of the Share Subscription Agreement and the Collaboration Agreement that can be enforced in the Netherlands against the Company, the dispute will have to be re-litigated before a Netherlands court of competent jurisdiction. This court will have discretion to attach such weight to the judgment of the court sitting in the United States District Court for the Southern District of New York as it deems appropriate. Given the submission by the Company to the jurisdiction of the courts sitting in the United States District Court for the Southern District of New York, the Netherlands courts can be expected to give conclusive effect to a final and enforceable judgment of such court in respect of the contractual obligations under the Share Subscription Agreement and the Collaboration Agreement without re-examination or re-litigation of the substantive matters adjudicated upon. This would require that (i) proper service of process has been given, (ii) the proceedings before the court sitting in the United States District Court for the Southern District of New York having complied with principles of proper procedure (*behoorlijke rechtspleging*), and (iii) such judgment not being contrary to the public policy of the Netherlands.

Carry on Business

18. In order to enable the Purchaser to enforce its rights under the Opinion Documents, it is not necessary under the laws of the Netherlands that it should be licensed, qualified or otherwise entitled to carry on business in the Netherlands.

Limited Liability Shareholder

19. Under Dutch law, the liability of a holder of shares is limited to the payment of the nominal value of the shares increased with the share premium as may be agreed between such holder and the Company and a holder of shares will have no personal liability for the debts and obligations of a Dutch company solely by reason of the holding of such shares in a Dutch company.

The opinions reflected above express and describe Dutch legal concepts in English and not in their original Dutch terms. Consequently, the opinions reflected above are issued and may only be relied upon on the express condition that they shall be governed by (and that all words and expressions used herein shall be construed and interpreted in accordance with) the laws of the Netherlands.

This opinion letter is strictly limited to the matters set forth herein, and no opinion may be inferred or implied beyond those expressly stated herein.

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In issuing this opinion letter, we do not assume any obligation to notify or to inform you of any developments subsequent to the date hereof which might render its contents untrue or inaccurate in whole or in part at such time.

This opinion letter is addressed solely to you and may not, without our prior written consent, be relied upon by any other person, company, enterprise, institution or other entity (except your legal advisors). This opinion letter can only be used and/or relied upon by you in relation with the transactions referenced in the executed Opinion Documents.

A copy of this opinion may be provided (on a non-reliance basis) (i) where disclosure is required by applicable law or regulation, by any court of competent jurisdiction or any competent judicial, governmental, supervisory or regulatory body or in respect of legal or arbitration proceedings in connection with this opinion; (ii) where disclosure is required by the rules of any stock exchange, listing authority or similar body upon which your shares or other securities are listed; (iii) to your affiliates, and any of its or their officers, directors, employees, auditors and professional advisors; (iv) or otherwise, with our prior written consent.

This opinion letter (and any non-contractual obligation arising out or in connection with this opinion letter) is governed by Dutch law and any dispute in relation to this opinion letter shall be brought exclusively before a court in Amsterdam, the Netherlands of competent jurisdiction.

[*] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

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Yours faithfully,

Matthijs Bolkenstein
For
Eversheds B.V.

Tom van Wijngaarden
For
Eversheds B.V.

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Subject to review of documents and opinion committee approval - for discussion purposes only -

ANNEX 1

(a) an electronic copy of the executed notarial deed of incorporation of the Company dated 16 June 2003 ("**Deed of Incorporation**"), as filed with the trade register (the "**Trade Register**") with the Chamber of Commerce (*Kamer van Koophandel*);

(b) an electronic copy of the executed deed of conversion whereby Merus B.V. has been converted to Merus N.V., dated 19 May 2016 (the "**Deed of Conversion**") containing the articles of association of the Company currently effective according to the excerpt referred to below (the "**Articles of Association**") as filed with the Chamber of Commerce;

(c) an electronic copy of the excerpt of the Trade Register relating to the Company, provided by the Chamber of Commerce dated the date of this opinion letter, relating to the registration of the Company under number 30189136 (the "**Excerpt**");

(d) an electronic copy of the deed of issue of shares in the capital of the Company, dated […] (the "**Deed of Issue of Shares**");

(e) an electronic copy of the executed written resolution of the general meeting of the Company, dated 6 May 2016 (the "**Shareholders Resolution**");

(f) an electronic copy of the executed written resolution of the management board of the Company, dated […] (the "**Management Board Resolution 1**");

(g) an electronic copy of the executed written resolution of the management board of the Company, dated 6 May 2016 (the "**Management Board Resolution 2**");

(h) an electronic copy of the executed written resolution of the supervisory board of directors of the Company, dated 6 May 2016 (the "**Supervisory Board Resolution 1**);

(i) an electronic copy of the executed written resolution of the supervisory board of directors of the Company, dated […] the "**Supervisory Board Resolution 2**");

(j) the rules of procedure for the management board, dated 6 May 2016 (the "**MBR Rules**");

(k) the rules of procedure for the supervisory board, dated 6 May 2016 (the "**SBR Rules**").

The Deed of Issue of Shares, the Share Subscription Agreement and the Collaboration Agreement are herein collectively also referred to as the "**Opinion Documents**".

The Shareholders Resolution, the Management Board Resolution 1, the Management Board Resolution 2, the Supervisory Board Resolution 1, and the Supervisory Board Resolution 2 are herein collectively also referred to as the "**Resolutions**".

The MBR Rules and the SBR Rules are herein collectively referred to as the "**Rules**".

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Subject to review of documents and opinion committee approval - for discussion purposes only -

ANNEX 2

The opinions in this opinion letter are subject to the following assumptions:

(i) the genuineness and completeness of all signatures of the individuals executing the original copies of the documents listed in **Annex 1**;

(ii) the conformity to the originals of all documents submitted to us as copies and the genuineness and completeness of all original documents;

(iii) the Deed of Incorporation is a valid notarial deed (authentieke akte), the contents of which were correct and complete as of the date thereof and there were no defects in the incorporation of the Company on the basis of which a court might dissolve (ontbinden) such Company;

(iv) the Company has not: been dissolved (ontbonden), been granted a suspension of payments (surseance van betaling verleend), been declared bankrupt (failliet verklaard), had its assets placed under administration (onder bewind gesteld), or been made subject to any similar insolvency proceedings in other jurisdictions, and no statutory merger or statutory split (juridische fusie of juridische splitsing) has been enacted and no corporate action pertaining thereto has been initiated or executed and the Company has not received a notice from any chamber of commerce (Kamer van Koophandel) concerning its dissolution under article 2:19a of the DCC; although not constituting conclusive evidence thereof, to the extent referring to Dutch law, our assumption is supported by (a) the contents of the Excerpt and (b) information obtained on the date of issue of this opinion letter (i) by telephone from the bankruptcy clerk's office (faillissementsgriffie) of the district court in Midden-Nederland, the Netherlands and (ii) online from the central insolvency register (*centraal insolventieregister*) in The Hague, the Netherlands;

(v) the parties to the Opinion Documents (other than the Company) are duly incorporated, validly existing and in good standing (where such concept is legally relevant) under the laws of their jurisdiction and of the jurisdiction of their place of business;

(vi) the parties to the Opinion Documents (other than the Company) have and will have the power and capacity (corporate and other) to enter into the Opinion Documents and to perform their respective obligations thereunder and the Opinion Documents and all other agreements and documents relating thereto have been or will (where appropriate) be duly authorised and executed by all parties thereto (other than the Company);

(vii) the Resolutions correctly reflect the resolutions adopted therein and have not been, and will not be, amended, revoked, or declared null and void and are in full force and effect;

(viii) the due compliance with all matters (including without limitation the obtaining of all necessary consents, licences, approvals and authorities, the making of the necessary filings, lodgements, registrations and notifications and the payment of duties and taxes) under any law other than that of the Netherlands as may relate to the Opinion Documents and all other documents or agreements relating thereto;

(ix) none of the managing directors of the Company has a conflict of interests with the Company and its business in respect of the entering into of the Opinion Documents or the performance of any acts or things necessary or conducive in connection with the Opinion Documents;

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(x) the Opinion Documents constitute, under any applicable law other than the laws of the Netherlands legal, valid and binding obligations of the parties thereto (including the Company), and are enforceable against those parties in accordance with their terms;

(xi) under any applicable law other than the laws of the Netherlands, the choice of the laws of the State of New York as the governing law of the Share Subscription Agreement and the Collaboration Agreement is valid under such law and applies to the submission to jurisdiction as provided for in the Share Subscription Agreement and the Collaboration Agreement and would be recognized and given effect to by the courts of any applicable jurisdiction other than the Netherlands.

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ANNEX 3

The opinions in this opinion letter are subject to the following qualifications:

A. under the laws of the Netherlands:

   a. effect may be given to the law of another jurisdiction with which the situation has a close connection, insofar as, under the law of that jurisdiction, that law is mandatory irrespective of the governing law of the Share Subscription Agreement and the Collaboration Agreement;

   b. the laws of the Netherlands will be applied insofar as it is mandatory irrespective of the governing law of the Share Subscription Agreement and the Collaboration Agreement;

   c. the application of the laws of the State of New York may be refused if it is manifestly incompatible with Dutch public policy; and

   d. account will be given to the laws of the jurisdiction in which performance takes place in relation to the manner of performance and the steps to be taken in the event of defective performance;

B. this opinion letter is subject to any limitations arising from bankruptcy (*faillissement*), insolvency, fraudulent preference (*pauliana*), liquidation, suspension of payments (*surseance van betaling*), reorganisation and other laws of general application relating to or affecting the rights of creditors sanctions and measures, including but not limited to those concerning export control, pursuant to European Union regulations, under the Sanctions Act 1977 (*Sanctiewet 1977*) or any other legislation;

C. the Excerpt does not provide conclusive evidence that the facts set out therein are correct; however, under the Trade Register Act 2007 (*Handelsregisterwet 2007*) subject to limited exceptions, the Company cannot invoke the incorrectness or incompleteness of the trade register registration against third parties who were unaware of such incorrectness or incompleteness;

D. the confirmation from the bankruptcy clerk's office referred to in paragraph (iv) of **Annex 2** does not provide conclusive evidence that the Company has not been declared bankrupt or granted a suspension of payments;

E. pursuant to (i) article 2:7 DCC as it relates to the Company, any transaction entered into by a legal entity may be nullified by the legal entity itself or its receiver in bankruptcy (*curator*) if the objects of that entity were transgressed by the transaction and the other party to the transaction knew or should have known this without independent investigation (*wist of zonder eigen onderzoek moest weten*). The Netherlands Supreme Court (*Hoge Raad der Nederlanden*) has ruled that in determining whether the objects of a legal entity are transgressed, not only the description of the objects in that legal entity's articles of association (*statuten*) is decisive, but all (relevant) circumstances must be taken into account, in particular whether the interests of the legal entity were served by the transaction;

F. a power of attorney granted by a Dutch company will automatically (i.e. by operation of law) terminate upon the bankruptcy of such company or become ineffective when such company has been granted a suspension of payments;

G. the effectiveness of provisions relating to the choice of law to govern contractual obligations will be subject, where applicable, to, Regulation EC 593/2008 on the law applicable to contractual obligations of 17 June 2008 ("**Rome I**");

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H. the terms "enforceable", "enforceability", "valid", "legal" and "binding" (or any combination thereof) where used above, mean that the obligations assumed by the relevant party under the relevant document are of a type which the laws of the Netherlands generally recognises and enforces; they do not mean that these obligations will necessarily be enforced in all circumstances in accordance with their terms; in particular, enforcement before the courts of the Netherlands will in any event be subject to:

   a. the degree to which the relevant obligations are enforceable under their governing law (if other than the laws of the Netherlands);

   b. the nature of the remedies available in the Dutch courts (and nothing in this opinion letter must be taken as indicating that specific performance or injunctive relief would be available as remedies for the enforcement of such obligations);

   c. the acceptance of such courts of jurisdiction and the power of such courts to stay proceedings if concurrent proceedings are being brought elsewhere;

   d. prescription or limitation periods (within which suits, actions or proceedings must be brought);

   e. the availability of defences such as, without limitation, set-off (unless validly waived), fraud, duress, error, force majeure, unforeseen circumstances, misrepresentation, undue influence, abatement and counter-claim; and

   f. rules of the laws of the Netherlands which generally apply to arrangements like the Opinion Documents, including (without limitation) the requirements of reasonableness and fairness (*redelijkheid en billijkheid*);

I. the Netherlands Supreme Court Court (*Hoge Raad der Nederlanden*) has determined that if a shareholder commits a tortious act (*onrechtmatige daad*) against a creditor of the company in which it holds shares, the shareholder can be personally liable vis-à-vis that creditor. Relevant circumstances in determining whether a shareholder has committed a tortious act against a creditor of the company in which it holds shares are (non-exhaustive):

   a. whether the shareholder had insight into and intensive control over the company's policy (shadow board);

   b. whether the shareholder had (objective) knowledge that the company could not or could no longer fulfil its payment obligations; and

   c. whether the shareholder has prevented the company from entering into new obligations or did not ensure that the company's creditors were notified of the bad financial situation;

J. pursuant to article 2:138 DCC, in case of bankruptcy of a Dutch company, each director shall be jointly and severally liable to the bankruptcy estate for the amount of the company's debt that cannot be satisfied out of the liquidation of its assets if (i) the directors have manifestly performed their duties improperly and (ii) it is plausible that these actions constituted an important cause of the insolvency. Pursuant to paragraph 7 of article 2:138 of the DCC, a director shall also entail any person who had control over the company's policy as if they were themselves a director. This could also be a shareholder;

K. assets located in the Netherlands that are destined for the public service (*goederen bestemd voor de openbare dienst*) and the books and records of a company may not be attached whether by pre-judgment attachment or attachment for the purpose of sale in execution.

*****

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Confidential Treatment Requested Under 17 C.F.R.§§ 200.80(b)(4) and 240-24b-2

EXHIBIT B

JOINT PRESS RELEASE

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For Immediate Release

Incyte and Merus Announce Global Strategic Research Collaboration to Discover and Develop Bispecific Antibodies

- *Collaboration designed to leverage Merus' Biclonics® bispecific antibody technology to expand Incyte's discovery capabilities and large-molecule portfolio*
- *Incyte to make up-front payment of $120 million and purchase $80 million of Merus common shares; Merus eligible to receive potential development, regulatory and commercial milestones and sales royalties*
- *Merus conference call scheduled today at 8:30 a.m. ET, 2:30 p.m. CET*

WILMINGTON, DE AND UTRECHT, THE NETHERLANDS, December 21, 2016 –

Incyte Corporation (NASDAQ:INCY) and Merus N.V. (NASDAQ:MRUS) announced today that they have entered into a global, strategic collaboration agreement focused on the research, discovery and development of bispecific antibodies utilizing Merus' proprietary Biclonics® technology platform. The Collaboration and License Agreement grants Incyte the exclusive rights for up to eleven bispecific antibody research programs, including two of Merus' current preclinical immuno-oncology discovery programs.

Biclonics® retain the IgG format of antibodies that are produced naturally by the immune system and, by binding to two targets, enable multiple modes of action that cannot otherwise be obtained with conventional monoclonal antibodies.

"By virtue of a unique ability to simultaneously engage multiple protein targets, we believe bispecific antibodies have the potential to play an important role in the future of biotherapeutics," said Reid Huber, Ph.D., Incyte's Chief Scientific Officer. "This collaboration with Merus expands our large molecule discovery capabilities into an innovation-rich area of research, creating additional opportunities for us to deliver on our commitment to improving and extending the lives of patients with cancer and other serious diseases."

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"This transformative, global collaboration further underscores the potential of Merus' Biclonics® technology platform and establishes a strong relationship with Incyte, a leader in innovative drug development," said Ton Logtenberg, Ph.D., Chief Executive Officer of Merus. "We look forward to expanding our pipeline under this agreement, as we efficiently exploit our preclinical discovery engine and progress our most advanced, proprietary assets in the clinic."

Terms of the Collaboration

Under the terms of the collaboration, Incyte has agreed to pay Merus an upfront payment of $120 million. In addition, Incyte has agreed to purchase 3.2 million shares of Merus stock at $25 per share, for a total equity investment of $80 million.

The parties have agreed to collaborate on the development and commercialization of up to 11 bispecific antibody programs. For one current preclinical program, Merus will retain all rights to develop and commercialize approved products in the United States, and Incyte will develop and commercialize approved products arising from the program outside the United States. Following any regulatory approval of a product candidate for this particular pre-clinical program, each company has agreed to pay the other tiered royalties ranging from 6 to 10 percent on net sales of products in their respective territories.

Merus also has the option to co-fund development of product candidates arising from two other programs. For any program for which Merus exercises its co-development option, Merus would be responsible for 35 percent of global development costs in exchange for a 50 percent share of U.S. profits and losses and tiered royalties ranging from 6 to 10 percent on ex-U.S. sales by Incyte for these programs. Merus also has the right to elect to provide up to 50 percent of detailing activities for product candidates arising from one of these programs in the United States.

For each of the other eight programs, Incyte has agreed to independently fund all development and commercialization activities. For these programs, Merus will be eligible to receive potential development, regulatory and sales milestone payments of up to $350 million per program, which could result in an aggregate milestone opportunity of approximately $2.8 billion if all development, regulatory and sales milestones are achieved across all such eight other programs in all territories. Merus will also be eligible to receive tiered royalties ranging from 6 to 10 percent on global sales of any approved products under these eight programs.

Merus will retain the rights to its technology platform as well as clinical and pre-clinical candidates and future programs emerging from Merus' platform that are outside the scope of this agreement.

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The transaction is expected to close in the first quarter of 2017, subject to the early termination or expiration of any applicable waiting periods under the Hart-Scott Rodino Act and customary closing conditions.

Merus will retain rights to both of its clinical candidates and MCLA-158, as well as any future programs emerging from Merus' platform that are outside the scope of the agreement.

Conference Call and Webcast Information

Merus will host a conference call today to discuss this strategic research collaboration at 8:30 a.m. ET, 2:30 p.m. CET. Participants may access the call by dialing 866-978-9968 in the U.S. or 646-722-4972 outside the U.S. and referencing conference ID number 72944512#. The conference call will also be available by webcast on the Investor Relations page of Merus' website, www.merus.nl. An audio replay of the call will be available from 11:30 a.m. ET on December 20, 2016 until 11:30 a.m. ET on January 3, 2017. To access the replay from both within and outside the U.S., dial 866-535-8030. The participant passcode is 680343#.

About Incyte

Incyte Corporation is a Wilmington, Delaware-based biopharmaceutical company focused on the discovery, development and commercialization of proprietary therapeutics. For additional information on Incyte, please visit the Company's website at www.incyte.com.

Follow @Incyte on Twitter at https://twitter.com/Incyte.

About Merus N.V.

Merus is a clinical-stage immuno-oncology company developing innovative human bispecific antibody therapeutics, referred to as Biclonics®. Biclonics® are based on the full-length IgG format, are manufactured using industry standard processes and have been observed in preclinical studies to have several of the same features of conventional monoclonal antibodies, such as long half-life and low immunogenicity.

For more information, please visit the Company's website at www.merus.nl.

Incyte Forward-Looking Statements

Except for the historical information set forth herein, the matters set forth in this press release contain predictions, estimates and other forward-looking statements, including without limitation statements regarding: whether and when the planned collaboration with Merus and the purchase of common shares of Merus by Incyte will close; whether and when this planned collaboration will effectively expand

Incyte's discovery capabilities and large-molecule portfolio; whether any of the programs under the collaboration will be successful or will produce any products that will be approved for use in humans anywhere or will be commercialized anywhere successfully or at all; and whether and when any of the milestone payments or royalties under this collaboration will ever be paid by Incyte. These forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially, including unanticipated developments in and risks related to: obtaining approval for this planned collaboration; research and development efforts related to the collaboration programs; the possibility that results of clinical trials may be unsuccessful or insufficient to meet applicable regulatory standards or warrant continued development; other market or economic factors; unanticipated delays; our ability to compete against parties with greater financial or other resources; greater than expected expenses; and such other risks detailed from time to time in Incyte's reports filed with the Securities and Exchange Commission, including our Form 10-Q for the quarter ended September 30, 2016. Incyte disclaims any intent or obligation to update these forward-looking statements.

Merus Forward-Looking Statements

Except for the historical information set forth herein, this press release contains predictions, estimates and other forward-looking statements, including without limitation statements regarding: whether and when the planned collaboration with Incyte and Incyte's purchase of Merus common shares will close; Merus' expectations regarding the expansion of Merus' pipeline as a result of the collaboration, efficiently exploiting its preclinical discovery engine, and advancing later-stage assets in the clinic; the potential of bispecific antibodies for biotherapeutics; the value of the collaboration for Merus' Biclonics® technology platform; whether any of the programs under the collaboration will be successful; and whether and when Merus will receive any of the expected or potential payments under this collaboration and the amounts of such payments to Merus. These forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from our expectations, including unanticipated developments in and risks related to: obtaining HSR approval for this planned collaboration; research and development efforts related to the collaboration programs; the clinical development process, which is expensive and unpredictable; the possibility that results of clinical trials may be unsuccessful or insufficient to meet applicable regulatory standards or warrant continued development; other market or economic factors; unanticipated delays; our ability to compete against parties with greater financial or other resources; our ability to commercialize and market our products, if approved; greater than expected expenses; and the other important factors detailed in our final prospectus filed with

the Securities and Exchange Commission, or SEC, on May 20, 2016 relating to our Registration Statement on Form F-1, and our other reports filed with the SEC. Merus disclaims any intent or obligation to update these forward-looking statements. These forward-looking statements should not be relied upon as representing Merus' views as of any date subsequent to the date of this press release.

# # #

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[*] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Exhibit 12.1

I, Ton Logtenberg, certify that:

1. I have reviewed this annual report on Form 20-F of Merus N.V.;

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 company as of, and for, the periods presented in this report;

4. The company'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)) for the company 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 company, 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) [OMITTED]

(c) Evaluated the effectiveness of the company'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 company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company'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 company'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 company's internal control over financial reporting.

Date: April 28, 2017

By: /s/ Ton Logtenberg
Ton Logtenberg
Chief Executive Officer
(Principal Executive Officer)

Exhibit 12.2

I, John J. Crowley, certify that:

1. I have reviewed this annual report on Form 20-F of Merus N.V.;

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 company as of, and for, the periods presented in this report;

4. The company'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)) for the company 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 company, 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) [OMITTED]

(c) Evaluated the effectiveness of the company'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 company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company'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 company'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 company's internal control over financial reporting.

Date: April 28, 2017

By: /s/ John J. Crowley
John J. Crowley
Chief Financial Officer
(Principal Financial Officer)

Exhibit 13.1

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

I, Ton Logtenberg, Chief Executive Officer of Merus N.V. (the "Company"), hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Annual Report on Form 20-F of the Company for the period ended December 31, 2016 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 28, 2017

/s/ Ton Logtenberg
Ton Logtenberg
Chief Executive Officer
(Principal Executive Officer)

Exhibit 13.2

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

I, John J. Crowley, Chief Financial Officer of Merus N.V. (the "Company"), hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Annual Report on Form 20-F of the Company for the period ended December 31, 2016 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 28, 2017

/s/ John J. Crowley
John J. Crowley
Chief Financial Officer
(Principal Financial Officer)

Exhibit 15.1

Consent of Independent Registered Public Accounting Firm

The Supervisory Board and Management Board of Merus N.V.:

We consent to the incorporated by reference in the registration statement on Form S-8 (No. 333-211497) of Merus N.V. of our report dated April 28, 2017 with respect to the consolidated statement of financial position of Merus N.V. and subsidiary as of December 31, 2016 and 2015 and the related consolidated statements of profit or loss and comprehensive loss, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2016 which report appears in the December 31, 2016 Annual Report on Form 20-F of Merus N.V.

/s/ KPMG Accountants N.V.

Amstelveen, The Netherlands
April 28, 2017