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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, 2017

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: 19,429,848 as of December 31, 2017

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, or Incyte;
- clinical development for MCLA-128 as part of a combination therapy for metastatic breast cancer and in other solid tumor cancers, MCLA-117 for the treatment of patients with acute myeloid leukemia, or AML, and MCLA-158 having an initial focus on the treatment of metastatic colorectal cancer;
- research and development for MCLA-145, which is being co-developed with Incyte, and for other bispecific antibody candidates;

- 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, including claims and opposition proceedings initiated by Regeneron Pharmaceuticals, Inc.;
- 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, 2017, 2016, and 2015 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,		
	2017	2016	2015
	(euros in thousands, except share and per share data)		
Statement of Profit or Loss and Comprehensive Loss Data:			
Revenue	€ 13,600	€ 2,719	€ 1,977
Research and development costs	(34,125)	(18,424)	(16,181)
Management and administration costs	(13,697)	(4,258)	(768)
Other expenses	(9,395)	(7,709)	(8,067)
Operating result	(43,617)	(27,672)	(23,039)
Finance income (expenses)	(29,223)	(19,556)	(145)
Result before tax	(72,840)	(47,228)	(23,184)
Income tax expense	(249)	—	—
Other comprehensive income	89	8	—
Total comprehensive loss for the year	€ (73,000)	€ (47,220)	€ (23,184)
Basic (and diluted) loss per share(1)	€ (3.80)	€ (3.57)	€ (3.95)
Weighted average shares outstanding, basic and diluted(2)	19,196,440	13,236,649	5,871,237

(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, 2015.

	As of December 31,		
	2017	2016	2015
	(euros in thousands)		
Statement of Financial Position Data:			
Cash and cash equivalents	€ 149,678	€ 56,917	€ 32,851
Total assets	196,803	72,310	35,494
Total liabilities	148,916	38,279	7,192
Accumulated loss	(167,480)	(107,295)	(63,382)
Total equity (deficit)	47,887	34,031	28,302

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 €0.885 to $1.00, the official exchange rate quoted as of April 27, 2018 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:				
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
2017	0.834	0.885	0.829	0.963

	Low	High
	(euros per U.S. dollar)	
Month Ended:		
October 31, 2017	0.8435	0.8617
November 30, 2017	0.8367	0.8649
December 31, 2017	0.8338	0.8521
January 31, 2018	0.8028	0.8381
February 28, 2018	0.8004	0.8162
March 31, 2018	0.8051	0.8216
April 2018 (through April 27)	0.8072	0.8285

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 €73.0 million, €47.2 million, and €23.2 million for the years ended December 31, 2017, 2016, and 2015, respectively. As of December 31, 2017, we had an accumulated loss of €167.5 million. Our losses have resulted principally from expenses incurred in research and development of our bispecific antibody candidates and from management and administrative costs and other 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 our ongoing Phase 2 clinical trial of MCLA-128, our most advanced bispecific antibody candidate, for the treatment of metastatic breast cancer in combination with other therapies and our ongoing, single agent, Phase 1/2 clinical trial for the treatment of gastric, ovarian, endometrial and non-small cell lung cancers;
- conduct our ongoing Phase 1 clinical trial of MCLA-117, our second most advanced bispecific antibody candidate, for the treatment of acute myeloid leukemia;
- initiate a Phase 1 clinical trial of MCLA-158 for the treatment of colorectal cancer;
- continue the research and development of our other bispecific antibody candidates, including completing pre-clinical studies and commencing clinical trials for MCLA-145, which is being co-developed with Incyte Corporation, or Incyte;
- expand the clinical programs to explore new potential combination therapies or indications;
- seek to enhance our technology platform, which generates our pipeline of product candidates, and discover and develop additional antibody candidates;
- seek regulatory approvals for any 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, manufacturing challenges, safety issues or other regulatory challenges.

We have financed our operations primarily through (i) the initial public offering of our common shares, (ii) a placement of equity securities with Incyte Corporation, or Incyte, (iii) an upfront milestone payment received from Incyte under a collaboration and license agreement, or the Collaboration Agreement and (iv) a private placement of common shares in February 2018. We have devoted a significant portion of our financial resources and efforts to developing our full-length human bispecific antibody therapeutics, which we refer to as Biclonics®, our technology platform, identifying potential bispecific antibody candidates, conducting pre-clinical studies of a variety of candidates, including MCLA-145 and conducting our clinical trials of MCLA-128,

MCLA-117 and preparing to initiate clinical trials for MCLA-158. 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 commercial 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 our ongoing clinical trials of MCLA-128 and MCLA-117, initiate our Phase 1 clinical trial of MCLA-158 and continue to research, develop and conduct pre-clinical studies of MCLA-145 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 operating plan, we expect our existing cash balances, including proceeds we received from our private placement offering that closed in February 2018, to last through the end of 2020. 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 our ongoing clinical trials of MCLA-128 and the Phase 1 clinical trial of MCLA-117 and initiation of our Phase 1 clinical trial for MCLA-158;
- the success of our collaboration with Incyte to develop bispecific antibodies candidates, including research and development and clinical trials for MCLA-145;
- 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 antibody candidates;
- the costs, timing and outcome of regulatory review of any of our antibody candidates;

- the costs and timing of future commercialization activities, including manufacturing, marketing, sales and distribution, for any of our 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, including commercial 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, completion of pre-clinical studies and clinical trials of, receipt of marketing approvals for, establishment of commercial manufacturing supplies 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, a Marketing Authorisation Application, or MAA, to 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 the 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 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 biological raw materials or product candidates.

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 that may derive selective and meaningful benefit from the bispecific antibody candidates we are developing. Through collaborations, 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 companion diagnostic medical devices and typically require separate regulatory approval prior to commercialization. If needed, we intend to develop companion diagnostics in collaboration with third parties and are dependent on the scientific insights and sustained cooperation and effort of any third-party collaborators in developing and obtaining approval for companion diagnostics. We and our collaborators may encounter difficulties in developing and obtaining approval for any 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 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 companion 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, MCLA-158 and our other antibody candidates, building our intellectual property portfolio, developing our clinical manufacturing supply chain, planning our business, raising capital and providing general and administrative support for these operations. While we have ongoing clinical trials for MCLA-128 and MCLA-117 and intend to initiate a Phase 1 clinical trial for MCLA-158, we have not completed any clinical trials for any bispecific antibody candidate. We have not yet demonstrated our ability to successfully complete any 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 equity or debt financings 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. If 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 holder of our common shares. In addition, the possibility of such issuance may cause the market price of our common shares to decline. Debt financing, if available, may result in increased fixed payment obligations and involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures, declaring dividends, or acquiring, selling or licensing intellectual property rights, which could adversely impact our ability to conduct our business.

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 intellectual property, technologies, future revenue streams or bispecific antibody candidates or grant licenses on terms that may not be favorable to us. We could also be required to seek funds through arrangements with collaborators or others at an earlier stage than otherwise would be desirable. Any of these occurrences may have a material adverse effect on our business, operating results and prospects.

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. 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. Many 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 investors and collaborators mainly in 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 from improper conduct by our employees, agents, contractors, or collaborators could adversely affect our reputation, business, prospects, operating results, and financial condition.

We cannot ensure that our compliance controls, policies, and procedures will in every instance protect us from acts committed by our employees, agents, contractors, or collaborators that would violate the laws or regulations of the jurisdictions in which we operate, including, without limitation, health care, employment, foreign corrupt practices, trade restrictions and sanctions, environmental, competition, and patient privacy and other privacy laws and regulations. Such improper actions could subject us to civil or criminal investigations, and monetary and injunctive penalties, and could adversely impact our ability to conduct business, operating results, and reputation.

We are subject to a number of anti-corruption laws, including the Foreign Corrupt Practices Act, or FCPA, in the United States, the Bribery Act in the United Kingdom and the anti-corruption provisions of the Dutch Criminal Code in the Netherlands. Our failure to comply with anti-corruption laws applicable to us could result in penalties, which could harm our reputation and harm our business, financial condition, results of operations, cash flows or prospects. The FCPA generally prohibits companies and their intermediaries from making improper payments to foreign officials for the purpose of obtaining or keeping business and/or other benefits. The FCPA also requires public companies to maintain accurate books and records and devise a system of sufficient internal accounting controls. We regularly review and update our policies and procedures and internal controls designed to provide reasonable assurance that we, our employees, distributors and other intermediaries comply with the anti-corruption laws to which we are subject. However, there are inherent limitations to the effectiveness of any policies, procedures and internal controls, including the possibility of human error and the circumvention or overriding of the policies, procedures and internal controls. There can be no assurance that such policies or procedures or internal controls will work effectively at all times or protect us against liability under these or other laws for actions taken by our employees, distributors and other intermediaries with respect to our business.

The SEC and Department of Justice continue to view FCPA enforcement activities as a high priority. There is no certainty that all of our employees, agents, contractors, or collaborators, or those of our affiliates, will comply with all applicable laws and regulations, particularly given the high level of complexity of these laws. Violations of these laws and regulations could result in fines, criminal sanctions against us, our officers, or our employees, requirements to obtain export licenses, cessation of business activities in sanctioned countries, implementation of compliance programs, and prohibitions on the conduct of our business. Any such violations could materially damage our reputation, our brand, our international operations, our ability to attract and retain employees, and our business, prospects, operating results, and financial condition.

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, MCLA-117 or MCLA-158, are prolonged or delayed, we or any 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 any 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 are conducting ongoing clinical trials for MCLA-128 and MCLA-117, plan to initiate a Phase 1 clinical trial for MCLA-158, and are conducting pre-clinical studies for 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 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 or Health Authorities, as applicable, to suspend or terminate a trial if we or our collaborators or Health Authorities, 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 a 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 most advanced bispecific antibody candidate, MCLA-128, for the treatment of various solid tumors. Additionally, in January 2018 we commenced a Phase 2 clinical trial in Europe and the United States exploring MCLA-128, in combination with other agents, in patients with metastatic breast cancer. To date, patients treated with MCLA-128 have experienced adverse reactions that may be related to the treatment, including infusion-related reactions, diarrhea, vomiting, fatigue, skin rash, sore mouth and shortness of breath. In May 2016, we commenced a Phase 1 clinical trial in Europe of our bispecific antibody MCLA-117. To date, patients treated with MCLA-117 have experienced adverse reactions that may be related to the treatment, most commonly infusion-related reactions. 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 dose or 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. For the MCLA-128 Phase 2 clinical trial, we plan to enroll approximately 120 patients with metastatic breast cancer in the United States and Europe. In the Phase 1 clinical trial of MCLA-117, we plan to enroll approximately 50 adult patients with AML. These trials and other trials we conduct may be subject to delays as a result of patient enrollment taking longer than anticipated or patient withdrawal.

Our clinical trials will likely compete with other clinical trials for antibody candidates that are in the same therapeutic areas as our bispecific antibody candidates, and this competition will reduce the number and types of patients available to us, because some patients who might have opted to enroll in our trials may instead opt to enroll in a trial being conducted by one of our competitors. Because the number of qualified clinical investigators and clinical trial sites is limited, we expect to conduct some of our clinical trials at the same clinical trial sites that some of our competitors use, which will reduce the number of patients who are available for our clinical trials at such clinical trial sites.

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 antibody candidates.

A key element of our strategy is to use and expand our Biclonics® technology platform to build a pipeline of antibody candidates and progress these 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 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 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 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 collaborators 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 collaborators 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.

We expect that the current presidential administration and U.S. Congress will likely continue to seek to modify, repeal, or otherwise invalidate all, or certain provisions of, the ACA. However, we cannot predict the ultimate content, timing or effect of any healthcare reform legislation or the impact of potential legislation on us.

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 began paying 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, or 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 active 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.

We cannot predict how the policies of changing political administrations could impact, 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. 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 if a number of Executive Orders. 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.

Finally, policies of the individual government agencies, including 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, the Cures Act, among other things, which is intended to modernize the regulation of drugs and biologics and spur innovation, 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 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.

We face potential liability related to the privacy of health information we obtain from clinical trials sponsored by us or our collaborators, from research institutions and our collaborators, and directly from individuals.

Most health care providers, including research institutions from which we or our collaborators obtain patient health information, are subject to privacy and security regulations promulgated under the Health Insurance Portability and Accountability Act of 1996, or HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act. Any person may be prosecuted under HIPAA's criminal provisions either directly or under aiding-and-abetting or conspiracy principles. Consequently, depending on the facts and circumstances, we could face substantial criminal penalties if we knowingly receive individually identifiable health information from a HIPAA-covered health care provider or research institution that has not satisfied HIPAA's requirements for disclosure of individually identifiable health information. In addition, we may maintain sensitive personally identifiable information, including health information, that we receive throughout the clinical trial process, in the course of our research collaborations, and directly from individuals (or their healthcare providers) who enroll in our patient assistance programs. As such, we may be subject to state laws requiring notification of affected individuals and state regulators in the event of a breach of personal information, which is a broader class of information than the health information protected by HIPAA.

Our clinical trial programs and research collaborations outside the U.S. may implicate international data protection laws, including, in Europe, the EU Data Protection Directive and, beginning on May 25, 2018, the General Data Protection Regulation, or the GDPR, that is replacing it. The GDPR will implement more stringent operational requirements for processors and controllers of personal data. It also significantly increases penalties for non-compliance. If our privacy or data security measures fail to comply with the GDPR requirements, we may be subject to litigation, regulatory investigations, enforcement notices requiring us to change the way we use personal data and/or fines of up to 20.0 million Euros or up to 4% of the total worldwide annual turnover of the preceding financial year, whichever is higher. In addition to statutory enforcement, a personal data breach can lead to negative publicity and a potential loss of business.

We are also subject to evolving EU laws on data export, as we may transfer personal data from the EU to other jurisdictions. There is currently litigation challenging EU mechanisms for adequate data transfer. It is uncertain whether these mechanisms will be invalidated by the EU courts. We could be impacted by changes in law as a result of the current challenges to these mechanisms, which may lead to governmental enforcement actions, litigation, fines and penalties or adverse publicity that could have an adverse effect on our business.

We are likely to be required to expend significant capital and other resources to ensure ongoing compliance with applicable privacy and data security laws both inside and outside the United States. Claims that we have violated individuals' privacy rights or breached our contractual obligations, even if we are not found liable, could be expensive and time-consuming to defend and could result in adverse publicity that could harm our business.

If we or any collaborators fail to comply with applicable federal, state, or local regulatory requirements, we could be subject to a range of regulatory actions that could affect our or any collaborators' ability to seek to commercialize our clinical candidates. Any threatened or actual government enforcement action could also generate adverse publicity and require that we devote substantial resources that could otherwise be used in other aspects of our business.

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 our assets in clinical development, including MCLA-128 or MCLA-117, where supported by data in the appropriate indications that meet the criteria for orphan status. Even if we are able to obtain orphan designation 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, when appropriate, we may not 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 collaborator, 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 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 approved 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 approved. 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.

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. 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.

Jurisdictions in addition to the United States have established abbreviated pathways for regulatory approval of biological products that are biosimilar to earlier approved reference products. For example, the EU has had an established regulatory pathway for biosimilars since 2005.

The increased likelihood of biosimilar competition has increased the risk of loss of innovators' market exclusivity. Due to this risk, and uncertainties regarding patent protection, if our clinical candidates are approved for marketing, it is not possible to predict the length of market exclusivity for any particular product with certainty based solely on the expiration of the relevant patent(s) or the current forms of regulatory exclusivity. It is also not possible to predict changes in United States regulatory law that might reduce biological product regulatory exclusivity. The loss of market exclusivity for a product would likely materially and negatively affect revenues and we may not generate adequate or sufficient revenues from them or be able to reach or sustain profitability.

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 may require 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. Additionally, CROs may lack the capacity to absorb higher workloads or take on additional capacity to support our needs. 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 candidate 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 collaborator, we may need to seek additional financing to support the research and development of any terminated product candidates so that we may continue development activities, or we may be forced to discontinue development of terminated product candidates, each of which could have a material adverse effect on our business.

Under the Collaboration Agreement, with the exception of MCLA-145 where we retain full US rights, 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, we have license and collaboration agreements with ONO, Incyte and Simcere Pharmaceutical Group which we have licensed the development and commercialization of certain of our bispecific antibody candidates.

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 collaborator 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 collaborator'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. 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 BLA to the FDA. We have limited control over the manufacturing process of, and beyond contractual terms, we 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 limited 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 our 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 collaborators 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 collaborators 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 collaborators' 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 collaborators to narrow the scope of the claims of our or our licensors', licensees' or collaborators' 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 collaborators' 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 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, 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 product candidates 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 certain jurisdictions 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 product candidates 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 Biclonics® technology platform. 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, product candidates or the use of our product candidates.

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 U.S. Patent No. 8,502,018 ('018 patent). The trial court has entered judgment stating that we are not infringing Regeneron's '018 patent and that Regeneron's '018 patent is invalid. Further, the trial court ruled and entered judgment that Regeneron's '018 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 was issued on July 27, 2017, wherein the Federal Circuit affirmed the judgment of unenforceability. Regeneron filed a petition seeking rehearing and rehearing en banc, which the Federal Circuit denied on December 26, 2017. The case is currently before the trial court to adjudicate Merus' motion to receive its attorneys' fees and costs incurred in defending the litigation. On March 26, 2018, the trial court ruled that Merus' motion for attorney fees, expert fees, and costs is granted. Merus must next submit a detailed explanation of those attorney fees, expert fees, and costs of such award in the following weeks. Regeneron has indicated that it may file a petition seeking review by the Supreme Court of the United States. The European counterpart of this patent, previously revoked by the European Opposition Division, was reinstated with amended claims by the Technical Board of Appeal for the European Patent Office, or EPO, after an appeal by Regeneron with an appeal before the Technical Board of Appeal pending concerning whether the description of the patent is in alignment with the claims as allowed by the Technical Board of Appeal as required by Article 84 of the European Patent Convention. 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 certain of our patents in jurisdictions including Europe, Japan and Australia, including pertaining to Merus' patent family related to "Antibody producing non-human animals", which concerns features of Merus' Biclonics® technology platform. Such opposition proceedings have become increasingly common in the EU and are costly to defend. For example, an opposition to our European Patent 2147594, or the EP '594 patent, entitled "Antibody Producing Non-Human Mammals" was filed in the European Patent Office, or the EPO by Regeneron, as described in Part I, Item 3. "Legal Proceedings" of our Annual Report on Form 20-F for the year ended December 31, 2016 and in Note 16 to our Consolidated Financial Statements included in this report, respectively. As these proceedings continue, 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 collaborators, 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 collaborators or licensors, and the enforcement or defense of our issued patents.

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 collaborators 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.

Use of social media could give rise to liability, breaches of data security, or reputational harm.

We and our employees use social media to communicate internally and externally. There is risk that the use of social media by us or our employees to communicate about our products or business may give rise to liability, lead to the loss of trade secrets or other intellectual property, or result in public exposure of personal information of our employees, clinical trial patients, customers, and others. Furthermore, negative posts or comments about us or our products in social media could seriously damage our reputation, brand image, and goodwill. Any of these events could have a material adverse effect on our business, prospects, operating results, and financial condition and could adversely affect the price of our Common Stock.

Our computer systems, or those used by our CROs or other contractors or consultants, may fail or suffer security breaches, which could adversely affect our business.

Despite the implementation of security measures, our computer systems and data and those of our current or future CROs or other contractors and consultants are vulnerable to compromise or damage from computer

hacking, malicious software, fraudulent activity, employee misconduct, human error, telecommunication and electrical failures, natural disasters, or other cybersecurity attacks or accidents. Future acquisitions could expose us to additional cybersecurity risks and vulnerabilities from any newly acquired information technology infrastructure. Cybersecurity attacks are constantly increasing in sophistication and are made by groups and individuals with a wide range of motives (including industrial espionage) and expertise, including by organized criminal groups, "hacktivists," nation states, and others. As a company with an increasingly global presence, our systems are subject to frequent attacks. Due to the nature of some of these attacks, there is a risk that an attack may remain undetected for a period of time. While we continue to make investments to improve the protection of data and information technology, there can be no assurance that our efforts will prevent service interruptions or security breaches.

Any cybersecurity incident could adversely affect our business, by leading to, for example, the loss of trade secrets or other intellectual property, demands for ransom or other forms of blackmail, or the unauthorized disclosure of personal or other sensitive information of our employees, clinical trial patients, customers, and others. Although to our knowledge we have not experienced any material cybersecurity incident to date, if such an event were to occur, it could seriously harm our development programs and our business operations. We could be subject to regulatory actions taken by governmental authorities, litigation under laws that protect the privacy of personal information, or other forms of legal proceedings, which could result in significant liabilities or penalties. Further, a cybersecurity incident may disrupt our business or damage our reputation, which could have a material adverse effect on our business, prospects, operating results, share price and shareholder value, and financial condition. We could also incur substantial remediation costs, including the costs of investigating the incident, repairing or replacing damaged systems, restoring normal business operations, implementing increased cybersecurity protections, and paying increased insurance premiums.

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 board of directors. 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 team 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 Board of Directors 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.

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 are required to furnish a report by our management on our internal control over financial reporting with our 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 maintain compliance with Section 404, we engage in a process to document and evaluate our internal control over financial reporting, which is both costly and challenging. In this regard, we 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 maintain effective internal control over financial reporting 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.

As a public reporting company, we are subject to the rules and regulations established from time to time by the SEC and Nasdaq. These rules and regulations require, among other things, that we have, and periodically evaluate, procedures with respect to our internal control over financial reporting. Reporting obligations as a public company are likely to continue to place a considerable strain on our financial and management systems, processes and controls, as well as on our personnel.

In addition, as a public company, we are required to document and test our internal control over financial reporting pursuant to Section 404 so that our management can certify as to the effectiveness of our internal control over financial reporting, which requires us to document and make significant changes to our internal control over financial reporting. While 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.

In its review of our internal control over financial reporting in connection with the annual audit for 2017, management has identified a material weakness associated with a lack of adequate cut-off procedures to ensure the timely recognition, measurement and classification of operating expenses and recording of certain period-end accruals. Specifically, we did not design and maintain effective internal control over the assessment of the accounting for significant contractual arrangements related to our clinical research and manufacturing agreements and the classification of operating expenses. In its review of our internal control over financial reporting in connection with the annual audit for the year ended December 31, 2016, 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 of December 31, 2017, these material weaknesses were not remediated. As a result of these material weaknesses, our management concluded that our internal control over financial reporting was not effective as of December 31, 2017. Notwithstanding these material weaknesses, our management, based on the substantial work performed, concluded that our consolidated financial statements for the periods covered by and included in this Annual Report are fairly stated in all material respects in accordance with IFRS for each of the periods presented in this Annual Report.

As described in "Item 15 Controls and Procedures," we have taken and plan to take additional steps intended to address the underlying causes of the material weakness. There can be no assurance that any measures we take will remediate the material weaknesses identified, nor can there by any assurance as to how quickly we will be able to remediate these material weaknesses. In addition, we may encounter problems or delays in

completing the implementation of these measures. If these material weaknesses 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, material weaknesses, and any resulting restatements, could cause investors to lose confidence in our reported financial information, and could subject us to regulatory scrutiny and to litigation from shareholders, which could have a material adverse effect on our business and the price of our common shares.

Furthermore, the correction of any such material weaknesses, including the ones noted above, could require additional remedial measures including additional personnel, which could be costly and time-consuming. If we do not maintain adequate financial and management personnel, processes and controls, we may not be able to manage our business effectively or accurately report our financial performance on a timely basis, which could cause a decline in our common share price and adversely affect our results of operations and financial condition. Failure to comply with the Sarbanes-Oxley Act of 2002 could potentially subject us to sanctions or investigations by the SEC, Nasdaq or other regulatory authorities, which would require additional financial and management resources.

Members of our management, members of our board of directors, and certain shareholders affiliated with members of our board of directors 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, 2017, members of our management, our board of directors and shareholders affiliated with members of our board of directors, in the aggregate, owned approximately 20% 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 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 board of directors.

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 board of directors. 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 board members, whereby reappointment is limited to two times;
- a provision that our 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 board of directors); 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 board of directors.

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

We adopted an anti-takeover measure pursuant to which our board of directors may, subject to Board of Directors 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 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 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 board of directors, which proposal is subject to the approval of the board of directors 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 board (if the 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 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 board is 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 board of directors, 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 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. Most of our assets are located outside the United States. The majority of our 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 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 voluntarily 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 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, 2017. 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. Our principal executive offices are located at Yalelaan 62, 3584 CM Utrecht, The Netherlands. Our telephone number at the Utrecht 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 Cogency Global Inc., whose address is 10 E. 40th Street, 10th floor, New York, New York 10016.

Our capital expenditures primarily consist of laboratory equipment and leasehold improvements. For the years ended December 31, 2017, 2016, and 2015, the amount of our principal capital expenditures was €0.7 million, €0.5 million and €0.1 million, respectively. Our current capital expenditures are distributed between the United States and Europe with most of our capital expenditures made in the Netherlands. We expect to finance our current capital expenditures from the cash flows from operating activities, proceeds of our initial public offering, our collaboration with Incyte Corporation, and our private placement closed on February 15, 2018. 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. For more information on our capital expenditures, see the section of this Annual Report titled "Item 5.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 Biclonics® technology platform, which is able to generate a diverse array of antibody-heavy chains against virtually any target, paired with a common light chain. Two heavy chains paired with a common light chain can be combined to produce novel bispecific antibodies that bind a diverse array of targets and display differentiated biology. By binding to two different targets, Biclonics® can provide a variety of mechanisms of action. For example, Merus Biclonics® can be designed to simultaneously block receptors that drive tumor cell growth and survival and to mobilize the patient's immune response by engaging T-cells and/or 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 most advanced bispecific antibody candidate, MCLA-128, for the treatment of HER2-expressing solid tumors. In January 2018, we dosed the first patient in a Phase 2, open-label, multi-center international clinical trial to evaluate MCLA-128 in two metastatic breast cancer, or MBC, populations including HER2-positive MBC patients and hormone receptor positive/HER2-low MBC patients. MCLA-128 is a full-length IgG bispecific antibody with enhanced antibody-dependent cellular cytotoxicity, or ADCC, targeting HER2 and HER3 receptors. MCLA-128 blocks the HER3 signaling pathway by employing a Dock & Block™ mechanism. MCLA-128 is designed to dock onto a specific region of the HER2 receptor to orientate MCLA-128's HER3 binding arm to block HER2:HER3 heterodimerization. Oncogenic signaling through the HER3 pathway, even in the presence of high heregulin concentrations, may thus be effectively blocked. The Phase 2 clinical trial is designed to observe the activity of this HER2/HER3-targeted candidate in combination with current standards of care in areas of unmet need. Concurrently, our Phase 1/2 clinical trial evaluating single agent activity for MCLA-128 in gastric, ovarian, endometrial and non-small cell lung, or NSCL, cancers is ongoing and we anticipate defining a clinical plan for MCLA-128 in solid tumors beyond metastatic breast cancer thereafter.

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, and we announced the filing of the IND in the US for MCLA-117 in 2018 and its subsequent approval by the FDA. 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 are continuing our dose escalation of the Phase 1 clinical trial for MCLA-117 in Europe and we plan to open sites for the Phase 1 trial in the United States. Safety and potential early activity data is expected in 2018. We also intend to evaluate MCLA-117 for the treatment of myelodysplastic syndrome, or MDS.

In addition to MCLA-128 and MCLA-117, 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 the first Clinical Trials Application, or CTA, to the European Medicines Agency, or EMA, was approved to initiate a Phase 1 clinical trial in Europe in January 2018. We have also filed an IND for MCLA-158 with the FDA in the first quarter of 2018, which received acceptance from the FDA in April 2018, and we plan to open trial sites in the U.S. in the second quarter of 2018. 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.

Additionally, we also have a pipeline of proprietary antibody candidates in preclinical development, including the bispecific antibody candidate MCLA-145, which is being developed in collaboration with Incyte Corporation and is designed to bind to PD-L1 and a non-disclosed second immunomodulatory target. We also

have several other antibody candidates in pre-clinical development that bind to other target combinations. Each of our antibody candidates in our preclinical and clinical pipeline 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 employs an array of proprietary technologies and techniques to generate bispecific human antibodies. We utilize our patented MeMo® mouse harboring a common light chain in its germline that is capable of producing an array of antibodies with diverse heavy chains that are capable of binding virtually any antigen, the information from which can then be utilized to generate bispecific antibody candidates. We also employ methods from which to efficiently screen panels of common light chain antibodies, designed to allow Merus to rapidly identify and generate Biclonics® therapeutic candidates with differentiated modes of action. The Biclonics® technology also includes use of proprietary host cells and dimerization technology useful to produce bispecific antibodies efficiently. 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 Strategy

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

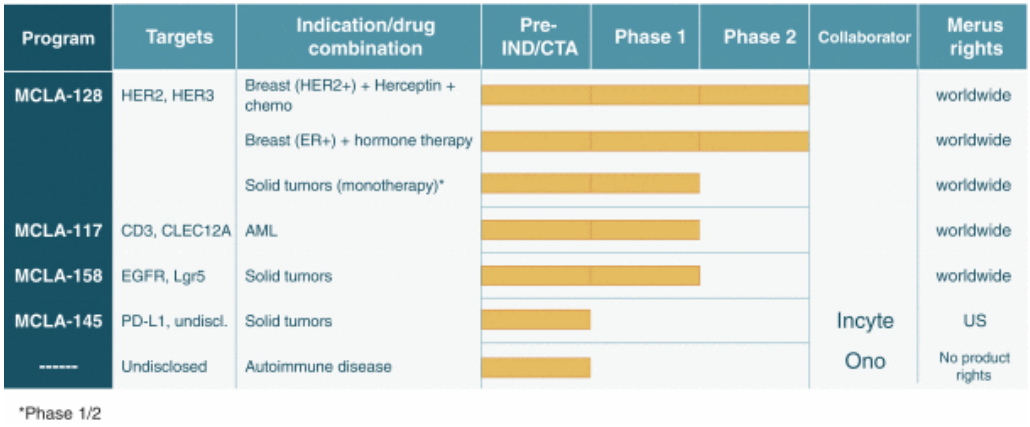
- ***Successfully develop our most advanced bispecific antibody candidate, MCLA-128, for the treatment of solid tumors.*** We are developing MCLA-128 for the treatment of patients with HER2-expressing and other solid tumors, including breast, ovarian, endometrial, gastric and non-small cell lung cancer. 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. In January 2018, we commenced a 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 most advanced 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 and filed an IND in the US in January 2018, for which we obtained acceptance by the FDA in February 2018. We are continuing our dose escalation of the Phase 1 clinical trial for MCLA-117 in Europe and we plan to open sites for the Phase I clinical trial in the United States. Safety and potential early activity data is expected in 2018. If the results of this clinical trial are favorable, 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 also intend to evaluate MCLA-117 for the treatment of MDS.
- ***Successfully develop our third bispecific antibody candidate, MCLA-158, for the treatment of metastatic colorectal cancer and other solid tumors.*** We are developing MCLA-158 with an initial focus on the treatment of metastatic colorectal cancer. MCLA-158 has received approval of a CTA in several European countries for the potential treatment of metastatic colorectal cancer, including patients with the RAS-mutation, which represent a substantial unmet need. We expect to dose the first patient in the second quarter of 2018. We have also filed an IND for MCLA-158 with the U.S. FDA in the first quarter of 2018, which received acceptance from the FDA in April, 2018, and we plan to open

trial sites in the U.S. in the second quarter of 2018. MCLA-158 is an ADCC-enhanced Biclonics® 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. We believe that if MCLA-158 is successfully developed and obtains regulatory approval, it has the potential to address and transform the treatment of metastatic colorectal cancer and other solid tumors.

- ***Accelerate the internal discovery and development of additional immunotherapeutic antibody candidates.*** We believe we are well positioned to expand our pipeline of Biclonics® for the treatment of other forms of cancer. Our platform employs our proprietary common light chain transgenic MeMo® for the production of diverse human heavy chains that can be paired to generate bispecific antibodies, coupled with our Spleen to Screen™ technology that is designed to allow us to rapidly identify and generate Biclonics® therapeutic candidates with differentiated modes of action that have the potential to kill tumor cells with high potency. We are conducting pre-clinical studies of MCLA-145 in collaboration with Incyte, as well as an array of proprietary preclinical candidates binding to other target combinations that are the subject of our internal programs.
- ***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, ONO Pharmaceutical Co., Ltd., and Simcere Pharmaceutical Group, 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:



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 a number of immunotherapies that engage various aspects of the immune system, for example: (1) monoclonal antibodies with enhanced ADCC, (2) bispecific T-cell engaging molecules, (3) immunomodulatory monoclonal antibodies and (4) CAR-T and TCR therapies. While these therapies vary in mechanism of action, they 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 varying levels of 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

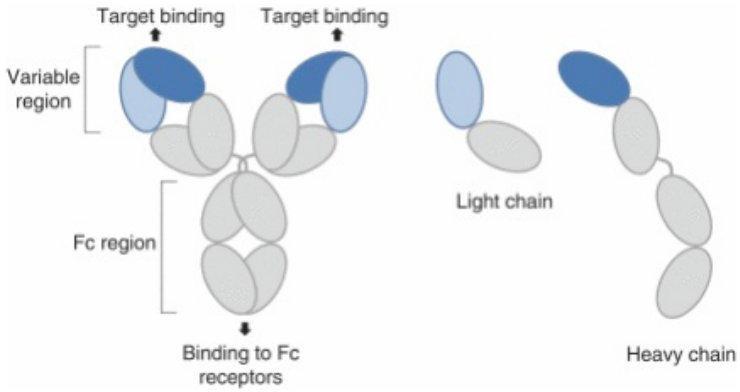
antigen receptors, or CARs, that direct T-cells to antigens on the surface of cancer cells. The T-cell receptor, or TCR, modifies T-cells to express high-affinity tumor specific TCRs that recognize intra-cellular antigens present on the surface of target cells. In clinical trials, CAR-T and TCR therapies 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 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 patented technology platform. Our platform enables the rapid identification of immunotherapeutics with the potential to produce tumor cell-killing activity and/or to

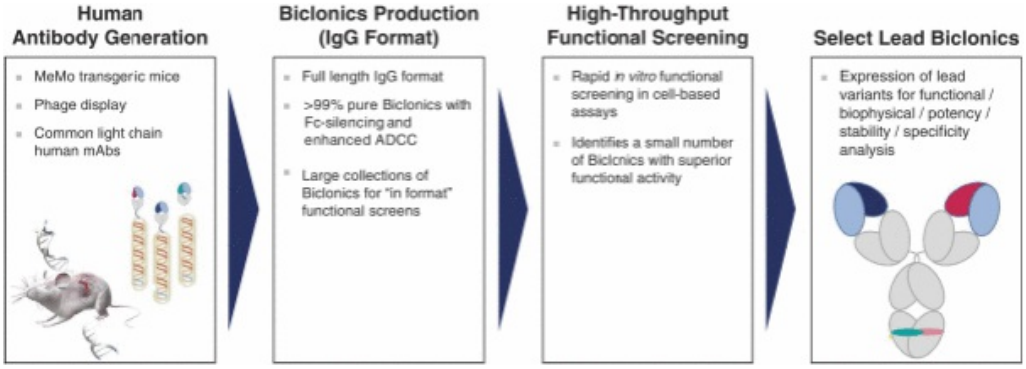
modulate the tumor microenvironment to promote more effective anti-tumor immune responses, and allows for the flexible and rapid generation of Biclonics® against any particular target pair.

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. We create 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.
- ***Achieving a Dock and Block™ mechanism of action to favorably impact hard-to-target receptors that can may drive tumor growth or escape***. Biclonics® are designed to be capable of binding a tumor associated target prevalent on cancer cells, which then permits the other arm of the Biclonics® to be proximate to bind and block, lesser expressed targets that have ligand or enzymatic functions that may tend to drive tumor growth or escape.
- ***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 patented MeMo® and Spleen to Screen™ 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 or efficacious 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:

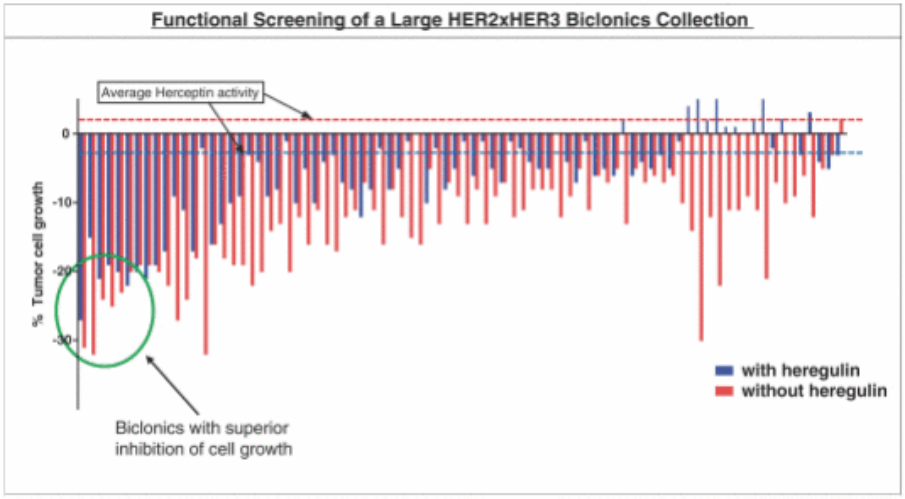
- ***Human antibody generation.*** Our platform for generating human antibodies is comprised of transgenic mice, which we refer to as MeMo®, which harbors a common light chain in its germline. The antibody sequence information obtained from MeMo® can be used to generate human antibodies and phage display for the generation of panels of common light chain human mAbs. MeMo® harnesses the power of the *in vivo* immune system to yield human antibodies with high potency, specificity, solubility and low immunogenicity. Using this 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, generates sequences that are ready to be converted 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. Using Merus' patented technology, 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 our human Biclonics® antibodies 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 also permits 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 most advanced bispecific antibody candidate, MCLA-128, and another of our antibody candidates, MCLA-158. 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.*** Merus employs its Spleen to Screen™ technology to rapidly screen panels of target-specific common light chain antibodies. Subsequently, DNA constructs are generated and introduced into mammalian cells that encode panels of target-specific human antibodies. The common light chain format and modified Fc region of the IgG antibody ensure the secretion of virtually 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 permit the identification of 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. Of the antibody candidates depicted in the chart, 40 exhibited superior inhibition of cell growth compared to trastuzumab, 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:

- ***Rapid generation of human IgG antibodies having diversity at the heavy chain targeting an array of antigens, that ready to be paired to produce our Biclonics®, bispecific antibodies***. Use of our patented MeMo®, Spleen to Screen™, and Fc modification technologies, permits us to rapidly generate bispecific antibodies capable of targeting an array of antigen combinations.
- ***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 up to greater than 98% 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 most advanced bispecific antibody candidate, MCLA-128, commenced a Phase 2 clinical trial for the treatment of patients with MBC in January 2018, while our Phase 1/2 study of MCLA-128 in gastric, ovarian, endometrial, and non-small cell lung cancers is ongoing. Additionally, we commenced a Phase 1 clinical trial of our second bispecific antibody candidate, MCLA-117, for the treatment of patients with AML in May 2016, and filed an IND for MCLA-117 in January 2017. We plan to initiate a Phase 1 clinical trial of MCLA-158, focused on metastatic colorectal cancer, for which we have received CTA approvals in several European countries. In addition, we have several other bispecific antibody candidates in pre-clinical development, including MCLA-145, which binds PD-L1 and an undisclosed target, which we are collaborating with Incyte, among other preclinical candidates in various stages of development.

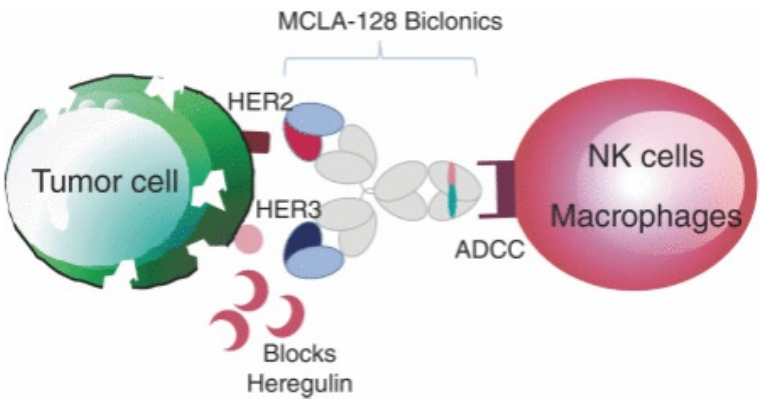
MCLA-128

MCLA-128 is an ADCC-enhanced Biclonics® that is designed to dock on HER2 to effectively block the HER3 signaling pathway. HER3-mediated inherent and acquired resistance to HER2-targeted therapies has been implicated in various solid tumors, including breast, gastric, ovarian, endometrial and non-small cell lung cancer 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 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 blocks the HER3 signaling pathway by employing a Dock & Block™ mechanism. MCLA-128 is designed to dock onto a specific region of the HER2 receptor to orientate MCLA-128's HER3 binding arm to block HER2:HER3 heterodimerization. Oncogenic signaling

through the HER3 pathway, even in the presence of high heregulin concentrations, may thus be effectively blocked.

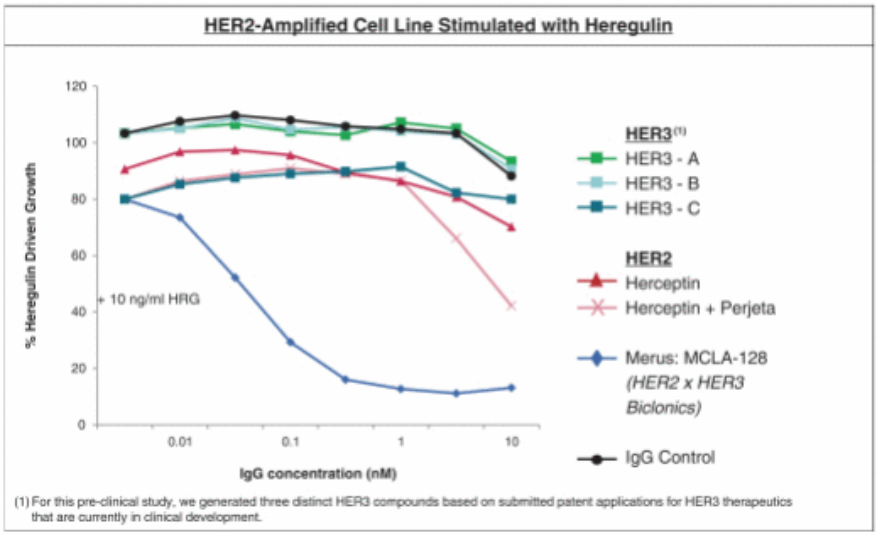
MCLA-128 Mechanism of Action



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).

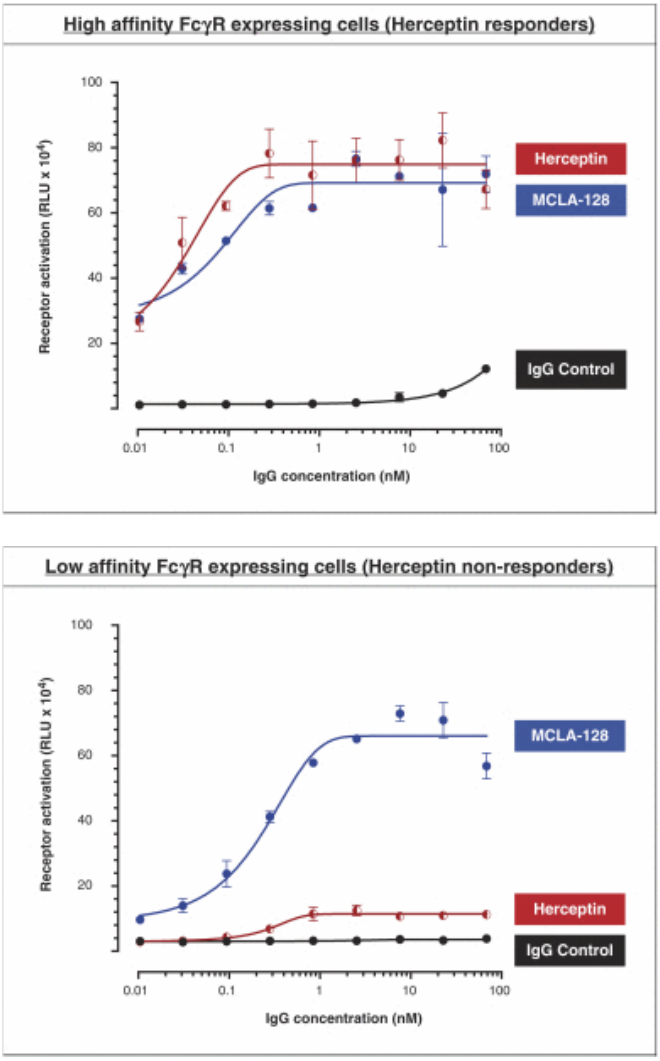
As shown in the chart below, the administration of MCLA-128 reduced heregulin-driven tumor growth at significantly lower concentrations than mAbs targeting HER2 or HER3 and the combination of Herceptin and Perjeta.



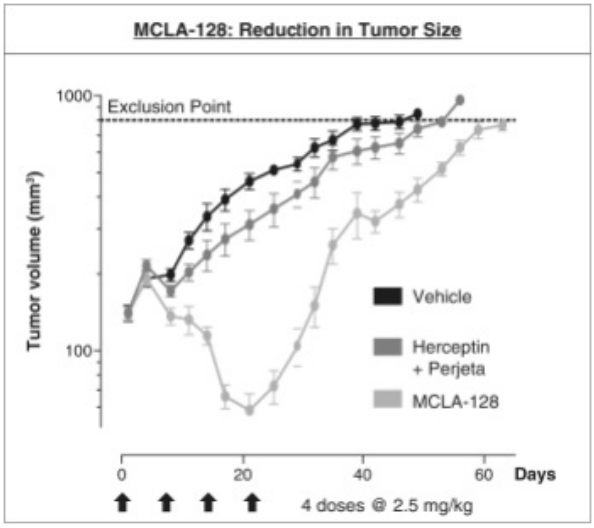
MCLA-128 also blocked phosphorylation and activation of key proteins in the signaling pathways for the cell growth and survival of cancer cell lines, a result that was not observed with the combination of HER2 mAbs, Herceptin and Perjeta.

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.

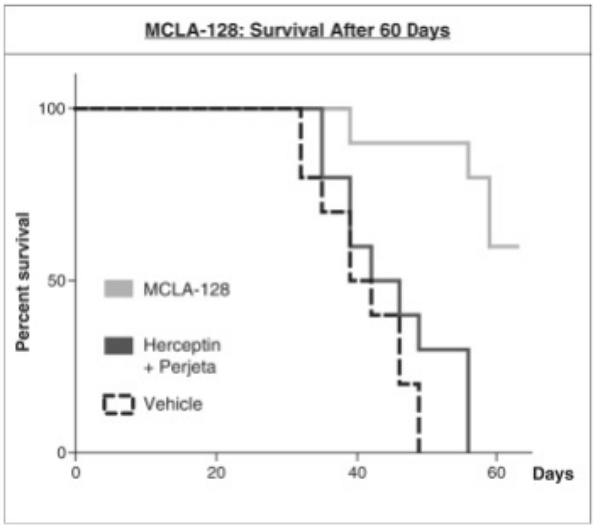
Fc Receptor Activation by MCLA-128 (FcγR Subtype)



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 have been conducted to evaluate whether tumor suppression can be sustained by continuing treatment over the 60-day observation period. The result was that tumor suppression was not sustained. However, 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. No dose limiting toxicities were observed. 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. The Part 2 is ongoing, and is designed to further study the safety, tolerability and clinical efficacy of MCLA-128 in patients with solid tumors that are relapsed or refractory to available standard treatment or for whom no curative therapy is available.

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.

As of April 23, 2018, we have enrolled a total of 130 patients in the trial, including 28 patients in Part 1 and 102 in Part 2. In this ongoing study, preliminary data has shown that MCLA-128 is well tolerated. The most frequent adverse events observed have been infusion related reactions, which were mild or moderate in severity and well managed with premedication or symptomatic medication. No severe GI events or symptomatic cardiac events have been reported.

The Phase 2 portion of the study is ongoing and designed to explore selected metastatic indications including breast, endometrial, ovarian, gastric and non-small cell lung cancers. In May 2017, we announced the results of our first-in-human Phase 1/2 study of MCLA-128 in solid tumors, including final Phase 1 data and promising preliminary activity in patients with HER2-positive MBC from the Phase 2 portion of the trial.

As part of the ongoing study, a cohort of 11 HER2-positive MBC patients has been treated with single agent MCLA-128 (9 patients at RP2D and two patients at 480 mg q3 weeks from part 1). These MBC patients were all heavily pretreated, having received a median of 6 prior lines of metastatic therapy, all having 2-5 prior HER2 inhibitor therapies, and some of the patients with outright disease progression to the last line of therapy. One MBC patient achieved a confirmed partial response (>8+ months) and 7 had stable disease (including 4 sustained stabilizations lasting greater than 5 months). The clinical benefit rate (complete and partial responses plus stable disease lasting at least 12 weeks) among the cohort of MBC patients was 64% or 7 of 11 patients. We believe the antitumor activity reported as single agent and extensive preclinical evidence support further development of MCLA-128 in combination in MBC.

In January 2018, we commenced a Phase 2, open-label, multi-center international clinical trial to evaluate MCLA-128 in two MBC populations including HER2-positive MBC patients and hormone receptor positive/HER2-low MBC patients. The MCLA-128 Phase 2 clinical trial is expected to enroll approximately 120 patients in total across the United States and Europe. The first cohort, HER2-positive MBC patients who are progressing on anti-HER2 therapies including trastuzumab, pertuzumab and TDM-1, will receive MCLA-128 in combination with trastuzumab and chemotherapy. The second cohort, MBC patients with confirmed hormone receptor positive status and HER2-low (immuno-histo-chemistry (IHC) HER2 1+ or 2+ and fluorescent in-situ hybridization (FISH) negative for HER2 amplification) who are progressing on hormone therapies and CDK4/6 inhibitors, will receive MCLA-128 in combination with endocrine therapy. The primary endpoint for both cohorts is the clinical benefit rate at 24 weeks.

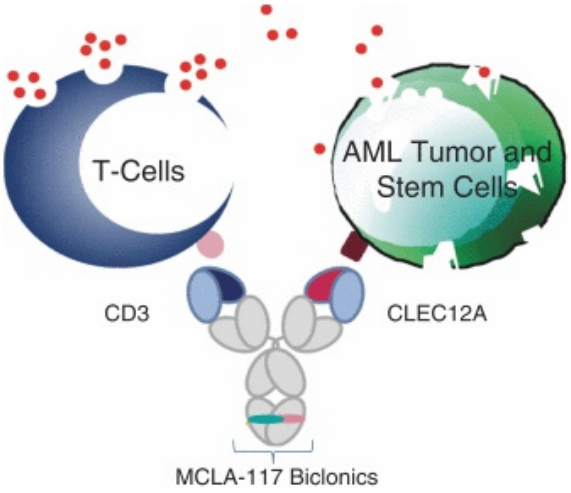
MCLA-117

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 by others 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

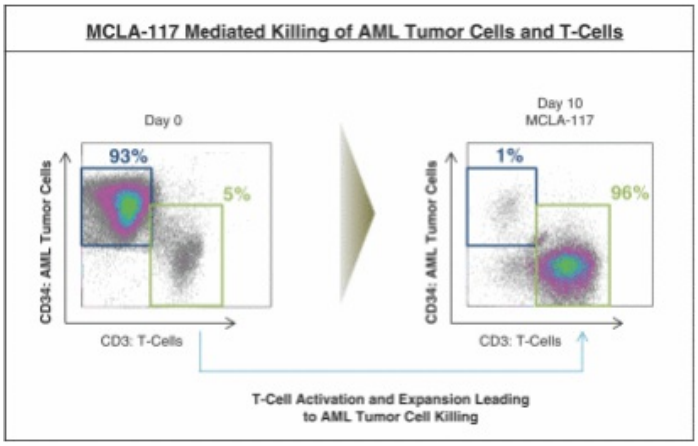


Unlike some other bispecific antibody formats, the full-length IgG format of MCLA-117 and its associated longer half-life is designed to keep it from having to be administered through continuous infusion using infusion pumps. In addition, through Fc-silencing, MCLA-117 is designed to avoid binding to 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. The study is designed 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.

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.

In January of 2018, we submitted an IND application to the FDA for MCLA-117 for the potential treatment of AML, which was accepted by the FDA in February 2018. We are continuing our dose escalation of the Phase 1 clinical trial for MCLA-117 in Europe and we plan to open sites for the Phase 1 trial in the United States. Safety and potential early activity data is expected in 2018.

If the results of the clinical trial are favorable, 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 also intend to evaluate MCLA-117 for the treatment of MDS. 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 an EGFR-targeting mAb, cetuximab, in inhibiting the growth of patient-derived colorectal cancer organoids. In our ex-vivo organoid 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.

We have received approval of CTAs in several European countries for MCLA-158 for the potential treatment of metastatic colorectal cancer, including patients with the RAS-mutation, which represent a substantial unmet need. We expect to dose the first patient in the second quarter of 2018. We filed an IND for MCLA-158 with the U.S. FDA in the first quarter of 2018, which received acceptance from the FDA in April, 2018, and we plan to open trial sites in the U.S. in the second quarter of 2018.

Other Bispecific Antibody Candidates

MCLA-145

MCLA-145 is a Biclonics® that is designed to bind to PD-L1 and a second immunomodulatory target. MCLA-145 is designed to enhance the activation of tumor specific tumor infiltrating lymphocytes. 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 antibody candidates and advance them to clinical development. Each of these 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. 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, concerning MCLA-145, 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 MCLA-145, 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 MCLA-145 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 MCLA-145 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 MCLA-145, 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 MCLA-145, 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 a limited set of bispecific antibody candidates, if approved, based on our Biclonics® technology platform, directed to two 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 combination 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.

On March 14, 2018, we entered into a second contract research and license agreement with ONO. Pursuant to an exclusive option granted to ONO in a prior agreement executed in April 2014, ONO exercised its option to enter into the March 2018 agreement. We granted ONO an exclusive, worldwide, royalty-bearing license, with the right to sublicense, research, test, make, use and market bispecific antibody candidates based on our Biclonics® technology platform against two undisclosed targets directed to a particular undisclosed target combination. ONO identifies and selects the licensed bispecific antibodies for which it is responsible for conducting further non-clinical and clinical development activities for such licensed bispecific antibodies and

pharmaceutical products containing such antibodies, including manufacture and process development. ONO controls and has exclusive rights over the worldwide commercialization of any approved products, including worldwide supply, and is solely responsible for all costs and expenses related to commercialization. ONO has agreed to fund our research and development activities and be responsible for the payment of all costs and expenses for its own research and development activities, which are set out in a mutually agreed upon research plan. We retain all rights to use and commercialize any antibodies that are generated under the collaborative research program, excluding the up to five lead and/or selected antibodies against the targets ONO is pursuing, provided that the use and commercialization is not with respect to the particular target combination.

ONO has agreed to pay an upfront non-refundable payment of €700,000 for the rights granted and we are also eligible to receive an aggregate of €33.7 million in milestone payments upon achievement of specified research and clinical development milestones. For products commercialized under the License Agreement, if any, the Company is 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 are prohibited from researching, developing or commercializing bispecific antibodies against the undisclosed target combination that are the subject of this agreement. ONO also provides funding for Merus' 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.

Simcere Pharmaceutical Group

On January 8, 2018, we entered into an agreement with Simcere Pharmaceutical Group, or Simcere, granting Simcere an exclusive license to develop and commercialize in China three bispecific antibodies utilizing our proprietary Biclonics® technology platform in the area of immuno-oncology. We retain all rights outside of China.

We have agreed to lead research and discovery activities while Simcere has agreed to be responsible for the Investigational New Drug (IND) enabling studies, clinical development, regulatory filings and commercialization of these product candidates in China. We received an upfront payment, and are eligible to receive milestone payments contingent upon Simcere achieving certain specified development and commercial goals. We are eligible to receive tiered royalty payments on sales of any products resulting from the collaboration in China from Simcere. Simcere is eligible to receive tiered royalty payments on sales outside of China from us.

Manufacturing

Our Biclonics® technology platform relies on third parties for biological materials. 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 bispecific product candidates, but we have contracted several biopharmaceutical CMOs for the clinical manufacturing of MCLA-128, MCLA-117, MCLA-158 and MCLA-145. We believe that the standardized Biclonics® manufacturing process can be transferred to additional CMOs and potential future co-development or co-commercialization collaborations or partnerships 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, MCLA-158 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 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. The bispecific antibody candidates in development by competitors 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 24, 2018, 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 having or at risk of having a ErbB-2 and/or ErbB3 positive tumor. In addition, four priority patent application filings covering further methods of using MCLA-128, including in combination therapies, to treat patients, three of which have been filed on March 31, 2017 and one filed on May 17, 2017.

As of April 24, 2018, 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 13 foreign countries with an expected expiry not earlier than September 27, 2033. There is currently, one pending US application, 14 pending foreign applications, and three issued patents in several foreign jurisdictions. In addition, we filed a second PCT application related to MCLA-117 on July 10, 2016, which has entered national phases in the United States, Europe and 13 foreign countries with an expected expiry not earlier than July 10, 2036. There is currently, one issued U.S. patent and one pending U.S. application, 2 pending EP applications, and 13 pending foreign applications. 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 24, 2018, our patent portfolio related to our bispecific antibody candidate MCLA-158 consists of one PCT filed on October 21, 2016, which entered or will enter national phases in the United States, Europe and 14 other foreign countries with an expiry no earlier than October 21, 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 24, 2018, our patent portfolio related to our MeMo® mouse consists of three issued U.S. patents, eight pending U.S. applications, 12 issued foreign patents including one issued European patent that has been validated in many countries, and 11 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. For a discussion concerning opposition proceedings against this patent family see Part I, Item 8. “Legal Proceedings” of our Annual Report on Form 20-F for the year ended December 31, 2016 and in Note 16 to our Consolidated Financial Statements included in this Annual Report, respectively.

As of April 24, 2018, our patent portfolio related to our Spleen to Screen™ technology consists of two issued U.S. patents, one pending U.S. application, one issued European Patent, and one issued foreign patent, with five foreign pending applications, all with an expected expiry not earlier than September 16, 2035. For a discussion concerning opposition proceedings against this patent family see Part I, Item 8 included in this Annual Report.

As of April 24, 2018, our patent portfolio related to recombinant production of mixtures of antibodies, and includes claims directed to host cells generating multi-specific antibodies consists of 5 issued U.S. patents, and 4 pending U.S. applications, 2 issued European patents, 14 issued foreign patents, and four 5 pending foreign applications, all with an expected expiry not earlier than July 18, 2022. For a discussion concerning opposition proceedings against this patent family see Note 16 to our Consolidated Financial Statements included in this Annual Report.

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 Biclonics® technology platform, improvements to our Biclonics® technology platform and ongoing development of our 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 Biclonics® technology platform used to generate them, related

technologies and/or other aspects of the inventions that are important to our business, including our MeMo® mouse, Spleen to Screen™ technology, and recombinant host cells capable of producing our antibody candidates. 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."

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, generally 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. The FDA has issued several guidance documents outlining an approach to review and approve 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. For example, in January 2017 the FDA issued draft guidance outlining considerations for sponsors seeking demonstrate interchangeability with a reference biologic. However, to date the FDA has not approved a BLA for an interchangeable 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 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 continues 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 remain 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. In July 2016, the FDA issued a draft guidance document intended to further assist sponsors of therapeutic products and sponsors of *in vitro* companion diagnostic devices on issues related to co-development of these products.

The FDA generally requires companion diagnostics intended to select the patients who will respond to cancer treatment to obtain approval of a PMA for that diagnostic contemporaneously 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. The current presidential administration and U.S. Congress will likely continue to seek to modify, repeal, or otherwise invalidate all, or certain provisions of, the ACA. However, the ultimate content, timing or effect of any healthcare reform legislation on the U.S. healthcare industry is unclear.

We expect that other healthcare reform measures that may be adopted in the future, may result in additional reductions in Medicare and other healthcare funding, 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 active 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 was enacted, which, among other things, 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, Plant and Equipment.

We lease approximately 11,125 square meters 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 October 31, 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 4E. 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 provide a variety of mechanisms of action. For example, our Biclonics® can be designed to simultaneously block receptors that drive tumor cell growth and survival and to mobilize the patient's immune response by engaging T-cells and/or 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.

We commenced a Phase 1/2 clinical trial of our most advanced bispecific antibody candidate, MCLA-128, for the treatment of HER2-expressing solid tumors in February 2015. In May 2017, Merus presented an update entitled, "*First in human phase 1/2 study of MCLA-128, a full length IgG1 bispecific antibody targeting HER2 and HER3; final phase 1 data and preliminary activity in Her2+ metastatic breast cancer (MBC)*," which detailed clinical results from our Phase 1/2 clinical trial of MCLA-128 in solid tumors, including final Phase 1 data in patients with HER2+ MBC. Part 1 of the Phase 1/2 clinical trial showed that MCLA-128 was safe and well-tolerated and established the Phase 2 recommended dose of MCLA-128 in a cohort of 28 advanced solid tumor patients. In Part 2 of the Phase 1/2 MCLA-128 study in solid tumors, treatment was completed for a cohort of heavily pre-treated HER2+ MBC patients (n=11) using MCLA-128 as a single agent which resulted in an overall clinical benefit rate (defined as complete response plus partial response plus stable disease lasting at least 12 weeks) of 64%.

With single agent activity established in MBC, the initiation of a Phase 2 clinical trial with the first patient being dosed began in January 2018. This Phase 2, open-label, multi-center international clinical trial will evaluate MCLA-128 in two MBC populations, including HER2-positive MBC patients and hormone receptor positive/HER2-low MBC patients. MCLA-128 was advanced into Phase 2 following the single agent activity observed in the Phase 1/2 trial disclosed in 2017 which showed a clinical benefit rate (including a partial response and stable disease lasting at least 12 weeks) among the cohort of MBC patients of 64% (7 patients out of a total of 11). The Phase 1/2 study evaluating single agent activity for MCLA-128 in gastric, ovarian, endometrial and non-small cell lung, or NSCL, is ongoing and we expect to formulate our clinical development plans in the second half of 2018.

In May 2016, we commenced a Phase 1 clinical trial of our second most-advanced bispecific antibody candidate, MCLA-117, for the treatment of acute myeloid leukemia, or AML. During 2017, we have continued our dose escalation of the Phase 1 clinical trial for MCLA-117 in Europe. In February of 2018, we received U.S. FDA acceptance of our Investigational New Drug (IND) application for MCLA-117, which we filed in January 2018. With this acceptance, we intend to open trial sites in the U.S. for our ongoing Phase 1 trial in patients with AML in 2018.

We are also developing MCLA-158, which 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. MCLA-158 is being developed as a potential treatment for colorectal cancer and other solid tumors. We have received approval of CTAs in several European countries for MCLA-158 for the potential treatment of metastatic colorectal cancer, including patients with the RAS-mutation, which represent a substantial unmet need. We expect to dose the first patient in the second quarter of 2018. We also filed an IND for MCLA-158 with the U.S. FDA in the first quarter of 2018, which has received FDA acceptance in April 2018, and we plan to open trial sites in the U.S. in the second quarter of 2018.

Additionally, we have several other bispecific antibody candidates in pre-clinical development that bind to combinations of immunomodulatory molecules. For example, IND-enabling studies for MCLA-145, our first

drug candidate under our collaboration and license agreement with Incyte Corporation, are ongoing. We maintain full rights to develop and commercialize MCLA-145 in the U.S. and Incyte is responsible for its development and commercialization outside the U.S.

Since our inception in June 2003, our initial operations were focused on organizing and staffing our company, business planning, raising capital, and establishing our proprietary Biclonics® platform technology, bispecific antibody candidates, and our intellectual property portfolio. In more recent periods, we have devoted a significant portion of our financial resources and efforts to continued development of 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.

We have financed our operations primarily through (i) the initial public offering of our common shares, (ii) a public placement of equity securities with Incyte Corporation, or Incyte, (iii) an upfront milestone payment received from Incyte under a collaboration and license agreement, or the Collaboration Agreement and (iv) a private placement of common shares on February 15, 2018. Commencing on May 9, 2016, we raised net proceeds of €51.1 million from the IPO of our common shares, received net proceeds of €74.4 million from placements of equity securities with Incyte and received aggregate net proceeds of €112.0 million from a license payment from Incyte in February of 2017. As of December 31, 2017, we held cash and cash equivalents of €149.7 million.

In February 2018, we issued and sold an aggregate of 3,099,997 of our common shares to certain new and existing investors for aggregate gross proceeds of approximately $55.8 million, at a purchase price of $18.00 per share.

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.

On May 6, 2016, the general meeting of our shareholders 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 our 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.

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.

We are a clinical-stage company and have not generated any revenue from product sales. 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. We expect to incur expenses in connection with the in-license or acquisition of additional bispecific antibody candidates.

We anticipate that we will require 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 and business development opportunities 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 operating plan, we expect our existing cash balances, including proceeds received from our private placement offering that closed in February 2018, to last through the end of 2020. For this assessment we have taken into consideration our existing cash and cash equivalents of €149.7 million and investments of €41.1 million at December 31, 2017, together with the $55.8 million of proceeds received from our private placement offering that closed in February 2018. 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 concerning MCLA-145, 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 MCLA-145, 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 MCLA-145 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 MCLA-145 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 MCLA-145, 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 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 MCLA-145, 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.

On March 14, 2018, we entered into a second contract research and license agreement with ONO. Pursuant to an exclusive option granted to ONO in a prior agreement executed in April 2014, ONO exercised its option to enter into the March 2018 agreement. We granted ONO an exclusive, worldwide, royalty-bearing license, with the right to sublicense, research, test, make, use and market bispecific antibody candidates based on our Biclonics® technology platform against two undisclosed targets directed to a particular undisclosed target combination. ONO identifies and selects the licensed bispecific antibodies for which it is responsible for conducting further non-clinical and clinical development activities for such licensed bispecific antibodies and pharmaceutical products containing such antibodies, including manufacture and process development. ONO controls and has exclusive rights over the worldwide commercialization of any approved products, including worldwide supply, and is solely responsible for all costs and expenses related to commercialization. ONO has agreed to fund our research and development activities and be responsible for the payment of all costs and expenses for its own research and development activities, which are set out in a mutually agreed upon research plan. We retain all rights to use and commercialize any antibodies that are generated under the collaborative research program, excluding the up to five lead and/or selected antibodies against the targets ONO is pursuing, provided that the use and commercialization is not with respect to the particular target combination.

ONO has agreed to pay an upfront non-refundable payment of €700,000 for the rights granted and we are also eligible to receive an aggregate of €33.7 million in milestone payments upon achievement of specified research and clinical development milestones. For products commercialized under the License Agreement, if any, the Company is 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 are prohibited from researching, developing or commercializing bispecific antibodies against the undisclosed target combination that are the subject of this agreement. ONO also provides funding for Merus' 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.

Simcere Pharmaceutical Group

On, January 8, 2018, we entered into an agreement with Simcere Pharmaceutical Group granting Simcere an exclusive license to develop and commercialize in China three bispecific antibodies utilizing Merus' proprietary Biclonics® technology platform in the area of immuno-oncology. Merus will retain all rights outside of China.

Under the terms of the agreement, Merus has agreed to lead research and discovery activities while Simcere has agreed to be responsible for the Investigational New Drug (IND) enabling studies, clinical development, regulatory filings and commercialization of these product candidates in China. As a key strategic component of the collaboration, Simcere will be responsible for IND enabling studies and manufacturing of clinical trial materials in China, which Merus intends to use to assist regulatory filing and early stage clinical development in the rest of the world. Merus shall receive an upfront payment, and will be eligible to receive milestone payments contingent upon Simcere achieving certain specified development and commercial goals. Merus will be eligible to receive tiered royalty payments on sales of any products resulting from the collaboration in China from Simcere. Simcere will be eligible to receive tiered royalty payments on sales outside of China from Merus.

Financial Operations Overview

Revenue

To date, our revenue has consisted principally of the amortization of up-front payments, milestones and cost reimbursements in support of our license and collaboration agreements 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. We have no products approved for sale. 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.

Revenue is recognized to the extent that it is probable that the economic benefits will flow to us and the revenue can be reliably measured. We record revenue from our collaboration and license agreements with Incyte and ONO. Under each agreement, we have received upfront license payments, which were initially recorded in deferred revenue. These up-front license payments are recognized as revenue on a straight-line basis over the period of the performance obligation or the contractual term of the arrangement.

We incur various external expenses under our research and license agreements for material and services consumed in the development of bispecific antibody candidates subject to our licenses and collaboration agreements. Under our agreements, Incyte and ONO reimburse us for these external expenses and compensate us for time spent on the project by our employees. We recognize these reimbursements and compensation as collaboration income. In addition, we record collaboration income in the same quarter of the recorded cost they are intended to compensate.

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. For these grants, we have 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 us at the end of the contract term.

Research and Development Costs

Research and development costs consist principally of the costs associated with our research and development activities, conducting preclinical studies and clinical trials and activities related to our regulatory filings. Our research and development expenses consist of:

- expenses incurred under agreements with contract research organizations, or CROs, contract manufacturing organizations, and consultants that conduct and support clinical trials and preclinical studies
- salaries for research and development staff and related expenses, including share-based compensation expenses;
- 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 expense research and development costs when we incur them. We record costs for certain development activities, such as clinical trials, based on an evaluation of the progress to completion of specific tasks using data

such as subject enrollment, clinical site activations or information our vendors provide to us. We expense the manufacturing costs of our internally-developed product candidates that are used in clinical trials as they are incurred, as research and development expense. We do not allocate employee-related costs, depreciation, rental and other indirect costs to specific research and development programs because these costs are deployed across multiple programs under research and development and, as such, are separately classified as unallocated research and development expenses.

Research and development expenses are expected to increase as we advance the clinical development of MCLA-128, MCLA-117 and MCLA-158 and further advance the research and development of our pre-clinical bispecific antibody candidates and other earlier stage products. IND-enabling studies for MCLA-145, our most advanced drug candidate in our collaboration and license agreement with Incyte Corporation, are ongoing. 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, MCLA-158 and MCLA-145 or any other bispecific antibody candidate that we may develop in the future.

A change in the outcome of any of these variables with respect to the development of any of our antibody candidates would significantly change the costs, timing and viability associated with the development of that 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.

Research and development activities are central to our business model. We expect research and development costs to increase significantly for the foreseeable future as our development programs progress, as we continue to support the clinical trials of our bispecific antibody candidates as treatments for various cancers and as we move these candidates into additional clinical trials. There are numerous factors associated with the successful commercialization of any of our bispecific antibody candidates, including future trial design and various regulatory requirements, many of which cannot be determined with accuracy at this time based on our stage of development. Additionally, future commercial and regulatory factors beyond our control may impact our clinical development programs and plans.

Management and Administration Costs

Our management and administration costs consist principally of salaries and related expenses 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.

Other Expenses

Other expenses consist principally of:

- professional fees for auditing and tax services and 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;
- board of director fees and corresponding share-based compensation 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. We expect other expenses to increase in future periods to support our research and development efforts, including the continuation of the clinical trials of our bispecific antibody candidates as treatments for various cancers and the initiation of clinical trials for potential new antibody candidates. These cost increases will likely be due to increased headcount, increased share-based compensation expenses, expanded infrastructure and increased costs for insurance. Public company-related expense increases will include costs of additional legal fees, accounting and audit fees, consulting fees, director and officer liability insurance premiums and costs related to investor relations.

Finance Income (Expenses)

Finance income consists of interest earned on our cash and cash equivalents held on account and accretion of investment earnings. Finance expenses consist of foreign exchange losses on our U.S. dollar denominated cash, cash equivalents and investments, interest and related expenses for the settlement of our forward contract for the Share Subscription Agreement with Incyte, interest accrued on our formerly outstanding indebtedness and financing costs associated with our registration statements.

Results of Operations

Comparison of Years Ended December 31, 2017 and 2016

The below table summarizes our results of operations for the years ended December 31, 2017 and 2016.

	Year Ended December 31		Change	
	2017	2016	€	%
	(euros in thousands)			
Revenue	€ 13,600	€ 2,719	€10,881	400%
Research and development costs	(34,125)	(18,424)	15,701	85%
Management and administration costs	(13,697)	(4,258)	9,439	222%
Other expenses	(9,395)	(7,709)	1,686	22%
Operating result	(43,617)	(27,672)	15,945	58%
Finance income (expenses)	(29,223)	(19,556)	9,667	49%
Income tax expense	(249)	—	249	— %
Result after taxation	(73,089)	(47,228)	25,861	55%
Other comprehensive income	89	8	81	10,125%
Total comprehensive loss for the year	€(73,000)	€(47,220)	25,780	55%

Revenue

Total revenue increased by €10.9 million to €13.6 million for the year ended December 31, 2017, from €2.7 million for the year ended December 31, 2016. The increase was primarily attributable to our license and collaboration agreement with Incyte, or the Incyte Agreement, which became effective during the first quarter of 2017 and for which we recognized revenue throughout 2017. The following table summarizes our components of revenue for the years ended December 31, 2017 and 2016, respectively:

	Year Ended December 31		Change	
	2017	2016	€	%
	(euros in thousands)			
Up-front payment amortization	€ 6,616	€ 223	€ 6,393	2,867%
Collaboration income	5,789	1,109	4,680	422%
Income from grants on research projects	1,195	1,387	(192)	-14%
Revenue	€13,600	€2,719	10,881	400%

For the year ended December 31, 2017, up-front payment amortization increased €6.4 million and related entirely to the amortization relating to our Incyte agreements. For the years ended December 31, 2017 and 2016, we recognized €0.2 million, respectively, of amortization of the up-front payment related to our April 2014 ONO agreement.

Collaboration income for the year ended December 31, 2017 was €5.8 million and consisted of cost reimbursements in support of our research and license agreements with Incyte and ONO. We did not recognize any research milestones during 2017. During 2016, we recognized one research milestone reached by our agreement with ONO which amounted to €0.7 million. Additionally, we received an amount of €0.4 million revenue from a new consultancy agreement that was signed with ONO on March 7, 2016.

During 2017, we had two active grants consisting of cash allowances for specific research and development projects. For the years ended December 31, 2017 and 2016, we recognized €1.2 million and €1.4 million in grant income, respectively.

Research and Development Costs

	Year Ended December 31		Change	
	2017	2016	€	%
	(euros in thousands)			
Research and development costs	€34,125	€18,424	15,701	85%

Research and development costs increased €15.7 million, or 85%, to €34.1 million for the year ended December 31, 2017, from €18.4 million for the year ended December 31, 2016. The increase was primarily due to the following:

- €9.1 million increase in expenses in connection with our pre-clinical and discovery programs in support of ongoing development activities for MCLA-158 (€3.5 million) and MCLA-145 (€3.2 million) and other expenses for conducting research and development, preclinical, manufacturing and production design in connection with various pre-clinical and discovery programs (€2.4);
- €2.0 million increase in spending for our MCLA-128 and €0.4 million increase in spending for MCLA-117 programs in support of our ongoing clinical trials expenses;
- €2.6 million increase in employee salary and related benefits and €2.5 million increase in share compensation expenses, offset, in part, by the receipt of an additional €1.8 million in subsidies under

the WBSO Act, all of which were attributable to the hiring of more development personnel during the year ended December 31, 2017; and

- €0.7 million increase related to higher spending on intellectual property and license costs for legal and professional services.

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.

Management and Administration Costs

Management and administrative costs consist of salaries and related expenses for employees in finance, legal, human resources and business development functions. These costs include all salary, salary related expenses and share-based compensation expenses.

	Year Ended December 31		Change	
	2017	2016	€	%
	(euros in thousands)			
Management and administration costs	€13,697	€4,258	9,439	222%

Management and administration costs increased €9.4 million, or 222%, during the year ended December 31, 2017 as compared to the year ended December 31, 2016. The increase was primarily attributable to the expansion of our headcount in finance, legal and business development functions to support the expansion of our operations and included increases in salary and related expenses of €2.5 million and share-based compensation expenses of €6.9 million.

Other Expenses

	Year Ended December 31		Change	
	2017	2016	€	%
	(euros in thousands)			
Other expenses	€9,395	€7,709	1,686	22%

Other expenses increased €1.7 million, or 22%, during the year ended December 31, 2017 as compared to the year ended December 31, 2016. The increase was due to higher consulting, accounting and professional fees of €1.7 million in support of maintaining public company status, higher facilities expenses in support of higher headcount of €0.4 million which were offset in part, by lower litigation costs of €0.4 million.

	Year Ended December 31		Change	
	2017	2016	€	%
	(euros in thousands)			
Interest and similar income	€ 1,112	€ 88	€ 1,024	1,164%
Net loss and foreign exchange	(19,449)	(409)	19,040	4,655%
Interest expense	(10,696)	(19,235)	(8,539)	-44%
Financing costs	(190)	—	190	— %
Total finance income (expenses)	€(29,223)	€(19,556)	9,667	49%

Finance Income (Expenses)

Finance expense increased €9.7 million, or 49%, during the year ended December 31, 2017 as compared to the year ended December 31, 2016. This increase was due to an increase in foreign exchange expense of €19.0 million, offset, in part, by an €8.5 million decrease in interest expense and higher interest income of €1.0 million.

Interest income primarily results from interest earned on cash held on account and accretion of investment earnings. Our current year increase in cash, cash equivalents and investments was due primarily from the $200 million of funds received as part of the Incyte Agreements during the first quarter of 2017.

We experienced increased losses on our U.S. dollar denominated cash, cash equivalents and investments of approximately €19.1 million during 2017. As of December 31, 2017, we held approximately $98.0 million and $49.4 million in U.S. dollar denominated cash and cash equivalent accounts and investment accounts, respectively, subject to the fluctuation in foreign currency between the euro and U.S. dollar.

On December 20, 2016, we signed the Incyte Agreements whereas these contracts were denominated in U.S. dollars. We determined that the subscription agreement to sell our own shares to which we became committed on December 20, 2016, should be accounted for as a forward contract or a derivative financial instrument which was recognized in the statement of financial position as of December 31, 2016. The interest expense and similar expenses for the year ended December 31, 2017 include an amount of €10.7 million related to the effective settlement of the forward contract on January 23, 2017, the date the shares were issued and the date through which the related expense was incurred.

During 2017, we expensed €0.2 million of prepaid share issuance costs related to a potential future issuance of shares under our F-3 Registration Statement when the future issuance was no longer consider probable.

Income Tax Expense

Income tax expenses were €0.2 million and zero for the years ended December 31, 2017 and 2016, respectively. Current-year income tax expense was attributable to our U.S. operating subsidiary, which was established in February 2016 to provide general management services and strategic advisory services to us.

Comparison of Years Ended December 31, 2016 and 2015

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

	Year Ended December 31		Change	
	2016	2015	€	%
	(euros in thousands)			
Revenue	€ 2,719	€ 1,977	€ 742	38%
Research and development costs	(18,424)	(16,181)	2,243	14%
Management and administration costs	(4,258)	(768)	3,490	454%
Other expenses	(7,709)	(8,067)	(358)	-4%
Operating result	(27,672)	(23,039)	4,633	20%
Finance income (expenses)	(19,556)	(145)	19,411	13,387%
Result after taxation	€(47,228)	€(23,184)	24,044	104%

Revenue

Total revenue increased by €0.7 million, or 38%, to €2.7 million for the year ended December 31, 2016, from €2.0 million for 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.

The following table summarizes our components of revenue:

	Year Ended December 31		Change	
	2016	2015	€	%
	(euros in thousands)			
Up-front payment amortization	€ 223	€ 223	€ —	— %
Collaboration income	1,109	1,092	17	2%
Income from grants on research projects	1,387	662	725	110%
Total revenue	€2,719	€1,977	742	38%

For the years ended December 31, 2016 and 2015, up-front payment amortization related entirely to our ONO agreement. Collaboration income for the year ended December 31, 2016 was €1.1 million and consisted of one research milestone reached by our agreement with ONO which amounted to €0.7 million and cost reimbursements in support of our research and license agreement with ONO. We recognized one research milestone during 2015 which amounted to €1.0 million. During 2016 and 2015, we had three and two active grants, respectively, consisting of cash allowances for specific research and development projects.

Research and Development Costs

	Year Ended December 31		Change	
	2016	2015	€	%
	(euros in thousands)			
Research and development costs	€18,424	€16,181	€2,243	14%

Research and development costs increased €2.2 million, or 14%, to €18.4 million for the year ended December 31, 2016, from €16.2 million for the year ended December 31, 2015. The increase was primarily due to the following:

- €3.5 million increase in expenses in connection with the expansion of various pre-clinical and discovery programs during 2016;
- €2.1 million increase in expenses related to our MCLA-128 program, due to higher contract manufacturing costs and costs associated with pre-clinical studies;
- €1.3 million increase in employee salary and related benefits and €0.3 million increase in share compensation expenses, offset, in part, by the receipt of an additional €1.4 million in subsidies under the WBSO Act, all of which were attributable to the hiring of more development personnel during the year ended December 31, 2016; offset, in part by
- €3.8 million decrease in expenses related to our MCLA-117 program.

Management and Administration Costs

	Year Ended December 31		Change	
	2016	2015	€	%
	(euros in thousands)			
Management and administration costs	€4,258	€768	€3,490	454%

Management and administration costs increased €3.5 million, or 454%, 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 of €1.5 million for non-research and development personnel and higher share-based compensation expenses of €2.0 million.

Other Expenses

	Year Ended December 31		Change	
	2016	2015	€	%
	(euros in thousands)			
Other expenses	€7,709	€8,067	(358)	-4%

Other expenses decreased €0.4 million, or 4%, 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 lower litigation costs, offset by increases of €1.9 million for consulting, accounting and legal fees in support of our IPO and maintaining public company status and €0.6 million in Board fees and related share-based compensation expenses.

Finance Income (Expenses)

	Year Ended December 31		Change	
	2016	2015	€	%
	(euros in thousands)			
Interest and similar income	€ 88	€ 50	€ 38	76%
Net loss and foreign exchange	(409)	—	409	— %
Interest expense	(19,235)	(195)	19,040	9,764%
Total finance income (expense)	€(19,556)	€(145)	19,411	13,387%

Finance expense increased €19.4 million during the year ended December 31, 2016 as compared to the year ended December 31, 2015. This increase was due to increases in interest expense of €19.0 million and foreign exchange losses of €0.4 million. We experienced losses on our U.S. dollar denominated cash and cash equivalents of approximately €0.4 million during 2016 on our U.S. dollar denominated cash and cash equivalent accounts subject to the fluctuation in foreign currency between the euro and U.S. dollar. The increase in cash during 2016 was primarily a result of the receipt of net proceeds of approximately $53.3 million from our IPO during 2016.

The increase in interest expense of €19.0 million is primarily related to the accounting impact on the financial derivative recognized under the Incyte Agreement. The subscription agreement to sell our own shares in which we became committed on December 20, 2016, was accounted for as a forward contract or a derivative financial instrument. The change in fair value of the derivative financial instrument of approximately €19.2 million was recognized as interest expense for the year ended December 31, 2016.

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.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to us and the revenue can be reliably measured.

We maintain research and license agreements with ONO and Incyte. In connection with these arrangements, we received upfront fees, which relate to the integrated package of deliverables under the contract (one single performance obligation) and are initially recorded in deferred revenue. The applicable period over which to recognize the upfront payment is a significant judgment. Up-front payments or similar non-refundable payments are initially reported as deferred revenue on the consolidated balance sheets and are recognized as revenue on a straight-line basis over the period of the performance obligation or the contractual term of the arrangement. The estimated period of the performance obligation is re-assessed at each balance sheet date.

Collaboration income, which is typically related to reimbursements from collaborators for our performance of research and development services under the respective agreements, are recognized on the basis of labor hours valued at a contractually agreed rate. Collaboration income includes reimbursements for related out-of-pocket expenses. Cost reimbursements to which we are entitled under agreements are recognized as revenues in the same quarter of the recorded cost they are intended to compensate. We act as the principal and therefore record these reimbursements as collaboration income.

We receive certain government and regional grants, which support our research efforts in defined projects, and include contributions towards the cost of research and development. When there is reasonable assurance that we 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.

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 stock ownership programs that entitle key management personnel, staff and consultants providing similar services to purchase or receive 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 while holders of vested restricted stock units ("RSUs") are entitled to the right to receive our common shares.

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 Merus B.V. 2010 Employee Option Plan (the "2010 Plan") and on the tenth anniversary of the date of grant for the options granted under the 2016 Incentive Award Plan (the "2016 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 Board of Directors 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 Board of Directors may consider other appropriate steps with respect to the outstanding options.

The RSUs granted under the 2016 Plan vest in installments over a four-year period from the grant date. Each RSU represents the right to receive one common share of the Company.

Share-based compensation reflects the compensation expense of our share option and RSU programs granted to employees or others providing similar services, which are measured at the grant date fair value of the options or RSU.

The compensation expense is spread over the vesting period in accordance with each separate vesting tranche of the award 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 board of directors and other key personnel, or the Hull & White option pricing model for other participants, including 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 the Hull & White option pricing model for all participants. The share option expenses have been adjusted to reflect the use of the Hull & White 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,					
	2017		2016		2015	
	Key Management Personnel	All Other Employees	Key Management Personnel	All Other Employees	Key Management Personnel	All Other Employees
Expected volatility (weighted-average)	95.05%	94.88%	95.30%	97.15%	94.85%	94.85%
Expected life (weighted-average)	10 years	10 years	10 years	8-10 years	4 years	8 years
Expected dividends	0%	0%	0%	0%	0%	0%
Risk-free interest rate (based on government bonds)	2.29%-2.51%	2.24%-2.62%	1.84%-1.86%	0.10%-1.87%	0.16%-0.70%	0.16%-0.70%

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

The options outstanding at December 31, 2017 had exercise prices in the range of €1.93 to €27.47 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 then 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 then 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 board of directors 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.

Federal and state income taxes were paid in the United States because of our United States subsidiary; however, no tax charge or income was recognized in our Dutch entity 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 €149.2 million, €101.1 million, and €76.5 million as of December 31, 2017, 2016, and 2015, 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." Based on the Innovations Box ruling, we would owe on the first 75% of qualifying profits under the Dutch jurisdiction effectively 5% for Dutch income taxes. The remaining profit would be taxed at the Dutch statutory tax rate of 25%. Taxable profits will only qualify for the Innovations Box once the tax losses carried forward are completely utilized. The agreement with the tax authorities was originally signed for the tax years beginning in 2011 through 2015 and was subsequently extended through the year 2019. Since we are loss-making, no Dutch income tax is recognized in profit or loss.

Investments

Investments are classified as held-to-maturity and are initially measured at fair value. Subsequent to initial recognition, they are measured at amortized cost using the effective interest rate method. Investments are classified as held-to-maturity and carried at amortized cost as management has the positive intent and ability to hold them until maturity. Interest income from these securities is included in finance income.

Recent Accounting Pronouncements

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 us are set out below. We do 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 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, measured at fair value through other comprehensive income and measured at fair value through profit or loss. The standard eliminates

the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. In addition, the revised guidance on the classification and measurement of financial instruments includes a new expected credit loss model for calculating impairment on financial assets and the new general hedge accounting requirements. Finally, IFRS 9 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. Based on its assessment, we believe that adoption of IFRS 9's new classification requirements, new credit loss model or the new general hedge accounting requirements are not expected to have a material impact on our financial statements.

IFRS 15 Revenue from Contracts with Customers

In May 2014, the International Accounting Standards Board (IASB) issued IFRS 15 – Revenue from Contracts with Customers, which will replace existing revenue recognition guidance. The new standard requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. To achieve that core principle, an entity must identify the contract(s) with a customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract, and recognize revenue when (or as) the entity satisfies the performance obligation. The new standard will be effective for annual and interim reporting periods beginning after December 15, 2017. In anticipation of IFRS 15, we performed an impact assessment which consisted of a review of all license and collaboration agreements and government grants. Further, we held discussions with key stakeholders and identified and cataloged potential impacts of the new standard on our financial statements, accounting policies, financial controls and operations.

The adoption of IFRS 15 will primarily impact the amortization of our up-front license payments. We recognize revenue from up-front license payments on a straight-line basis over the contractual term of the arrangements or the period of continuing involvement which is 21 years for the Incyte Agreement and 4.5 years for the ONO Agreement. In applying IFRS 15, we have evaluated the distinct performance obligations in each agreement. As a result, the upfront license payments will be recognized over a shorter period of time consummate with the expected period of time to provide the distinct performance obligations within each agreement. Applying the recognition criteria under the current standard, up-front license payments associated with these agreements would have been deferred until the completion of the respective contractual period. As a result of the application of this guidance, we would have amortized additional revenue of approximately €8.3 million for the year ended December 31, 2017 and recorded a corresponding decrease in deferred revenue for the same amount. The new standard will not impact our revenue recognition practices for collaboration income and government grants.

We will adopt the standard using the full retrospective method, with the effect of initially applying this standard recognized at the beginning of the earliest period presented. As a result, the impact under this methodology to our previously reported revenues will be to restate prior reported revenues to conform to the new financial reporting commencing on January 1, 2018. We will report new disclosures required by this guidance within our Form 6-K for the interim period ending March 31, 2018. As the adoption of this new standard is anticipated to have a material impact on our revenues and net income on an ongoing basis, we have implemented a controls process to identify and evaluate new revenue-generating contracts with third-party customers. We will continue to monitor additional changes, modifications, clarifications or interpretations being undertaken by accounting regulatory bodies which may impact current conclusions. During 2018, we expect that the application of the standard to decrease deferred revenue by approximately €8.9 million as reported in the consolidated balance sheet and increase revenues by the same amount within the consolidated statement of operations. However, it is not expected to impact cash used in operating, financing or investing activities in our consolidated cash flows statement upon adoption.

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. We have identified known lease agreements and have started working on determining the impact on the financial statements. Additionally, we are assessing all effective agreements to determine whether there are embedded leases included under the definition as included under IFRS 16. Early adoption is permitted; however, we expect to adopt this standard in the first quarter of 2019. We are evaluating the impact that this guidance will have on our financial statements, including related disclosures, and expect the new standard to impact our internal controls, systems, and processes.

B. Liquidity and Capital Resources

Sources of Funds

Since our inception in 2003, we have devoted substantially all of our resources to developing our platform technology, 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. We have principally financed our operations through (i) the initial public offering of our common shares, (ii) a public placement of equity securities with Incyte Corporation, or Incyte, (iii) an upfront milestone payment received from Incyte under a collaboration and license agreement, or the Collaboration Agreement and (iv) a private placement of common shares on February 15, 2018.

On May 24, 2016, we closed an initial public offering of 5,500,000 of our common shares and, on May 26, 2016, of an additional 639,926 of our common shares, at a price to the public of $10 per share (the "IPO"). We received net proceeds, after deducting underwriting discounts and commissions and offering expenses, of $53.3 million. On May 19, 2016, our common shares were listed on the Nasdaq and all of our preferred shares converted into common shares.

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).

As of December 31, 2017, we had cash and cash equivalents of €149.7 million and investments of €41.1 million. Subsequently, on February 13, 2018, we entered into a Purchase Agreement with the purchasers named therein (the "Investors"). Pursuant to the Purchase Agreement, we agreed to sell an aggregate of 3,099,997 of our common shares, nominal value €0.09 per share, to the Investors for aggregate gross proceeds of approximately $55.8 million, at a purchase price equal to $18.00 per share. The closing of the private placement occurred on February 15, 2018.

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,		
	2017	2016	2015
	(euros in thousands)		
Net cash used in operating activities	€ (37,413)	€(25,733)	€(23,031)
Net cash used in investing activities	(41,625)	(408)	(53)
Net cash from financing activities	186,222	50,201	54,367
Net increase in cash and cash equivalents	€107,184	€ 24,060	€ 31,283

During 2017, we used €37.4 million of cash in operating activities, as compared to the use of €25.7 million in cash during 2016, an increase in the use of cash of €11.7 million. This increase in net cash used in operating activities was the result of the increase in net loss adjusted for non-cash items of €10.4 million and changes in working capital of €1.2 million. Our non-operating and non-cash charges during the year ended December 31, 2017 primarily consisted of unrealized foreign exchange results of €15.8 million, share option expenses of €12.8 million and the change in fair value of the derivative financial instrument of €10.7 million.

During 2016, we used €25.7 million of cash in operating activities, as compared to the use of €23.0 million in cash during 2015, an increase in the use of cash of €2.7 million. This increase in net cash used in operating activities was the result of the increase in net loss adjusted for non-cash items of €1.9 million and changes in working capital of €1.0 million. Our non-cash charges during the year ended December 31, 2016 primarily consisted of the change in change in the fair value of the derivative financial instrument of €19.2 million and share option expenses of €3.3 million.

Net cash used in investing activities for 2017 and 2016 was €41.6 million and €0.4 million, respectively. The increase in net cash used in investing activities during 2017 related primarily to €41.8 million for purchases of investments, offset, in part, by higher interest received of €0.8 million. 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 and office equipment.

Net cash provided by financing activities in 2017 was €186.2 million which was primarily due to receipt of €186.7 million from the Incyte Agreements, offset, in part, by the full repayment of the loan from Rabobank of €0.5 million. Net cash provided by financing activities in 2016 was €50.2 million which was primarily related to proceeds from our IPO in May of 2016.

Net cash provided by financing activities in 2015 was €54.4 million and related to aggregate private placements resulting in gross cash proceeds of €46.5 million and the receipt of an €8.0 million convertible bridge loan granted by several shareholders in June 2015.

Operating and Capital Expenditure Requirements

We have not achieved profitability since our inception and, as of December 31, 2017, we had an accumulated loss of €167.5 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, MCLA-117, MCLA-158 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 clinical trials for MCLA-128, our most advanced bispecific antibody candidate in Phase 2 for metastatic breast cancer populations and Phase 1 in other solid tumors;
- conduct the Phase 1 clinical trial of MCLA-117, our second most advanced bispecific antibody candidate;
- continue the research and development of our other bispecific antibody candidates, including 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 or enforcing our intellectual property rights;
- 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 operating plan, we expect our existing cash balances, including the proceeds received from our private placement offering that closed in February 2018, to last through the end of 2020. For this assessment we have taken into consideration our existing cash and cash equivalents of €149.7 million and investments of €41.1 million at December 31, 2017, together with the $55.8 million of proceeds received from our private placement offering that closed in February 2018.

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, including MCLA-158 and MCLA-145, 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, 2017.

	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)	€2,499	€ 602	€ 1,326	€ 571	€ —
Total	€2,499	€ 602	€ 1,326	€ 571	€ —

(1) Amounts in the table reflect payments due for our office and laboratory facility in Utrecht, Netherlands.

G. Safe Harbor.

No disclosure required.

Item 6 Directors, Senior Management and Employees.

A. Directors and Senior Management.

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

Name	Age	Position
Senior Management		
Ton Logtenberg, Ph.D.	59	Chief Executive Officer
John Crowley	44	Chief Financial Officer
Hui Liu, Ph.D.	45	Chief Business Officer
L. Andres Sirulnik, M.D, Ph.D	51	Chief Medical Officer
Mark Throsby, Ph.D.	51	Chief Scientific Officer
Lex Bakker, Ph.D.	51	Chief Development Officer
Peter B. Silverman	40	General Counsel
John de Kruif	54	Chief Technology Officer
Board of Directors		
Ton Logtenberg, Ph.D	59	Chief Executive Officer (Executive Director)
Mark Iwicki	51	Chairman of the Board (Non-Executive Director)
Wolfgang Berthold, Ph.D.	71	Member (Non-Executive Director)
Lionel Carnot	50	Member (Non-Executive Director)
John de Koning, Ph.D.	49	Member (Non-Executive Director)
Anand Mehra, M.D.	42	Member (Non-Executive Director)
Gregory Perry	57	Member (Non-Executive Director)

Senior Management

Ton Logtenberg, Ph.D. has served as our Chief Executive Officer and an executive 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.

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.

Alexander ("Lex") Berthold Hendirk Bakker, Ph.D. has served as our Chief Development Officer since October 2010. His responsibilities include strategic scientific leadership, management of preclinical and clinical development and manufacturing, business development support, external collaboration and partnership management. Prior to joining Merus, Dr. Bakker directed preclinical and clinical development at Crucell N.V., a biotechnology company. Mr. Bakker holds a Ph.D in Tumor Immunology from the University of Nijmegen and was a postdoctoral fellow at the DNAX Research Institute.

Peter B. Silverman, J.D. has served as our General Counsel since February 2018 and our Chief Intellectual Property Officer since February 2017. His responsibilities include management of the company's legal strategy and overseeing all aspects of the company's legal operations. Prior to joining Merus, Mr. Silverman was a Partner at Kirkland & Ellis LLP, where he represented numerous life sciences companies concerning an array of legal matters. Mr. Silverman also served as judicial law clerk to U.S. District Court Judge Anne E. Thompson of the District of New Jersey. He holds a J.D from Fordham University School of Law. He is admitted to practice law in New York. Mr. Silverman also holds a B.A. in biology from the University of Rochester.

John de Kruif, Ph.D. has served as our Chief Technology Officer since January 2013 and previously served as our Chief Scientific Officer from April 2007 to January 2013. His responsibilities include management of antibody discovery, antibody engineering, external collaborations, partnerships management and operational activities. Before joining Merus, from October 2000 to October 2006, he served as a director of antibody discovery for Crucell N.V., a biotechnology company specializing in vaccines and biopharmaceutical technology. Dr. De Kruif holds a PhD in Antibody Engineering from Utrecht University.

Board of Directors

Mark Iwicki serves as Chairman of our board of directors and has been a non-executive member of our board of directors 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 non-executive member of our board of directors 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 non-executive member of our board of directors by Bay City Capital Fund V, L.P., one of our shareholders, and has been a member of our board of directors 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 Oculis SA and iQone Healthcare Group. 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 our board of directors by Coöperatief LSP IV U.A., one of our shareholders, and has been a non-executive member of our board of directors since January 2010. Dr. De Koning has been a partner at LSP (Life Sciences Partners) since January 2006. Dr. De Koning currently serves on the boards of the private companies GTX medical, eTheRNA and Aelin Therapeutics. 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 argenx, Pronota (acquired by 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.

Ton Logtenberg, Ph.D. has served as an executive director of our company since founding our company in June 2003. See "—Senior Management."

Anand Mehra, M.D. was nominated to serve on our board of directors by Sofinnova Venture Partners IX, L.P., one of our shareholders, and has been a non-executive member of our board of directors 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.

Gregory D. Perry has been a non-executive member of our board of directors since May 2016. Mr. Perry served as Chief Financial and Administrative Officer of Novelion Therapeutics Inc. or Novelion, a public company, from November 2016 to December 2017. Prior to this, Mr. Perry was Chief Financial Officer of Aegerion Pharmaceuticals Inc, a public company, from July 2015 until its merger with Novelion in November 2016. Prior to that, he served as Chief Financial and Business Officer of Eleven Biotherapeutics, Inc., a public company, from January 2014 to June 2015. Before joining Eleven Biotherapeutics, Mr. Perry served as the Interim Chief Financial Officer of InVivo Therapeutics, a public company, from September 2013 to December 2013, and prior to that he served as the Senior Vice President and Chief Financial Officer of ImmunoGen, Inc., a public company, from 2009 until he was promoted in 2011 to Executive Vice President and Chief Financial Officer, a role he held until 2013. Before that, he was the Chief Financial Officer of Elixir Pharmaceuticals. Mr. Perry previously was Senior Vice President and Chief Financial Officer of Transkaryotic Therapies. He has also held various financial leadership roles within PerkinElmer Inc., Domantis Ltd., Honeywell and General Electric. Since February 2018, Mr. Perry has served on the Board of Directors of Kala Pharmaceuticals, including as Chair of its Audit Committee. From December 2011 to February 2016, Mr. Perry served on the Board of Directors of Ocata Therapeutics (a public biotechnology company), including as Chair of its Audit

Committee and a member of its Compensation Committee, until it was acquired by Astellas Pharma Inc. Mr. Perry received 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 board of directors or senior management.

B. Compensation.

Senior Management Remuneration

The following table sets forth the approximate remuneration paid during our 2017 fiscal year to our current senior management.

Name and Principal Position	Salary	Bonus(1)	Equity Awards(2)	All Other Compensation(3)	Total
Ton Logtenberg, Ph.D. Chief Executive Officer	€432,782	€337,945	€4,675,590	€ 51,528	€5,497,845
John Crowley Executive Vice President, Chief Financial Officer	€320,882	€120,170	€ 874,795	€ —	€1,315,847
Hui Liu Executive Vice President, Chief Business Officer	€305,187	€114,369	€1,085,341	€ —	€1,504,897
Mark Throsby Executive Vice President, Chief Scientific Officer	€305,792	€114,519	€1,270,960	€ 35,618	€1,726,889
L. Andres Sirulnik Executive Vice President, Chief Medical Officer	€389,484	€147,756	€1,144,148	€ —	€1,681,388
Lex B.H. Bakker Senior Vice President, Chief Development Officer	€266,612	€ 85,583	€ 206,097	€ 35,270	€ 593,563
Peter B. Silverman(4) Executive Vice President, General Counsel	€238,082	€ 86,238	€ 437,220	€ —	€ 761,540
John de Kruif Senior Vice President, Chief Technology Officer	€237,944	€ 76,380	€ 152,672	€ 37,527	€ 504,523

(1) Amount shown reflects bonuses awarded for achievement of performance goals in our 2017 fiscal year.
(2) Amount shown represents the grant date fair value of option awards and restricted stock units, or RSUs, granted in 2017. Option awards are measured using the Hull & White option pricing model. For a description of the assumptions used in valuing these awards, see note 14 to our financial statements included elsewhere in this Annual Report.
(3) Amount shown represents pension, retirement or other similar contributions made by us.
(4) Mr. Silverman's salary was prorated to reflect the start of his employment with the Company on February 15, 2017.

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

Base Compensation

We pay our senior management 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 senior management's level of responsibility and performance. Our senior management's base salaries for 2017 are set forth in the table above entitled "Senior Management Remuneration."

Short-Term Incentive Plan

We maintain a short-term incentive plan pursuant to which we may grant our employees, including our senior management, incentive cash bonuses based upon corporate and/or individual performance. We generally pay annual cash bonuses based upon the achievement of set financial targets, non-financial and personal goals and company milestones for the period. Achievement of the targets is measured following year-end and the actual bonus amounts paid to our senior management, including our executive officers, are determined by our board of directors.

The corporate objectives set for 2017 pursuant to our short-term incentive plan accounted for 75% of the senior management's bonus opportunity and were generally related to clinical developments, intellectual property, business developments and funding initiatives. Individual objectives are established annually for each member of the senior management and, in 2017, accounted for 25% of the senior management's bonus opportunity. The actual bonus amounts paid to our senior management for 2017 are set forth in the table above entitled "Senior Management Remuneration".

Long-Term Incentive Plan

We maintain the 2016 Plan under which we may grant cash and equity-based incentive awards to eligible service providers, including our executive board members, in order to attract, retain and motivate the persons who make important contributions to our company. 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. The 2016 Plan provides for the grant of stock options, stock appreciation rights, restricted stock, dividend equivalents, restricted stock units, and other stock or cash based awards. 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. The plan administrator may generally amend or terminate the 2016 Plan at any time.

The following table summarizes the options that we granted to our senior management in 2017 under the 2016 Plan:

Name	Grant Date	Number of Shares Subject to Option (#)(1)	Exercise Price Per Share ($)	Expiration Date	Restricted Stock Units
Ton Logtenberg, CEO	1/1/2017	377,271	21.11	12/30/2026	123,745
L. Andres Sirulnik, CMO	—	—	—	—	—
John Crowley, CFO	—	—	—	—	—
Hui Liu, CBO	1/1/2017	85,156	21.11	12/30/2026	27,931
Mark Throsby, CSO	1/1/2017	103,484	21.11	12/30/2026	33,943
Peter Silverman, CIPO	2/15/2017	50,000	25.90	2/14/2027	—
Lex Bakker, CDO	1/1/2017	15,739	21.11	12/30/2026	5,162
John de Kruif, CTO	1/1/2017	11,479	21.11	12/30/2026	3,765

(1) The options and RSUs vest as to 25% of the shares on the first anniversary of the grant date and as to the remaining 75% of the shares in equal monthly installments for the 36 calendar months thereafter.

Pension Benefits

We offer some of our senior management the opportunity to participate in a post-retirement plan in order to provide competitive post-retirement benefits. For 2017, we contributed a total of € 0.1 million to provide pension, retirement or similar benefits to our senior management.

Employment Agreements

Ton Logtenberg, Chief Executive Officer and Executive Director

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.

John Crowley, Chief Financial Officer

On October 5, 2016, we and our wholly-owned subsidiary Merus US, Inc., which we refer to as Merus US, entered into an employment agreement with John Crowley. Pursuant to the employment agreement, Mr. Crowley serves as Executive Vice President and Chief Financial Officer of us and Merus US. 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. 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.

Hui Liu, Chief Business Officer

On December 1, 2015, we and Merus US entered into an employment agreement with Hui Liu, which was amended and restated on March 2, 2016, pursuant to which Mr. Liu serves as Executive Vice President and Chief Business Officer of us and Merus US. The employment agreement provides for an initial annual base salary of $335,000 and the opportunity to earn an annual cash incentive award based on performance with a target value equal to 35% of Mr. Liu's annual base salary. If Mr. Liu's employment is terminated by Merus US without cause or due to Mr. Liu'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. Liu 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. Liu's employment is terminated without cause or due to Mr. Liu'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. Liu 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 initial option award that is unvested as of his date of termination.

Mark Throsby, Chief Science Officer

In July 2008, we entered into an employment agreement with Mr. Throsby for an unspecified term, which agreement may be terminated at the end of a calendar month by either Mr. Throsby or the company subject to the applicable statutory notice periods. Pursuant to the employment agreement, Mr. Throsby is entitled to a base salary, an annual vacation allowance equal to 8% of his gross salary, participation in a pension scheme and, in the event if his disability, certain continued payments of his base salary.

The agreement contains restrictive covenants which restrict Mr. Throsby's ability to compete with the company for a period of 12 months following termination. Mr. Throsby 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. Mr. Throsby is also prohibited from performing work for another employer or client during the course of his employment with us and is subject to a per violation fine of €5,000 and per day fine of €1,000 for as long as the violation continues.

The agreement also contains covenants regarding Mr. Throsby's protection of our confidential information for a period of 5 years following his termination, violation of which subjects him to penalties of €50,000 for each violation and €1,000 for each day the violation continues. Mr. Throsby has also entered into a separate agreement with us regarding ownership of our intellectual property.

L. Andres Sirulnik, Chief Medical Officer

On November 1, 2016, we and Merus US entered into an employment agreement with L. Andres Sirulnik. Pursuant to the employment agreement, Mr. Sirulnik serves as Executive Vice President and Chief Medical Officer and of us and Merus US. The employment agreement provides for an initial annual base salary of $390,000 and the opportunity to earn an annual cash incentive award based on performance with a target value equal to 40% of Mr. Sirulnik's annual base salary. In addition, the Company agreed to pay Mr. Sirulnik an amount equal to $50,000, within thirty (30) days following each of November 8, 2017 and November 8, 2018, subject to Mr. Sirulnik's continued employment with the Company through each such date.

Lex B.H. Bakker, Chief Development Officer

In May 2010, we entered into an employment agreement with Mr. Bakker pursuant to which he serves as our Chief Development Officer. The agreement is for an unspecified term and may be terminated at the end of a calendar month by either Mr. Bakker or the company, subject to the applicable statutory notice periods. Pursuant to the employment agreement, Mr. Bakker is entitled to a base salary, an annual vacation allowance of 8% of his gross salary, participation in a pension scheme, reimbursement for certain commuting expenses and, in the event if his disability, certain continued payments of his base salary.

The agreement contains restrictive covenants which restrict Mr. Bakker's ability to compete with the company for a period of 12 months following termination. Mr. Bakker 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. Mr. Bakker is also prohibited from performing work for another employer or client during the course of his employment with us and is subject to a per violation fine of €5,000 and per day fine of €1,000 for as long as the violation continues.

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

Peter B. Silverman, General Counsel

Effective February, 2017, we and Merus US entered into an employment agreement with Peter B. Silverman. The employment agreement provides for an initial annual base salary of $315,000 and the opportunity to earn an annual cash incentive award based on performance with a target value equal to 30% of Mr. Silverman's annual base salary. If Mr. Silverman's employment is terminated by Merus US without cause or due to Mr. Silverman's resignation for good reason, then subject to his executing a general release of claims and continuing compliance with our proprietary information agreement, Mr. Silverman will be entitled to receive (i) an amount in cash equal to the sum of 0.5 times his annual base salary and (ii) a pro-rata portion of his target annual bonus for the calendar year in which the date of termination occurs, which shall be paid in the form of salary continuation in regular installments over the six-month period following his termination in accordance with the Company's customary payroll practices. On February 21, 2018, Mr. Silverman was appointed Executive Vice President and General Counsel.

John de Kruif, Chief Technology Officer

In April 2007, we entered into an employment agreement with Dr. De Kruif for an unspecified term, which agreement may be terminated at the end of a calendar month by either Dr. De Kruif or the company subject to the applicable statutory notice periods. Pursuant to the employment agreement, Dr. De Kruif is entitled to a base salary, an annual vacation allowance equal to 8% of his gross salary, participation in a pension scheme and, in the event if his disability, certain continued payments of his base salary.

The agreement contains restrictive covenants which restrict Dr. De Kruif's ability to compete with us for a period of 12 months following termination. Dr. De Kruif 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. Dr. De Kruif is also prohibited from performing work for another employer or client during the course of his employment with us and is subject to a per violation fine of €5,000 and per day fine of €1,000 for as long as the violation continues.

The agreement also contains covenants regarding Dr. De Kruif's protection of our confidential information for a period of five years following termination of his employment, violation of which subjects him to penalties of €50,000 for each violation and €1,000 for each day the violation continues. Dr. De Kruif has also entered into a separate agreement with us regarding ownership of our intellectual property.

Compensation of Board of Directors

The following table sets forth the remuneration paid during our 2017 fiscal year to members of our board of directors.

Name	Fees earned or paid in Cash	Option Awards(2)	Total
		(in euros)	
Ton Logtenberg, Ph.D.(1)	€ 822,255	€4,675,590	€5,497,845
Mark Iwicki	€ 59,840	€ 120,956	€ 180,436
Wolfgang Berthold, Ph.D.	€ 41,700	€ 90,944	€ 132,644
Lionel Carnot	€ 35,445	€ 61,870	€ 97,315
John de Koning, Ph.D.	€ 38,573	€ 113,613	€ 152,186
Anand Mehra, M.D.	€ 42,743	€ 83,683	€ 126,426
Jack B. Nielsen(3)	€ —	€ —	€ —
Gregory Perry	€ 47,955	€ 103,169	€ 151,124

(1) Dr. Logtenberg did not receive any additional compensation for his service on our board during 2017. Amounts paid to Dr. Logtenberg for his service as an executive officer are set forth above in the section "Executive Officer Remuneration" above.

(2) Amount shown represents the grant date fair value of option awards granted in 2017 measured using the Hull & White option pricing model. For a description of the assumptions used in valuing these awards, see note 14 to our financial statements included elsewhere in this Annual Report.

(3) Dr. Nielsen resigned from our board of directors on May 24, 2017 and did not receive any compensation for his service on our board during 2017.

Remuneration of Board of Directors

Although Dutch law does not require that we establish a remuneration program for our members of our board of directors, we have established a Non-Executive Director Compensation Program. Under this program, remuneration for the members of our board of directors consists of cash and initial and annual equity awards. Each board member is entitled to receive an annual retainer of $35,000. The chairman of the 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 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 board member is not serving on our board. The remuneration program further provides for an automatic increase of the annual retainers on the first day of each calendar year by an amount equal to 3% of the value of such annual retainer in effect as of the immediately preceding calendar year.

Each board member who is initially elected or appointed to our 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 board member has served on the board for at least six months as of the date of an annual meeting of shareholders and continue to serve as a board member following such annual meeting, such board member is 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 board members under the program have an exercise price equal to the fair market value of our common shares on the date of grant and expire not later than ten years after the date of grant. The options granted upon a board member's initial election or appointment 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 board members vest in 12 substantially equal monthly

installments following the date of grant. In addition, all unvested options vest in full upon the occurrence of a change in control. The grant date fair value of each initial award and annual award is, subject to approval by our shareholders, increased on the first day of each calendar year 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 board member is entitled to be reimbursed for reasonable travel and other expenses incurred in connection with attending meetings of the board and any committee of the board on which he or she serves.

Board of Directors 2017 Fiscal Year Equity Awards

During fiscal 2017, members of our board of directors were granted options to purchase common shares under the 2016 Plan as follows:

Name	Grant Date	Number of Shares Subject to Option (#)(1)	Exercise Price Per Share ($)	Expiration Date
Ton Logtenberg, Ph.D.	1/1/2017	377,271	21.11	12/30/2026
Mark Iwicki	5/24/2017	5,650	19.12	5/24/2027
Wolfgang Berthold, Ph.D.	5/24/2017	5,650	19.12	5/24/2027
Lionel Carnot	5/24/2017	5,650	19.12	5/24/2027
John de Koning, Ph.D.	5/24/2017	5,650	19.12	5/24/2027
Anand Mehra, M.D.	5/24/2017	5,650	19.12	5/24/2027
Jack B. Nielsen(2)	—	—	—	—
Gregory Perry	5/24/2017	5,650	19.12	5/24/2027

(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) Dr. Nielsen resigned from our board of directors on May 24, 2017.

C. Board Practices.

On May 29, 2017, upon approval by our shareholders, our corporate governance structure changed from a two-tier model with a management board under the supervision of a supervisory board to a one-tier model with a unitary board of directors. Our board of directors is comprised of seven members. Each board member is elected for a term of up to four years. A board member may be re-appointed for up to two subsequent terms. Board members must retire periodically in accordance with a rotation plan. Our board members do not have a retirement age requirement under our Articles of Association. Our 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 Board of Directors and the period each member has served in that term are as follows:

Name	Year Current Term Began	Year Current Term Expires
Ton Logtenberg, Ph.D.	2017	2021
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
Gregory Perry	2016	2020

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

Committees of the Board of Directors

Our board of directors has established an Audit Committee, Compensation Committee, and Nomination and Corporate Governance Committee, which operate pursuant to written charters adopted by our board of directors.

Audit Committee

The audit committee, which consists of Gregory Perry, Lionel Carnot and John de Koning, assists our board of directors 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 board on at least an annual basis;
- reviewing and discussing with the 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 being present.

Compensation Committee

The compensation committee, which consists of Wolfgang Berthold, Mark Iwicki, and Anand Mehra, assists our board of directors in determining management compensation. Dr. Berthold serves as Chairman of the committee. The compensation committee prepares a proposal for the board concerning the compensation of each member of our management 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 compensation;
- evaluating each member of management's performance in light of such policies and reporting to the board;
- analyzing the possible outcomes of the variable remuneration components and how they may affect the remuneration of management;
- recommending any equity long-term incentive component of each member of management's compensation in line with the remuneration policy and reviewing our management compensation and benefits policies generally; and
- reviewing and assessing risks arising from our compensation policies and practices.

Nomination and Corporate Governance Committee

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

The nomination and corporate governance committee's responsibilities include:

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

D. Employees.

As of December 31, 2017, we had 83 employees, 48 of whom hold M.D. or Ph.D. degrees. 60 of our employees work in research and development and 23 work in management and administrative areas. All of our employees are located in the Netherlands except for 14 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 board of directors and senior management 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 March 31, 2018 by:

- each person known to us who beneficially owns 5% or more of our outstanding common shares;
- each member of our board of directors; and
    - each of our senior managers.

The number of common shares beneficially owned by each entity, person, director or senior manager is determined in accordance with the rules of the U.S. 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 March 31, 2018 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 March 31, 2018 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 March 31, 2018, we had 22,624,690 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	14.1%
BVF(2)	2,419,443	10.7%
Sofinnova Venture Partners IX, L.P.(3)	1,738,817	7.7%
Bay City Capital Coöperatief U.A.(4)	1,451,320	6.4%
Novo A/S(5)	1,410,417	6.2%
Cooperatief LSP IV UA(6)	1,225,661	5.4%
Johnson & Johnson Innovation - JJDC, Inc.(7)	1,195,943	5.3%
Wellington Management Group LLP(8)	1,181,946	5.2%
Baker Brothers Life Sciences L.P.(9)	1,160,014	5.1%
Senior Management and Board of Directors		
Ton Logtenberg, Ph.D.(10)	553,646	2.4%
John Crowley(11)	68,715	*
Hui Liu(12)	96,955	*
L. Andres Sirulnik, M.D., Ph.D.(13)	87,040	*
Mark Throsby, Ph.D.(14)	102,262	*
Lex B.H. Bakker, Ph.D.(15)	23,303	*
Peter B. Silverman(16)	15,625	*
John de Kruif(17)	17,893	*
Mark Iwicki(18)	53,535	*
Wolfgang Berthold, Ph.D.(19)	8,214	*
Lionel Carnot(4),(20)	1,461,233	6.5%
John de Koning, Ph.D.(21)	9,913	*
Anand Mehra, M.D(3),(22)	1,748,730	7.7%
Gregory Perry(23)	9,913	*

* 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 (a) 1,134,098 shares held directly by Biotechnology Value Fund, L.P. ("BVF"), (b) 756,033 shares held directly by Biotechnology Value Fund II, L.P. ("BVF2"), (c) 329,030 shares held directly by certain partners managed accounts and (d) 200,282 shares held by Biotechnology Value Trading Fund OS LP ("Trading Fund OS"). BVF Partners OS Ltd. ("Partners OS"), as the general partner or Trading Fund OS, may be deemed to beneficially own the 200,282 shares held by Trading Fund OS. BVF Partners L.P. ("Partners"), as the general partner of BVF, BVF2, the investment manager of Trading Fund OS, and the sole member of Partners OS, may be deemed to beneficially own the 2,419,443 shares beneficially owned in the aggregate by BVF, BVF2, Trading Fund OS, and certain Partners managed accounts (the "Partners Managed Accounts"), including 329,030 shares held in the Partners Managed Accounts. BVF Inc., as the general partner of Partners, may be deemed to beneficially own the 2,419,443 shares beneficially owned by Partners. Mr. Lampert, as a director and officer of BVF Inc., may be deemed to beneficially own the 2,419,443 shares beneficially owned by BVF Inc. Beneficial ownership information is based on a Schedule

13G/A filed with the SEC on March 5, 2018. The address for each of these entities is 1 Sansome Street, 30th Floor, San Francisco, CA 94104.

(3) Consists of 1,738,817 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 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 September 27, 2017. The address for Sofinnova VP and Sofinnova Management is 3000 Sand Hill Road, Building 4, Suite 250, Menlo Park, California 94025.

(4) Consists of 1,451,320 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 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.

(5) 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.

(6) 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.

(7) 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.

(8) The shares are held by Wellington Management Group LLP. Wellington Investment Advisors Holdings LLP which controls directly, or indirectly through Willington Management Global Holdings, Ltd., ("Wellington Investment Advisers"). Wellington Investment Advisors Holdings LLP is owned by Willington Group Holdings LLP, Wellington Group Holdings LLP is owned by Wellington management Group LLP. Beneficial ownership information is based on a Schedule 13G filed with the SEC on

February 8, 2018. The address for each of these entities is c/o Wellington Management Company LLP, 280 Congress Street, Boston, MA 02210.

(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 (a) 160,814 common shares held by BioPhrase, B.V. ("BioPhrase"), Dr. Logtenberg's personal holding company, (b) 45,272 common shares held by Dr. Logtenberg, and (c) 347,560 options to purchase common shares held by Dr. Logtenberg that vest within 60 days following March 31, 2018.

(11) Consists of 68,715 options to purchase common shares that vest within 60 days following March 31, 2018.

(12) Consists of 96,955 options to purchase common shares that vest within 60 days following March 31, 2018.

(13) Consists of 87,040 options to purchase common shares that vest within 60 days following March 31, 2018.

(14) Consists of 102,262 options to purchase common shares that vest within 60 days following March 31, 2018.

(15) Consists of 23,303 options to purchase common shares that vest within 60 days following March 31, 2018.

(16) Consists of 15,625 options to purchase common shares that vest within 60 days following March 31, 2018.

(17) Consists of 17,893 options to purchase common shares that vest within 60 days following March 31, 2018.

(18) Consists of 53,535 options to purchase common shares that vest within 60 days following March 31, 2018.

(19) Consists of 8,214 options to purchase common shares that vest within 60 days following March 31, 2018.

(20) Consists of 9,913 options to purchase common shares that vest within 60 days following March 31, 2018.

(21) Consists of 9,913 options to purchase common shares that vest within 60 days following March 31, 2018.

(22) Consists of 9,913 options to purchase common shares that vest within 60 days following March 31, 2018.

(23) Consists of 9,913 options to purchase common shares that vest within 60 days following March 31, 2018.

To our knowledge, there has been no significant change in the percentage ownership held by the major shareholders listed above since January 1, 2017, except as discussed under Item 7.B "Related Party Transactions."

B. Related Party Transactions.

The following is a description of related party transactions we have entered into since January 1, 2017 or currently in effect with any member of our board of directors or our executive officers and the holders of 5% or more of our common shares.

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. On June 1, 2017, we filed a registration statement on Form F-3 (File No. 333-218432) with the U.S. Securities and Exchange Commission registering the common shares held by Incyte, which was amended on June 14, 2017.

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 Executive Officers

For a description of our agreements with our executive officers, see "Item 6.B.—Compensation."

Indemnification Agreements

We have entered into agreements with members of our board of directors and our executive officers 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 board of directors and executive officers 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. On July 27, 2017, the U.S. Court of Appeals for the Federal Circuit affirmed the trial court's conclusion that Regeneron had engaged in inequitable conduct before the United States Patent and Trademark Office and affirmed that Regeneron's '018 patent is unenforceable. Regeneron petitioned for a panel rehearing and rehearing en banc of this decision by the Federal Circuit on September 12, 2017, which the Company responded to and opposed on November 2, 2017. On December 26, 2017, the full Federal Circuit denied Regeneron's request to rehear the matter. The case is returned to the District Court to adjudicate the Company's motion requesting that Regeneron pay Merus' attorneys fees' and costs' incurred as a result of Regeneron filing suit. On March 26, 2018, the trial court ruled that Merus' motion for attorney fees, expert fees, and costs is granted. Merus must next submit a detailed explanation of those attorney fees, expert fees, and costs of such award in the following weeks.

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.

Regeneron has also raised opposition proceedings against certain of our patents in jurisdictions including Europe, Japan and Australia, including pertaining to Merus' patent family related to "Antibody producing non-human animals", which concerns features of Merus' Biclonics® technology platform. Such opposition proceedings have become increasingly common in the EU and are costly to defend. On August 11, 2014, a notice of opposition against Merus' EP 2147594 (the "EP '594 patent"), entitled "Antibody Producing Non-Human Mammals" was filed in the European Patent Office (the "EPO") by Regeneron. The notice asserted, as applicable, lack of novelty, lack of inventive step, and insufficiency. The Company's response to the oppositions was filed on April 2, 2015. Following an oral hearing before the Opposition Division of the EPO on October 28, 2016, the Opposition Division upheld the EP '594 Patent without amendments. Regeneron filed grounds of appeal on July 19, 2017, and Merus responded on November 30, 2017. The appeal is currently pending.

In Australia, Regeneron opposed Merus' patent application 2009263082, entitled "Antibody producing non-human animals." In a decision dated May 5, 2017, the Australian Patent Office determined certain claims of the application were valid and others were not. Merus filed amendments to certain claims with the Australian Patent Office has found valid, with further proceedings to follow.

On July 15, 2014, a notice of opposition against Merus' EP 2314629 patent (the "EP '629 patent"), entitled "Recombinant Production of Mixtures of Antibodies" was filed in the European Patent Office (the "EPO") by Regeneron. The notice asserted, as applicable, added subject matter, lack of novelty, lack of inventive step, and insufficiency. Merus responded on February 24, 2015. Following an oral hearing before the Opposition Division of the EPO on June 22, 2016, the Opposition Division upheld the EP '629 Patent with amendments. Both Regeneron and Merus filed a notice of appeal followed by grounds of appeal on December 1st and 4th, 2017 respectively, with further proceedings to follow.

On April 5, 2017, a notice of opposition against Merus' EP 2604625 patent (the "EP '625 patent"), entitled "Generation of Binding Molecules" was filed in the EPO by Regeneron and an unnamed third party. The notices

asserted, as applicable, added subject matter, lack of novelty, lack of inventive step, and insufficiency. Merus intends to timely respond to these submissions with proceedings to be ongoing.

As each of these proceedings continue, we cannot assure you that we will ultimately prevail in these opposition proceedings brought by Regeneron and an anonymous third party against our intellectual property.

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 our board of directors. Any future approval will depend upon the 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 our board deems relevant.

B. Significant Changes.

None.

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. 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 (beginning May 19)	$22.19	$ 7.26
2017	$33.63	$13.23
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	$25.44	$13.23
Third Quarter 2017	$21.07	$13.30
Fourth Quarter 2017	$21.94	$14.05
First Quarter 2018	$20.50	$14.90
Second Quarter 2018 (through April 27, 2018)	$18.98	$16.66
Month of		
October 2017	$21.94	$15.55
November 2017	$18.44	$14.05
December 2017	$19.40	$14.20
January 2018	$19.99	$14.90
February 2018	$19.50	$15.10
March 2018	$20.50	$17.17
April 2018 (through April 27)	$18.98	$16.66

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" and "Comparison of Dutch Corporate Law and Our Articles of Association and U.S. Corporate Law" in our Form F-3 Registration Statement filed with the Securities and Exchange Commission on June 1, 2017 and is incorporated herein by reference.

C. Material Contracts.

We have entered into the following material contracts since the period beginning two years prior to the date of this Annual Report.

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

We have entered into license and collaboration agreements with Incyte Corporation, ONO Pharmaceuticals, Inc. and Simcere Pharmaceutical Group. 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 executive officers. Information on these agreements may be found in this Annual Report under "Item 6—Directors, Senior Management and Employees—Compensation" and is incorporated herein by reference.

Indemnification Agreements

We have entered into indemnification agreements with members of our board of directors and our executive officers. 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 registration rights 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.

We have entered into a stock purchase agreement and registration rights agreement concerning, wherein we received aggregate gross proceeds of approximately $55.8 million from a private placement offering closed on February 15, 2018 (see Note 2 and Note 24).

Lease

On November 1, 2016, we entered into a lease agreement with Stichting Incubator Utrecht for approximately 11,125 square feet of office and laboratory space in Utrecht, the Netherlands. The lease has a term of five years and expires on October 31, 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.

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";
- S corporations or 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 subject to special tax accounting rules as a result of any item of gross income with respect to the common shares being taken into account in an applicable financial statement;
- persons that own or are deemed to own ten percent or more of our shares by vote or value; 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.

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, 2017. 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 our Annual Reports on Form 20-F, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the U.S. Securities and Exchange Commission, or 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.

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

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. We received aggregate gross proceeds from the IPO of approximately $61.4 million and 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. The offer and sale of all of the shares in the IPO was registered under the Securities Act of 1933, as amended, or the Securities Act, pursuant to a registration statement on Form F-1 (File No. 333-207490), which was declared effective by the Securities and Exchange Commission, or the SEC, on May 19, 2016. There has been no material change in our planned use of the net proceeds from the IPO as described in our final prospectus filed pursuant to Rule 424(b)(4) under the Securities Act with the SEC on May 20, 2016. As of the date of the filing of this Annual Report on Form 20-F, we have used all of the net proceeds from the IPO.

Item 15 Controls and Procedures.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2017. Based on the evaluation of our disclosure controls and procedures as of December 31, 2017, our chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were not effective at the reasonable assurance level as a result of the material weaknesses in internal control over financial reporting described below.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2017. This assessment was performed under the direction and supervision of our chief executive officer and chief financial officer and based on criteria set forth in "Internal Control—Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our assessment, our management concluded that our internal control over financial reporting was not effective as of December 31, 2017 as a result of the material weaknesses discussed below.

A material weakness is a control deficiency or a combination of control deficiencies in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. Management has identified control deficiencies associated with a lack of adequate cut-off procedures to ensure the proper and timely recognition, measurement and classification of operating expenses and certain period-end accruals. Specifically, we did not design and maintain effective internal control over the assessment of the accounting for significant contractual arrangements related to our clinical research and manufacturing agreements and the classification of operating expenses. There is a reasonable possibility that these deficiencies could result in a material misstatement of our financial statements or in related disclosures in our annual or interim consolidated financial statements that we would not be able to prevent or detect on a timely basis. Accordingly, management has determined that these control deficiencies constitute a material weakness.

As previously reported in our Annual Report on Form 20-F for the year ended December 31, 2016, we identified two material weaknesses related to insufficient accounting resources required to fulfill IFRS and SEC reporting requirements and insufficient comprehensive IFRS accounting policies and financial reporting procedures. Due to the material weakness identified in management's assessment of our internal control over financial reporting as of December 31, 2017, management determined that these material weaknesses were not remediated as of December 31, 2017.

Management has implemented and continues to implement various measures to address its internal control deficiencies. These measures are outlined below.

Remediation Measures

With the oversight of management and our Audit Committee, we have taken and plan to take steps intended to address the underlying causes of the material weaknesses identified, primarily through the redesign of specific processes and controls associated with review of contractual agreements, including a quarterly identification and review of significant agreements with the management team to ensure that the relevant accounting implications are identified and considered. Additionally, we are in the process of redesigning our controls over operating expenses, including the related balance sheet accounts. We are also continuing the hiring of additional financial resources, enhancing our IFRS accounting policies and procedures and developing review controls related to our financial close and reporting processes.

Although we plan to complete this remediation process as quickly as possible, we cannot, at this time, estimate when such remediation may occur, and our initiatives may not prove successful in remediating the material weakness. Management may determine to enhance other existing controls and/or implement additional controls as the remediation process progresses. It will take time to determine whether the additional controls we are implementing will be sufficient to accomplish their intended purpose. Accordingly, the material weaknesses may continue for a period of time.

Our Audit Committee and management are closely monitoring the remediation process. Until the remediation efforts discussed in this section, including any additional remediation efforts that our management identifies as necessary, are completed, tested and determined effective, we will not be able to conclude that the material weaknesses have been remediated. In addition, we may need to incur incremental costs associated with this remediation, primarily due to the hiring and training of finance and accounting personnel and the implementation and validation of improved accounting and financial reporting procedures.

Notwithstanding the material weaknesses, our management, based on the substantial work performed, concluded that our consolidated financial statements for the periods covered by and included in this Annual Report are fairly stated in all material respects in accordance with IFRS for each of the periods presented in this Annual Report. Because the remediation actions discussed above have not been fully implemented as of the date of this report, the material weaknesses were not considered remediated as of December 31, 2017.

This Annual Report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. We are not subject to the attestation requirement because we are an emerging growth company.

Changes in Internal Control over Financial Reporting

Other than as described in this Item 15, there was no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) identified in connection with the evaluation of our internal control over financial reporting during the year ended December 31, 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 16 A. Audit Committees Financial Expert.

Our board of directors has determined that Gregory Perry is an audit committee financial expert as defined by the rules of the U.S. 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, management, including our principal executive officer, principal financial officer and principal accounting officer, board of directors, 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 board of directors is responsible for administering the Code of Conduct. The board of directors is allowed to amend, alter or terminate the Code of Conduct.

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	2017	2016
Audit Fees	€ 1,234,000	€ 1,001,000
Audit-Related Fees	10,000	—
Tax Fees	—	10,000
All Other Fees	—	—
Total Fees	€ 1,244,000	€ 1,011,000

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. Included in the 2016 audit-related fees is €498,000 of fees billed in connection with our initial public offering in May 2016.

Audit-Related Fees

Audit related fees relate to an assurance engagement related to a specific research grant.

Tax Fees

Tax fees consist of fees for professional services, including tax consulting and compliance performed by KPMG Accountants N.V for the year ended December 31, 2016.

All Other Fees

We did not incur any other fees in 2017 or 2016.

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 U.S. Securities and Exchange Commission. 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 the Nasdaq Stock Market LLC, 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-42 of this Annual Report.

Item 19 Exhibits.

Exhibit Number	Exhibit Description	Incorporated by Reference to Filings Indicated				Filed/ Furnished
		Form	File No.	Exhibit No.	Filing Date	
1.1	Articles of Association (English translation)					*
2.1	Registration Rights Agreement, dated May 24, 2016, by and among the Registrant and the shareholders party thereto	6-K	001-37773	4.1	5/27/16	
4.1#	Merus N.V. 2010 Employee Option Plan, as amended					*
4.2#	Merus N.V. 2016 Incentive Award Plan and forms of award agreements thereunder, as amended					*
4.3#	Non-Executive Director Compensation Program					*
4.4#	Form of Board of Directors 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#	Employment Agreement, dated October 5, 2016, by and among Merus US, Inc., the Registrant and John J. Crowley	6-K	001-37773	10.1	11/3/16	
4.7#	Employment Agreement, dated December 16, 2015, by and among Merus US, Inc., the Registrant and Hui Liu, as amended on March 2, 2016					*
4.8#	Employment Agreement, dated November 1, 2016, by and among Merus US, Inc., the Registrant and L. Andres Sirulnik					*
4.9#	English language translation of Employment Agreement, dated as of July 19, 2008, by and between the Registrant and Mark Throsby, as amended on March 10, 2010					*

Exhibit Number	Exhibit Description	Incorporated by Reference to Filings Indicated				Filed/ Furnished
		Form	File No.	Exhibit No.	Filing Date	
4.10#	English language translation of Employment Agreement, dated as of August 5, 2010, by and between the Registrant and Alexander Bakker					*
4.11#	English language translation of Employment Agreement, dated as of April 2, 2007, by and between the Registrant and John de Kruif, as amended on March 10, 2010					*
4.12#	Employment Agreement, dated as of December 24, 2016, by and between the Registrant and Peter Silverman, as amended February 1, 2017					*
4.13	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	
4.14	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	
4.14.1	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	
4.14.2	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	10.9.2	5/9/16	
4.15	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	
4.15.1	English language translation of Amendment to Lease Agreement, dated as of November 1, 2016 by and between the Registrant and Stichting Incubator Utrecht					*
4.16†	Collaboration and License Agreement, dated December 20, 2016, by and between the Registrant and Incyte Corporation	20-F	001-3773	4.12	4/28/17	
4.17†	Share Subscription Agreement, dated December 20, 2016, by and between the Registrant and Incyte Corporation	20-F	001-3773	4.13	4/28/17	

Exhibit Number	Exhibit Description	Incorporated by Reference to Filings Indicated				Filed/ Furnished
		Form	File No.	Exhibit No.	Filing Date	
4.18†	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	
4.19††	Contract Research and License Agreement by and between the Registrant and Ono Pharmaceuticals Co., Ltd., dated March 14, 2018					*
4.20	Securities Purchase Agreement, dated February 13, 2018, by an among the registrant and the Investors identified on Exhibit A attached thereto	6-K	0001-3773	99.1	2/15/18	
4.21	Registration Rights Agreement, dated February 13, 2018, by and among the registrant and the Investors identified on Exhibit A attached thereto	6-K	0001-3773	99.2	2/15/18	
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.					*
101.INS*	XBRL Instance Document.					
101.SCH*	XBRL Taxonomy Extension Schema Document.					
101.CAL*	XBRL Taxonomy Calculation Linkbase Document.					
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.					
101.LAB*	XBRL Taxonomy Label Linkbase Document.					
101.PRE*	XBRL Taxonomy Presentation Linkbase Document.					

* 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.

Index to Financial Statements

Consolidated Financial Statements as of December 31, 2017, 2016, and 2015

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Merus N.V.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position of Merus N.V. and subsidiary (together, the Company) as of December 31, 2017 and 2016, 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, 2017, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2017, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

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

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

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

/s/ KPMG Accountants N.V.

We have served as the Company's auditor since 2009.

Amstelveen, the Netherlands
April 30, 2018

Consolidated Statement of Financial Position as at December 31, 2017

	Notes	December 31, 2017	December 31, 2016
		(euros in thousands)	
Non-current assets			
Property, plant and equipment	6	**1,168**	648
Intangible assets	7	**312**	374
Restricted cash	12	**—**	167
Non-current investments	9	**7,060**	—
Other assets		**129**	109
		8,669	1,298
Current assets			
Financial asset	9	**—**	11,847
Trade and other receivables	10	**4,413**	2,248
Current investments	9	**34,043**	—
Cash and cash equivalents		**149,678**	56,917
		188,134	71,012
Total assets		**196,803**	72,310
Shareholders' equity	14		
Issued and paid-in capital		**1,749**	1,448
Share premium account		**213,618**	139,878
Accumulated loss		**(167,480)**	(107,295)
Total equity		**47,887**	34,031
Non-current liabilities			
Borrowings	12	**—**	319
Deferred revenue	13	**130,195**	30,206
Current liabilities			
Borrowings	12	**—**	167
Trade payables		**2,855**	2,298
Taxes and social security liabilities		**243**	29
Deferred revenue	13	**6,996**	1,610
Other liabilities and accruals	11	**8,627**	3,650
		18,721	7,754
Total liabilities		**148,916**	38,279
Total equity and liabilities		**196,803**	72,310

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

Consolidated Statement of Profit or Loss and Comprehensive Loss

	Notes	For the year ended December 31, 2017	2016	2015
		(Euros in thousands, except per share data)		
Revenue	15	**13,600**	2,719	1,977
		13,600	2,719	1,977
Research and development costs	16	**(34,125)**	(18,424)	(16,181)
Management and administration costs	16	**(13,697)**	(4,258)	(768)
Other expenses	16	**(9,395)**	(7,709)	(8,067)
Total operating expenses		**(57,217)**	(30,391)	(25,016)
Operating result		**(43,617)**	(27,672)	(23,039)
Finance income	18	**1,112**	88	50
Finance expenses	18	**(30,335)**	(19,644)	(195)
Total finance income (expenses)		**(29,223)**	(19,556)	(145)
Result before tax		**(72,840)**	(47,228)	(23,184)
Income tax expense	8	**(249)**	—	—
Result after taxation		**(73,089)**	(47,228)	(23,184)
Exchange differences from translation of foreign operations		**89**	8	—
Other comprehensive income		**89**	8	—
Total comprehensive loss for the year		**(73,000)**	(47,220)	(23,184)
Basic (and diluted) loss per share[1][2]	19	**(3.80)**	(3.57)	(3.95)

The results and comprehensive losses for the years presented are fully attributable to the owners of the Company.

(1) The basic (and diluted) loss per share is adjusted for the 2015 period 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.

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

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, 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 income		—	—	—	—	—	—	—	—	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 of preference shares		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**
Balance at January 1, 2017		**1,448**	**—**	**—**	**—**	**139,878**	**—**	**—**	**—**	**(107,295)**	**34,031**
Result		—	—	—	—	—	—	—	—	(73,089)	**(73,089)**
Other comprehensive loss		—	—	—	—	—	—	—	—	89	**89**
Total comprehensive loss		—	—	—	—	—	—	—	—	(73,000)	**(73,000)**
Transactions with owners of the Company:											
Issuance of shares (net)	14	301	—	—	—	73,740	—	—	—	—	**74,041**
Equity settled shared-based payments	17	—	—	—	—	—	—	—	—	12,815	**12,815**
Total contributions by and distributions to owners of the Company		**301**	**—**	**—**	**—**	**73,740**	**—**	**—**	**—**	**12,815**	**86,856**
Balance at December 31, 2017		**1,749**	**—**	**—**	**—**	**213,618**	**—**	**—**	**—**	**(167,480)**	**47,887**

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

Consolidated Statement of Cash flows for the year ended December 31

	Note	2017	2016	2015
		(euros in thousands)		
Cash flows from operating activities				
Result after taxation		**(73,089)**	(47,228)	(23,184)
Adjustments for:				
Change in fair value derivative	*9, 18*	**10,667**	19,213	—
Unrealized foreign exchange results	*18*	**15,767**	365	—
Depreciation and amortization	*6, 7*	**318**	234	193
Share-based payment expenses	*17*	**12,815**	3,307	567
Net finance (income) expenses		**(1,040)**	(33)	145
		(34,562)	(24,142)	(22,279)
Changes in working capital:				
Trade and other receivables	*10*	**(1,837)**	(1,256)	(816)
Other assets		**(20)**	(109)	—
Trade payables		**505**	(121)	10
Other liabilities and accruals	*11*	**4,977**	286	461
Deferred revenue	*13*	**(6,618)**	(223)	(223)
Tax and social security liabilities		**214**	(113)	11
Cash used in operating activities		**(37,341)**	(25,678)	(22,836)
Interest paid	*18*	**(29)**	(55)	(195)
Taxes paid	*8*	**(43)**	—	—
Net cash used in operating activities		**(37,413)**	(25,733)	(23,031)
Cash flows from investing activities				
Purchases of investments	*9*	**(41,830)**	—	—
Acquisition of property, plant and equipment	*6*	**(724)**	(496)	(103)
Interest received	*10, 18*	**929**	88	50
Net cash used in investing activities		**(41,625)**	(408)	(53)
Cash flows from financing activities				
Proceeds from issuing shares, net of issuance costs	*14*	**74,738**	50,547	46,478
Financing costs	*18*	**(190)**	—	—
Prepaid share issuance costs	*10*	**—**	(230)	—
Proceeds from collaboration agreement	*14*	**111,993**	—	—
Proceeds from borrowings		**—**	—	8,000
Repayment of borrowings	*12*	**(486)**	(167)	(166)
Changes in restricted cash		**167**	51	55
Net cash from financing activities		**186,222**	50,201	54,367
Net increase in cash and cash equivalents		**107,184**	24,060	31,283
Effects of exchange rate changes on cash and cash equivalents		**(14,423)**	6	—
Cash and cash equivalents as at January 1		**56,917**	32,851	1,568
Cash and cash equivalents as at December 31		**149,678**	56,917	32,851
Supplemental disclosure of non-cash activities:				
Changes in accrued capital expenditures		**52**	—	—

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

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, 2017 comprise Merus N.V. and Merus US, Inc. (collectively, the "Company").

Merus N.V. was incorporated in the Netherlands, with its statutory seat in Utrecht. In connection with becoming a listed company on the Nasdaq Global Market ("Nasdaq"), on May 19, 2016, Merus N.V.'s legal structure under Dutch law was changed from a private company with limited liability (in Dutch: *besloten vennootschap met beperkte aansprakelijkheid*) to a public company with limited liability (in Dutch: *naamloze vennootschap*) and Merus N.V.'s name changed from "Merus B.V." to "Merus N.V." The address of the Company's registered office is Yalelaan 62, 3584 CM Utrecht, The Netherlands.

Nature of Business

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.

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 and business development opportunities 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 operating plan, it expects its existing cash balances, including proceeds received from the private placement offering that closed in February 2018, to last through the end of 2020. For this assessment, we have taken into consideration our existing cash and cash equivalents of €149.7 million and investments of €41.1 million at December 31, 2017, together with the $55.8 million of proceeds received from our private placement offering that closed in February 2018. (see Note 24).

2. Basis of Preparation

These consolidated financial statements have been authorized for issuance on April 30, 2018. Certain amounts were reclassified in the prior years consolidated financial statements for consistency with the current year presentation. These changes in classification do not materially affect the previously reported Consolidated Statement of Financial Position, Consolidated Statement of Profit or Loss and Comprehensive Loss or Consolidated Statements of Cash Flows for any period.

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.

Initial Public Offering

On May 6, 2016, the general meeting of our shareholders 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 our 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 for the year ended December 31, 2015 have been retrospectively adjusted, where applicable, to reflect the impact of the reverse share split.

On May 24, 2016, the Company closed the initial public offering of 5,500,000 of its common shares and, on May 26, 2016, of an additional 639,926 of its common shares, at a price to the public of US $10 per share (the "IPO"). Net proceeds to the Company after deducting underwriting discounts and commissions and offering expenses were $53.3 million. On May 19, 2016, the Company's common shares were listed on the Nasdaq and all of the Company's preferred shares converted into common shares.

Follow-on Public Offerings

On June 1, 2017, the Company filed with the U.S. Securities and Exchange Commission a registration statement on Form F-3 (Registration Number 333-218432) (the "F-3 Registration Statement"), under which it registered up to $250 million of its securities and 3,200,000 shares sold to Incyte Corporation ("Incyte"). The F-3 Registration Statement became effective on June 16, 2017. On June 1, 2017, the Company also entered into a sales agreement with Cowen and Company, LLC ("Cowen"), under which the Company may issue and sell from time to time up to $50.0 million of its common shares registered under the F-3 Registration Statement through Cowen as its sales agent. Sales of common shares, if any, will be made at market prices by any method that is deemed to be an "at the market" offering. The aggregate compensation payable to Cowen as sales agent equals 3.0% of the gross sales price of the shares sold through it pursuant to the sales agreement. No sales have been made by the Company under the sales agreement.

On February 13, 2018, the Company entered into a Securities Purchase Agreement (the "Purchase Agreement") with the purchasers named therein (the "Investors"). Pursuant to the Purchase Agreement, the Company agreed to sell an aggregate of 3,099,997 of its common shares, nominal value €0.09 per share, to the Investors for aggregate gross proceeds of approximately $55.8 million, at a purchase price equal to $18.00 per share (the "Private Placement"). The Purchase Agreement contains customary representations and warranties from the Company and the Investors and customary closing conditions. The closing of the Private Placement occurred on February 15, 2018.

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.

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, 2017. Therefore, all development expenditures relating to internally generated intangible assets in the twelve month period ended December 31, 2017 were expensed as incurred.

Income Taxes

The criteria for the recognition of unused tax losses are disclosed in Note 3 "Significant accounting policies". As of December 31, 2017, deferred tax assets have not been recognized in respect of tax losses, because the Company has no history of generating taxable profits and therefore, it is not probable that sufficient taxable profit will be available against which the tax losses can be utilized. The amount of the unrecognized tax losses is disclosed in Note 8.

Deferred Revenue

The Company maintains certain research, collaboration and license agreements with ONO Pharmaceuticals Co., Ltd ("ONO") and Incyte under which the Company has received upfront non-refundable payments for certain rights granted under the respective agreements. The applicable period over which to recognize these upfront payments requires significant judgment. Revenue related to these upfront payments is deferred and amortized on a straight-line basis over the contract period as to ONO, or the period of continuing involvement as to Incyte, as these are the periods over which the Company provides its integrated service activities.

Equity Settled Share-Based Payments

Share options granted to employees, consultants and directors 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.

Prior to the Company's IPO, the estimated the fair value of each share option granted was determined utilizing the Black-Scholes option-pricing model. For the Company's share option plans subsequent to its IPO, management's judgment was that the Hull & White option pricing model is the most appropriate method for determining the fair value of the Company's share options considering the terms and conditions attached to the grants made and reflective of 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 pre-IPO valuations, the continuous yield on euro government bonds with a term to maturity comparable to the expected life of the options, as published by the European Central Bank, was applied. 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 Company, consisting of Merus N.V. and its wholly owned subsidiary Merus US, Inc. The Company 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.

(ii) Loss of control

When the Company 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-company balances and transactions, and any unrealized income and expenses arising from intra-company transactions, are eliminated. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Company'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 as a component of finance costs.

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 recognized in the consolidated statement of profit and loss and comprehensive loss 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 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 recognized in the consolidated statement of profit and loss and comprehensive loss 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 either financial assets at fair value through profit or loss, held to maturity financial assets or loans and receivables. The Company classifies non-derivative financial liabilities into either financial liabilities at fair value through profit or loss or the other financial liabilities category.

Non-Derivative Financial Assets and Financial Liabilities

The Company initially recognizes receivables and investments at fair value on the date when they are originated. Subsequent to initial recognition, they are measured at amortized cost using the effective interest rate method. 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.

Investments

Investments are classified as held-to-maturity and are initially measured at fair value. Subsequent to initial recognition, they are measured at amortized cost using the effective interest rate method. Investments are classified as held-to-maturity and carried at amortized cost as management has the positive intent and ability to hold them until maturity. Interest income from these securities is included in finance income.

Receivables

These assets are initially recognized at fair value plus any directly attributable transaction costs.

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.

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.

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 costs

Costs related to the issuance of new shares have been accounted for as follows:

- Incremental costs that are directly attributable to issuing new shares are included as prepaid expenses and are deducted from equity on the date the Company closes its new share transactions (net of any income tax benefit). Such as, for example, the date of the closing of its IPO or the share subscription agreement with Incyte;
- Incremental costs directly associated with a probable, successful future offering of equity instruments are also deferred and deducted from equity when the new shares are issued. During 2017, the Company expensed €0.2 million of prepaid share issuance costs related to a potential future issuance of shares under the Company's F-3 Registration Statement when the future issuance was no longer consider probable;
- Costs that relate to listing on Nasdaq, or other new share transaction costs that are otherwise not incremental and directly attributable to issuing new shares, are recorded as an expense in the consolidated statement of profit or loss and comprehensive loss; and
- Costs that relate to both share issuance and listing are 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 the consolidated statement of profit or loss and comprehensive income 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 Recognition

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.

Up-front License Payments

The Company maintains research and license agreements with ONO and Incyte. In connection with these arrangements, the Company received upfront fees, which relate to the integrated package of deliverables under the contract (one single performance obligation) and are initially recorded in deferred revenue. The applicable period over which to recognize the upfront payment is a significant judgment. Up-front payments or similar non-refundable payments are initially reported as deferred revenue on the consolidated statements of financial position and are recognized as revenue on a straight-line basis over the period of the related performance obligation or the contractual term of the arrangement. The estimated period of the performance obligation is re-assessed at each consolidated statement of financial position date.

Collaboration Income

Collaboration income, which is typically related to reimbursements from collaborators for the Company's performance of research and development services under the respective agreements, is recognized on the basis of labor hours valued at a contractually agreed rate. Collaboration income includes reimbursements for related out-of-pocket expenses. Cost reimbursements to which the Company is entitled under agreements are recognized as revenues in the same quarter of the recorded cost they are intended to compensate. The Company acts as the principal and therefore records these reimbursements as collaboration income.

Government Grants

The Company receives certain government and regional grants, which support its research efforts in defined projects, and include contributions towards the cost of research and development. 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 consolidated statement of profit or loss and comprehensive loss 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.

Research and development expenses

Research and development expenses represent costs which primarily include (i.) payroll and related costs (including share-based payment expenses) associated with research and development personnel, (ii.) costs related to clinical trials and preclinical testing of the Company's technologies under development, (iii.) costs to develop product candidates, including raw materials and supplies, product testing, depreciation, and facility related expenses, (iv.) expenses for research services provided by universities and contract laboratories, and (v.) other research and development expenses. Research and development expenses are recognized in the consolidated statement of profit or loss and comprehensive loss as incurred when these expenditures relate to the Company's research and development services and have no alternative future uses.

The Company has entered into various research and development contracts with research institutions and other companies. These agreements are generally cancelable. The Company records accruals for estimated ongoing research costs. When evaluating the adequacy of the accrued liabilities, the Company analyzes progress of the studies, including the phase or completion of events, invoices received and contracted costs. Significant judgments and estimates may be made in determining the accrued balances at the end of any reporting period. Actual results could differ from the Company's estimates. The Company's historical accrual estimates have not been materially different from the actual costs.

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 and other related expenditures. The contribution is in the form of a reduction of payroll taxes. Subsidies relating to labor costs are deferred and recognized in the consolidated statement of profit or loss and comprehensive loss 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 including grants of employee options, restricted share units, and modifications to existing instruments, is recognized as an expense, net of an estimated forfeiture rate, with a corresponding increase in equity (accumulated loss), over the vesting period of the awards. Forfeitures of employee options are recognized as they occur. 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 the consolidated statement of profit or loss and comprehensive 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 and related income;
- interest expense and changes in fair value of the forward contract (derivative);
- financing costs; 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.

Deferred tax assets and liabilities are offset only if certain criteria are met.

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, 2018, 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 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, measured at fair value through other comprehensive income and measured at fair value through profit or loss. The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. In addition, the revised guidance on the classification and measurement of financial instruments includes a new expected credit loss model for calculating impairment on financial assets and the new general hedge accounting requirements. Finally, IFRS 9 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. Based on its assessment, the Company believes that adoption of IFRS 9's new classification requirements, new credit loss model or the new general hedge accounting requirements are not expected to have a material impact on the Company's financial statements.

IFRS 15 Revenue from Contracts with Customers

In May 2014, the International Accounting Standards Board (IASB) issued IFRS 15—Revenue from Contracts with Customers, which will replace existing revenue recognition guidance. The new standard requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. To achieve that core principle, an entity must identify the contract(s) with a customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract, and recognize revenue when (or as) the entity satisfies the performance obligation. The new standard will be effective for annual and interim reporting periods beginning on or after January 1, 2018.

In anticipation of IFRS 15, the Company performed an impact assessment which consisted of a review of all license and collaboration agreements and government grants. Further, the Company held discussions with key stakeholders and identified and cataloged potential impacts of the new standard on the Company's financial statements, accounting policies, financial controls and operations.

Based on this assessment, the adoption of IFRS 15 will primarily impact the amortization of the Company's up-front license payments. As more fully described in Notes 13 and 15, the Company currently recognizes revenue from up-front license payments on a straight-line basis over the contractual term of the arrangements or the period of continuing involvement which is 21 years for the Incyte Agreement and 4.5 years for the ONO Agreement. In applying IFRS 15, the Company has evaluated the distinct performance obligations in each agreement. Specifically, for Incyte, the total period for which the Company expects to provide access to its proprietary technology is currently estimated to be nine years, which is the research term initially agreed to in the collaboration agreement. Applying the recognition criteria under the current standard, up-front license payments associated with these agreements would have been deferred until the completion of the respective contractual period. As a result of the application of this guidance, the Company would have amortized additional revenue of approximately €8.3 million for the year ended December 31, 2017 and recorded a corresponding decrease in deferred revenue for the same amount. The estimated impact for 2016 is not material. The new standard will not impact the Company's revenue recognition practices for collaboration income and government grants.

The Company will adopt the standard using the retrospective method, with the effect of initially applying this standard recognized at the beginning of the earliest period presented and will elect to apply the practical expedient to not apply this guidance to contracts which are completed before the beginning of the earliest period presented or January 1, 2016, and the practical expedients for contract modifications (assessing the contracts in combination with any modifications before January 1, 2016). As a result, the impact under this methodology to the Company's previously reported revenues will be to restate prior reported revenues to conform to the new financial reporting commencing on January 1, 2018. The Company will report new disclosures required by this guidance within the Company's Form 6-K for the interim period ending March 31, 2018. As the adoption of this new standard is anticipated to have a material impact on the Company's revenues and net income on an ongoing basis, the Company has implemented a controls process to identify and evaluate new revenue-generating contracts with third-party customers. The Company will continue to monitor additional changes, modifications, clarifications or interpretations being undertaken by accounting regulatory bodies which may impact current conclusions. During 2018, the Company expects that the application of the standard to decrease deferred revenue by approximately €8.9 million as reported in the consolidated balance sheet and increase revenues by the same amount within the consolidated statement of operations. However, it is not expected to impact cash used in operating, financing or investing activities in the Company's consolidated cash flows statement upon adoption.

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. Early adoption is permitted; however, the Company expects to adopt this standard in the first quarter of 2019. The Company is evaluating the impact that this guidance will have on the Company's financial statements, including related disclosures, and expects the new standard to impact its internal controls, systems, and processes.

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, 2016			
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)	(117)	(173)
Disposals (Cost)	(6)	—	(6)
Disposals (Accumulated depreciation)	6	—	6
Balance	274	49	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
Changes in book value			
Additions	663	113	776
Depreciation	(186)	(70)	(256)
Disposals (Cost)	(51)	(1,086)	(1,137)
Disposals (Accumulated depreciation)	51	1,086	1,137
Balance	477	43	520
Balance as at December 31, 2017			
Costs	1,261	413	1,674
Accumulated depreciation	(356)	(150)	(506)
Book value	905	263	1,168

7. Intangible Assets

The intangible assets relate to acquired intellectual property rights.

The movements are as follows:

	2017	2016
	(euros in thousands)	
Balance as at January 1		
Historical cost	**860**	860
Accumulated amortization	**(486)**	(425)
Book value	**374**	435
Capital expenditures	**—**	—
Amortization charge for the year	**(62)**	(61)
Book value as at December 31	**312**	374
Balance as at December 31		
Historical cost	**860**	860
Accumulated amortization	**(548)**	(486)
Book value	**312**	374

On January 23, 2009, the Company purchased the family of patents and future filings based on those patents, entitled "Recombinant production of mixtures of antibodies" from Crucell Holland B.V. The non-provisional filing date for this application was on July 15, 2003 and accordingly applications stemming from that patent family have an approximate economic life of 20 years from that date, not including patent term adjustment, extensions or any related doctrine. As a result, the Company is amortizing the cost over the approximate economic life of 14 years after acquisition of the patent family.

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 of December 31, 2017, the tax losses carried forward amounted to €149.2 million as compared to €101.1 million at December 31, 2016.

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. Based on the Innovations Box ruling, the Company would owe on the first 75% of qualifying profits under the Dutch jurisdiction effectively 5% for Dutch income taxes. The remaining profit would be taxed at the Dutch statutory tax rate of 25%. Taxable profits will only qualify for the Innovations Box once the tax losses carried forward are completely utilized. The agreement with the tax authorities was originally signed for the tax years beginning in 2011 through 2015 and was subsequently extended through the year 2019. Since the Company is loss-making, no Dutch income tax is recognized in the consolidated statement of profit or loss and comprehensive loss.

Merus US, Inc., which is incorporated in the United States in the State of Delaware, is subject to statutory U.S. Federal corporate income taxes and state income taxes for Massachusetts at a blended rate of 40% for the years ended December 31, 2017 and 2016. Current year income tax expense was attributable entirely to Merus US, Inc. which was established on February 17, 2016 and provided general management services and strategic advisory services to the Company. Corporate income tax expenses were €0.2 million and zero for the years ended December 31, 2017 and 2016, respectively.

9. Financial assets

Derivative

On December 20, 2016, the Company entered into a share subscription agreement with Incyte. As the contract is denominated in U.S. dollars, the Company determined that the forward contract to sell its own shares at a future date to which the Company became committed on December 20, 2016 represented a derivative financial instrument. The remaining fair value of the derivative recognized in the statement of financial position at December 31, 2016 was €11.8 million. The Company had determined the fair value of this derivative utilizing the Bloomberg Pricing System and the Company's closing stock prices at each valuation date which are significant Level 2 observable inputs.

On January 23, 2017, the Company settled the forward contract by delivering shares to Incyte upon the closing of the share subscription agreement, thereby extinguishing the derivative financial asset. Upon the extinguishment of the financial asset, the Company recorded finance charges of €10.7 million relating to the change in fair value of the asset and a discount on the share subscription of €1.1 million representing the difference between the original subscription price and the actual price of the common stock on the date of settlement on January 23, 2017.

Investments

Held to maturity investments are investments in commercial paper, securities issued by several public corporations and the United States Treasury with a maturity date of greater than three months at the date of settlement. Investments with a maturity of 12 months or more from the original investment date are classified as non-current.

Investments as of December 31, 2017 consist of the following:

	(euros in thousands)
Commercial paper	15,527
U.S. Treasury securities	9,177
Corporate fixed income bonds	7,886
Agency bond	1,453
Investments, current portion	34,043
Corporate fixed income bonds	7,060
Non-current investments	7,060
Total investments	41,103

During the fourth quarter of 2017, the Company made purchases of investments totaling €41.8 million which are held and denominated in U.S. dollars. As a result of the fluctuation in foreign currency between the euro and U.S. dollar, the Company recorded unrealized exchanges losses of €0.8 million in net loss on foreign exchange for the year ended December 31, 2017.

10. Trade and Other Receivables

All trade and other receivables are short-term and due within 1 year.

	Balance per December 31	
	2017	2016
	(euros in thousands)	
Trade receivables	**1,594**	205
Unbilled receivables	**710**	—
VAT receivable	**582**	782
Prepaid general expenses	**427**	382
Prepaid pension costs	**838**	463
Prepaid share issuance costs	**—**	230
Interest bank	**170**	32
Other receivables	**92**	154
	4,413	2,248

Trade and unbilled receivables relate primarily to invoicing for cost reimbursements relating to the Incyte collaboration and license agreement and the ONO research and license agreement. VAT receivable relates to value added tax receivable from the Dutch tax authorities based on the tax application for the fourth quarter of 2017.

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	
	2017	2016
	(euros in thousands)	
Accrued auditor's fee	**96**	282
Personnel	**446**	220
Research and development costs	**5,272**	1,256
IP—Legal fee	**509**	114
Bonuses	**1,545**	768
Subsidy advance received	**224**	224
Other accruals	**535**	786
	8,627	3,650

The research and development costs relate to accrued expenses for costs of certain development activities, such as clinical trials, and are recorded based on an evaluation of the progress to completion of specific tasks using data such as patient enrollment, clinical site activations, and information provided the Company by vendors on their actual costs incurred. The increase in research and development cost accrued expenses reflect increased enrollment in and support of the Company's clinical trials and expanded pre-clinical research efforts to support its internal research programs and collaboration and license agreement with Incyte.

The bonuses relate to the employee bonuses for the financial year 2017, which are paid out annually in February.

The subsidy advances received relate to active grants where the Company has received cash in excess of allowances which is required to be repaid or recognized as grant income when the relevant reimbursable costs are incurred as services are performed.

12. Borrowings

The Company entered into a financing agreement with Rabobank Utrechtse Heuvelrug U.A. ("Rabobank") on December 29, 2005, which provided for total borrowings of €1.5 million for the financing of its business activities. The duration of the agreement was 12 years. Under the agreement, the loans were to be repaid in monthly installments of €14 thousand. 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.

Movements in the Company's borrowings with the Rabobank were as follows:

	(euros in thousands)
Balance December 31, 2016	486
Short term portion December 31, 2016	167
Long term portion December 31, 2016	319
Balance January 1, 2017	486
Repayments	(486)
Balance December 31, 2017	—

On March 31, 2017, the Company repaid, in full, the loan from Rabobank. At the repayment date, the total outstanding balance of the loan amounted to approximately €0.5 million. As a result of the repayment, the pledge associated with the loan was removed and the related cash was released from restriction.

13. Deferred Revenue

Deferred revenue is as follows:

Balance per December 31 (euros in thousands)	**2017**	2016
Deferred revenue—current portion	**6,996**	1,610
Deferred revenue	**130,195**	30,206
	137,191	31,816

Of the total deferred revenue balance at December 31, 2017, €137.0 million was related to the Incyte Agreements while €0.2 million related to the ONO research and license agreement. Of the total deferred revenue balance at December 31, 2016, €31.4 million was related to the Incyte Agreements while €0.4 million related to the ONO research and license agreement.

On April 8, 2014, the Company entered into a research and license agreement with ONO pursuant to which the Company received a non-refundable upfront payment of €1.0 million. This upfront payment is being amortized on a straight-line basis over the research term period which is estimated to be 4.5 years. 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 provides funding for the Company's research and development activities under an agreed-upon plan. Subject to certain conditions, ONO has the right to terminate this agreement at any time for any reason, with or without cause.

On December 20, 2016, the Company entered into a collaboration and license agreement (the "collaboration and license agreement") and a share subscription agreement (the "share subscription agreement") with Incyte (together, the "Incyte Agreements"). Under the collaboration and license agreement, Incyte agreed to pay the Company a $120 million non-refundable upfront payment, and under the share subscription agreement, Incyte agreed to purchase 3.2 million common shares of the Company at price per share of $25, for an aggregate purchase price of $80 million. In January 2017, the Company completed the sale of its common shares under the subscription agreement and received the $80 million aggregate purchase price. In February, 2017, the Company received the $120 million non-refundable upfront payment. As discussed in Note 9, the Company accounted for the forward to sell its own shares as a derivative financial asset. Both the upfront license payment and the derivative financial asset are recognized as deferred revenue being amortized as revenue over the period of continuing involvement, which is estimated to be 21 years.

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 preclinical 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 up to 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 three of its clinical candidates (MCLA-128, MCLA-117 and MCLA-158), as well as its technology platform and existing and future preclinical programs based on the Company's platform that are outside the scope of the agreement.

14. Shareholders' Equity

Share subscription agreement with Incyte

Concurrent with the collaboration and license agreement discussed above under Note 13, the Company entered into a share subscription agreement with Incyte on December 20, 2016. On January 23, 2017, under the terms of the share subscription agreement, the Company issued 3,200,000 of its common shares to Incyte at a price per share of $25, for an aggregate purchase price of $80.0 million or €74.7 million, representing 19.9% of the "pre-transaction" issued and outstanding common shares of the Company. The Company received proceeds of €74.4 million, net of issuance costs of €0.2 million. A €1.1 million discount on the subscription stock price (see Note 9) combined with a €0.4 million foreign currency translation accompanying the issuance of these shares, increased share capital by €0.3 million and share premium by €73.4 million.

Issued and Paid-in Share Capital

All issued shares have been fully paid in cash.

Common Shares

For year ended December 31, 2017, 136,666 options were exercised at a weighted average price of €2.24 per share and 7,331 Restricted Stock Units ("RSUs") vested; as a consequence, 143,997 common shares were issued, share capital increased by €12,960 and share premium increased by €293,660. For the year 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 year ended December 31, 2015, no options were exercised.

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, 2017

At December 31, 2017, a total of 19,429,848 common shares were issued and fully paid in cash.

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.

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 installments 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 former 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 for, 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 since the IPO are being made under the 2016 Plan.

Options granted under the 2016 Plan are exercisable once vested. The options granted under the 2016 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 seventy-five percent 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. Options will lapse on the tenth anniversary of the date of grant.

The Restricted Stock Units ("RSUs") granted under the 2016 Plan also vest in installments over a four-year period from the grant date. Each RSU represents the right to receive one common share of the Company.

As stated in the 2016 Plan, the Company also established the Supervisory Board Compensation Program, which was subsequently replaced by the Non-Executive Director Compensation Program to reflect the change in governance structure of the Company (see Note 2). As part of this program, Non-Executive Directors are entitled to cash compensation as well as equity compensation. The equity compensation consists of an initial option grant as well as annual awards.

The initial awards granted under the Non-Executive Compensation 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 Non-Executive Director is entitled to over their remaining term. Since subsequent awards are not subject to shareholder approval, the grant date is established and expenses are based on grant date fair value. The grant date fair value is not updated in each future reporting period and therefore the estimated fair value is not revised and expense recognized is based on the actual grant date fair value of the awards granted.

Measurement of Fair Value of the Equity-settled Share-based Payment Arrangements

The fair value of the employee share options has been measured using a binomial option pricing model, including members of the Board of Directors. Service and non-market performance conditions attached to the transactions were not taken into account in measuring fair value. Key management personnel include the Company's executive management and the Board of Directors.

There were 2,213,985 outstanding share options at December 31, 2017 (December 31, 2016: 1,394,844; December 31, 2015: 953,689) with a weighted average exercise price of €13.99 (December 31, 2016: €8.69; December 31, 2015: €5.35).

The number of options outstanding, by group of employees, was as follows:

Group of employees entitled	December 31, 2017	December 31, 2016	December 31, 2015
Key management personnel	1,777,437	1,302,417	857,318
All other employees	436,548	92,427	96,371
Total	2,213,985	1,394,844	953,689

The inputs used in the measurement of the fair values and the related fair values at the grant dates for the options granted during the respective year ended December 31 were as follows:

	2017		2016		2015	
	Key Management Personnel	All Other Employees	Key Management Personnel	All Other Employees	Key Management Personnel	All Other Employees
	€	€	€	€	€	€
Fair value at grant date	**9.04 – 16.10**	**8.94 – 18.02**	9.97 – 11.03	5.74 – 5.79	3.98 – 5.76	4.03 – 5.06
Share price at grant date	**17.08 – 24.54**	**13.71 – 27.47**	15.24 – 16.85	8.46 – 8.87	6.12 – 7.20	5.94 – 7.20
Exercise price	**17.08 – 24.54**	**13.71 – 27.47**	15.24 – 16.85	8.46 – 8.87	1.93 – 7.20	1.93 – 7.20
Expected volatility (weighted-average)	**95.05%**	**94.88%**	95.30%	97.15%	94.85%	94.85%
Expected life	**10 years**	**10 years**	10 years	8 – 10 years	4 years	8 years
Expected dividends	**0%**	**0%**	0%	0%	0%	0%
Risk-free interest rate (based on government bonds)	**2.29% – 2.51%**	**2.24% – 2.62%**	1.84% – 1.86%	0.10% – 1.87%	0.16% – 0.70%	0.16% – 0.70%

Reconciliation of outstanding share options and RSU's

	2017		2016		2015	
	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	**8.69**	**1,394,844**	5.35	953,689	5.15	192,276
Forfeited during the year	**17.27**	**(58,164)**	6.07	(31,351)	1.93	(1,033)
Expired during the year	**8.67**	**(762)**	11.95	(5,454)	4.18	(9,216)
Exercised during the year	**2.24**	**(136,666)**	1.93	(18,283)	—	—
Granted during the year	**19.88**	**1,014,733**	14.74	496,243	5.99	771,662
Outstanding at December 31	**13.99**	**2,213,985**	8.69	1,394,844	5.35	953,689
Exercisable at December 31		**687,070**		418,453		157,562

The options outstanding at December 31, 2017 had an exercise price in the range of €1.93 to €27.47 (2016: €1.93 to €16.85; 2015: €1.93 to €13.50) and a weighted-average remaining contractual life of 8.25 years (2016: 6.68 years; 2015: 3.63 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.

The weighted-average share price at the date of exercise for share options exercised in 2017 was €20.69.

During 2017, the Company granted RSUs to Key Management Personnel.

RSU's are summarized as follows:

	2017	
	Weighted average exercise price (€)	Number of RSU's
Outstanding at January 1	—	—
Forfeited during the year	**20.03**	**(12,219)**
Expired during the year	—	—
Vested during the year	**20.03**	**(7,331)**
Granted during the year	**20.03**	**214,096**
Outstanding at December 31	**20.03**	**194,546**

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)	**2017**	2016	2015
Up-front payment amortization	**6,616**	223	223
Collaboration income	**5,789**	1,109	1,092
Income from grants on research projects	**1,195**	1,387	662
	13,600	2,719	1,977

For the year ended December 31, 2017, the Company recognized amortization of €6.4 million and €0.2 million on up-front payments related to its Incyte and ONO agreements, respectively. For the years ended December 31, 2016 and 2015, the Company recognized €0.2 million, respectively, of amortization of the up-front payment related to its ONO agreement.

Collaboration income for the year ended December 31, 2017 was €5.8 million and consisted of cost reimbursements in support of the Company's research and license agreements with Incyte and ONO. The Company did not recognize any research milestones during 2017. During 2016, the Company recognized one research milestone reached by the Company under its agreement with ONO which amounted to €0.7 million (2015: €1.1 million). 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.

The Company currently has two active grants consisting of cash allowances for specific research and development projects. For these 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. For the years ended December 31, 2017, 2016, and 2015, the Company recognized €1.2 million, €1.4 million and €0.7 million in grant income, respectively.

On June 12, 2017, the European Commission approved for reimbursement the final installment of the FP-7 grant and the Company subsequently recognized the remaining €0.7 million to grant revenue. On October 16, 2017, the Company received notification from the European Commission requesting the Company to revise its final report and indicated that the remaining €0.4 million of funds were to remain with the Company and distributed to the other beneficiaries to the program. In November 2017, the Company remitted €0.2 million to the other beneficiaries and recognized an additional €0.2 million of grant revenue.

16. Total Operating Expenses

	2017	2016	2015
	(Euros in thousands)		
Manufacturing costs	**13,567**	3,162	5,878
IP and license costs	**1,858**	1,167	1,112
Personnel related R&D	**6,673**	3,285	2,997
Other research and development costs	**12,027**	10,810	6,194
Total research and development costs	**34,125**	18,424	16,181
Management and administration costs	**13,697**	4,258	768
Litigation costs	**1,039**	1,490	4,419
Other operating expenses	**8,356**	6,219	3,648
Total other expenses	**9,395**	7,709	8,067
Total operating expenses	**57,217**	30,391	25,016

Research and development costs were €34.1 million for the year ended December 31, 2017 as compared to €18.4 million for 2016. The increases in research and development costs is primarily attributable to the increase in manufacturing costs, higher research and development headcount and related costs, including share-based payment expenses, as well as additional spending in support of the Company's preclinical and clinical development programs for MCLA-128, MCLA-117, MCLA-158 and MCLA-145. The significant increase in manufacturing costs during 2017 relate primarily to the expansion of the Company's Phase 1 and Phase 1/2 clinical programs. Specifically, the Company incurred higher costs relating to outsourced contract manufacturing for process development and drug delivery in support of the Company clinical development programs.

Personnel related research and development expenses mainly increased due to higher headcount to support the expansion of clinical programs and additional expenses resulting from the implementation of the new option plan in 2016 (see Note 14) whereas initial equity grants made in 2016 with higher market valuations were expensed over a full year in 2017. Other research and development costs represent costs related to expenditures to contract research organizations and related expenses in support of preclinical and clinical activities.

Management and administrative costs consist of salaries and related expenses for employees in finance, legal, human resources and business development functions. These costs include all salary, salary related expenses and share-based payment expenses. The large increase in management and administrative costs during 2017 was due primarily to the expansion of the Company's headcount in finance, legal and business development functions to support the expansion of the Company's operations.

Other operating expenses consist primarily of expenses related to professional fees for consulting, audit, and tax services of €4.0 million (2016: €1.7 million, 2015: €1.0 million) which support the finance function in maintaining and establishing public company status and general legal, insurance and facility related expenses amounting to €3.2 million (2016: €3.9 million, 2015: €2.2 million). The increase in these costs during 2017 is due to the expansion of the Company's operations to support ongoing growth and public company requirements.

Litigation costs relate to ongoing legal proceedings which are more fully described under "Litigation". The decline in 2017 when compared to 2016 is a result of lower litigation activity with regard to the Regeneron litigation as described below.

A breakdown of other research and development costs is presented as follows:

	2017	2016	2015
	(Euros in thousands)		
Discovery and pre-clinical costs	**2,473**	5,185	2,534
Clinical costs	**5,919**	3,409	1,883
Consumables	**2,149**	1,055	979
Other research and development costs	**1,486**	1,161	798
Total other research and development costs	**12,027**	10,810	6,194

Other research and development costs consist mainly of consultancy expenses related to R&D activities, which cannot be specifically allocated to a research project.

Litigation

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 (the "'018 patent"), 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. On July 27, 2017, the U.S. Court of Appeals for the Federal Circuit affirmed the trial court's conclusion that Regeneron had engaged in inequitable conduct before the United States Patent and Trademark Office and affirmed that Regeneron's '018 patent is unenforceable. Regeneron petitioned for a panel rehearing and rehearing en banc of this decision by the Federal Circuit on September 12, 2017, which the Company responded to and opposed on November 2, 2017. On December 26, 2017, the full Federal Circuit denied Regeneron's request to rehear the matter. The case is returned to the District Court to adjudicate the Company's motion requesting that Regeneron pay Merus' attorney's fees and costs incurred as a result of Regeneron filing suit.

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 (€1.0 million in 2017; €1.5 million in 2016; €4.4 million in 2015) are included in the consolidated statement of profit or loss and comprehensive loss for the period.

On July 15, 2014, a notice of opposition against Merus' EP 2314629 patent (the "EP '629 patent"), entitled "Recombinant Production of Mixtures of Antibodies" was filed in the European Patent Office (the "EPO") by Regeneron. The notice asserted, as applicable, added subject matter, lack of novelty, lack of inventive step, and insufficiency. Merus responded on February 24, 2015. Following an oral hearing before the Opposition Division of the EPO on June 22, 2016, the Opposition Division upheld the EP '629 Patent with amendments. Both Regeneron and Merus filed a notice of appeal followed by grounds of appeal on December 1st and 4th, 2017 respectively, with further proceedings to follow.

On August 11, 2014, a notice of opposition against Merus' EP 2147594 (the "EP '594 patent"), entitled "Antibody Producing Non-Human Mammals" was filed in the European Patent Office (the "EPO") by Regeneron. The notice asserted, as applicable, lack of novelty, lack of inventive step, and insufficiency. The Company's response to the oppositions was filed on April 2, 2015. Following an oral hearing before the Opposition Division of the EPO on October 28, 2016, the Opposition Division upheld the EP '594 Patent without amendments. Regeneron filed grounds of appeal on July 19, 2017, and Merus responded on November 30, 2017.

Based on the current facts and circumstances no provision has been recognized under IAS 37 related to contingent liabilities.

Operating expenses presented by nature are outlined below:

	2017	2016	2015
	(Euros in thousands)		
Contract manufacturing	**13,567**	3,162	5,878
Other external and outsourced costs	**22,333**	18,885	15,012
Employee costs & related benefits	**20,999**	8,110	3,933
Depreciation and amortization	**318**	234	193
Total operating expenses	**57,217**	30,391	25,016

The increases in costs of contract manufacturing and other external and outsourced costs are mainly due to the increase in the Company's preclinical and clinical operations in support of its programs for MCLA-128, MCLA-117, MCLA-158 and MCLA-145. The other external and outsourced costs consist mainly of preclinical costs of €2.5 million (2016: €5.2 million, 2015: €2.5 million), clinical costs of €5.9 million (2016: €3.4 million, 2015: €1.9 million) and IP costs of €2.9 million (2016: €2.7 million, 2015: €5.5 million).

17. Employee Benefits

Details of the employee benefits are as follows:

	2017	2016	2015
	(Euros in thousands)		
Salaries and wages	**9,556**	5,166	3,204
WBSO subsidy	**(3,523)**	(1,721)	(348)
Social security premiums	**621**	382	238
Health insurance	**222**	27	31
Pension costs	**652**	507	241
Share-based payment expenses	**12,815**	3,307	567
Other personnel expense	**656**	442	—
	20,999	8,110	3,933

Share-based payment expenses (see Note 14) were recognized as employee benefit expenses as follows:

(euros in thousands)	**2017**	2016	2015
Research and development costs	**3,245**	703	168
Management and administration costs	**8,942**	2,037	230
Other expenses	**628**	567	169
	12,815	3,307	567

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 and other costs 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 expected to be incurred.

The Company has received and recognized subsidies of €3.5 million (2016: €1.7 million; 2015: €0.3 million). The increases in subsidies for each year are primarily attributable to the increase in the Company's eligible research and development activities and the expansion of the Company's preclinical and clinical development programs for MCLA-128, MCLA-117, MCLA-158 and MCLA-145.

The average number of personnel during the year was approximately 69 (2016: 45; 2015: 32), with a majority employed in the Netherlands, with the exception of an average of ten (2016: two; 2015: nil) employees employed in the United States. Employees are principally employed in the area of research and development. For the years ended December 31, 2017 and 2016, a total of 21 and 11 employees, respectively, which are devoted to activities other than research and development, are included under management and administration costs.

18. Finance Income and Expense

	2017	2016	2015
	(Euros in thousands)		
Interest and related income	**1,112**	88	50
Net loss on foreign exchange	**(19,449)**	(409)	—
Interest and other expenses	**(10,696)**	(19,235)	(195)
Financing costs	**(190)**	—	—
	(29,223)	(19,556)	(145)

Interest income primarily results from interest earned on cash held on account and accretion of investment earnings. The Company's current year increase in cash, cash equivalents and investments was due primarily from the $200 million of funds received as part of the Incyte Agreements during the first quarter of 2017. During 2017, the Company has held the $200 million of Incyte funds in short-term investments with a one month maturity, callable on demand, and later in the year, in short-term investments in securities issued by several public corporations and United States Treasury, denominated and held in U.S. dollars. In July and August 2017, the Company converted $50.3 million of U.S. dollars into euros from the account effectively realizing exchange losses of €4.4 million, included in net loss on foreign exchange for the year ended December 31, 2017.

The Company experienced losses on its U.S. dollar denominated cash, cash equivalents and investments of approximately €19.4 million and €0.4 million for the years ended December 31, 2017 and 2016, respectively. As of December 31, 2017, the Company held approximately $98.0 million and $49.4 million in U.S. dollar denominated cash and cash equivalent accounts and investment accounts, respectively, subject to the fluctuation in foreign currency between the euro and U.S. dollar.

On December 20, 2016, the Company entered into the Incyte Agreements. As these contracts are denominated in U.S. dollars, the Company determined that the subscription agreement to sell its own shares to which the Company became committed on December 20, 2016, should be accounted for as a forward contract or a derivative financial instrument which was recognized in the consolidated statement of financial position as of December 31, 2016. The interest expense and similar expenses for the year ended December 31, 2017 include an amount of €10.7 million related to the effective settlement of the forward contract on January 23, 2017, the date the shares were issued and the date through which the related expense was incurred.

During 2017, the Company expensed €0.2 million of prepaid share issuance costs related to a potential future issuance of shares under the Company's F-3 Registration Statement when the future issuance was no longer consider probable.

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.

	2017	2016	2015
	(Euros in thousands, except per share data)		
Loss attributable to equity holders of the Company	**(73,000)**	(47,220)	(23,184)
Weighted average number of shares	**19,196,440**	13,236,649	5,871,237
Basic (and diluted) loss per share (€ per share)	**(3.80)**	(3.57)	(3.95)

(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. Management is primarily responsible for the overall risk management approach and for the approval of risk strategies and principles of the Company. The Company's Audit Committee oversees these risk management activities. The Company's management reviews and approves policies for managing each of these risks which are summarized below.

Credit Risk

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 and financial institutions. The Company's principal financial assets are held to maturity investments, trade receivables, and cash and cash equivalents that are derived primarily from financing

activities and, to a lesser extent, from its operations. The main purpose of these financial assets are to support the Company's operations which consist primarily of research and development, preclinical and clinical development and related manufacturing in support of the Company's preclinical and clinical development programs for MCLA-128, MCLA-117, MCLA-158 and MCLA-145.

The carrying amount of financial assets represents the maximum credit exposure.

	2017	2016
	(Euros in thousands)	
Financial Assets		
Financial asset (derivative)	—	11,847
Trade and unbilled receivables	**2,283**	205
Investments	**41,103**	—
Restricted cash	—	167
Cash and cash equivalents	**149,678**	56,917
	193,064	69,136

Cash and cash equivalents include deposits held with financial institutions with original maturities of less than three months. Investments, held to maturity, include commercial paper, securities issued by several public corporations and the United States Treasury with a maturity date of greater than three months at the date of settlement. These investments were acquired in fourth quarter of 2017. Cash and cash equivalents are held at banks and financial institutions with credit ratings varying between A and AA while investments are in highly rated vehicles with identical credit ratings.

As discussed in Note 9, the Company entered into a share subscription agreement with Incyte in December 2016. As the contract is denominated in U.S. dollars, the Company determined that the forward contract to sell its own shares at a future date represented a derivative financial instrument. The remaining fair value of the derivative recognized in the statement of financial position at December 31, 2016 was €11.8 million. The Company had determined the fair value of this derivative utilizing the Bloomberg Pricing System and the Company's closing stock prices at each valuation date which are significant Level 2 observable inputs. The settlement of the forward contract occurred through the delivery shares to Incyte upon the closing of the share subscription agreement during the first quarter of 2017 thereby extinguishing the derivative financial asset.

The aging of trade and unbilled receivables was as follows:

	2017	2016
Balance per December 31 in thousands of euros		
Neither past due nor impaired	**2,283**	205
Past due	—	—
	2,283	205

There is no allowance for impairment.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's core objective is to maintain a balance between continuity of funding and flexibility through the monitoring of cash flows at varying levels to ensure that it has sufficient cash on demand to meet expected operational expenses.

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, 2017

	Carrying amount	Total	< 12 months	1 - 2 years	2 - 5 years	More than 5 years
			(Euros in thousands)			
Non-derivative financial liabilities						
Trade payables	2,855	2,855	2,855	—	—	—
Other liabilities and accruals	6,176	6,176	6,176	—	—	—
	9,031	9,031	9,031	—	—	—

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 payables	2,298	2,298	2,298	—	—	—
Other liabilities and accruals	3,679	3,679	3,679	—	—	—
	6,463	6,503	6,167	181	155	—

The secured bank loan was paid in full on March 31, 2017.

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 relates to foreign exchange and to a lesser extent, interest risks.

Foreign currency risk

Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities in foreign currencies. With respect to monetary assets and liabilities denominated in foreign currencies, the Company's primary currency exposure is impacted by monetary assets and liabilities denominated in U.S. Dollars (USD). Changes in sensitivity rates reflect various changes in the economy year-over-year.

The following table provides a sensitivity analysis for a change in the primary currency exposure for the Company relating to monetary assets and liabilities denominated in USD as of December 31, 2017. The analysis shows the impact that a change in the exchange rate at that date would have on the Company's total comprehensive loss:

Financial Statement Line Item Exposure	Balance (in thousands)	Effect on profit before tax if USD strengthens 5% (in thousands)	Effect on profit before tax if USD weakens 5% (in thousands)
Cash and cash equivalents	88,538	3,691	(3,691)
Total investments	47,310	1,972	(1,972)
Trade and other receivables	2,311	97	(97)
Trade payables, other liabilities and accruals	(1,420)	(59)	59
Net Assets	**136,739**	**5,701**	**(5,701)**

The closing exchange rates per the European Central Bank (ECB) utilized above for converting USD to EUR at December 31, 2017 was 0.834.

Exposure to interest rate risk

The interest rate profile of the Company's interest-bearing financial instruments is as follows:

	Carrying amount	
	2017	2016
Balance per December 31 in thousands of euros		
Fixed-rate instruments		
Investments	**41,103**	—
Financial liabilities	—	(486)
Variable rate instruments		
Cash and cash equivalents	**149,678**	56,917

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 except for the derivative recognized as a result of the Incyte collaboration and share Subscription agreement as more fully described in Note 9. The fair value of the financial assets and financial liabilities not measured at fair value is not disclosed, as the carrying amount of the financial assets and financial liabilities is a reasonable approximation of the fair value. Accordingly, information on the fair value hierarchy is omitted.

The fair value of the derivative related to the Incyte collaboration and share Subscription agreement was 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). On January 23, 2017, the Company settled the forward contract by delivering shares to Incyte upon the closing of the share subscription agreement, thereby extinguishing the derivative financial asset.

21. Board Compensation and Key Management Personnel

On May 29, 2017, the Company changed its governance structure from a two-tier model consisting of a Management Board acting under the supervision of a separate Supervisory Board to a one-tier board model with

a unitary Board of Directors consisting of an Executive Director and Non-Executive Directors. In the one-tier board model, the Board of Directors as a collective (i.e., the Executive Director and the Non-Executive Directors) are charged with both the management and monitoring functions of the Company's general course of affairs inclusive of the Company's overall business strategy and financial policies. The Executive Director manages the day to-day business and operations of the Company and implements the Company's strategy. The Non-Executive directors focus on the supervision of policy and the performance of the duties of all directors, as well as the Company's general state of affairs.

Prior to May 29, 2017, the Company's Management Board was in charge of managing the Company and consisted of Ton Logtenberg, Chief Executive Officer (CEO) and Shelly Margetson, the former Chief Operating Officer (COO). Ms. Margetson resigned as a statutory director of the Company effective as of May 24, 2017 and ended her employment with the Company effective as of August 1, 2017. The Supervisory Board was responsible for the supervision of the Management Board and the general course of affairs of the Company. Subsequent to May 29, 2017, the members of the Supervisory Board are now Non-Executive Directors while Mr. Logtenberg remains as the lone Executive Director on the unitary Board of Directors.

In addition to Board of Directors, the Company employs certain Key Management Personnel responsible for executing the day-to-day business and operations of the Company. Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company includes the following employees in this classification: John Crowley, Chief Financial Officer, Hui Liu, Ph.D., Chief Business Officer, Andres Sirulnik, M.D., Ph.D., Chief Medical Officer, Mark Throsby, Ph.D., Chief Scientific Officer and Alexander Berthold Hendrik Bakker, Ph.D., Chief Development Officer.

Executive Directors

In 2017, 2016, and 2015 the following amounts were charged to the consolidated statement of profit or loss and comprehensive loss for the remuneration of the statutory directors:

	December 31,				
Name	Gross Salary	Bonus	Pension	Option cost	Total
	(Amounts in Euros)				
Ton Logtenberg, CEO					
2017	432,782	337,945	51,528	4,675,590	5,497,845
2016	369,204	147,820	17,717	907,236	1,441,977
2015	236,032	89,072	18,591	1,910,204	2,253,899
Shelley Margetson(*), COO					
2017	(**) 420,782	—	19,595	451,752	892,129
2016	198,987	84,000	6,152	164,547	453,686
2015	159,749	37,365	13,824	284,938	495,876

(*) Resigned as a statutory director of the Company effective as of May 24, 2017.
(**) Gross salary includes severance payments totaling €257,260.

During the year ended December 31, 2017, Mr. Logtenberg was granted 377,271 options and 123,745 RSU's while Ms. Margetson was granted 59,605 options and 19,550 RSU's. In addition, upon her separation date, Ms. Margetson was entitled to an accelerated vesting of any unvested Company options and restricted stock units held that would have vested during the 12-month period following her separation date.

As of December 31, 2017, Mr. Logtenberg held 661,629 options (2016: 376,912; and 2015: 54,866) with a weighted average exercise price of €14.20 (2016: €2.98; 2015: €5.35) and 123,745 RSU's.

Key Management Personnel

The remainder of the key management personnel has received the following remuneration for the year 2017.

Remuneration	2017	2016	2015
		(Amounts in Euros)	
Short term employment benefits	2,808,998	1,139,763	190,763
Post-employment benefits	108,416	18,720	11,671
Other long term benefits	—	—	—
Termination benefits	—	—	—
Share based payments	5,171,233	1,195,876	57,065
Total	8,088,647	2,354,359	259,499

Some of the key management personnel have long term benefits in the form of life and long term disability insurance policies which have been affected 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 enter into transactions with the Company during the year.

On October 27, 2016, the Company appointed Andres Sirulnik as its Chief Medical Officer (CMO). A total 219,890 options over common shares were granted to Dr. Sirulnik with an exercise price of €16.85 per option.

On February 15, 2017, the Company appointed Peter Silverman as its Senior Vice President, Legal (SVP). A total 50,000 options over common shares were granted to Mr. Silverman with an exercise price of €24.54 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.

Non-Executive Directors

In May 2016, the Company established the Supervisory Board Remuneration Program, which was subsequently replaced by the Non-Executive Compensation Program to reflect the change in governance structure of the Company. As part of this program, Non-Executive Directors are entitled to cash compensation as well as equity compensation. The equity compensation consists of an initial option grant as well as subsequent annual awards.

The following amounts were charged to the consolidated statement of profit or loss and comprehensive loss for the remuneration of the members of the Board:

Name	December 31, 2017			December 31, 2016			December 31, 2015		
	Cash compensation	Option cost	Total	Cash compensation	Option cost	Total	Cash compensation	Option cost	Total
	(Amounts in Euros)			(Amounts in Euros)			(Amounts in Euros)		
Mark Iwicki	59,840	120,596	180,436	50,394	183,367	233,761	26,325	115,380	141,705
Wolfgang Berthold	37,530	90,944	128,474	19,850	50,928	70,778	—	15,475	15,475
Lionel Carnot	35,445	61,870	97,315	24,852	66,959	91,811	—	—	—
John de Koning	38,573	113,613	152,186	26,230	37,000	63,230	—	—	—
Anand Mehra	39,615	83,683	123,298	26,938	84,703	111,641	—	—	—
Gregory Perry	41,700	103,169	144,869	28,356	97,365	125,721	—	—	—
Gabriele Dallmann(*)	—	—	—	—	—	—	11,000	5,795	16,795
Gerard van Odijk(*)	—	—	—	—	—	—	—	16,298	16,298
Total	**252,703**	**573,875**	**826,578**	**176,620**	**520,322**	**696,942**	**37,235**	**152,948**	**190,273**

(*) former board member

As at December 31, members of the Board held the following number of options:

Name	December 31, 2017		December 31, 2016		December, 31 2015	
	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price
Mark Iwicki	79,226	€ 7.32	73,576	€ 6.57	73,576	€ 6.57
Wolfgang Berthold	24,040	€ 8.90	26,724	€ 3.02	14,168	€ 1.93
Lionel Carnot	22,650	€ 11.80	17,000	€ 8.87	—	—
John de Koning	22,650	€ 11.80	17,000	€ 8.87	—	—
Anand Mehra	22,650	€ 11.80	17,000	€ 8.87	—	—
Gregory Perry	22,650	€ 11.80	17,000	€ 8.87	—	—
Gabriele Dallmann(*)	—	—	16,828	€ 3.24	4,272	€ 1.93
Gerard van Odijk(*)	—	—	—	—	21,874	€ 1.93
Total	193,866	€ 9.61	185,128	€ 7.21	113,890	€ 4.93

(*) former board member

22. Related party disclosures

For the years ended December 31, 2017, 2016, and 2015, certain Key Management Personnel 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, members of the Board of Directors received compensation for their services in the form of cash compensation as well as non-cash compensation, as disclosed in Note 21.

On May 24, 2017, the Company entered into a settlement agreement with Shelley Margetson, the Company's former Chief Operating Officer pursuant to which Ms. Margetson resigned as a statutory director of the Company effective as of May 24, 2017 and ended her employment with the Company effective as of August 1, 2017. As part of the terms of the settlement agreement, Ms. Margetson is entitled to a severance payment equal to 12 months of her annual base salary, 50% of which was paid in a lump sum in August 2017 and the remaining 50%

is being paid in the form of salary continuation over the six-month period following August 1, 2017. In addition, Ms. Margetson was entitled to an accelerated vesting of any unvested Company options and restricted stock units held by Ms. Margetson that would have vested during the 12-month period following her separation date. As of December 31, 2017, the Company has a remaining accrual of less than €0.1 million related to this agreement included in accrued personnel. As disclosed in Note 13 and Note 15, the Company entered into a collaboration and license agreement and a share subscription agreement with Incyte in which the terms and transactional amounts incurred between Incyte and the Company are more fully described.

As of March 28, 2018, the following shareholders currently hold a position in the Board of Directors and have filed a form 13-D to reflect ownership in the Company of greater than 5%:

- Bay City Capital Coöperatief U.A.
- Coöperatief LSP IV U.A.
- Sofinnova Venture Partners IX, L.P.

Additionally, Ton Logtenberg, the Company's CEO) and Executive Director, is the sole the Director and owner of Biophrase BV ("Biophrase"). As of March 28, 2018, Biophrase is a less than 1% shareholder. There were no transactions between the Company and Biophrase BV in 2017.

23. Operating leases

Rent

On November 1, 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 €434 thousand per year. The Company moved into the new office building in November 2016. For the years ended December 31, 2017, and 2016, the Company recognized an amount of €564 thousand and €270 thousand, respectively, for rent and service charges related to the abovementioned buildings.

Future minimum lease payments under this lease as at December 31, 2017 are payable as follows:

Less than one year	**602**
Between one and five years	**1,897**
More than five years	—
Total	**2,499**

24. Subsequent events

On January 8, 2018, the Company and Simcere Pharmaceutical Group executed a collaboration and license agreement and agreed to grant Simcere an exclusive license to develop and commercialize in China three bispecific antibodies utilizing the Company's Biclonics® technology platform in the area of immuno-oncology. The Company will retain all rights outside of China. As part of the agreement, the Company has agreed to lead research and discovery activities while Simcere has agreed to be responsible for the Investigational New Drug (IND) enabling studies, clinical development, regulatory filings and commercialization of these product candidates in China. As a key strategic component of the collaboration, Simcere will be responsible for IND enabling studies and manufacturing of clinical trial materials in China, which the Company intends to use to assist regulatory filing and early stage clinical development in the rest of the world. Finally, the Company will receive an upfront and be eligible to receive milestone payments contingent upon Simcere achieving certain specified development and commercial goals. The Company will be eligible to receive tiered royalty payments on sales of any products resulting from the collaboration in China from Simcere. Simcere will be eligible to receive tiered royalty payments on sales outside of China from the Company.

On February 13, 2018, the Company entered into a Purchase Agreement with the purchasers named therein. Pursuant to the Purchase Agreement, the Company agreed to sell an aggregate of 3,099,997 of its common shares, nominal value €0.09 per share, to the Investors for aggregate gross proceeds of approximately $55.8 million, at a purchase price equal to $18.00 per share. The Purchase Agreement contains customary representations and warranties from the Company and the Investors and customary closing conditions. The closing of the Private Placement occurred on February 15, 2018.

On February 13, 2018, in connection with the Purchase Agreement, the Company entered into a Registration Rights Agreement with the Investors. Pursuant to the Registration Rights Agreement, the Company agreed to prepare and file a registration statement with the SEC no later than May 15, 2018 for purposes of registering the resale of the Shares. As part of the terms of the Registration Rights Agreement, the Company agreed to use its reasonable best efforts to cause this registration statement to be declared effective by the SEC prior to the 120th day after the Closing Date (or the 150th day if the SEC reviews the registration statement).

On March 14, 2018, we entered into a second contract research and license agreement with ONO. Pursuant to an exclusive option granted to ONO in a prior agreement executed in April 2014, ONO exercised its option to enter into the March 2018 agreement. We granted ONO an exclusive, worldwide, royalty-bearing license, with the right to sublicense, research, test, make, use and market bispecific antibody candidates based on our Biclonics® technology platform against two undisclosed targets directed to a particular undisclosed target combination. ONO identifies and selects the licensed bispecific antibodies for which it is responsible for conducting further non-clinical and clinical development activities for such licensed bispecific antibodies and pharmaceutical products containing such antibodies, including manufacture and process development. ONO controls and has exclusive rights over the worldwide commercialization of any approved products, including worldwide supply, and is solely responsible for all costs and expenses related to commercialization. ONO has agreed to fund our research and development activities and be responsible for the payment of all costs and expenses for its own research and development activities, which are set out in a mutually agreed upon research plan. We retain all rights to use and commercialize any antibodies that are generated under the collaborative research program, excluding the up to five lead and/or selected antibodies against the targets ONO is pursuing, provided that the use and commercialization is not with respect to the particular target combination.

ONO has agreed to pay an upfront non-refundable payment of €700,000 for the rights granted and we are also eligible to receive an aggregate of €33.7 million in milestone payments upon achievement of specified research and clinical development milestones. For products commercialized under the License Agreement, if any, the Company is eligible to receive a mid-single digit royalty on net sales.

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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/ John J. Crowley
Name: John J. Crowley
Title: Chief Financial Officer

Date: April 30, 2018

Exhibit 1.1

This is a translation into English of the official Dutch version of the deed of amendment to the articles of association of a limited liability company under Dutch law. Definitions included in Article 1 below appear in the English alphabetical order, but will appear in the Dutch alphabetical order in the official Dutch version. In the event of a conflict between the English and Dutch texts, the Dutch text shall prevail.

DEED OF AMENDMENT TO THE ARTICLES OF ASSOCIATION MERUS N.V.

On this day, the twenty-ninth day of May two thousand and seventeen, appeared before me, Wijnand Hendrik Bossenbroek, civil law notary at Amsterdam:

Paul Cornelis Simon van der Bijl, employed at the offices of me, civil law notary, located at 1082 PR Amsterdam, Beethovenstraat 400, born in Haarlemmermeer on the twenty-sixth day of January nineteen hundred and eighty.

The person appearing declared that the general meeting of shareholders of **Merus N.V.**, a limited liability company, having its corporate seat in Utrecht (address: 3584 CM Utrecht, Yalelaan 62, trade register number: 30189136) (the "**Company**"), at the annual general meeting of shareholders held on the twenty-fourth day of May two thousand and seventeen, decided, among other things, to amend the Company's articles of association in their entirety.

A copy of the minutes of the abovementioned meeting (the "**Minutes**") will be attached to this Deed as an annex.

The Company's articles of association were most recently amended by a deed executed on the nineteenth day of May two thousand and sixteen before Freerk Volders, civil law notary at Rotterdam.

In order to carry out the abovementioned decision to amend the articles of association, the person appearing declared that he was hereby amending the Company's articles of association in their entirety, as set out below:

ARTICLES OF ASSOCIATION
DEFINITIONS AND INTERPRETATION
Article 1

1.1 In these articles of association the following definitions shall apply:

Article	An article of these articles of association.
Board of Directors	The Company's board of directors.
Board Rules	The internal rules applicable to the Board of Directors, as drawn up by the Board of Directors.
CEO	The Company's chief executive officer.
Chairman	The chairman of the Board of Directors.
Class Meeting	The meeting of holders of shares of a certain class.
Company	The company to which these articles of association pertain.
DCC	The Dutch Civil Code.

Director	A member of the Board of Directors.
EURIBOR	The EURIBOR interest rate, as published by Thomson Reuters or another institution chosen by the Board of Directors, for loans with a maturity of three, six, nine or twelve months, whichever has had the highest mathematical average over the financial year (or the relevant part thereof) in respect of which the relevant distribution is made, but in any event no less than zero percent.
Executive Director	An executive Director.
General Meeting	The Company's general meeting of shareholders.
Group Company	An entity or partnership which is organisationally connected with the Company in an economic unit within the meaning of Section 2:24b DCC.
Indemnified Officer	A current or former Director and such other current or former officer or employee of the Company or its Group Companies as designated by the Board of Directors.
Meeting Rights	With respect to the Company, the rights attributed by law to the holders of depository receipts issued for shares with a company's cooperation, including the right to attend and address a General Meeting.
Non-Executive Director	A non-executive Director.
Person with Meeting Rights	A shareholder, a usufructuary or pledgee with voting rights or a holder of depository receipts for shares issued with the Company's cooperation.
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 the payment was made on those preferred shares; **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 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.
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 relevant EURIBOR interest rate, plus a margin not exceeding five hundred basis points (500bps) to be determined by the Board of Directors each time when, or before, preferred shares are issued without preferred shares already forming part of the Company's issued share capital.
Registration Date	The date of registration for a General Meeting as provided by law.
Simple Majority	More than half of the votes cast.
Subsidiary	A subsidiary of the Company within the meaning of Section 2:24a DCC, 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.

1.2 Unless the context requires otherwise, references to "shares" or "shareholders" without further specification are to any class of shares or to the holders thereof, respectively.

1.3 References to statutory provisions are to those provisions as they are in force from time to time.

1.4 Terms that are defined in the singular have a corresponding meaning in the plural.

1.5 Words denoting a gender include each other gender.

1.6 Except as otherwise required by law, the terms "written" and "in writing" include the use of electronic means of communication.

NAME AND OFFICIAL SEAT
Article 2

2.1 The Company is a limited liability company (naamloze *vennootschap)* and its name is **Merus N.V.**

2.2 The Company has its official seat in Utrecht.

OBJECTS
Article 3

The Company's objects are:

a. to develop products and services in the area of biotechnology;

b. to finance Group Companies or other parties;

c. to borrow, to lend to raise funds, including the issue of bonds, promissory notes or other financial instruments 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 Group Companies or other parties;

e. to render guarantees, to bind the Company, to provide security, to warrant performance in any other way and to assume liability, whether jointly and severally or otherwise, in respect of obligations of Group Companies or other parties;

f. to incorporate, to participate in any way whatsoever in, to manage, to supervise and to hold any other interest in other entities, companies, partnerships and businesses;

g. to obtain, alienate, encumber, 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; and

j. to perform any and all activity of industrial, financial or commercial nature and to do anything which, in the widest sense of the word, is connected with or may be conducive to the objects described above.

SHARES - AUTHORISED SHARE CAPITAL AND DEPOSITORY RECEIPTS
Article 4

4.1 The Company's authorised share capital amounts to eight million one hundred thousand euro (EUR 8,100,000).

4.2 The authorised share capital is divided into:

a. forty-five million (45,000,000) common shares; and

b. forty-five million (45,000,000) preferred shares, each having a nominal value of nine eurocents (EUR 0.09).

4.3 The Board of Directors may resolve that one or more shares are divided into such number of fractional shares as may be determined by the Board of Directors. Unless specified differently, the provisions of these articles of association concerning shares and shareholders apply mutatis mutandis to fractional shares and the holders thereof, respectively.

4.4 The Company may cooperate with the issue of depository receipts for shares in its capital.

SHARES - FORM OF SHARES AND SHARE REGISTER
Article 5

5.1 All shares are registered shares, provided that the Board of Directors may resolve that one or more common shares are bearer shares, represented by physical share certificates.

5.2 The Board of Directors 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 Board of Directors resolves to grant such a request, the shareholder concerned shall be charged for the costs of such conversion.

5.3 Registered shares shall be numbered consecutively, starting from 1 for each class of shares.

5.4 The Board of Directors shall keep a register setting out the names and addresses of all holders of registered shares and all holders of a usufruct or pledge in respect of such shares. The register shall also set out any other particulars that must be included in the register pursuant to applicable law. Part of the register may be kept outside the Netherlands to comply with applicable local law or pursuant to stock exchange rules.

5.5 Shareholders, usufructuaries and pledgees whose particulars must be set out in the register shall provide the Board of Directors with the necessary particulars in a timely fashion. Any consequences of not, or incorrectly, notifying such particulars shall be borne by the party concerned.

5.6 All notifications may be sent to shareholders, usufructuaries and pledgees whose particulars must be set out in the register at their respective addresses as set out in the register.

5.7 If the Board of Directors 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 Board of Directors may determine. Share certificates may represent one or more bearer shares. Each share certificate shall be signed by or on behalf of a Director.

5.8 The holder of evidence of a bearer share may request the Company to provide him with a duplicate for a missing share certificate. The Company shall only provide such duplicate:

a. if the party making the request can demonstrate, to the satisfaction of the Board of Directors, that such party is indeed entitled to receive such duplicate; and

b. if a period of four weeks has elapsed after having published the request on the Company's website, without any objection to such request having been received by the Company within that period.

5.9 If an objection as referred to in Article 5.8 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.

5.10 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 any longer from the share certificate thus replaced.

SHARES - ISSUE
Article 6

6.1 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 and to the extent that another body has been authorised to resolve to issue shares, the General Meeting shall not have this authority.

6.2 Article 6.1 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.

6.3 The Company may not subscribe for shares in its own capital.

SHARES - PRE-EMPTION RIGHTS
Article 7

7.1 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. No pre-emption rights are attached to preferred shares.

7.2 In deviation of Article 7.1, holders of common shares do not have pre-emption rights in respect of:

a. preferred shares;

b. shares issued against non-cash contribution; or

c. shares issued to employees of the Company or of a Group Company.

7.3 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.

7.4 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.

7.5 Pre-emption rights may be limited or excluded by a resolution of the General Meeting or of the body authorised as referred to in Article 6.1, 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 and to the extent that another body has been authorised to resolve to limit or exclude pre-emption rights, the General Meeting shall not have this authority.

7.6 A resolution of the General Meeting to limit or exclude pre-emption rights, or to grant an authorisation as referred to in Article 7.5, 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.

7.7 The preceding provisions of this Article 7 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.

SHARES - PAYMENT
Article 8

8.1 Without prejudice to Article 8.2, 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.

8.2 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.

8.3 Shares must be paid up in cash, except to the extent that payment by means of a contribution in another form has been agreed.

8.4 Payment in a currency other than the euro may only be made 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. Without prejudice to the last sentence of Section 2:80a(3) DCC, the date of the payment determines the exchange rate.

SHARES - FINANCIAL ASSISTANCE
Article 9

9.1 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.

9.2 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 Board of Directors resolves to do so and Section 2:98c DCC is observed.

9.3 The preceding provisions of this Article 9 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.

SHARES - ACQUISITION OF OWN SHARES
Article 10

10.1 The acquisition by the Company of shares in its own capital which have not been fully paid up shall be null and void.

10.2 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 Board of Directors for this purpose and all other relevant statutory requirements of Section 2:98 DCC are observed.

10.3 An authorisation as referred to in Article 10.2 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.

10.4 Without prejudice to Articles 10.1 through 10.3, 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 Board of Directors, must be within the range stipulated by the General Meeting as referred to in Article 10.3.

10.5 The previous provisions of this Article 10 do not apply to shares acquired by the Company under universal title of succession.

10.6 In this Article 10, references to shares include depository receipts for shares.

SHARES - REDUCTION OF ISSUED SHARE CAPITAL
Article 11

11.1 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.

11.2 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; and

b. all preferred shares, with repayment of the amounts paid up in respect thereof and provided that, to the extent allowed under Articles 30.1 and 30.6, 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, for an aggregate amount 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 should have been distributed but have not yet been distributed as described in Article 32.1; 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.

11.3 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.

11.4 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.

SHARES - ISSUE AND TRANSFER REQUIREMENTS
Article 12

12.1 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.

12.2 The acknowledgement shall be set out in the deed or shall be made in such other manner as prescribed by law.

12.3 For as long as common shares are admitted to trading on the New York Stock Exchange, the NASDAQ Stock Market or on any other regulated stock exchange operating in the United States of America, the laws of the State of New York shall apply to the property law aspects of the common shares reflected in the register administered by the relevant transfer agent.

SHARES - USUFRUCT AND PLEDGE
Article 13

13.1 Shares can be encumbered with a usufruct or pledge. The creation of a pledge on preferred shares shall require the prior approval of the Board of Directors.

13.2 The voting rights attached to a share which is subject to a usufruct or pledge vest in the shareholder concerned.

13.3 In deviation of Article 13.2:

a. the holder of a usufruct or pledge on common shares shall have the voting rights attached thereto if this was provided when the usufruct or pledge was created; and

b. the holder of a usufruct or pledge on preferred shares shall have the voting rights attached thereto if this was provided when the usufruct or pledge was created and this was approved by the Board of Directors.

13.4 Shareholders without voting rights and usufructuaries and pledgees with voting rights will have Meeting Rights. Usufructuaries and pledgees without voting rights shall not have Meeting Rights.

SHARES - TRANSFER RESTRICTIONS
Article 14

14.1 A transfer of preferred shares shall require the prior approval of the Board of Directors. A shareholder wishing to transfer preferred shares must first request the Board of Directors to grant such approval. A transfer of common shares is not subject to transfer restrictions under these articles of association.

14.2 A transfer of the preferred shares to which the request for approval relates must take place within three months after the approval of the Board of Directors has been granted or is deemed to have been granted pursuant to Article 14.3.

14.3 The approval of the Board of Directors shall be deemed to have been granted:

a. if no resolution granting or denying the approval has been passed by the Board of Directors within three months after the Company has received the request for approval; or

b. if the Board of Directors, when denying the approval, does not notify the requesting shareholder of the identity of one or more interested parties willing to purchase the relevant preferred shares.

14.4 If the Board of Directors denies the approval and notifies the requesting shareholder of the identity of one or more interested parties, the requesting shareholder shall notify the Board of Directors within two weeks after having received such notice whether:

a. he withdraws his request for approval, in which case the requesting shareholder cannot transfer the relevant preferred shares; or

b. he accepts the interested party(ies), in which case the requesting shareholder shall promptly enter into negotiations with the interested party(ies) regarding the price to be paid for the relevant preferred shares.

If the requesting shareholder does not notify the Board of Directors of his choice in a timely fashion, he shall be deemed to have withdrawn his request for approval, in which case he cannot transfer the relevant preferred shares.

14.5 If an agreement is reached in the negotiations referred to in Article 14.4 paragraph b. within two weeks after the end of the period referred to in Article 14.4, the relevant preferred shares shall be transferred for the agreed price within three months after such agreement having been reached. If no agreement is reached in these negotiations in a timely fashion:

a. the requesting shareholder shall promptly notify the Board of Directors thereof; and

b. the price to be paid for the relevant preferred shares shall be equal to the value thereof, as determined by one or more independent experts to be appointed by the requesting shareholder and the interested party(ies) by mutual agreement.

14.6 If no agreement is reached on the appointment of the independent expert(s) as referred to in Article 14.5 paragraph b. within two weeks after the end of the period referred to in Article 14.5:

a. the requesting shareholder shall promptly notify the Board of Directors thereof; and

b. the requesting shareholder shall promptly request the president of the district court in whose district the Company has its official seat to appoint three independent experts to determine the value of the relevant preferred shares.

14.7 If and when the value of the relevant preferred shares has been determined by the independent expert(s), irrespective of whether he/they was/were appointed by mutual agreement or by the president of the relevant district court, the requesting shareholder shall promptly notify the Board of Directors of the value so determined. The Board of Directors shall then promptly inform the interested party(ies) of such value, following which the/each interested party may withdraw from the sale procedure by giving notice thereof the Board of Directors within two weeks.

14.8 If any interested party withdraws from the sale procedure in accordance with Article 14.7, the Board of Directors:

a. shall promptly inform the requesting shareholder and the other interested party(ies), if any, thereof; and

b. shall give the opportunity to the/each other interested party, if any, to declare to the Board of Directors and the requesting shareholder, within two weeks, his willingness to acquire the preferred shares having become available as a result of the withdrawal, for the price determined by the independent expert(s) (with the Board of Directors being entitled to determine the allocation of such preferred shares among any such willing interested party(ies) at its absolute discretion).

14.9 If it becomes apparent to the Board of Directors that all relevant preferred shares can be transferred to one or more interested parties for the price determined by the independent expert(s), the Board of Directors shall promptly notify the requesting shareholder and such interested party(ies) thereof. Within three months after sending such notice the relevant preferred shares shall be transferred.

14.10 If it becomes apparent to the Board of Directors that not all relevant preferred shares can be transferred to one or more interested parties for the price determined by the independent expert(s):

a. the Board of Directors shall promptly notify the requesting shareholder thereof; and

b. the requesting shareholder shall be free to transfer all relevant preferred shares, provided that the transfer takes place within three months after having received the notice referred to in paragraph a.

14.11 The Company may only be an interested party under this Article 14 with the consent of the requesting shareholder.

14.12 All notices given pursuant to this Article 14 shall be provided in writing.

14.13 The preceding provisions of this Article 14 do not apply:

a. to the extent that a shareholder is under a statutory obligation to transfer preferred shares to a previous holder thereof;

b. if it concerns a transfer in connection with an enforcement of a pledge pursuant to Section 3:248 DCC in conjunction with Section 3:250 or 3:251 DCC; or

c. if it concerns a transfer to the Company, except in the case that the Company acts as an interested party pursuant to Article 14.11.

14.14 This Article 14 applies mutatis mutandis in case of a transfer of rights to subscribe for preferred shares.

BOARD OF DIRECTORS - COMPOSITION
Article 15

15.1 The Company has a Board of Directors consisting of:

a. one or more Executive Directors, being primarily charged with the Company's day-to-day operations; and

b. one or more Non-Executive Directors, being primarily charged with the supervision of the performance of the duties of the Directors. The Board of Directors shall be composed of individuals.

15.2 The Board of Directors shall determine the number of Executive Directors and the number of Non-Executive Directors.

15.3 The Board of Directors shall elect an Executive Director to be the CEO. The Board of Directors may dismiss the CEO, provided that the CEO so dismissed shall subsequently continue his term of office as an Executive Director without having the title of CEO.

15.4 The Board of Directors shall elect a Non-Executive Director to be the Chairman. The Board of Directors may dismiss the Chairman, provided that the Chairman so dismissed shall subsequently continue his term of office as a Non-Executive Director without having the title of Chairman.

15.5 If a Director is absent or incapacitated, he may be replaced temporarily by a person whom the Board of Directors has designated for that purpose and, until then, the other Director(s) shall be charged with the management of the Company. If all Directors are absent or incapacitated, the management of the Company shall be attributed to the person who most recently ceased to hold office as the CEO. If such former CEO is unwilling or unable to accept that position, the management of the Company shall be attributed to the person who most recently ceased to hold office as the Chairman. If such former Chairman is also unwilling or unable to accept that position, the management of the Company shall be attributed to one or more persons whom the General Meeting has designated for that purpose. The person(s) charged with the management of the Company in this manner, may designate one or more persons to be charged with the management of the Company in addition to, or together with, such person(s).

15.6 A Director shall be considered to be unable to act within the meaning of Article 15.5:

a. in a period during which the Company has not been able to contact him (including as a result of illness), provided that such period lasted longer than five consecutive days (or such other period as determined by the Board of Directors on the basis of the facts and circumstances at hand);

b. during his suspension; or

c. in the deliberations and decision-making of the Board of Directors on matters in relation to which he has declared to have, or in relation to which the Board of Directors has established that he has, a conflict of interests as described in Article 18.7.

BOARD OF DIRECTORS - APPOINTMENT, SUSPENSION AND DISMISSAL
Article 16

16.1 The General Meeting shall appoint the Directors and may at any time suspend or dismiss any Director. In addition, the Board of Directors may at any time suspend an Executive Director.

16.2 The General Meeting can only appoint Directors upon a nomination by the Board of Directors. The General Meeting may at any time resolve to render such 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 by the Board of Directors. If the nomination comprises one candidate for a vacancy, a resolution concerning the nomination shall 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) DCC cannot be convened.

16.3 At a General Meeting, a resolution to appoint a 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.

16.4 Upon the appointment of a person as a Director, the General Meeting shall determine whether that person is appointed as Executive Director or as Non-Executive Director.

16.5 A resolution of the General Meeting to suspend or dismiss a 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 Board of Directors. A second meeting as referred to in Section 2:120(3) DCC cannot be convened.

16.6 If a 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.

BOARD OF DIRECTORS - DUTIES AND ORGANISATION
Article 17

17.1 The Board of Directors is charged with the management of the Company, subject to the restrictions contained in these articles of association. In performing their duties, Directors shall be guided by the interests of the Company and of the business connected with it.

17.2 The Board of Directors shall draw up Board Rules concerning its organisation, decision-making and other internal matters, with due observance of these articles of association. In performing their duties, the Directors shall act in compliance with the Board Rules.

17.3 The Directors may allocate their duties amongst themselves in or pursuant to the Board Rules or otherwise pursuant to resolutions adopted by the Board of Directors, provided that:

a. the Executive Directors shall be charged with the Company's day-to-day operations;

b. the task of supervising the performance of the duties of the Directors cannot be taken away from the Non-Executive Directors;

c. the Chairman must be a Non-Executive Director; and

d. the making of proposals for the appointment of a Director and the determination of the compensation of the Executive Directors cannot be allocated to an Executive Director.

17.4 The Board of Directors may determine in writing, in or pursuant to the Board Rules or otherwise pursuant to resolutions adopted by the Board of Directors, that one or more Directors can validly pass resolutions in respect of matters which fall under his/their duties.

17.5 The Board of Directors shall establish the committees which the Company is required to have and otherwise such committees as are deemed to be appropriate by the Board of Directors. The Board of Directors shall draw up (and/or include in the Board Rules) rules concerning the organisation, decision-making and other internal matters of its committees.

17.6 The Board of Directors may perform the legal acts referred to in Section 2:94(1) DCC without the prior approval of the General Meeting.

BOARD OF DIRECTORS - DECISION-MAKING
Article 18

18.1 Without prejudice to Article 18.5, each Director may cast one vote in the decision-making of the Board of Directors.

18.2 A Director can be represented by another Director holding a written proxy for the purpose of the deliberations and the decision-making of the Board of Directors.

18.3 Resolutions of the Board of Directors and resolutions of the group of Non-Executive Directors shall be passed, irrespective of whether this occurs at a meeting or otherwise, by Simple Majority unless the Board Rules provide differently.

18.4 Invalid votes, blank votes and abstentions shall not be counted as votes cast.

18.5 Where there is a tie in any vote of the Board of Directors, the Chairman shall have a casting vote, provided that there are at least three Directors in office. Otherwise, the relevant resolution shall not have been passed.

18.6 The Executive Directors shall not participate in the decision-making concerning the determination of the compensation of Executive Directors.

18.7 A Director shall not participate in the deliberations and decision-making of the Board of Directors 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 Board of Directors, the resolution may nevertheless be passed by the Board of Directors as if none of the Directors has a conflict of interests as described in the previous sentence.

18.8 Meetings of the Board of Directors can be held through audio-communication facilities, unless a Director objects thereto.

18.9 Resolutions of the Board of Directors may, instead of at a meeting, be passed in writing, provided that all Directors are familiar with the resolution to be passed and none of them objects to this decision-making process. Articles 18.1 through 18.7 apply mutatis mutandis.

18.10 The approval of the General Meeting is required for resolutions of the Board of Directors 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 general 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.

18.11 The absence of the approval of the General Meeting of a resolution as referred to in Article 18.10 shall result in the relevant resolution being null and void pursuant to Section 2:14(1) DCC but shall not affect the powers of representation of the Board of Directors or of the Directors.

BOARD OF DIRECTORS - COMPENSATION
Article 19

19.1 The General Meeting shall determine the Company's policy concerning the compensation of the Board of Directors with due observance of the relevant statutory requirements.

19.2 The compensation of Directors shall be determined by the Board of Directors with due observance of the policy referred to in Article 19.1.

19.3 The Board of Directors 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 Board of Directors and which criteria apply for such awards or changes thereto. The absence of the approval of the General Meeting shall not affect the powers of representation.

BOARD OF DIRECTORS - REPRESENTATION
Article 20

20.1 The Board of Directors is entitled to represent the Company.

20.2 The power to represent the Company also vests in the CEO individually, as well as in any other two Executive Directors acting jointly.

20.3 The Company may grant powers of attorney to represent the Company and determine the scope of such powers of attorney. If a power of attorney is granted to an individual, the Board of Directors may grant an appropriate title to such person.

INDEMNITY
Article 21

21.1 The Company shall indemnify and hold harmless 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 of a civil, criminal, administrative, investigative or other nature, formal or informal, in which he becomes involved,

to the extent this relates to his current or former position with the Company and/or a Group Company and in each case to the fullest extent permitted by applicable law.

21.2 No indemnification shall be given to an Indemnified Officer:

a. if a competent court or arbitral tribunal has established, without possibility for appeal, that the acts or omissions of such Indemnified Officer that led to the financial losses, damages, expenses, suit, claim, action or legal proceedings as described in Article 21.1 result from either an improper performance of his duties as an officer of the Company or an unlawful or illegal act;

b. to the extent that his financial losses, damages and expenses are covered under an insurance and the relevant insurer has settled, or has provided reimbursement for, these financial losses, damages and expenses (or has irrevocably undertaken to do so); or

c. in relation to proceedings brought by such Indemnified Officer against the Company, except for proceedings brought to enforce indemnification to which he is entitled pursuant to these articles of association or an agreement between such Indemnified Officer and the Company which has been approved by the Board of Directors.

21.3 The Board of Directors may stipulate additional terms, conditions and restrictions in relation to the indemnification referred to in Article 21.1.

GENERAL MEETING - CONVENING AND HOLDING MEETINGS
Article 22

22.1 Annually, at least one General Meeting shall be held. This annual General Meeting shall be held within six months after the end of the Company's financial year.

22.2 A General Meeting shall also be held:

a. within three months after the Board of Directors 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, in order to discuss the measures to be taken if so required; and

b. whenever the Board of Directors so decides.

22.3 General Meetings must be held in the place where the Company has its official seat or in Amsterdam, The Hague, Rotterdam or Schiphol (Haarlemmermeer).

22.4 If the Board of Directors has failed to ensure that a General Meeting as referred to in Articles 22.1 or 22.2 paragraph a. is held, each Person with Meeting Rights may be authorised by the court in preliminary relief proceedings to do so.

22.5 One or more Persons with Meeting Rights who collectively represent at least the part of the Company's issued share capital prescribed by law for this purpose may request the Board of Directors in writing to convene a General Meeting, setting out in detail the matters to be discussed. If the Board of Directors has not 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.

22.6 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 the part of the Company's issued share capital prescribed by law for this purpose 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.

22.7 A General Meeting must be convened with due observance of the relevant statutory minimum convening period.

22.8 All Persons with Meeting Rights must be convened for the General Meeting in accordance with applicable law. The holders of registered shares may be convened for the General Meeting by means of convening letters sent to the addresses of those shareholders in accordance with Article 5.6. The previous sentence does not prejudice the possibility of sending a convening notice by electronic means in accordance with Section 2:113(4) DCC.

GENERAL MEETING - PROCEDURAL RULES
Article 23

23.1 The General Meeting shall be chaired by one of the following individuals, taking into account the following order of priority:

a. by the Chairman, if there is a Chairman and he is present at the General Meeting;

b. by the CEO, if there is a CEO and he is present at the General Meeting;

c. by another Director who is chosen by the Directors present at the General Meeting from their midst; or

d. 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.

23.2 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. The minutes of a General Meeting shall be adopted by the chairman of that General Meeting or by the Board of Directors. Where an official report of the proceedings is drawn up by a civil law notary, no minutes need to be prepared. Every Director may instruct a civil law notary to draw up such an official report at the Company's expense.

23.3 The chairman of the General Meeting shall decide on the admittance to the General Meeting of persons other than:

a. the persons who have Meeting Rights at that General Meeting, or their proxyholders; and

b. those who have a statutory right to attend that General Meeting on other grounds.

23.4 The holder of a written proxy from a Person with Meeting Rights who is entitled to attend a General Meeting shall only be admitted to that General Meeting if the proxy is determined to be acceptable by the chairman of that General Meeting.

23.5 The Company may direct that any person, before being admitted to a General Meeting, identify himself by means of a valid passport or driver's license and/or should be submitted to such security arrangements as the Company may consider to be appropriate under the given circumstances. Persons who do not comply with these requirements may be refused entry to the General Meeting.

23.6 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.

23.7 The General Meeting may be conducted in a language other than the Dutch language, if so determined by the chairman of the General Meeting.

23.8 The chairman of the General Meeting may limit the amount of time that persons 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 safeguarding the orderly proceedings at the General Meeting. The chairman of the General Meeting may also adjourn the meeting if he considers that this shall safeguard the orderly proceedings at the General Meeting.

GENERAL MEETING - EXERCISE OF MEETING AND VOTING RIGHTS
Article 24

24.1 Each Person with Meeting Rights has the right to attend, address and, if applicable, vote at General Meetings, whether in person or represented by the holder of a written proxy. Holders of fractional shares together constituting the nominal value of a share of the relevant class shall exercise these rights collectively, whether through one of them or through the holder of a written proxy.

24.2 The Board of Directors 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 Board of Directors 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.

24.3 The Board of Directors can also decide that votes cast through electronic means of communication or by means of a letter prior to the 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.

24.4 For the purpose of Articles 24.1 through 24.3, those who have voting rights and/or Meeting Rights on the Registration Date and are recorded as such in a register designated by the Board of Directors shall be considered to have those rights, irrespective of whoever is entitled to the shares or depository receipts at the time of the General Meeting. Unless Dutch law requires otherwise, the Board of Directors is free to determine, when convening a General Meeting, whether the previous sentence applies.

24.5 Each 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 received by the Company ultimately on the seventh day prior to the General Meeting, unless indicated otherwise when such General Meeting is convened. Persons with Meeting Rights that have not complied with this requirement may be refused entry to the General Meeting. When a General Meeting is convened the Board of Directors may stipulate not to apply the previous provisions of this Article 24.5 in respect of the exercise of Meeting Rights and/or voting rights attached to preferred shares at such General Meeting.

GENERAL MEETING - DECISION-MAKING
Article 25

25.1 Each share, irrespective of which class it concerns, shall give the right to cast one vote at the General Meeting. 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 such a share.

25.2 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 a Subsidiary. Neither the Company nor a Subsidiary may vote shares in respect of which it holds a usufruct or a pledge.

25.3 Unless a greater majority is required by law or by these articles of association, all resolutions of the General Meeting shall be passed by Simple Majority.

25.4 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 represented at a General Meeting.

25.5 Where there is a tie in any vote of the General Meeting, the relevant resolution shall not have been passed.

25.6 The chairman of the General Meeting shall decide on the method of voting and the voting procedure at the General Meeting.

25.7 The determination during the General Meeting made by the chairman of that General Meeting with regard to the results of a vote shall be decisive. If 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 who is present so requires. The legal consequences of the original vote shall lapse as a result of the new vote.

25.8 The Board of Directors 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.

25.9 The Directors shall, in that capacity, have an advisory vote at the General Meetings.

GENERAL MEETING - SPECIAL RESOLUTIONS
Article 26

26.1 The following resolutions can only be passed by the General Meeting at the proposal of the Board of Directors:

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 designation or granting of an authorisation as referred to in Articles 6.1, 7.5 and 10.2, respectively;

d. the reduction of the Company's issued share capital;

e. the granting of an approval as referred to in Article 18.10;

f. the making of a distribution from the Company's profits or reserves on the common shares;

g. the making of a distribution in the form of shares in the Company's capital or in the form of assets, instead of in cash;

h. the amendment of these articles of association;

i. the entering into of a merger or demerger;

j. the instruction of the Board of Directors to apply for the Company's bankruptcy; and

k. the Company's dissolution.

26.2 For purposes of Article 26.1, a resolution shall not be considered to have been proposed by the Board of Directors if such resolution has been included in the convening notice or announced in the same manner by or at the request of one or more Persons with Meeting Rights pursuant to Articles 22.5 and/or 22.6, unless the Board of Directors has expressly indicated its support of such resolution in the agenda of the General Meeting concerned or in the explanatory notes thereto.

CLASS MEETINGS
Article 27

27.1 A Class Meeting shall be held whenever a resolution of that Class Meeting is required by Dutch law or under these articles of association and otherwise whenever the Board of Directors so decides.

27.2 Without prejudice to Article 27.1, for Class Meetings of common shares, the provisions concerning the convening of, drawing up of the agenda for, holding of and decision-making by the General Meeting apply mutatis mutandis.

27.3 For Class Meetings of preferred shares, the following shall apply:

a. Articles 22.3, 22.8, 23.3, 25.1, 25.2 through 25.9 apply mutatis mutandis;

b. a Class Meeting must be convened no later than on the eighth day prior to that of the meeting;

c. a Class Meeting shall appoint its own chairman; and

d. where the rules laid down by these articles of association in relation to the convening, location of or drawing up of the agenda for a Class Meeting have not been complied with, legally valid resolutions may still be passed by that Class Meeting by a unanimous vote at a meeting at which all shares of the relevant class are represented.

27.4 Holders of preferred shares may pass resolutions in writing instead of at a meeting by a unanimous vote of all shareholders concerned. The votes may be cast electronically.

REPORTING - FINANCIAL YEAR, ANNUAL ACCOUNTS AND MANAGEMENT REPORT
Article 28

28.1 The Company's financial year shall coincide with the calendar year.

28.2 Annually, within the relevant statutory period, the Board of Directors shall prepare the annual accounts and the management report and deposit them at the Company's office for inspection by the shareholders.

28.3 The annual accounts shall be signed by the Directors. If any of their signatures is missing, this shall be mentioned, stating the reasons.

28.4 The Company shall ensure that the annual accounts, the management report and the particulars to be added pursuant to Section 2:392(1) DCC shall be available at its offices as from the convening of the General Meeting at which they are to be discussed. The Persons with Meeting Rights are entitled to inspect such documents at that location and to obtain a copy at no cost.

28.5 The annual accounts shall be adopted by the General Meeting.

REPORTING - AUDIT
Article 29

29.1 The General Meeting shall instruct an auditor as referred to in Section 2:393 DCC to audit the annual accounts. Where the General Meeting fails to do so, the Board of Directors shall be authorised.

29.2 The instruction may be revoked by the General Meeting and, if the Board of Directors has granted the instruction, by the Board of Directors. 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.

DISTRIBUTIONS - GENERAL
Article 30

30.1 A distribution can only be made to the extent that the Company's equity exceeds the amount of the paid up and called up part of its capital plus the reserves which must be maintained by law.

30.2 No entitlement to distributions is attached to preferred shares, other than as described in Articles 11.2, 32.1 and 33.3.

30.3 Distributions shall be made in proportion to the aggregate nominal value of the shares . In deviation of the previous sentence, distributions on preferred shares (or to the former holders of preferred shares) shall be made in proportion to the amounts paid up (or formerly paid up) on those preferred shares.

30.4 The parties entitled to a distribution shall be the relevant shareholders, usufructuaries and pledgees, as the case may be, at a date to be determined by the Board of Directors for that purpose. This date shall not be earlier than the date on which the distribution was announced.

30.5 The General Meeting may resolve, subject to Article 26, 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 the Company's assets.

30.6 The Board of Directors may resolve to make interim distributions, provided that it appears from interim accounts to be prepared in accordance with Section 2:105(4) DCC that the requirement referred to in Article 30.1 has been met and, if it concerns an interim distribution of profits, taking into account the order of priority described in Article 32.1.

30.7 A distribution shall be payable on such date and, if it concerns a distribution in cash, in such currency as determined by the Board of Directors. If it concerns a distribution in the form of the Company's assets, the Board of Directors shall determine the value attributed to such distribution for purposes of recording the distribution in the Company's accounts with due observance of applicable law (including the applicable accounting principles).

30.8 A claim for payment of a distribution shall lapse after five years have expired after the distribution became payable.

30.9 For the purpose of calculating the amount or allocation of any distribution, shares held by the Company in its own capital shall not be taken into account. No distribution shall be made to the Company in respect of shares held by it in its own capital.

DISTRIBUTIONS - RESERVES
Article 31

31.1 All reserves maintained by the Company shall be attached exclusively to the common shares.

31.2 Subject to Article 26, the General Meeting is authorised to resolve to make a distribution from the Company's reserves.

31.3 Without prejudice to Articles 31.4 and 32.2, distributions from a reserve shall be made exclusively on the class of shares to which such reserve is attached.

31.4 The Board of Directors 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.

DISTRIBUTIONS - PROFITS
Article 32

32.1 Subject to Article 30.1, 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 distribution described in Article 11.2 paragraph b. having been paid in full and without any such deficit subsequently having been paid in full as described in this Article 32.1 or Article 32.2, an amount equal to any such (remaining) deficit shall be distributed 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 in full as described in this Article 32.1 or Article 32.2, an amount equal to any such (remaining) deficit shall be distributed on the preferred shares;

c. the Preferred Distribution shall be distributed on the preferred shares in respect of the financial year to which the annual accounts pertain;

d. the Board of Directors shall determine which part of the remaining profits shall be added to the Company's reserves; and

e. subject Article 26, the remaining profits shall be at the disposal of the General Meeting for distribution on the common shares.

32.2 To the extent that the distributions described in Article 32.1 paragraphs a. through c. (or any part thereof) cannot be paid out of the profits shown in the annual accounts, any such deficit shall be distributed from the Company's reserves, subject to Articles 30.1 and 30.6.

32.3 Without prejudice to Article 30.1, a distribution of profits shall be made after the adoption of the annual accounts that show that such distribution is allowed.

DISSOLUTION AND LIQUIDATION
Article 33

33.1 In the event of the Company being dissolved, the liquidation shall be effected by the Board of Directors, unless the General Meeting decides otherwise.

33.2 To the extent possible, these articles of association shall remain in effect during the liquidation.

33.3 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 such preferred shares;

b. to the extent that any preferred shares have been cancelled without the distribution described in Article 11.2 paragraph b. having been paid in full and without any such deficit subsequently having been paid in full as described in Articles 32.1 and 32.2, an amount equal to any such (remaining) deficit shall be distributed to those who held those preferred shares at the moment of such cancellation becoming effective;

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 in full as described in Articles 32.1 and 32.2, an amount equal to any such (remaining) deficit shall be distributed 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. is made, 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.

33.4 After the Company has ceased to exist, its 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.

FINAL STATEMENTS

Finally, the person appearing declared that:

- as evidenced by the Minutes, he has been authorised to execute this Deed; and
- upon the execution of this Deed, the Company's issued share capital amounted to one million seven hundred forty-five thousand two hundred thirty-six euro and seventeen eurocents (EUR 1,745,236.17).

The person appearing is known to me, civil law notary.

This Deed was executed in Amsterdam on the date mentioned in its heading.

After I, civil law notary, had conveyed and explained the contents of the Deed in substance to the person appearing, he declared that he had taken note of the contents of the Deed, was in agreement with the contents and did not wish them to be read out in full. Following a partial reading, the Deed was signed by the person appearing and by me, civil law notary.

Exhibit 4.1

MERUS N.V. 2010 EMPLOYEE OPTION PLAN

As amended per May 29, 2017

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).
Board of Directors	the board of directors (*bestuur)* of the Company from time to time.
CEO	means the member of the Board of Directors who is the chief executive officer of the Company.
Company	Merus N.V., a public limited liability company (*naamloze vennootschap*) 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 Board of Directors); or

	• who is a third party (advisor/consultant or otherwise) with the prior written approval of the Board of Directors.
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.
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 N.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 N.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.
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 non-executive directors of the Board of Directors, 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 executive directors of the Board of Directors, the Board of Directors will decide provided that the non-executive directors will refrain from involvement in the decision making on the matter;

(c) with respect to Options to Eligible Employees who are not members of the Board of Directors the Board of Directors will decide.

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.

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 Board of Directors 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 IPO.

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 Board of Directors 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 Board of Directors, assisted by the Legal Compliance Officer. The Board of Directors 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 Board of Directors 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 Board of Directors 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, the Board of Directors has authority to grant Awards and set Award terms and conditions for Service Providers. The non-executive directors of the Board of Directors will be granted Awards in accordance with the Merus N.V. Non-Executive Directors Compensation Program.

3.3 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 Board of Directors under the Plan shall be subject to the conditions and limitations set forth in the Articles and the Board Rules.

3.4 Appointment of Committees. To the extent the Articles and Applicable Laws permit, the Board of Directors 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 Board of Directors, 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 Board of Directors 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 long-term 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 Board of Directors, the Plan has become effective on the day prior to the Public Trading Date (the "Effective Date") and will remain in effect until the tenth (10th) anniversary of the earlier of (i) the date the general meeting of shareholders of the Company 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 Board of Directors, 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 Board of Directors.

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 "***Board of Directors***" means the board of directors (*bestuur*) of the Company within the meaning of the Articles.

11.7 "***Board Rules***" means the Merus N.V. Rules of Procedure for the Board of Directors.

11.8 "***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 Board of Directors 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.

11.9 "***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.

11.10 "***Code***" means the Internal Revenue Code of 1986, as amended, and the regulations issued thereunder.

11.11 "***Committee***" means one or more committees or subcommittees of the Board of Directors, which may include one or more members of the Board of Directors 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.

11.12 "***Common Stock***" means the common shares of the Company within the meaning of the Articles.

11.13 "***Company***" means Merus N.V., a Dutch public, limited liability company.

11.14 "***Consultant***" means any person, other than an Employee, or a member of the Board of Directors, 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.

11.15 "***DCC***" means the Dutch Civil Code.

11.16 "***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.

11.17 "***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.

11.18 "***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.

11.19 "***Employee***" means any employee of the Company or its Subsidiaries within the meaning of Applicable Laws.

11.20 "***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.

11.21 "***Exchange Act***" means the United States Securities Exchange Act of 1934, as amended.

11.22 "***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.

11.23 "***Foreign Laws***" means the laws of any jurisdiction other than the laws of the Netherlands.

11.24 "***Incentive Stock Option***" means an Option intended to qualify as an "incentive stock option" as defined in Section 422 of the Code.

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 Board of Directors.

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 Board of Directors.

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 "***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.

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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.

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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.

By: _____

Name: _____

Title: _____

PARTICIPANT

_____

[Participant Name]

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.

NON-EXECUTIVE DIRECTOR COMPENSATION PROGRAM

The non-executive directors (the "***Non-Executive Directors***" and each, a "***Non-Executive Director***") of Merus N.V. (the "***Company***") shall receive cash and equity compensation as set forth in this Non-Executive Director 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 Board of Directors (the "***Board***") or the general meeting of shareholders (the "***General Meeting***") of the Company, to each Non-Executive Director who is entitled to receive such cash or equity compensation, unless such Non-Executive Director 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 Board at the recommendation of the Compensation Committee. This Program may be amended, modified or terminated at any time by action taken by the Board at the recommendation of the Compensation Committee. The terms and conditions of this Program shall supersede any prior cash and/or equity compensation arrangements for service as a Non-Executive Director (or as a supervisory director) between the Company and any of its Non-Executive Directors.

Time spent in office and service as a supervisory director of the Company prior to [***date of implementation of governance change***] shall, for purposes of this Program, be considered to be time spent in office and service as Non-Executive Director.

I. CASH COMPENSATION

A. Annual Retainers. Each Non-Executive Director shall receive an annual retainer of $35,000 for service on the Board.

B. Additional Annual Retainers. In addition, each Non-Executive Director shall receive the following annual retainers:

1. *Chairperson of the Board*. A Non-Executive Director serving as Chairperson of the Board shall receive an additional annual retainer of $28,000 for such service.

2. *Audit Committee*. A Non-Executive Director serving as Chairperson of the Audit Committee shall receive an additional annual retainer of $15,000 for such service. A Non-Executive Director 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 Non-Executive Director serving as Chairperson of the Compensation Committee shall receive an additional annual retainer of $10,000 for such service. A Non-Executive Director 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 Non-Executive Director serving as Chairperson of the Nominating and Corporate Governance Committee shall receive an additional annual retainer of $7,500 for such service. A Non-Executive Director 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 Non-Executive Director does not serve as a Non-Executive Director, or in the applicable positions described in Section I(B), for an entire calendar quarter, the retainer paid to such Non-Executive Director shall be prorated for the portion of such calendar quarter actually served as a Non-Executive Director, 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 Board or the General Meeting, 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

Non-Executive Directors 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 Board. 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 Non-Executive Director who is initially elected or appointed to the Board after 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***") 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 Non-Executive Director 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 Non-Executive Director who (i) has been serving as a Non-Executive Director for at least six months as of the date of any annual General Meeting after the Effective Date and (ii) will continue to serve as a Non-Executive Director immediately following such meeting, is eligible to be granted, at the occasion of or as soon as practically possible following such annual General 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 Non-Executive Director elected for the first time to the Board at an annual General Meeting 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 Non-Executive Director, in the absence of which such Non-Executive Director will be deemed to have waived its rights to such a grant.

C. Terms of Awards Granted to Non-Executive Directors

1. *Exercise Price.* The per share exercise price of each option granted to a Non-Executive Director 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 Non-Executive Director continuing in service as a Non-Executive Director 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 Non-Executive Director continuing in service on the Board as a Non-Executive Director through each such vesting date. Any portion of an Initial Award or Subsequent Award which is unvested or unexercisable at the time of a Non-Executive Director's termination of service on the Board shall be immediately forfeited upon such termination of service and shall not thereafter become vested and exercisable. All of a Non-Executive Director'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 Non-Executive Director 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 Board, 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 4.7

EMPLOYMENT AGREEMENT

This Employment Agreement (this "Agreement"), dated as of December 16, 2015, is made by and between Merus B.V., a Dutch private, limited liability company (together with any successors or assigns, the "Company"), and Hui Liu (the "Executive") (collectively referred to herein as the "Parties").

RECITALS

(A) It is the desire of the Company to assure itself of the services of Executive beginning on and following December 16, 2015, or such earlier date as may be determined by the Company and Executive (the "Effective Date"), by entering into this Agreement.

(B) Executive and the Company mutually desire that Executive provide services to the Company on the terms herein provided.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and of the respective covenants and agreements set forth below, the Parties hereto agree as follows:

1. Employment.

(a) General. Effective as of the Effective Date, the Company shall employ Executive and Executive shall remain in the employ of the Company, for the period and in the position set forth in this Section 1, and subject to the other terms and conditions herein provided.

(b) At-Will Employment. The Company and Executive acknowledge that Executive's employment is at-will, as defined under applicable law, and that Executive's employment with the Company may be terminated by either Party at any time for any or no reason (subject to the notice requirements of Section 3(b)). This "at-will" nature of Executive's employment shall remain unchanged during Executive's tenure as an employee and may not be changed, except in an express writing signed by Executive and a duly authorized officer of the Company. If Executive's employment terminates for any reason, Executive shall not be entitled to any payments, benefits, damages, award or compensation other than as provided in this Agreement or otherwise agreed to in writing by the Company or as provided by applicable law. The period of Executive's employment by the Company shall be referred to herein as the "Term".

(c) Position; Duties and Location. Executive shall serve as Executive Vice President, Chief Business Officer of the Company, with such responsibilities, duties and authority normally associated with such positions and as may from time to time be assigned to Executive by the Chief Executive Officer of the Company or the Management Board or the Supervisory Board of the Company (either one, the "Board"). Executive's normal place of work shall be at the Company's office in the Boston, Massachusetts metropolitan area, which the Company expects to establish prior to or shortly following the Effective Date. Executive shall devote substantially all of Executive's working time and efforts to the business and affairs of the Company (which shall include service to its affiliates, if applicable) and shall not engage in outside business

activities (including serving on outside boards or committees) without the consent of the Board, provided that Executive shall be permitted to (i) manage Executive's personal, financial and legal affairs, (ii) participate in trade associations, and (iii) serve on the board of directors of not-for-profit or tax-exempt charitable organizations, in each case, subject to compliance with this Agreement and provided that such activities do not materially interfere with Executive's performance of Executive's duties and responsibilities hereunder. Executive agrees to observe and comply with the rules and policies of the Company as adopted by the Company from time to time, in each case as amended from time to time, as set forth in writing, and as delivered or made available to Executive (each, a "Policy").

2. Compensation and Related Matters.

(a) Annual Base Salary. During the Term, Executive shall receive a base salary at a rate of $335,000 per annum, which shall be paid in accordance with the customary payroll practices of the Company and shall be pro-rated for partial years of employment. Such Annual Base Salary shall be reviewed (and may be adjusted) from time to time by the Board (such annual base salary, as it may be adjusted from time to time, the "Annual Base Salary").

(b) Bonus. During the Term, Executive will be eligible to participate in an annual incentive program established by the Board. Executive's annual incentive compensation under such incentive program (the "Annual Bonus") shall be targeted at 35% of his Annual Base Salary. The Annual Bonus payable under the incentive program shall be based on the achievement of performance goals to be determined by the Board and may be pro-rated for Executive's first year of employment with the Company. The payment of any Annual Bonus pursuant to the incentive program shall be subject to Executive's continued employment with the Company through the date of payment.

(c) Equity Award. Subject to Board approval, the Company will grant to Executive a stock option or similar equity award (the "Option") under the Company's equity plan then in effect (the "Plan") for the purchase of 176,553 common shares of the Company (the "Common Shares"), which currently equals 1% of the fully-diluted equity securities of the Company, at a price per share equal to the fair market value of such Common Shares, as determined by the Board, at the time of grant. The current fair market value of a Common Share is €4.00. The Option will be subject to a four-year vesting schedule, under which the Option will vest as to twenty-five percent (25%) of the shares subject to the Option on first anniversary of the Effective Date and as to the remaining shares in substantially equal quarterly calendar instalments over the following three years, subject to Executive's continued employment with the Company on the applicable vesting date and potential accelerated vesting as set forth in Section 4(b) and Section 4(c). Notwithstanding the foregoing, the Option will in all events be subject to the terms and conditions of the Plan and a stock option agreement to be entered into between the Company and Executive. Executive shall be eligible to receive additional equity awards at the discretion of the Board.

(d) Benefits. During the Term, Executive shall be eligible to participate in employee benefit plans, programs and arrangements of the Company (including medical, dental, vision, life insurance, disability insurance and defined contribution 401(k) plan) made available to other similarly-situated employees of the Company, consistent with the terms thereof and as such

plans, programs and arrangements may be amended from time to time. Notwithstanding the foregoing, if the Company does not maintain any "group health plan" (within the meaning of Section 4980B of the Internal Revenue Code and the regulations thereunder ("COBRA")) for its U.S. employees as of the Effective Date, then, subject to Executive's valid election to receive COBRA benefits under the health plans of Executive's prior employer, during the period beginning on the Effective Date and ending on the first to occur of: (i) the date on which the Company adopts or otherwise makes generally available to its U.S. employees a group health plan or (ii) the date on which Executive terminates employment with the Company, the Company shall reimburse Executive for the actual cost of healthcare premiums incurred by Executive under the group health plan of Executive's prior employer pursuant to COBRA, subject to proper substantiation of such costs in accordance with applicable Company Policy no later than sixty (60) days after such costs are incurred; provided, that, in the event the period of time during which Executive is entitled to continuation coverage under the group health plan of Executive's prior employer pursuant to COBRA expires prior to the Company adopting or otherwise making available a group health plan to its U.S. employees, the Company shall continue to pay Executive for healthcare costs in an amount equal to the cost of healthcare premiums incurred by Executive under the group health plan of Executive's prior employer pursuant to COBRA based on the last month of the COBRA period. Such costs shall be reimbursed promptly, but in no event later than sixty (60) days following proper substantiation thereof.

(e) Vacation. During the Term, Executive shall be entitled to no less than four (4) weeks of paid personal leave per calendar year in accordance with the Company's paid time off Policies. Any vacation shall be taken at the reasonable and mutual convenience of the Company and Executive.

(f) Business Expenses. During the Term, the Company shall reimburse Executive for all reasonable travel and other business expenses incurred by Executive in the performance of Executive's duties to the Company in accordance with the Company's expense reimbursement Policy.

(g) Relocation.

(i) *Temporary Living Expenses*. Beginning on the Effective Date and ending on the date in which Executive secures permanent housing in the Boston, Massachusetts metropolitan area, but in no event for a period greater than six (6) months following the Effective Date, the Company shall pay Executive $5,000 per month to help offset Executive's temporary living expenses in the Boston, Massachusetts metropolitan area.

(ii) *Relocation Expenses*. The Company shall reimburse Executive up to a maximum amount of $50,000 for reasonable, documented moving expenses incurred prior to December 15, 2017 as a result of Executive's relocation to the Boston, Massachusetts area, which relocation expense reimbursement will be paid (subject to all tax withholdings which the Company reasonably determines are required) in calendar year 2017, regardless of when such expenses are actually incurred, and following Executive's timely submission of documentation reasonably requested by the Company.

(iii) *Repayment*. In the event Executive's employment with the Company is terminated by the Company for Cause (as defined below) or by the Executive for any reason, in either case, prior to the first anniversary of the date the applicable relocation expense was incurred, Executive shall immediately repay to the Company a prorated portion of such relocation expense reimbursement in an amount determined by multiplying (x) the amount of any relocation expense reimbursement paid to Executive pursuant to Section 2(g)(ii) within the one (1) year period prior to such termination by (x) a fraction, the numerator of which is the number of calendar days remaining from the date of Executive's termination to the first anniversary of the date the applicable relocation expense was incurred and the denominator of which is 365.

(h) Key Person Insurance. At any time during the Term, the Company shall have the right to insure the life of Executive for the Company's sole benefit. The Company shall have the right to determine the amount of insurance and the type of policy. Executive shall reasonably cooperate with the Company in obtaining such insurance by submitting to physical examinations, by supplying all information reasonably required by any insurance carrier, and by executing all necessary documents reasonably required by any insurance carrier, provided that any information provided to an insurance company or broker shall not be provided to the Company without the prior written authorization of Executive. Executive shall incur no financial obligation by executing any required document, and shall have no interest in any such policy.

3. Termination.

(a) Circumstances. Executive's employment hereunder may be terminated by the Company or Executive, as applicable, without any breach of this Agreement, at any time, under the following circumstances:

(i) *Death*. Executive's employment hereunder shall terminate upon Executive's death.

(ii) *Disability*. If Executive has incurred a Disability, as defined below, the Company may terminate Executive's employment.

(iii) *Termination for Cause*. The Company may terminate Executive's employment for Cause, as defined below.

(iv) *Termination without Cause*. The Company may terminate Executive's employment without Cause.

(v) *Resignation from the Company for Good Reason*. Executive may resign Executive's employment with the Company for Good Reason, as defined below.

(vi) *Resignation from the Company Without Good Reason*. Executive may resign Executive's employment with the Company for any reason other than Good Reason or for no reason.

(b) Notice of Termination. Any termination of Executive's employment by the Company or by Executive under this Section 3 (other than termination pursuant to Section 3(a)(i)) shall be communicated by a written notice to the other party hereto (i) indicating the specific termination provision in this Agreement relied upon, (ii) setting forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated, if applicable, and (iii) specifying a Date of Termination which, if submitted by Executive, shall be at least thirty (30) days following the date of such notice (a "Notice of Termination"); *provided, however*, that in the event that Executive delivers a Notice of Termination to the Company, the Company may, in its sole discretion, change the Date of Termination to any date that occurs following the date of Company's receipt of such Notice of Termination and is prior to the date specified in such Notice of Termination. A Notice of Termination submitted by the Company may provide for a Date of Termination on the date Executive receives the Notice of Termination, or any date thereafter elected by the Company in its sole discretion. The failure by the Company or Executive to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Cause or Good Reason shall not waive any right of such Party hereunder or preclude such Party from asserting such fact or circumstance in enforcing such Party's rights hereunder.

(c) Company Obligations upon Termination. Upon termination of Executive's employment pursuant to this Section 3, Executive (or Executive's estate) shall be entitled to receive the sum of: (i) the portion of Executive's Annual Base Salary earned through the Date of Termination, but not yet paid to Executive; (ii) any expenses owed to Executive pursuant to Section 2(f); and (iii) any amount accrued and arising from Executive's participation in, or benefits accrued under any employee benefit plans, programs or arrangements, which amounts shall be payable in accordance with the terms and conditions of such employee benefit plans, programs or arrangements (collectively, the "Company Arrangements"). Except as otherwise expressly required by law (e.g., COBRA) or as specifically provided herein, all of Executive's rights to salary, severance, benefits, bonuses and other compensatory amounts hereunder (if any) shall cease upon the termination of Executive's employment hereunder. In the event that Executive's employment is terminated by the Company for any reason, Executive's sole and exclusive remedy shall be to receive the payments and benefits described in this Section 3(c) or Section 4, as applicable

(d) Deemed Resignation. Upon termination of Executive's employment for any reason, Executive shall be deemed to have resigned from all offices and directorships, if any, then held with the Company or any of its affiliates.

4. Severance Payments.

(a) Termination for Cause, or Termination Upon Death, Disability or Resignation from the Company Without Good Reason. If Executive's employment shall terminate as a result of Executive's death pursuant to Section 3(a)(i) or Disability pursuant to Section 3(a)(ii), pursuant to Section 3(a)(iii) for Cause, or pursuant to Section 3(a)(vi) for Executive's resignation from the Company without Good Reason, then Executive shall not be entitled to any severance payments or benefits, except as provided in Section 3(c).

(b) Termination without Cause or Resignation from the Company for Good Reason. If Executive's employment is terminated by the Company without Cause pursuant to Section 3(a)(iv) or pursuant to Section 3(a)(v) due to Executive's resignation for Good Reason, in either case, which termination does not occur within one year following the date of a Change in Control, then, subject to Executive signing on or before the 21st day following Executive's Separation from Service (as defined below), and not revoking, a release of claims in substantially the form attached hereto as Exhibit A (the "Release"), and Executive's continued compliance with the terms of the Proprietary Information Agreement (as defined below), Executive shall receive, in addition to payments and benefits set forth in Section 3(c), (i) an amount in cash equal to 0.5 times the Annual Base Salary, payable in the form of salary continuation in regular instalments over the six-month period following Executive's Separation from Service in accordance with the Company's customary payroll practices and (ii) in the discretion of the Board, accelerated vesting (in whole or in part) of any portion of the Option that is unvested as of the Date of Termination.

(c) Change in Control. Notwithstanding anything to the contrary in Section 4(b), in the event Executive's employment is terminated by the Company without Cause pursuant to Section 3(a)(iv) or pursuant to Section 3(a)(v) due to Executive's resignation for Good Reason, in either case, within one year following the date of a Change in Control, then, subject to Executive signing on or before the 21st day following Executive's Separation from Service, and not revoking, the Release, and Executive's continued compliance with the terms of the Proprietary Information Agreement, Executive shall receive, in addition to payments and benefits set forth in Section 3(c), the following:

(i) an amount in cash equal to 0.5 times the sum of (A) the Annual Base Salary and (B) the Annual Bonus at the target amount, which amount shall be paid in a lump sum on the First Payment Date (as defined below);

(ii) if Executive elects to receive continued medical, dental or vision coverage under one or more of the Company's group healthcare plans pursuant to COBRA, the Company shall directly pay, or reimburse Executive for, the COBRA premiums for Executive and Executive's covered dependents under such plans during the period commencing on Executive's Separation from Service and ending upon the earliest of (X) the date that is nine (9) months following Executive's Separation from Service, (Y) the date that Executive and/or Executive's covered dependents become no longer eligible for COBRA or (Z) the date Executive becomes eligible to receive healthcare coverage from a subsequent employer. Notwithstanding the foregoing, if the Company determines in its sole discretion that it cannot provide the foregoing benefit without potentially violating applicable law or incurring an excise tax (including, without limitation, by reason of Section 2716 of the Public Health Service Act), the Company shall in lieu thereof provide to Executive a taxable monthly payment in an amount equal to the monthly COBRA premium that Executive would be required to pay to continue Executive's and Executive's covered dependents' group health coverage in effect on the Date of Termination (which amount shall be based on the premium for the first month of COBRA coverage), less the amount the Executive would have had to pay to receive group health coverage for Executive and Executive's covered dependents based on the cost sharing levels in effect on the Date of Termination, which payments shall be made regardless of whether Executive elects COBRA continuation coverage and shall commence in the month following the month in which the Date of Termination occurs and shall end on the earlier of (X) the last day of the nine (9) month period following Executive's Separation from Service, (Y) the date that Executive and/or Executive's covered dependents become no longer eligible for COBRA or (Z) the date Executive becomes eligible to receive healthcare coverage from a subsequent employer; and

(iii) accelerated vesting of any portion of the Option that is unvested as of the Date of Termination.

5. Employee Proprietary Information and Inventions Assignment Agreement.

Executive acknowledges and agrees that, contemporaneously with the execution of this Agreement, Executive shall execute and agree to be bound by the terms of the Company's Employee Proprietary Information and Inventions Assignment Agreement (the "Proprietary Information Agreement"), which Proprietary Information Agreement contains certain non-competition, non-solicitation, non-disclosure and assignment of inventions provisions in favor of the Company.

6. Assignment and Successors.

The Company may assign its rights and obligations under this Agreement to any of its affiliates, including, without limitation, any Company entity established in the United States, or to any successor to all or substantially all of the business or the assets of the Company (by merger or otherwise), and may assign or encumber this Agreement and its rights hereunder as security for indebtedness of the Company and its affiliates. Notwithstanding the foregoing, in the event the Company assigns its rights and obligations under this Agreement to a Company entity established in the United States, the term "Board" shall continue to refer to either of the Management Board or Supervisory Board of Merus B.V. (or any successor thereto). This Agreement shall be binding upon and inure to the benefit of the Company, Executive and their respective successors, assigns, personnel and legal representatives, executors, administrators, heirs, distributees, devisees, and legatees, as applicable. None of Executive's rights or obligations may be assigned or transferred by Executive, other than Executive's rights to payments hereunder, which may be transferred only by will or operation of law. Notwithstanding the foregoing, Executive shall be entitled, to the extent permitted under applicable law and applicable Company Arrangements, to select and change a beneficiary or beneficiaries to receive compensation hereunder following Executive's death by giving written notice thereof to the Company.

7. Certain Definitions.

(a) Cause. The Company shall have "Cause" to terminate Executive's employment hereunder upon:

(i) Executive's failure to (A) substantially perform his duties with the Company (other than any such failure resulting from Executive's Disability) or (B) comply with, in any material respect, any of the Company's Policies;

(ii) the Board's determination that Executive failed in any material respect to carry out or comply with any lawful and reasonable directive of the Board;

(iii) Executive's breach of a material provision of this Agreement or the Proprietary Information Agreement;

(iv) Executive's conviction, plea of no contest, plea of nolo contendere, or imposition of unadjudicated probation for any felony or crime involving moral turpitude;

(v) Executive's unlawful use (including being under the influence) or possession of illegal drugs on the Company's (or any of its affiliate's) premises or while performing Executive's duties and responsibilities under this Agreement; or

(vi) Executive's commission of an act of fraud, embezzlement, misappropriation, willful misconduct, or breach of fiduciary duty against the Company or any of its affiliates.

(b) Change in Control. "Change in Control" shall mean and include each of the following:

(i) A transaction or series of related transactions (other than an offering of Common Shares to the general public through a registration statement filed with the Securities and Exchange Commission or a transaction or series of related transactions that meets the requirements of clauses (A) and (B) of subsection (ii) below) whereby any "person" or related "group" of "persons" (as such terms are used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934 (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

(ii) 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:

(A) 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

(B) 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 (B) 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.

Notwithstanding the foregoing, in no event shall the transaction or event described in subsection (i) or (ii) constitute a Change in Control for purposes of this Agreement unless such transaction also constitutes a "change in control event," as defined in Treasury Regulation Section 1.409A-3(i)(5).

(c) Date of Termination. "Date of Termination" shall mean (i) if Executive's employment is terminated by Executive's death, the date of Executive's death; or (ii) if Executive's employment is terminated pursuant to Section 3(a)(ii) – (vi) either the date indicated in the Notice of Termination or the date specified by the Company pursuant to Section 3(b), whichever is earlier.

(d) Disability. "Disability" shall mean, at any time the Company or any of its affiliates sponsors a long-term disability plan for the Company's employees, "disability" as defined in such long-term disability plan for the purpose of determining a participant's eligibility for benefits, provided, however, if the long-term disability plan contains multiple definitions of disability, "Disability" shall refer to that definition of disability which, if Executive qualified for such disability benefits, would provide coverage for the longest period of time. The determination of whether Executive has a Disability shall be made by the person or persons required to make disability determinations under the long-term disability plan. At any time the Company does not sponsor a long-term disability plan for its employees, Disability shall mean Executive's inability to perform, with or without reasonable accommodation, the essential functions of Executive's position hereunder for a total of three months during any six-month period as a result of incapacity due to mental or physical illness as determined by a physician selected by the Company or its insurers and acceptable to Executive or Executive's legal representative, with such agreement as to acceptability not to be unreasonably withheld or delayed. Any refusal by Executive to submit to a medical examination for the purpose of determining Disability shall be deemed to constitute conclusive evidence of Executive's Disability.

(e) Good Reason. For the sole purpose of determining Executive's right to severance payments as described above, Executive's resignation will be for "Good Reason" if Executive resigns within ninety days after any of the following events, unless Executive consents to the applicable event: (i) a decrease in Executive's annual base salary, other than a reduction in annual base salary of less than 10% that is implemented in connection with a contemporaneous reduction in annual base salaries affecting other senior executives of the Company, (ii) a material decrease in Executive's authority or areas of responsibility as are commensurate with Executive's title or position (other than decreases that occur when individuals are hired to replace departing executives or are hired at a level below Executive Vice President and other than in connection with a corporate transaction where Executive continues to hold the position referenced in Section 1(c) above with respect to the Company's business, substantially as such

business exists prior to the date of consummation of such corporate transaction, but does not hold such position with respect to the successor corporation), or (iii) the relocation of Executive's primary office to a location more than 50 miles from the Boston, Massachusetts metropolitan area. Notwithstanding the foregoing, no Good Reason will have occurred unless and until Executive has: (i) provided the Company, within 60 days of Executive's knowledge of the occurrence of the facts and circumstances underlying the Good Reason event, written-notice stating with specificity the applicable facts and circumstances underlying such finding of Good Reason; and (ii) provided the Company with an opportunity to cure the same within 30 days after the receipt of such notice.

(f) Person. "Person" means any individual or any corporation, limited liability company, general partnership, limited partnership, venture, trust, business trust, unincorporated association, estate or other entity.

8. Miscellaneous Provisions.

(a) Governing Law. This Agreement shall be governed, construed, interpreted and enforced in accordance with its express terms, and otherwise in accordance with the substantive laws of the Commonwealth of Massachusetts without reference to the principles of conflicts of law of the Commonwealth of Massachusetts or any other jurisdiction, and where applicable, the laws of the United States.

(b) Validity. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

(c) Notices. Any notice, request, claim, demand, document and other communication hereunder to any Party shall be effective upon receipt (or refusal of receipt) and shall be in writing and delivered personally or sent by facsimile or certified or registered mail, postage prepaid, as follows:

(i) If to the Company, the General Counsel at its headquarters,

(ii) If to Executive, at the last address that the Company has in its personnel records for Executive, or

(iii) At any other address as any Party shall have specified by notice in writing to the other Party.

(d) Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, but all of which together will constitute one and the same Agreement. Signatures delivered by facsimile shall be deemed effective for all purposes.

(e) Entire Agreement. The terms of this Agreement and the Proprietary Information Agreement are intended by the Parties to be the final expression of their agreement with respect to the subject matter hereof and thereof and supersede all prior understandings and agreements, whether written or oral, including, without limitation, that certain offer letter between Executive and the Company, dated as of December 1,2015. The Parties further intend that this Agreement

and the Proprietary Information Agreement shall constitute the complete and exclusive statement of their terms and that no extrinsic evidence whatsoever may be introduced in any judicial, administrative, or other legal proceeding to vary the terms of this Agreement or the Proprietary Information Agreement.

(f) Amendments; Waivers. This Agreement may not be modified, amended, or terminated except by an instrument in writing, signed by Executive and a duly authorized officer of Company. By an instrument in writing similarly executed, Executive or a duly authorized officer of the Company may waive compliance by the other Party with any specifically identified provision of this Agreement that such other Party was or is obligated to comply with or perform; *provided*, *however*, that such waiver shall not operate as a waiver of, or estoppel with respect to, any other or subsequent failure. No failure to exercise and no delay in exercising any right, remedy, or power hereunder preclude any other or further exercise of any other right, remedy, or power provided herein or by law or in equity.

(g) No Inconsistent Actions. The Parties hereto shall not voluntarily undertake or fail to undertake any action or course of action inconsistent with the provisions or essential intent of this Agreement. Furthermore, it is the intent of the Parties hereto to act in a fair and reasonable manner with respect to the interpretation and application of the provisions of this Agreement.

(h) Construction. This Agreement shall be deemed drafted equally by both the Parties. Its language shall be construed as a whole and according to its fair meaning. Any presumption or principle that the language is to be construed against any Party shall not apply. The headings in this Agreement are only for convenience and are not intended to affect construction or interpretation. Any references to paragraphs, subparagraphs, sections or subsections are to those parts of this Agreement, unless the context clearly indicates to the contrary. Also, unless the context clearly indicates to the contrary, (a) the plural includes the singular and the singular includes the plural; (b) "and" and "or" are each used both conjunctively and disjunctively; (c) "any," "all," "each," or "every" means "any and all," and "each and every"; (d) "includes" and "including" are each "without limitation"; (e) "herein," "hereof," "hereunder" and other similar compounds of the word "here" refer to the entire Agreement and not to any particular paragraph, subparagraph, section or subsection; and (f) all pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular or plural as the identity of the entities or persons referred to may require.

(i) Arbitration. Any controversy, claim or dispute arising out of or relating to this Agreement, shall be settled solely and exclusively by a binding arbitration process administered by JAMS/Endispute in Boston, Massachusetts. Such arbitration shall be conducted in accordance with the then-existing JAMS/Endispute Rules of Practice and Procedure, with the following exceptions if in conflict: (a) one arbitrator who is a retired judge shall be chosen by JAMS/Endispute; (b) each Party to the arbitration will pay one-half of the expenses and fees of the arbitrator, together with other expenses of the arbitration incurred or approved by the arbitrator; and (c) arbitration may proceed in the absence of any Party if written notice (pursuant to the JAMS/Endispute rules and regulations) of the proceedings has been given to such Party. Each Party shall bear its own attorneys' fees and expenses; provided that the arbitrator may assess the prevailing Party's fees and costs against the non-prevailing Party as part of the arbitrator's award. The Parties agree to abide by all decisions and awards rendered in such

proceedings. Such decisions and awards rendered by the arbitrator shall be final and conclusive. All such controversies, claims or disputes shall be settled in this manner in lieu of any action at law or equity; provided, however, that nothing in this subsection shall be construed as precluding the bringing an action for injunctive relief or specific performance as provided in this Agreement or the Proprietary Information Agreement. This dispute resolution process and any arbitration hereunder shall be confidential and neither any Party nor the neutral arbitrator shall disclose the existence, contents or results of such process without the prior written consent of all Parties, except where necessary or compelled in a Court to enforce this arbitration provision or an award from such arbitration or otherwise in a legal proceeding. If JAMS/Endispute no longer exists or is otherwise unavailable, the Parties agree that the American Arbitration Association ("AAA") shall administer the arbitration in accordance with its then-existing rules as modified by this subsection. In such event, all references herein to JAMS/Endispute shall mean AAA.

(j) Enforcement. If any provision of this Agreement is held to be illegal, invalid or unenforceable under present or future laws effective during the term of this Agreement, such provision shall be fully severable; this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a portion of this Agreement; and the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance from this Agreement. Furthermore, in lieu of such illegal, invalid or unenforceable provision there shall be added automatically as part of this Agreement a provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible and be legal, valid and enforceable.

(k) Withholding. The Company shall be entitled to withhold from any amounts payable under this Agreement any federal, state, local or foreign withholding or other taxes or charges which the Company is required to withhold. The Company shall be entitled to rely on an opinion of counsel if any questions as to the amount or requirement of withholding shall arise.

(l) Survival. Notwithstanding anything to the contrary in this Agreement, the provisions of Sections 5 through 8 will survive the termination of Executive's employment and the expiration or termination of the Term.

(m) Section 409A.

(i) *General*. The intent of the Parties is that the payments and benefits under this Agreement comply with or be exempt from Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations and guidance promulgated thereunder (collectively, "Section 409A") and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance therewith.

(ii) *Separation from Service*. Notwithstanding anything in this Agreement to the contrary, any compensation or benefits payable under this Agreement that are designated under this Agreement as payable upon Executive's termination of employment shall be payable only upon Executive's "separation from service" with the Company within the meaning of Section 409A (a "Separation from Service") and, except as provided below, any such compensation or benefits described in Sections 4(b) and 4(c) shall not be paid, or, in the case of installments, shall not commence payment, until the 30th day following Executive's Separation

from Service (the "First Payment Date"). Any installment payments that would have been made to Executive during the 30-day period immediately following Executive's Separation from Service but for the preceding sentence shall be paid to Executive on the First Payment Date and the remaining payments shall be made as provided in this Agreement.

(iii) Specified Employee. Notwithstanding anything in this Agreement to the contrary, if Executive is deemed by the Company at the time of Executive's Separation from Service to be a "specified employee" for purposes of Section 409A, to the extent delayed commencement of any portion of the benefits to which Executive is entitled under this Agreement is required in order to avoid a prohibited distribution under Section 409A, such portion of Executive's benefits shall not be provided to Executive prior to the earlier of (i) the expiration of the 6-month period measured from the date of Executive's Separation from Service with the Company or (ii) the date of Executive's death. Upon the first business day following the expiration of the applicable Section 409A period, all payments deferred pursuant to the preceding sentence shall be paid in a lump sum to Executive (or Executive's estate or beneficiaries), and any remaining payments due to Executive under this Agreement shall be paid as otherwise provided herein.

(iv) *Expense Reimbursements*. To the extent that any reimbursements under this Agreement are subject to Section 409A, any such reimbursements payable to Executive shall be paid to Executive no later than December 31 of the year following the year in which the expense was incurred, provided that Executive submits Executive's reimbursement request promptly following the date the expense is incurred. The amount of expenses reimbursed in one year shall not affect the amount eligible for reimbursement in any subsequent year, other than medical expenses referred to in Section 105(b) of the Code, and Executive's right to reimbursement under this Agreement will not be subject to liquidation or exchange for another benefit.

(v) *Installments*. Executive's right to receive any installment payments under this Agreement, including without limitation any continuation of salary payments that are payable on Company payroll dates, shall be treated as a right to receive a series of separate payments and, accordingly, each such installment payment shall at all times be considered a separate and distinct payment as permitted under Section 409A. Except as otherwise permitted under Section 409A, no payment hereunder shall be accelerated or deferred unless such acceleration or deferral would not result in additional tax or interest pursuant to Section 409A.

9. Executive Acknowledgement.

Executive acknowledges that Executive has read and understands this Agreement, is fully aware of its legal effect, has not acted in reliance upon any representations or promises made by the Company other than those contained in writing herein, and has entered into this Agreement freely based on Executive's own judgment.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the Parties have executed this Agreement on the date and year first above written.

COMPANY

By: /s/ Ton Logtenberg
Ton Logtenberg
Chief Executive Officer

By: /s/ Shelley Margetson
Shelley Margetson
Chief Financial Officer

EXECUTIVE

By: /s/ Hui Liu
Hui Liu

EXHIBIT A

Separation Agreement and Release

This Separation Agreement and Release ("Agreement") is made by and between Hui Liu ("Executive") and (the "Company") (collectively referred to as the "Parties" or individually referred to as a "Party"). Capitalized terms used but not defined in this Agreement shall have the meanings set forth in the Employment Agreement (as defined below).

WHEREAS, the Parties have previously entered into that certain Employment Agreement, dated as of (the "Employment Agreement"); and

WHEREAS, in connection with Executive's termination of employment with the Company or a subsidiary or affiliate of the Company effective , 20 , the Parties wish to resolve any and all disputes, claims, complaints, grievances, charges, actions, petitions, and demands that Executive may have against the Company and any of the Releasees as defined below, including, but not limited to, any and all claims arising out of or in any way related to Executive's employment with or separation from the Company or its subsidiaries or affiliates but, for the avoidance of doubt, nothing herein will be deemed to release any rights or remedies in connection with Executive's ownership of vested equity securities of the Company or Executive's right to indemnification by the Company or any of its affiliates pursuant to contract or applicable law (collectively, the "Retained Claims").

NOW, THEREFORE, in consideration of the severance payments and benefits described in Section 4 of the Employment Agreement, which, pursuant to the Employment Agreement, are conditioned on Executive's execution and non-revocation of this Agreement, and in consideration of the mutual promises made herein, the Company and Executive hereby agree as follows:

1. Severance Payments; Salary and Benefits. The Company agrees to provide Executive with the severance payments and benefits described in Section 4(b) or Section 4(c) of the Employment Agreement, payable at the times set forth in, and subject to the terms and conditions of, the Employment Agreement. In addition, to the extent not already paid, and subject to the terms and conditions of the Employment Agreement, the Company shall pay or provide to Executive all other payments or benefits described in Section 3(c) of the Employment Agreement, subject to and in accordance with the terms thereof.

2. Release of Claims. Executive agrees that, other than with respect to the Retained Claims, the foregoing consideration represents settlement in full of all outstanding obligations owed to Executive by the Company, any of its direct or indirect subsidiaries and affiliates, and any of their current and former officers, directors, equity holders, managers, employees, agents, investors, attorneys, shareholders, administrators, affiliates, benefit plans, plan administrators, insurers, trustees, divisions, and subsidiaries and predecessor and successor corporations and assigns (collectively, the "Releasees"). Executive, on Executive's own behalf and on behalf of any of Executive's affiliated companies or entities and any of their respective heirs, family members, executors, agents, and assigns, other than with respect to the Retained Claims, hereby and forever releases the Releasees from, and agrees not to sue concerning, or in any manner to institute, prosecute, or pursue, any claim, complaint, charge, duty, obligation, or cause of action relating to any matters of any kind, whether presently known or unknown, suspected or

unsuspected, that Executive may possess against any of the Releasees arising from any omissions, acts, facts, or damages that have occurred up until and including the Effective Date of this Agreement (as defined in Section 7 below), including, without limitation:

(a) any and all claims relating to or arising from Executive's employment or service relationship with the Company or any of its direct or indirect subsidiaries or affiliates and the termination of that relationship;

(b) any and all claims relating to, or arising from, Executive's right to purchase, or actual purchase of any shares of stock or other equity interests of the Company or any of its affiliates, including, without limitation, any claims for fraud, misrepresentation, breach of fiduciary duty, breach of duty under applicable state corporate law, and securities fraud under any state or federal law;

(c) any and all claims for wrongful discharge of employment; termination in violation of public policy; discrimination; harassment; retaliation; breach of contract, both express and implied; breach of covenant of good faith and fair dealing, both express and implied; promissory estoppel; negligent or intentional infliction of emotional distress; fraud; negligent or intentional misrepresentation; negligent or intentional interference with contract or prospective economic advantage; unfair business practices; defamation; libel; slander; negligence; personal injury; assault; battery; invasion of privacy; false imprisonment; conversion; and disability benefits;

(d) any and all claims for violation of any federal, state, or municipal statute, including, but not limited to, Title VII of the Civil Rights Act of 1964;the Civil Rights Act of 1991; the Rehabilitation Act of 1973;the Americans with Disabilities Act of 1990; the Equal Pay Act; the Fair Credit Reporting Act; the Age Discrimination in Employment Act of 1967; the Older Workers Benefit Protection Act; the Employee Retirement Income Security Act of 1974; the Worker Adjustment and Retraining Notification Act; the Family and Medical Leave Act; and the Sarbanes-Oxley Act of 2002;

(e) any and all claims for violation of the federal or any state constitution;

(f) any and all claims arising out of any other laws and regulations relating to employment or employment discrimination;

(g) any claim for any loss, cost, damage, or expense arising out of any dispute over the non-withholding or other tax treatment of any of the proceeds received by Executive as a result of this Agreement; and

(h) any and all claims for attorneys' fees and costs.

Executive agrees that the release set forth in this section shall be and remain in effect in all respects as a complete general release as to the matters released. This release does not release claims that cannot be released as a matter of law, including, but not limited to, Executive's right to report possible violations of federal law or regulation to any governmental agency or entity in accordance with the provisions of and rules promulgated under Section 2lF of the Securities Exchange Act of 1934 or Section 806 of the Sarbanes-Oxley Act of 2002, or any other

whistleblower protection provisions of state or federal law or regulation, Executive's right to file a charge with or participate in a charge by the Equal Employment Opportunity Commission, or any other local, state, or federal administrative body or government agency that is authorized to enforce or administer laws related to employment, against the Company (with the understanding that Executive's release of claims herein bars Executive from recovering such monetary relief from the Company or any Releasee), claims for unemployment compensation or any state disability insurance benefits pursuant to the terms of applicable state law, claims to continued participation in certain of the Company's group benefit plans pursuant to the terms and conditions of COBRA, claims to any benefit entitlements vested as the date of separation of Executive's employment, pursuant to written terms of any employee benefit plan of the Company or its affiliates and Executive's right under applicable law and any Retained Claims. This release further does not release claims for breach of Section 3(c), Section 4(b) or Section 4(c) of the Employment Agreement.

3. Acknowledgment of Waiver of Claims under ADEA. Executive understands and acknowledges that Executive is waiving and releasing any rights Executive may have under the Age Discrimination in Employment Act of 1967 ("ADEA"), and that this waiver and release is knowing and voluntary. Executive understands and agrees that this waiver and release does not apply to any rights or claims that may arise under the ADEA after the Effective Date of this Agreement. Executive understands and acknowledges that the consideration given for this waiver and release is in addition to anything of value to which Executive was already entitled. Executive further understands and acknowledges that Executive has been advised by this writing that: (a) Executive should consult with an attorney prior to executing this Agreement; (b) Executive has 21 days within which to consider this Agreement; (c) Executive has 7 days following Executive's execution of this Agreement to revoke this Agreement pursuant to written notice to the General Counsel of the Company; (d) this Agreement shall not be effective until after the revocation period has expired; and (e) nothing in this Agreement prevents or precludes Executive from challenging or seeking a determination in good faith of the validity of this waiver under the ADEA, nor does it impose any condition precedent, penalties, or costs for doing so, unless specifically authorized by federal law. In the event Executive signs this Agreement and returns it to the Company in less than the 21 day period identified above, Executive hereby acknowledges that Executive has freely and voluntarily chosen to waive the time period allotted for considering this Agreement.

4. Severability. In the event that any provision or any portion of any provision hereof or any surviving agreement made a part hereof becomes or is declared by a court of competent jurisdiction or arbitrator to be illegal, unenforceable, or void, this Agreement shall continue in full force and effect without said provision or portion of provision.

5. No Oral Modification. This Agreement may only be amended in a writing signed by Executive and a duly authorized officer of the Company.

6. Governing Law; Dispute Resolution. This Agreement shall be subject to the provisions of Sections 9(a), 9(c) and 9(i) of the Employment Agreement.

7. Effective Date. If Executive has attained or is over the age of 40 as of the date of Executive's termination of employment, then each Party has seven days after that Party signs this Agreement to revoke it and this Agreement will become effective on the eighth day after

Executive signed this Agreement, so long as it has been signed by the Parties and has not been revoked by either Party before that date (the "Effective Date"). If Executive has not attained the age of 40 as of the date of Executive's termination of employment, then the "Effective Date" shall be the date on which Executive signs this Agreement.

8. Voluntary Execution of Agreement. Executive understands and agrees that Executive executed this Agreement voluntarily, without any duress or undue influence on the part or behalf of the Company or any third party, with the full intent of releasing all of Executive's claims against the Company and any of the other Releasees. Executive acknowledges that: (a) Executive has read this Agreement; (b) Executive has not relied upon any representations or statements made by the Company that are not specifically set forth in this Agreement; (c) Executive has been represented in the preparation, negotiation, and execution of this Agreement by legal counsel of Executive's own choice or has elected not to retain legal counsel; (d) Executive understands the terms and consequences of this Agreement and of the releases it contains; and (e) Executive is fully aware of the legal and binding effect of this Agreement.

IN WITNESS WHEREOF, the Parties have executed this Agreement on the respective dates set forth below.

Dated: _____

_____
Hui Liu

COMPANY

Dated: _____

By: _____
Name:
Title:

AMENDED AND RESTATED

EMPLOYMENT AGREEMENT

This Amended and Restated Employment Agreement (this "Agreement"), dated as of March 2, 2016 (the "Effective Date"), is made by and between Merus US, Inc., a Delaware corporation (together with any successors or assigns, the "Company"), and Hui Liu (the "Executive") (collectively referred to herein as the "Parties").

RECITALS

(A) Merus B.V., a Dutch private limited company (together with any successors or assigns, the "Parent") and Executive entered into an Employment Agreement dated December 16, 2015 (the "Original Employment Agreement") pursuant to which he became an employee of Parent on December 16, 2015 (the "Original Effective Date").

(B) It is the desire of the Company to continue to assure itself of the services of Executive beginning on and following the Effective Date, by entering into this Agreement, which will supersede the Original Employment Agreement.

(C) Executive and the Company mutually desire that Executive provide services to the Company on the terms herein provided.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and of the respective covenants and agreements set forth below, the Parties hereto agree as follows:

1. Employment.

(a) General. Effective as of the Effective Date, the Company shall employ Executive and Executive shall remain in the employ of the Company, for the period and in the position set forth in this Section 1, and subject to the other terms and conditions herein provided.

(b) At-Will Employment. The Company and Executive acknowledge that Executive's employment is at-will, as defined under applicable law, and that Executive's employment with the Company may be terminated by either Party at any time for any or no reason (subject to the notice requirements of Section 3(b)). This "at-will" nature of Executive's employment shall remain unchanged during Executive's tenure as an employee and may not be changed, except in an express writing signed by Executive and a duly authorized officer of the Company or the Parent, as applicable. If Executive's employment terminates for any reason, Executive shall not be entitled to any payments, benefits, damages, award or compensation other than as provided in this Agreement or otherwise agreed to in writing by a duly authorized officer of the Company, a duly authorized officer of the Parent or as provided by applicable law. The period of Executive's employment by the Company shall be referred to herein as the "Term".

(c) Position; Duties and Location. Executive shall serve as Executive Vice President, Chief Business Officer of the Company and the Parent, with such responsibilities, duties and authority normally associated with such positions and as may from time to time be assigned to Executive by the Chief Executive Ofhcer of the Parent or the Management Board or the Supervisory Board of the Parent (either one, the "Board"). Executive's normal place of work shall be at the Company's office in the Boston, Massachusetts metropolitan area. Executive shall devote substantially all of Executive's working time and efforts to the business and affairs of the Company (which shall include service to its affiliates, if applicable) and shall not engage in outside business activities (including serving on outside boards or committees) without the consent of the Board, provided that Executive shall be permitted to (i) manage Executive's personal, financial and legal affairs, (ii) participate in trade associations, and (iii) serve on the board of directors of not-for-profit or tax-exempt charitable organizations, in each case, subject to compliance with this Agreement and provided that such activities do not materially interfere with Executive's performance of Executive's duties and responsibilities hereunder. Executive agrees to observe and comply with the rules and policies of the Company and its Parent as adopted by the Company or its Parent, as applicable from time to time, in each case as amended from time to time, as set forth in writing, and as delivered or made available to Executive (each, a "Policy").

2. Comnensation and Related Matters.

(a) Annual Base Salary. During the Term, Executive shall receive a base salary at a rate of $335,000 per annum, which shall be paid in accordance with the customary payroll practices of the Company and shall be pro-rated for partial years of employment. Such Annual Base Salary shall be reviewed (and may be adjusted) from time to time by the Board (such annual base salary, as it may be adjusted from time to time, the "Annual Base Salary").

(b) Bonus. During the Term, Executive will be eligible to participate in an annual incentive program established by the Board. Executive's annual incentive compensation under such incentive program (the "Annual Bonus") shall be targeted at 35% of his Annual Base Salary. The Annual Bonus payable under the incentive program shall be based on the achievement of performance goals to be determined by the Board and may be pro-rated for calendar year 2016 performance based on the Original Effective Date. The payment of any Annual Bonus pursuant to the incentive program shall be subject to Executive's continued employment with the Company through the date of payment.

(c) Equity Awards. Parent granted Executive an option on December 16, 2015 pursuant to the Parent's 2010 Employee Option Plan with a per share exercise price of €4.00 (the "Option"). Executive shall be eligible to receive additional equity awards at the discretion of the Board.

(d) Benefits. During the Term, Executive shall be eligible to participate in employee benefit plans, programs and arrangements of the Company (including medical, dental, vision, life insurance, disability insurance and defined contribution 401(k) plan) made available to other similarly-situated employees of the Company, consistent with the terms thereof and as such plans, programs and arrangements may be amended from time to time. Notwithstanding the foregoing, if the Company does not maintain any "group health plan" (within the meaning of Section 4980B of the Internal Revenue Code and the regulations thereunder ("COBRA")) for its U.S. employees as of the Effective Date, then, subject to Executive's valid election to receive

COBRA benefits under the health plans of Executive's prior employer, during the period beginning on the Effective Date and ending on the first to occur of: (i) the date on which the Company adopts or otherwise makes generally available to its U.S. employees a group health plan or (ii) the date on which Executive terminates employment with the Company, the Company shall reimburse Executive for the actual cost of healthcare premiums incurred by Executive under the group health plan of Executive's prior employer pursuant to COBRA, subject to proper substantiation of such costs in accordance with applicable Company Policy no later than sixty (60) days after such costs are incurred; provided, that, in the event the period of time during which Executive is entitled to continuation coverage under the group health plan of Executive's prior employer pursuant to COBRA expires prior to the Company adopting or otherwise making available a group health plan to its U.S. employees, the Company shall continue to pay Executive for healthcare costs in an amount equal to the cost of healthcare premiums incurred by Executive under the group health plan of Executive's prior employer pursuant to COBRA based on the last month of the COBRA period. Such costs shall be reimbursed promptly, but in no event later than sixty (60) days following proper substantiation thereof.

(e) Vacation. During the Term, Executive shall be entitled to no less than four (4) weeks of paid personal leave per calendar year in accordance with the Company's paid time off Policies. Any vacation shall be taken at the reasonable and mutual convenience of the Company and Executive.

(f) Business Expenses. During the Term, the Company shall reimburse Executive for all reasonable travel and other business expenses incurred by Executive in the performance of Executive's duties to the Company in accordance with the Company's expense reimbursement Policy.

(g) Relocation.

(i) *Temporary Living Expenses.* Beginning on the Original Effective Date and ending on the date in which Executive secures permanent housing in the Boston, Massachusetts metropolitan area, but in no event for a period greater than six (6) months following the Original Effective Date, the Company shall pay Executive $5,000 per month to help offset Executive's temporary living expenses in the Boston, Massachusetts metropolitan area.

(ii) *Relocation Expenses*. The Company shall reimburse Executive up to a maximum amount of $50,000 for reasonable, documented moving expenses incurred prior to December 15, 2017 as a result of Executive's relocation to the Boston, Massachusetts area, which relocation expense reimbursement will be paid (subject to all tax withholdings which the Company reasonably determines are required) in calendar year 2017, regardless of when such expenses are actually incurred, and following Executive's timely submission of documentation reasonably requested by the Company.

(iii) *Repayment*. In the event Executive's employment with the Company is terminated by the Company for Cause (as defined below) or by the Executive for any reason, in either case, prior to the first anniversary of the date the applicable relocation expense was incurred, Executive shall immediately repay to the Company a prorated portion of such

relocation expense reimbursement in an amount determined by multiplying (x) the amount of any relocation expense reimbursement paid to Executive pursuant to Section 2(g)(ii) within the one (1) year period prior to such termination by (x) a fraction, the numerator of which is the number of calendar days remaining from the date of Executive's termination to the first anniversary of the date the applicable relocation expense was incurred and the denominator of which is 365.

(h) Key Person Insurance. At any time during the Term, the Company shall have the right to insure the life of Executive for the Company's sole benefit. The Company shall have the right to determine the amount of insurance and the type of policy. Executive shall reasonably cooperate with the Company in obtaining such insurance by submitting to physical examinations, by supplying all information reasonably required by any insurance carrier, and by executing all necessary documents reasonably required by any insurance carrier, provided that any information provided to an insurance company or broker shall not be provided to the Company without the prior written authorization of Executive. Executive shall incur no financial obligation by executing any required document, and shall have no interest in any such policy.

3. Termination.

(a) Circumstances. Executive's employment hereunder may be terminated by the Company or Executive, as applicable, without any breach of this Agreement, at any time, under the following circumstances:

(i) *Death*. Executive's employment hereunder shall terminate upon Executive's death.

(ii) *Disability*. If Executive has incurred a Disability, as defined below, the Company may terminate Executive's employment.

(iii) *Termination for Cause*. The Company may terminate Executive's employment for Cause, as defined below.

(iv) *Termination without Cause*. The Company may terminate Executive's employment without Cause.

(v) *Resignation from the Company for Good Reason*. Executive may resign Executive's employment with the Company for Good Reason, as defined below.

(vi) *Resignation from the Company Without Good Reason*. Executive may resign Executive's employment with the Company for any reason other than Good Reason or for no reason.

(b) Notice of Termination. Any termination of Executive's employment by the Company or by Executive under this Section 3 (other than termination pursuant to Section 3(a)(i)) shall be communicated by a written notice to the other party hereto (i) indicating the specific termination provision in this Agreement relied upon, (ii) setting forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated, if applicable, and (iii) specifying a Date of

Termination which, if submitted by Executive, shall be at least thirty (30) days following the date of such notice (a "Notice of Termination"); *provided*, *however*, that in the event that Executive delivers a Notice of Termination to the Company, the Company may, in its sole discretion, change the Date of Termination to any date that occurs following the date of Company's receipt of such Notice of Termination and is prior to the date specified in such Notice of Termination. A Notice of Termination submitted by the Company may provide for a Date of Termination on the date Executive receives the Notice of Termination, or any date thereafter elected by the Company in its sole discretion. The failure by the Company or Executive to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Cause or Good Reason shall not waive any right of such Party hereunder or preclude such Party from asserting such fact or circumstance in enforcing such Party's rights hereunder.

(c) Company Obligations upon Termination. Upon termination of Executive's employment pursuant to this Section 3, Executive (or Executive's estate) shall be entitled to receive the sum of: (i) the portion of Executive's Annual Base Salary earned through the Date of Termination, but not yet paid to Executive; (ii) any expenses owed to Executive pursuant to Section 2(f); and (iii) any amount accrued and arising from Executive's participation in, or benefits accrued under any employee benefit plans, programs or arrangements, which amounts shall be payable in accordance with the terms and conditions of such employee benefit plans, programs or arrangements (collectively, the "Company Arrangements"). Except as otherwise expressly required by law (e.g., COBRA) or as specifically provided herein, all of Executive's rights to salary, severance, benefits, bonuses and other compensatory amounts hereunder (if any) shall cease upon the termination of Executive's employment hereunder. In the event that Executive's employment is terminated by the Company for any reason, Executive's sole and exclusive remedy shall be to receive the payments and benefits described in this Section 3(c) or Section 4, as applicable

(d) Deemed Resignation. Upon termination of Executive's employment for any reason, Executive shall be deemed to have resigned from all offices and directorships, if any, then held with the Company or any of its affiliates.

4. Severance Payments.

(a) Termination for Cause, or Termination Upon Death, Disability or Resignation from the Company Without Good Reason. If Executive's employment shall terminate as a result of Executive's death pursuant to Section 3(a)(i) or Disability pursuant to Section 3(a)(ii), pursuant to Section 3(a)(iii) for Cause, or pursuant to Section 3(a)(vi) for Executive's resignation from the Company without Good Reason, then Executive shall not be entitled to any severance payments or benefits, except as provided in Section 3(c).

(b) Termination without Cause or Resignation from the Company for Good Reason. If Executive's employment is terminated by the Company without Cause pursuant to Section 3(a)(iv) or pursuant to Section 3(a)(v) due to Executive's resignation for Good Reason, in either case, which termination does not occur within one year following the date of a Change in Control, then, subject to Executive signing on or before the 21st day following Executive's Separation from Service (as defined below), and not revoking, a release of claims in substantially

the form attached hereto as Exhibit A (the "Release"), and Executive's continued compliance with the terms of the Proprietary Information Agreement (as defined below), Executive shall receive, in addition to payments and benefits set forth in Section 3(c), (i) an amount in cash equal to 0.5 times the Annual Base Salary, payable in the form of salary continuation in regular instalments over the six-month period following Executive's Separation from Service in accordance with the Company's customary payroll practices and (ii) in the discretion of the Board, accelerated vesting (in whole or in part) of any portion of the Option that is unvested as of the Date of Termination.

(c) Change in Control. Notwithstanding anything to the contrary in Section 4(b), in the event Executive's employment is terminated by the Company without Cause pursuant to Section 3(a)(iv) or pursuant to Section 3(a)(v) due to Executive's resignation for Good Reason, in either case, within one year following the date of a Change in Control, then, subject to Executive signing on or before the 21st day following Executive's Separation from Service, and not revoking, the Release, and Executive's continued compliance with the terms of the Proprietary Information Agreement, Executive shall receive, in addition to payments and benefits set forth in Section 3(c), the following:

(i) an amount in cash equal to 0.5 times the sum of (A) the Annual Base Salary and (B) the Annual Bonus at the target amount, which amount shall be paid in a lump sum on the First Payment Date (as defined below);

(ii) if Executive elects to receive continued medical, dental or vision coverage under one or more of the Company's group healthcare plans pursuant to COBRA, the Company shall directly pay, or reimburse Executive for, the COBRA premiums for Executive and Executive's covered dependents under such plans during the period commencing on Executive's Separation from Service and ending upon the earliest of (X) the date that is nine (9) months following Executive's Separation from Service, (Y) the date that Executive and/or Executive's covered dependents become no longer eligible for COBRA or (Z) the date Executive becomes eligible to receive healthcare coverage from a subsequent employer. Notwithstanding the foregoing, if the Company determines in its sole discretion that it cannot provide the foregoing benefit without potentially violating applicable law or incurring an excise tax (including, without limitation, by reason of Section 2716 of the Public Health Service Act), the Company shall in lieu thereof provide to Executive a taxable monthly payment in an amount equal to the monthly COBRA premium that Executive would be required to pay to continue Executive's and Executive's covered dependents' group health coverage in effect on the Date of Termination (which amount shall be based on the premium for the first month of COBRA coverage), less the amount the Executive would have had to pay to receive group health coverage for Executive and Executive's covered dependents based on the cost sharing levels in effect on the Date of Termination, which payments shall be made regardless of whether Executive elects COBRA continuation coverage and shall commence in the month following the month in which the Date of Termination occurs and shall end on the earlier of (X) the last day of the nine (9) month period following Executive's Separation from Service, (Y) the date that Executive and/or Executive's covered dependents become no longer eligible for COBRA or (Z) the date Executive becomes eligible to receive healthcare coverage from a subsequent employer; and

(iii) accelerated vesting of any portion of the Option that is unvested as of the Date of Termination.

5. Employee Proprietary Information and Inventions Assignment Agreement.

Executive acknowledges and agrees that Executive continue to be bound by the terms of the Parent's Employee Proprietary Information and Inventions Assignment Agreement (the "Proprietary Information Agreement"), which Proprietary Information Agreement contains certain non-competition, non-solicitation, non-disclosure and assignment of inventions provisions in favor of the Parent.

6. Assignment and Successors.

The Company may assign its rights and obligations under this Agreement to any of its affiliates, including, without limitation, any successor to all or substantially all of the business or the assets of the Company (by merger or otherwise), and may assign or encumber this Agreement and its rights hereunder as security for indebtedness of the Company and its affiliates. This Agreement shall be binding upon and inure to the benefit of the Company, Executive and their respective successors, assigns, personnel and legal representatives, executors, administrators, heirs, distributees, devisees, and legatees, as applicable. None of Executive's rights or obligations may be assigned or transferred by Executive, other than Executive's rights to payments hereunder, which may be transferred only by will or operation of law. Notwithstanding the foregoing, Executive shall be entitled, to the extent permitted under applicable law and applicable Company Arrangements, to select and change a beneficiary or beneficiaries to receive compensation hereunder following Executive's death by giving written notice thereof to the Company.

7. Certain Definitions.

(a) Cause. The Company shall have "Cause" to terminate Executive's employment hereunder upon:

(i) Executive's failure to (A) substantially perform his duties with the Company (other than any such failure resulting from Executive's Disability) or (B) comply with, in any material respect, any of the Company's Policies;

(ii) the Board's determination that Executive failed in any material respect to carry out or comply with any lawful and reasonable directive of the Board;

(iii) Executive's breach of a material provision of this Agreement or the Proprietary Information Agreement;

(iv) Executive's conviction, plea of no contest, plea of nolo contendere, or imposition of unadjudicated probation for any felony or crime involving moral turpitude;

(v) Executive's unlawful use (including being under the influence) or possession of illegal drugs on the Company's (or any of its affiliate's) premises or while performing Executive's duties and responsibilities under this Agreement; or

(vi) Executive's commission of an act of fraud, embezzlement, misappropriation, willful misconduct, or breach of fiduciary duty against the Company or any of its affiliates.

(b) Change in Control. "Change in Control" shall mean and include each of the following:

(i) A transaction or series of related transactions (other than an offering of Common Shares to the general public through a registration statement filed with the Securities and Exchange Commission or a transaction or series of related transactions that meets the requirements of clauses (A) and (B) of subsection (ii) below) whereby any "person" or related "group" of "persons" (as such terms are used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934 (the "Exchange Act")) (other than the Parent, any of its subsidiaries, an employee benefit plan maintained by the Parent 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 Parent) directly or indirectly acquires beneficial ownership (within the meaning of Rule l3d-3 under the Exchange Act) of securities of the Parent possessing more than 50% of the total combined voting power of the Parent's securities outstanding immediately after such acquisition; or

(ii) The consummation by the Parent (whether directly involving the Parent or indirectly involving the Parent 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 Parent'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:

(A) which results in the Parent's voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Parent or the person that, as a result of the transaction, controls, directly or indirectly, the Parent or owns, directly or indirectly, all or substantially all of the Parents assets or otherwise succeeds to the business of the Parent (the Parent 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

(B) 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 (B) 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 Parent prior to the consummation of the transaction.

Notwithstanding the foregoing, in no event shall the transaction or event described in subsection (i) or (ii) constitute a Change in Control for purposes of this Agreement unless such transaction also constitutes a "change in control event," as defined in Treasury Regulation Section 1.409A-3(i)(5).

(c) Date of Termination. "Date of Termination" shall mean (i) if Executive's employment is terminated by Executive's death, the date of Executive's death; or (ii) if Executive's employment is terminated pursuant to Section 3(a)(ii) - (vi) either the date indicated in the Notice of Termination or the date specified by the Company pursuant to Section 3(b), whichever is earlier.

(d) Disability. "Disability" shall mean, at any time the Company or any of its affiliates sponsors a long-term disability plan for the Company's employees, "disability" as defined in such long-term disability plan for the purpose of determining a participant's eligibility for benefits, provided, however, if the long-term disability plan contains multiple definitions of disability, "Disability" shall refer to that definition of disability which, if Executive qualified for such disability benefits, would provide coverage for the longest period of time. The determination of whether Executive has a Disability shall be made by the person or persons required to make disability determinations under the long-term disability plan. At any time the Company does not sponsor a long-term disability plan for its employees, Disability shall mean Executive's inability to perform, with or without reasonable accommodation, the essential functions of Executive's position hereunder for a total of three months during any six-month period as a result of incapacity due to mental or physical illness as determined by a physician selected by the Company or its insurers and acceptable to Executive or Executive's legal representative, with such agreement as to acceptability not to be unreasonably withheld or delayed. Any refusal by Executive to submit to a medical examination for the purpose of determining Disability shall be deemed to constitute conclusive evidence of Executive's Disability.

(e) Good Reason. For the sole purpose of determining Executive's right to severance payments as described above, Executive's resignation will be for "Good Reason" if Executive resigns within ninety days after any of the following events, unless Executive consents to the applicable event: (i) a decrease in Executive's annual base salary, other than a reduction in annual base salary of less than 10% that is implemented in connection with a contemporaneous reduction in annual base salaries affecting other senior executives of the Company and the Parent, (ii) a material decrease in Executive's authority or areas of responsibility as are commensurate with Executive's title or position (other than decreases that occur when individuals are hired to replace departing executives or are hired at a level below Executive Vice President and other than in connection with a corporate transaction where Executive continues to hold the position referenced in Section l(c) above with respect to the Parent's business, substantially as such business exists prior to the date of consummation of such corporate transaction, but does not hold such position with respect to the successor corporation), or (iii) the relocation of Executive's primary office to a location more than 50 miles from the Boston. Massachusetts metropolitan area. Notwithstanding the foregoing, no Good Reason will have occurred unless and until Executive has: (i) provided the Parent, within 60 days of Executive's knowledge of the occurrence of the facts and circumstances underlying the Good Reason event, written-notice stating with specificity the applicable facts and circumstances underlying such finding of Good Reason; and (ii) provided the Parent with an opportunity to cure the same within 30 days after the receipt of such notice.

(f) Person. "Person" means any individual or any corporation, limited liability company, general partnership, limited partnership, venture, trust, business trust, unincorporated association, estate or other entity.

8. Miscellaneous Provisions.

(a) Governing Law. This Agreement shall be governed, construed, interpreted and enforced in accordance with its express terms, and otherwise in accordance with the substantive laws of the Commonwealth of Massachusetts without reference to the principles of conflicts of law of the Commonwealth of Massachusetts or any other jurisdiction, and where applicable, the laws of the United States.

(b) Validity. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

(c) Notices. Any notice, request, claim, demand, document and other communication hereunder to any Party shall be effective upon receipt (or refusal of receipt) and shall be in writing and delivered personally or sent by facsimile or certified or registered mail, postage prepaid, as follows:

(i) If to the Company or the Parent, the General Counsel of the Parent at its headquarters,

(ii) If to Executive, at the last address that the Company or the Parent has in its personnel records for Executive, or

(iii) At any other address as any Party shall have specified by notice in writing to the other Party.

(d) Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, but all of which together will constitute one and the same Agreement. Signatures delivered by facsimile shall be deemed effective for all purposes.

(e) Entire Agreement. The terms of this Agreement and the Proprietary Information Agreement are intended by the Parties to be the final expression of their agreement with respect to the subject matter hereof and thereof and supersede all prior understandings and agreements, whether written or oral, including, without limitation, that certain offer letter between Executive and the Parent, dated as of December 1, 2015 and the Original Employment Agreement. The Parties further intend that this Agreement and the Proprietary Information Agreement shall constitute the complete and exclusive statement of their terms and that no extrinsic evidence whatsoever may be introduced in any judicial, administrative, or other legal proceeding to vary the terms of this Agreement or the Proprietary Information Agreement.

(f) Amendments; Waivers. This Agreement may not be modified, amended, or terminated except by an instrument in writing, signed by Executive and a duly authorized officer of the Parent or the Company. By an instrument in writing similarly executed, Executive or a duly authorized officer of the Company or the Parent may waive compliance by the other Party with any specifically identified provision of this Agreement that such other Party was or is obligated to comply with or perform; *provided*, *however*, that such waiver shall not operate as a

waiver of, or estoppel with respect to, any other or subsequent failure. No failure to exercise and no delay in exercising any right, remedy, or power hereunder preclude any other or further exercise of any other right, remedy, or power provided herein or by law or in equity.

(g) No Inconsistent Actions. The Parties hereto shall not voluntarily undertake or fail to undertake any action or course of action inconsistent with the provisions or essential intent of this Agreement. Furthermore, it is the intent of the Parties hereto to act in a fair and reasonable manner with respect to the interpretation and application of the provisions of this Agreement.

(h) Construction. This Agreement shall be deemed drafted equally by both the Parties. Its language shall be construed as a whole and according to its fair meaning. Any presumption or principle that the language is to be construed against any Party shall not apply. The headings in this Agreement are only for convenience and are not intended to affect construction or interpretation. Any references to paragraphs, subparagraphs, sections or subsections are to those parts of this Agreement, unless the context clearly indicates to the contrary. Also, unless the context clearly indicates to the contrary, (a) the plural includes the singular and the singular includes the plural; (b) "and" and "or" are each used both conjunctively and disjunctively; (c) "any, "all," "each," or "every" means "any and all", and "each and every"; (d) "includes" and "including" are each "without limitation"; (e) "herein," "hereof," "hereunder" and other similar compounds of the word "here" refer to the entire Agreement and not to any particular paragraph, subparagraph, section or subsection; and (f) all pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular or plural as the identity of the entities or persons referred to may require.

(i) Arbitration. Any controversy, claim or dispute arising out of or relating to this Agreement, shall be settled solely and exclusively by a binding arbitration process administered by JAMS/Endispute in Boston, Massachusetts. Such arbitration shall be conducted in accordance with the then-existing JAMS/Endispute Rules of Practice and Procedure, with the following exceptions if in conflict: (a) one arbitrator who is a retired judge shall be chosen by JAMS/Endispute; (b) each Party to the arbitration will pay one-half of the expenses and fees of the arbitrator, together with other expenses of the arbitration incurred or approved by the arbitrator; and (c) arbitration may proceed in the absence of any Party if written notice (pursuant to the JAMS/Endispute rules and regulations) of the proceedings has been given to such Party. Each Party shall bear its own attorneys' fees and expenses; provided that the arbitrator may assess the prevailing Party's fees and costs against the non-prevailing Party as part of the arbitrator's award. The Parties agree to abide by all decisions and awards rendered in such proceedings. Such decisions and awards rendered by the arbitrator shall be final and conclusive. All such controversies, claims or disputes shall be settled in this manner in lieu of any action at law or equity; provided, however, that nothing in this subsection shall be construed as precluding the bringing an action for injunctive relief or specific performance as provided in this Agreement or the Proprietary Information Agreement. This dispute resolution process and any arbitration hereunder shall be confidential and neither any Party nor the neutral arbitrator shall disclose the existence, contents or results of such process without the prior written consent of all Parties, except where necessary or compelled in a Court to enforce this arbitration provision or an award from such arbitration or otherwise in a legal proceeding. If JAMS/Endispute no longer exists or is otherwise unavailable, the Parties agree that the American Arbitration Association ("AAA") shall administer the arbitration in accordance with its then-existing rules as modified by this subsection. In such event, all references herein to JAMS/Endispute shall mean AAA.

(j) Enforcement. If any provision of this Agreement is held to be illegal, invalid or unenforceable under present or future laws effective during the term of this Agreement, such provision shall be fully severable; this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a portion of this Agreement; and the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance from this Agreement. Furthermore, in lieu of such illegal, invalid or unenforceable provision there shall be added automatically as part of this Agreement a provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible and be legal, valid and enforceable.

(k) Withholding. The Company shall be entitled to withhold from any amounts payable under this Agreement any federal, state, local or foreign withholding or other taxes or charges which the Company is required to withhold. The Company shall be entitled to rely on an opinion of counsel if any questions as to the amount or requirement of withholding shall arise.

(l) Survival. Notwithstanding anything to the contrary in this Agreement, the provisions of Sections 5 through 8 will survive the termination of Executive's employment and the expiration or termination of the Term.

(m) Section 409A.

(i) *General*. The intent of the Parties is that the payments and benefits under this Agreement comply with or be exempt from Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations and guidance promulgated thereunder (collectively, "Section 409A") and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance therewith.

(ii) *Separation from Service*. Notwithstanding anything in this Agreement to the contrary, any compensation or benefits payable under this Agreement that are designated under this Agreement as payable upon Executive's termination of employment shall be payable only upon Executive's "separation from service" with the Company within the meaning of Section 409A (a "Separation from Service") and, except as provided below, any such compensation or benefits described in Sections 4(b) and 4(c) shall not be paid, or, in the case of installments, shall not commence payment, until the 30th day following Executive's Separation from Service (the "First Payment Date"). Any installment payments that would have been made to Executive during the 30-day period immediately following Executive's Separation from Service but for the preceding sentence shall be paid to Executive on the First Payment Date and the remaining payments shall be made as provided in this Agreement.

(iii) Specified Employee. Notwithstanding anything in this Agreement to the contrary, if Executive is deemed by the Company at the time of Executive's Separation from Service to be a "specified employee" for purposes of Section 409A, to the extent delayed commencement of any portion of the benefits to which Executive is entitled under this Agreement is required in order to avoid a prohibited distribution under Section 409A, such portion of Executive's benefits shall not be provided to Executive prior to the earlier of (i) the

expiration of the 6-month period measured from the date of Executive's Separation from Service with the Company or (ii) the date of Executive's death. Upon the first business day following the expiration of the applicable Section 409A period, all payments deferred pursuant to the preceding sentence shall be paid in a lump sum to Executive (or Executive's estate or beneficiaries), and any remaining payments due to Executive under this Agreement shall be paid as otherwise provided herein.

(iv) *Expense Reimbursements.* To the extent that any reimbursements under this Agreement are subject to Section 409A, any such reimbursements payable to Executive shall be paid to Executive no later than December 31 of the year following the year in which the expense was incurred, provided that Executive submits Executive's reimbursement request promptly following the date the expense is incurred. The amount of expenses reimbursed in one year shall not affect the amount eligible for reimbursement in any subsequent year, other than medical expenses referred to in Section 105(b) of the Code, and Executive's right to reimbursement under this Agreement will not be subject to liquidation or exchange for another benefit.

(v) *Installments.* Executive's right to receive any installment payments under this Agreement, including without limitation any continuation of salary payments that are payable on Company payroll dates, shall be treated as a right to receive a series of separate payments and, accordingly, each such installment payment shall at all times be considered a separate and distinct payment as permitted under Section 409A. Except as otherwise permitted under Section 409A, no payment hereunder shall be accelerated or deferred unless such acceleration or deferral would not result in additional tax or interest pursuant to Section 409A.

9. Executive Acknowledgement.

Executive acknowledges that Executive has read and understands this Agreement, is fully aware of its legal effect, has not acted in reliance upon any representations or promises made by the Company other than those contained in writing herein, and has entered into this Agreement freely based on Executive's own judgment.

10. Third Party Beneficiary Rights.

The Parent has third party beneficiary rights to the terms of this Agreement applicable to the Company.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the persons below have executed this Agreement on the date and year first above written.

PARENT

By: /s/ Ton Logtenberg
Ton Logtenberg
Chief Executive Officer

By: /s/ Shelley Margetson
Shelley Margetson
Chief Financial Officer

COMPANY

By: /s/ Ton Logtenberg
Ton Logtenberg
Chief Executive Officer

By: /s/ Shelley Margetson
Shelley Margetson
Chief Financial Officer

EXECUTIVE

By: /s/ Hui Liu
Hui Liu

EXHIBIT A

Separation Agreement and Release

This Separation Agreement and Release ("Agreement") is made by and between Hui Liu ("Executive") and (the "Company") (collectively referred to as the "Parties" or individually referred to as a "Party"). Capitalized terms used but not defined in this Agreement shall have the meanings set forth in the Employment Agreement (as defined below).

WHEREAS, the Parties have previously entered into that certain Employment Agreement, dated as of (the "Employment Agreement"); and

WHEREAS, in connection with Executive's termination of employment with the Company or a subsidiary or affiliate of the Company effective , 20 , the Parties wish to resolve any and all disputes, claims, complaints, grievances, charges, actions, petitions, and demands that Executive may have against the Company and any of the Releasees as defined below, including, but not limited to, any and all claims arising out of or in any way related to Executive's employment with or separation from the Company or its subsidiaries or affiliates but, for the avoidance of doubt, nothing herein will be deemed to release any rights or remedies in connection with Executive's ownership of vested equity securities of the Company or Executive's right to indemnification by the Company or any of its affiliates pursuant to contract or applicable law (collectively, the "Retained Claims").

NOW, THEREFORE, in consideration of the severance payments and benefits described in Section 4 of the Employment Agreement, which, pursuant to the Employment Agreement, are conditioned on Executive's execution and non-revocation of this Agreement, and in consideration of the mutual promises made herein, the Company and Executive hereby agree as follows:

1. Severance Payments; Salary and Benefits. The Company agrees to provide Executive with the severance payments and benefits described in Section 4(b) or Section 4(c) of the Employment Agreement, payable at the times set forth in, and subject to the terms and conditions of, the Employment Agreement. In addition, to the extent not already paid, and subject to the terms and conditions of the Employment Agreement, the Company shall pay or provide to Executive all other payments or benefits described in Section 3(c) of the Employment Agreement, subject to and in accordance with the terms thereof.

2. Release of Claims. Executive agrees that, other than with respect to the Retained Claims, the foregoing consideration represents settlement in full of all outstanding obligations owed to Executive by the Company, any of its direct or indirect parents, subsidiaries and affiliates, and any of their current and former officers, directors, equity holders, managers, employees, agents, investors, attorneys, shareholders, administrators, affiliates, benefit plans, plan administrators, insurers, trustees, divisions, and subsidiaries and predecessor and successor corporations and assigns (collectively, the "Releasees"). Executive, on Executive's own behalf and on behalf of any of Executive's affiliated companies or entities and any of their respective heirs, family members, executors, agents, and assigns, other than with respect to the Retained Claims, hereby and forever releases the Releasees from, and agrees not to sue concerning, or in any manner to institute, prosecute, or pursue, any claim, complaint, charge, duty, obligation, or cause of action relating to any matters of any kind, whether presently known or unknown,

suspected or unsuspected, that Executive may possess against any of the Releasees arising from any omissions, acts, facts, or damages that have occurred up until and including the Effective Date of this Agreement (as defined in Section 7 below), including, without limitation:

(a) any and all claims relating to or arising from Executive's employment or service relationship with the Company or any of its direct or indirect subsidiaries or affiliates and the termination of that relationship;

(b) any and all claims relating to, or arising from, Executive's right to purchase, or actual purchase of any shares of stock or other equity interests of the Company or any of its affiliates, including, without limitation, any claims for fraud, misrepresentation, breach of fiduciary duty, breach of duty under applicable state corporate law, and securities fraud under any state or federal law;

(c) any and all claims for wrongful discharge of employment; termination in violation of public policy; discrimination; harassment; retaliation; breach of contract, both express and implied; breach of covenant of good faith and fair dealing, both express and implied; promissory estoppel; negligent or intentional infliction of emotional distress; fraud; negligent or intentional misrepresentation; negligent or intentional interference with contract or prospective economic advantage; unfair business practices; defamation; libel; slander; negligence; personal injury; assault; battery; invasion of privacy; false imprisonment; conversion; and disability benefits;

(d) any and all claims for violation of any federal, state, or municipal statute, including, but not limited to, Title VII of the Civil Rights Act of 1964; the Civil Rights Act of 1991; the Rehabilitation Act of 1973; the Americans with Disabilities Act of 1990; the Equal Pay Act; the Fair Credit Reporting Act; the Age Discrimination in Employment Act of 1967;the Older Workers Benefit Protection Act; the Employee Retirement Income Security Act of 1974; the Worker Adjustment and Retraining Notification Act; the Family and Medical Leave Act; and the Sarbanes-Oxley Act of 2002;

(e) any and all claims for violation of the federal or any state constitution;

(f) any and all claims arising out of any other laws and regulations relating to employment or employment discrimination;

(g) any claim for any loss, cost, damage, or expense arising out of any dispute over the non-withholding or other tax treatment of any of the proceeds received by Executive as a result of this Agreement; and

(h) any and all claims for attorneys' fees and costs.

Executive agrees that the release set forth in this section shall be and remain in effect in all respects as a complete general release as to the matters released. This release does not release claims that cannot be released as a matter of law, including, but not limited to, Executive's right to report possible violations of federal law or regulation to any governmental agency or entity in accordance with the provisions of and rules promulgated under Section 21F of the Securities Exchange Act of 1934 or Section 806 of the Sarbanes-Oxley Act of 2002, or any other

whistleblower protection provisions of state or federal law or regulation, Executive's right to file a charge with or participate in a charge by the Equal Employment Opportunity Commission, or any other local, state, or federal administrative body or government agency that is authorized to enforce or administer laws related to employment, against the Company (with the understanding that Executive's release of claims herein bars Executive from recovering such monetary relief from the Company or any Releasee), claims for unemployment compensation or any state disability insurance benefits pursuant to the terms of applicable state law, claims to continued participation in certain of the Company's group benefit plans pursuant to the terms and conditions of COBRA, claims to any benefit entitlements vested as the date of separation of Executive's employment, pursuant to written terms of any employee benefit plan of the Company or its affiliates and Executive's right under applicable law and any Retained Claims. This release further does not release claims for breach of Section 3(c), Section 4(b) or Section 4(c) of the Employment Agreement.

3. Acknowledgment of Waiver of Claims under ADEA. Executive understands and acknowledges that Executive is waiving and releasing any rights Executive may have under the Age Discrimination in Employment Act of 1967 ("ADEA"), and that this waiver and release is knowing and voluntary. Executive understands and agrees that this waiver and release does not apply to any rights or claims that may arise under the ADEA after the Effective Date of this Agreement. Executive understands and acknowledges that the consideration given for this waiver and release is in addition to anything of value to which Executive was already entitled. Executive further understands and acknowledges that Executive has been advised by this writing that: (a) Executive should consult with an attorney prior to executing this Agreement; (b) Executive has 21 days within which to consider this Agreement; (c) Executive has 7 days following Executive's execution of this Agreement to revoke this Agreement pursuant to written notice to the General Counsel of the Company; (d) this Agreement shall not be effective until after the revocation period has expired; and (e) nothing in this Agreement prevents or precludes Executive from challenging or seeking a determination in good faith of the validity of this waiver under the ADEA, nor does it impose any condition precedent, penalties, or costs for doing so, unless specifically authorized by federal law. In the event Executive signs this Agreement and returns it to the Company in less than the 21 day period identified above, Executive hereby acknowledges that Executive has freely and voluntarily chosen to waive the time period allotted for considering this Agreement.

4. Severability. In the event that any provision or any portion of any provision hereof or any surviving agreement made a part hereof becomes or is declared by a court of competent jurisdiction or arbitrator to be illegal, unenforceable, or void, this Agreement shall continue in full force and effect without said provision or portion of provision.

5. No Oral Modification. This Agreement may only be amended in a writing signed by Executive and a duly authorized officer of the Company.

6. Governing Law; Dispute Resolution. This Agreement shall be subject to the provisions of Sections 9(a), 9(c) and 9(i) of the Employment Agreement.

7. Effective Date. If Executive has attained or is over the age of 40 as of the date of Executive's termination of employment, then each Party has seven days after that Party signs this Agreement to revoke it and this Agreement will become effective on the eighth day after

Executive signed this Agreement, so long as it has been signed by the Parties and has not been revoked by either Party before that date (the "Effective Date"). If Executive has not attained the age of 40 as of the date of Executive's termination of employment, then the "Effective Date" shall be the date on which Executive signs this Agreement.

8. Voluntary Execution of Agreement. Executive understands and agrees that Executive executed this Agreement voluntarily, without any duress or undue influence on the part or behalf of the Company or any third party, with the full intent of releasing all of Executive's claims against the Company and any of the other Releasees. Executive acknowledges that: (a) Executive has read this Agreement; (b) Executive has not relied upon any representations or statements made by the Company that are not specifically set forth in this Agreement; (c) Executive has been represented in the preparation, negotiation, and execution of this Agreement by legal counsel of Executive's own choice or has elected not to retain legal counsel; (d) Executive understands the terms and consequences of this Agreement and of the releases it contains; and (e) Executive is fully aware of the legal and binding effect of this Agreement.

IN WITNESS WHEREOF, the Parties have executed this Agreement on the respective dates set forth below.

Dated: _____

_____
Hui Liu

COMPANY

Dated: _____

By: _____
Name:
Title:

Exhibit 4.8

EXECUTION VERSION

EMPLOYMENT AGREEMENT

This Employment Agreement (this "Agreement"), dated as of October 2016 is made by and among Merus US, Inc., a Delaware corporation (together with any successors or assigns, the "Company"), Leonardes Andres Sirulnik ("Executive") and, solely for purposes of Sections 1, 2(c), 6, 8 and 9(b), Merus N.V., a Dutch public limited liability company ("Parent"). The Company, Parent and Executive are collectively referred to herein as the "Parties" and individually as a "Party."

RECITALS

(A) It is the desire of the Company to assure itself of the services of Executive beginning on and following a date to be mutually agreed upon by the Company and Executive, which date will be no later than November 1, 2016 by entering into this Agreement. The actual date on which Executive begins his employment with the Company is referred to herein as the "Effective Date."

(B) Executive and the Company mutually desire that Executive provide services to the Company on the terms herein provided.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and of the respective covenants and agreements set forth below, the Parties hereto agree as follows:

1. Employment.

(a) General. Effective as of the Effective Date, the Company shall employ Executive and Executive shall remain in the employ of the Company, for the period and in the position set forth in this Section 1, and subject to the other terms and conditions herein provided.

(b) At-Will Employment. The Company and Executive acknowledge that Executive's employment is at-will, as defined under applicable law, and that Executive's employment with the Company may be terminated by the Company or Executive at any time for any or no reason (subject to the notice requirements of Section 3(b)). This "at-will" nature of Executive's employment shall remain unchanged during Executive's tenure as an employee and may not be changed, except in an express writing signed by Executive and a duly authorized officer of the Company. If Executive's employment terminates for any reason, Executive shall not be entitled to any payments, benefits, damages, award or compensation other than as provided in this Agreement or otherwise agreed to in writing by a duly authorized officer of the Company, a duly authorized officer of the Parent or as provided by applicable law. The period of Executive's employment by the Company shall be referred to herein as the "Term".

(c) Position; Duties and Location. Executive shall serve as Executive Vice President, Chief Medical Officer of the Company and Parent, with such responsibilities, duties and authority normally associated with such positions and as may from time to time be assigned to Executive by the Chief Executive Officer of Parent or the Management Board or the Supervisory Board of the Parent (either one, the "Board"). Executive's normal place of work shall be at the

Company's office in the Boston, Massachusetts metropolitan area. Executive shall devote substantially all of Executive's working time and efforts to the business and affairs of the Company (which shall include service to its affiliates, including Parent as applicable) and shall not engage in outside business activities (including serving on outside boards or committees) without the consent of the Board, provided that Executive shall be permitted to (i) manage Executive's personal, financial and legal affairs, (ii) participate in trade associations, and (iii) serve on the board of directors and committees of not-for-profit or tax-exempt charitable organizations, in each case, subject to compliance with this Agreement and provided that such activities do not materially interfere with Executive's performance of Executive's duties and responsibilities hereunder. Executive agrees to observe and comply with the written rules and policies of the Company and Parent as adopted by the Company or Parent, as applicable from time to time, in each case as amended from time to time, as set forth in writing, and as delivered or made available to Executive (each, a "Policy").

2. Compensation and Related Matters.

(a) Annual Base Salary. During the Term, Executive shall receive a base salary as adjusted from time to time, "Annual Base Salary" at a rate of no less than $390,000 per annum, which shall be paid in accordance with the customary payroll practices of the Company and shall be pro-rated for partial years of employment, The Annual Base Salary shall be reviewed from time to time (but no less than annually) by the Board and may be increased (but not decreased) from the annual rate then in effect.

(b) Bonus.

(i) *Annual Bonus.* During the Term, Executive will be eligible to participate in an annual incentive program established by the Board. Executive's annual incentive compensation under such incentive program (the "Annual Bonus") shall be targeted at 40% of his Annual Base Salary. The Annual Bonus payable under the incentive program shall be based on the achievement of performance goals to be determined by the Board and may be pro-rated for calendar year 2016 performance based on the Effective Date. The payment of any Annual Bonus pursuant to the incentive program shall be subject to Executive's continued employment with the Company through the date of payment.

(ii) *Sign-On Bonus.* Within thirty (30) days following the Effective Date, the Company will pay Executive a one-time lump sum cash payment of $125,000 (the "Sign-on Bonus"). In the event Executive resigns from Executive's employment with the Company other than for Good Reason or is terminated by the Company for Cause prior to the one year anniversary of the Effective Date, Executive agrees to immediately repay 100% of the Sign-on Bonus to the Company (and for the avoidance of doubt, Executive will retain the Sign-on Bonus if his employment with the Company terminates for any other reason). In addition, the Company will pay Executive an additional amount of $50,000, within thirty (30) days following each of the first and second anniversaries of the Effective Date, subject to Executive's continued employment with the Company through each such date.

(c) Equity Awards. On the Effective Date, Parent will grant Executive an option to purchase 219,890 common shares of Parent (equalling 1.2% on fully diluted share basis) pursuant to Parent's 2016 Incentive Award Plan and the Stock Option Grant Notice in the form attached hereto as Exhibit A (the "Option Grant Notice"), which shall provide for a per share exercise price equal to the per share fair market value (closing price on Nasdaq Global Market) as per the Effective Date (the "Option"). Executive shall be eligible to receive additional equity awards at the discretion of the Board.

(d) Benefits. During the Term, Executive shall be eligible to participate in employee benefit plans, programs and arrangements of the Company (including medical, dental, vision, life insurance, disability insurance and defined contribution 401(k) plan) made available to other similarly-situated employees of the Company, consistent with the terms thereof and as such plans, programs and arrangements may be amended from time to time. Notwithstanding the foregoing, if the Company does not maintain any "group health plan" (within the meaning of Section 4980B of the Internal Revenue Code and the regulations thereunder ("COBRA")) for its U.S. employees as of the Effective Date, then, subject to Executive's valid election to receive COBRA benefits under the health plans of Executive's prior employer, during the period beginning on the Effective Date and ending on the first to occur of: (i) the date on which the Company adopts or otherwise makes generally available to its U.S. employees a group health plan or (ii) the date on which Executive terminates employment with the Company, the Company shall reimburse Executive for the actual cost of healthcare premiums incurred by Executive under the group health plan of Executive's prior employer pursuant to COBRA, subject to proper substantiation of such costs in accordance with applicable Company Policy no later than sixty (60) days after such costs are incurred; provided, that, in the event the period of time during which Executive is entitled to continuation coverage under the group health plan of Executive's prior employer pursuant to COBRA expires prior to the Company adopting or otherwise making available a group health plan to its U.S. employees, the Company shall continue to pay Executive for healthcare costs in an amount equal to the cost of healthcare premiums incurred by Executive under the group health plan of Executive's prior employer pursuant to COBRA based on the last month of the COBRA period. Such costs shall be reimbursed promptly, but in no event later than sixty (60) days following proper substantiation thereof.

(e) Vacation. During the Term, Executive shall be entitled to no less than four (4) weeks of paid personal leave per calendar year in accordance with the Company's paid time off Policies. Any vacation shall be taken at the reasonable and mutual convenience of the Company and Executive.

(f) Business Expenses. During the Term, the Company shall reimburse Executive for all reasonable travel and other business expenses incurred by Executive in the performance of Executive's duties to the Company in accordance with the Company's expense reimbursement Policy.

(g) Key Person Insurance. At any time during the Term, the Company shall have the right to insure the life of Executive for the Company's sole benefit. The Company shall have the right to determine the amount of insurance and the type of policy. Executive shall reasonably cooperate with the Company in obtaining such insurance by submitting to physical examinations, by supplying all information reasonably required by any insurance carrier, and by executing all

necessary documents reasonably required by any insurance carrier, provided that any information provided to an insurance company or broker shall not be provided to the Company or its affiliates without the prior written authorization of Executive. Executive shall incur no financial obligation by executing any required document, and shall have no interest in any such policy.

3. Termination.

(a) Circumstances. Executive's employment hereunder may be terminated by the Company or Executive, as applicable, without any breach of this Agreement, at any time, under the following circumstances:

(i) *Death.* Executive's employment hereunder shall terminate upon Executive's death.

(ii) *Disability.* If Executive has incurred a Disability, as defined below, the Company may terminate Executive's employment.

(iii) *Termination for Cause.* The Company may terminate Executive's employment for Cause, as defined below.

(iv) *Termination without Cause.* The Company may terminate Executive's employment without Cause.

(v) *Resignation from the Company for Good Reason.* Executive may resign Executive's employment with the Company for Good Reason, as defined below.

(vi) *Resignation from the Company Without Good Reason.* Executive may resign Executive's employment with the Company for any reason other than Good Reason or for no reason.

(b) Notice of Termination. Any termination of Executive's employment by the Company or by Executive under this Section 3 (other than termination pursuant to Section 3(a)(i)) shall be communicated by a written notice to the other Party (i) indicating the specific termination provision in this Agreement relied upon, (ii) setting forth in reasonable detail the facts and circumstances claimed to provide a basis for the termination of Executive's employment under the provision so indicated, if applicable, and (iii) specifying a Date of Termination which, if submitted by Executive, shall be at least thirty (30) days following the date of such notice (a "Notice of Termination"); *provided, however,* that in the event that Executive delivers a Notice of Termination to the Company, the Company may, in its sole discretion, change the Date of Termination to any date that occurs following the date of Company's receipt of such Notice of Termination and is prior to the date specified in such Notice of Termination. A Notice of Termination submitted by the Company may provide for a Date of Termination on the date Executive receives the Notice of Termination, or any date thereafter elected by the Company in its sole discretion. The failure by the Company or Executive to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Cause or Good Reason shall not waive any right of such Party hereunder or preclude such Party from asserting such fact or circumstance in enforcing such Party's rights hereunder.

(c) Company Obligations upon Termination. Upon termination of Executive's employment pursuant to this Section 3, Executive (or Executive's estate) shall be entitled to receive the sum of; (i) the portion of Executive's Annual Base Salary earned through the Date of Termination, but not yet paid to Executive; (ii) any expenses owed to Executive pursuant to Section 2(f); and (iii) any amount accrued and arising from Executive's participation in, or benefits accrued under any employee benefit plans, programs or arrangements, which amounts shall be payable in accordance with the terms and conditions of such employee benefit plans, programs or arrangements (collectively, the "Company Arrangements"). Except as otherwise expressly required by law (e.g., COBRA) or as specifically provided herein, all of Executive's rights to salary, severance, benefits, bonuses and other compensatory amounts hereunder (if any) shall cease upon the termination of Executive's employment hereunder. In the event that Executive's employment is terminated by the Company for any reason, Executive's sole and exclusive remedy hereunder shall be to receive the payments and benefits described in this Section 3(c) or Section 4, as applicable. For the avoidance of doubt, nothing in this Agreement shall limit in any way any rights of Executive to receive compensation, reimbursement or other payments pursuant to any other agreement (including the Option Grant Notice) entered into between Executive and the Company, Parent and/or their respective affiliates, to the extent any such agreement provides for payment following the termination of Executive's employment.

(d) Deemed Resignation. Upon termination of Executive's employment for any reason, Executive shall be deemed to have resigned from all offices and directorships, if any, then held with the Company or any of its affiliates, including Parent.

4. Severance Payments.

(a) Termination for Cause, or Termination Upon Death, Disability or Resignation from the Company Without Good Reason. If Executive's employment shall terminate as a result of Executive's death pursuant to Section 3(a)(i) or Disability pursuant to Section 3(a)(ii), pursuant to Section 3(a)(iii) for Cause, or pursuant to Section 3(a)(vi) for Executive's resignation from the Company without Good Reason, then Executive shall not be entitled to any severance payments or benefits, except as provided in Section 3(c).

(b) Termination without Cause or Resignation from the Company for Good Reason. If Executive's employment is terminated by the Company without Cause pursuant to Section 3(a)(iv) or pursuant to Section 3(a)(v) due to Executive's resignation for Good Reason, in either case, which termination does not occur within one year following the date of a Change in Control, then Executive shall receive the payments and benefits set forth in Section 3(c) and, in addition to such payments and benefits, subject to Executive signing on or before the 21st day following Executive's Separation from Service (as defined below), and not revoking, a release of claims in substantially the form attached hereto as Exhibit B (the "Release"), and Executive's continued compliance with the terms of the Proprietary Information Agreement (as defined below),, an amount in cash equal to 0.5 times the Annual Base Salary, payable in the form of salary continuation in regular instalments over the six-month period following Executive's Separation from Service in accordance with the Company's customary payroll practices, (ii) payment, on the First Payment Date (or, if later, the date paid to active executives of the Company), of any unpaid and earned Annual Bonus for a completed bonus year, and (iii) in the discretion of the Board, accelerated vesting (in whole or in part) of any portion of the Option that is unvested as of the Date of Termination.

(c) Change in Control. Notwithstanding anything to the contrary in Section 4(b), in the event Executive's employment is terminated by the Company without Cause pursuant to Section 3(a)(iv) or pursuant to Section 3(a)(v) due to Executive's resignation for Good Reason, in either case, within one year following the date of a Change in Control, then, Executive shall receive the payments and benefits set forth in Section 3(c) and, in addition to such payments and benefits, subject to Executive signing on or before the 21st day following Executive's Separation from Service, and not revoking, the Release, and Executive's continued compliance with the terms of the Proprietary Information Agreement, Executive shall receive the following:

(i) (x) an amount in cash equal to 0. 5 times the sum of (A) the Annual Base Salary and (B) the Annual Bonus at the target amount, which amount shall be paid in a lump sum on the First Payment Date (as defined below) and (y) payment on the First Payment Date (or, if later, the date paid to active executives of the Company) of any unpaid and earned Annual Bonus for a completed bonus year;

(ii) if Executive elects to receive continued medical, dental or vision coverage under one or more of the Company's group healthcare plans pursuant to COBRA, the Company shall directly pay, or reimburse Executive for, the COBRA premiums for Executive and Executive's covered dependents under such plans during the period commencing on Executive's Separation from Service and ending upon the earliest of (X) the date that is nine (9) months following Executive's Separation from Service, (Y) the date that Executive and/or Executive's covered dependents become no longer eligible for COBRA and (Z) the date Executive becomes eligible to receive healthcare coverage from a subsequent employer. Notwithstanding the foregoing, if the Company determines in its sole discretion that it cannot provide the foregoing benefit without potentially violating applicable law or incurring an excise tax (including by reason of Section 2716 of the Public Health Service Act), the Company shall in lieu thereof provide to Executive a taxable monthly payment in an amount equal to the monthly COBRA premium that Executive would be required to pay to continue Executive's and Executive's covered dependents' group health coverage in effect on the Date of Termination (which amount shall be based on the premium for the first month of COBRA coverage), less the amount Executive would have had to pay to receive group health coverage for Executive and Executive's covered dependents based on the cost sharing levels in effect on the Date of Termination, which payments shall be made regardless of whether Executive elects COBRA continuation coverage and shall commence in the month following the month in which the Date of Termination occurs and shall end on the earlier of (X) the last day of the nine (9) month period following Executive's Separation from Service, (Y) the date that Executive and/or Executive's covered dependents become no longer eligible for COBRA and (Z) the date Executive becomes eligible to receive healthcare coverage from a subsequent employer; and

(iii) accelerated vesting of any portion of the Option and any portion of any other outstanding equity awards granted to Executive prior to the date of the Change in Control, in each case that are unvested as of the Date of Termination; provided, that, any equity awards that are subject to the vesting based on the achievement of performance goals as of the Date of Termination shall only vest if the applicable performance goals are achieved.

5. Employee Proprietary Information and Inventions Assignment Agreement.

Executive acknowledges and agrees that, as a condition to Executive's employment by the Company, Executive shall enter into, and be bound by the terms of Parent's Employee Proprietary Information and Inventions Assignment Agreement in the form attached hereto as Exhibit C (the "Proprietary Information Agreement"), effective from and after the Effective Date in accordance with its terms.

6. Assignment and Successors.

Each of the Company and Parent may assign its rights and obligations under this Agreement to any successor to all or substantially all of the business or the assets of the Company or Parent, as applicable, whether by merger or otherwise. This Agreement shall be binding upon and inure to the benefit of the Company, Executive and their respective successors, permitted assigns, personnel and legal representatives, executors, administrators, heirs, distributees, devisees, and legatees, as applicable. None of Executive's rights or obligations may be assigned or transferred by Executive, other than Executive's rights to payments hereunder, which may be transferred only by will or operation of law. Notwithstanding the foregoing, Executive shall be entitled, to the extent permitted under applicable law and applicable Company Arrangements, to select and change a beneficiary or beneficiaries to receive compensation hereunder following Executive's death by giving written notice thereof to the Company.

7. Certain Definitions.

(a) Cause. The Company shall have "Cause" to terminate Executive's employment hereunder upon:

(i) Executive's wilful failure to (A) substantially perform his duties as contemplated under this Agreement (other than any such failure resulting from Executive's Disability) or (B) comply with, in any material respect, any of the Company's Policies;

(ii) Executive's wilful failure in any material respect to carry out or comply with any lawful and reasonable directive of the Board;

(iii) Executive's breach of a material provision of this Agreement or the Proprietary Information Agreement;

(iv) Executive's conviction, plea of no contest, plea of nolo contendere, or imposition of unadjudicated probation for any felony or crime involving moral turpitude;

(v) Executive's unlawful use (including being under the influence) or possession of illegal drugs on the Company's (or any of its affiliate's) premises or while performing Executive's duties and responsibilities under this Agreement; or

(vi) Executive's commission of an act of fraud, embezzlement, misappropriation, willful misconduct, or breach of fiduciary duty against the Company or any of its affiliates.

Notwithstanding the foregoing, no Cause will have occurred pursuant to clauses (i), (ii) or (iii) of this definition of Cause unless and until the Company has: (i) provided Executive, within 60 days of the Board's (excluding Executive) knowledge of the occurrence of the facts and circumstances underlying the Cause event, written-notice stating with specificity the applicable facts and circumstances underlying such finding of Cause; (ii) provided Executive with an opportunity to cure the same within 30 days after the receipt of such notice; and (iii) Executive fails to cure the same within such 30 day period after receipt of such notice.

(b) Change in Control. "Change in Control" shall mean and include each of the following:

(i) A transaction or series of related transactions (other than an offering of common shares of Parent to the general public through a registration statement filed with the Securities and Exchange Commission or a transaction or series of related transactions that meets the requirements of clauses (A) and (B) of subsection (ii) below) whereby any "person" or related "group" of "persons" (as such terms are used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934 (the "Exchange Act")) (other than Parent, any of its subsidiaries, an employee benefit plan maintained by the Parent 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 Parent) directly or indirectly acquires beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of securities of Parent possessing more than 50% of the total combined voting power of Parent's securities outstanding immediately after such acquisition; or

(ii) The consummation by Parent (whether directly involving Parent or indirectly involving Parent 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 Parent'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:

(A) which results in Parent's voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of Parent or the person that, as a result of the transaction, controls, directly or indirectly, Parent or owns, directly or indirectly, all or substantially all of Parents assets or otherwise succeeds to the business of Parent (Parent 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

(B) 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 (B) 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 Parent prior to the consummation of the transaction.

Notwithstanding the foregoing, in no event shall the transaction or event described in subsection (i) or (ii) constitute a Change in Control for purposes of this Agreement unless such transaction also constitutes a "change in control event," as defined in Treasury Regulation Section 1.409A-3(i)(5).

(c) Date of Termination. "Date of Termination" shall mean (i) if Executive's employment is terminated by Executive's death, the date of Executive's death; or (ii) if Executive's employment is terminated pursuant to Section 3(a)(ii) – (vi) either the date indicated in the Notice of Termination or the date specified by the Company pursuant to Section 3(b), after delivery by Executive of the Notice of Termination,whichever is earlier.

(d) Disability. "Disability" shall mean, at any time the Company or any of its affiliates sponsors a long-term disability plan for the Company's employees, "disability" as defined in such long-term disability plan for the purpose of determining a participant's eligibility for benefits, provided, however, if the long-term disability plan contains multiple definitions of disability, "Disability" shall refer to that definition of disability which, if Executive qualified for such disability benefits, would provide coverage for the longest period of time. The determination of whether Executive has a Disability shall be made by the person or persons required to make disability determinations under the long-term disability plan. At any time the Company does not sponsor a long-term disability plan for its employees, Disability shall mean Executive's inability to perform, with or without reasonable accommodation, the essential functions of Executive's position hereunder for a total of three months during any six-month period as a result of incapacity due to mental or physical illness as determined by a physician selected by the Company or its insurers and acceptable to Executive or Executive's legal representative, with such agreement as to acceptability not to be unreasonably withheld or delayed. Any refusal by Executive to submit to a medical examination for the purpose of determining Disability shall be deemed to constitute conclusive evidence of Executive's Disability.

(e) Good Reason. For the sole purpose of determining Executive's right to severance payments as described above, Executive's resignation will be for "Good Reason" if Executive resigns within ninety days of Executive's knowledge of the occurrence of any of the following events, unless Executive consents to the applicable event; (i) a decrease in Executive's Annual Base Salary, other than a reduction in annual base salary of less than 10% that is implemented in connection with a contemporaneous reduction in annual base salaries affecting other senior executives of the Company and the Parent, (ii) a material decrease in Executive's reporting relationship, authority or areas of responsibility as are commensurate with Executive's title or position (other than decreases that occur when individuals are hired to replace departing executives or are hired at a level below Executive Vice President and other than in connection with a corporate transaction where Executive continues to hold the position referenced in Section 1(b) above with respect to the Parent's business, substantially as such business exists prior to the date of consummation of such corporate transaction, but does not hold such position with respect to the successor corporation), (iii) the relocation of Executive's primary office to a location more

than 50 miles from the Boston, Massachusetts metropolitan area, (iv) a material breach by the Company or Parent of their respective obligations pursuant to this Agreement, or (v) a material breach by Parent of the Option Grant Notice or any other agreement evidencing an award of incentive equity granted by Parent to Executive. Notwithstanding the foregoing, no Good Reason will have occurred unless and until Executive has: (i) provided Parent, within 60 days of Executive's knowledge of the occurrence of the facts and circumstances underlying the Good Reason event, written-notice stating with specificity the applicable facts and circumstances underlying such finding of Good Reason; (ii) provided Parent with an opportunity to cure the same within 30 days after the receipt of such notice; and (iii) Parent fails to cure the same within such 30 day period after receipt of such notice.

(f) Person. "Person" means any individual or any corporation, limited liability company, general partnership, limited partnership, venture, trust, business trust, unincorporated association, estate or other entity.

8. Miscellaneous Provisions.

(a) Governing Law. This Agreement shall be governed, construed, interpreted and enforced in accordance with its express terms, and otherwise in accordance with the substantive laws of the Commonwealth of Massachusetts without reference to the principles of conflicts of law of the Commonwealth of Massachusetts or any other jurisdiction, and where applicable, the laws of the United States.

(b) Validity. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

(c) Notices. Any notice, request, claim, demand, document and other communication hereunder to any Party shall be effective upon receipt (or refusal of receipt) and shall be in writing and delivered personally or sent by facsimile, nationally recognized overnight delivery service, postage prepaid, or certified or registered mail, postage prepaid, as follows:

(i) If to the Company or Parent, the General Counsel of the Parent at its headquarters,

(ii) If to Executive, at the last address that the Company or the Parent has in its personnel records for Executive, or

(iii) At any other address as any Party shall have specified by notice in writing to the other Party.

(d) Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, but all of which together will constitute one and the same Agreement. Signatures delivered by facsimile, PDF or other electronic means shall be deemed effective for all purposes.

(e) Entire Agreement. The terms of this Agreement, the Option Grant Notice and the Proprietary Information Agreement are intended by the Parties to be the final expression of their agreement with respect to the subject matter hereof and thereof and supersede all prior understandings and agreements, whether written or oral. The Parties further intend that this Agreement, the Option Grant Notice and the Proprietary Information Agreement shall constitute the complete and exclusive statement of their terms and that no extrinsic evidence whatsoever may be introduced in any judicial, administrative, or other legal proceeding to vary the terms of this Agreement, the Option Grant Notice or the Proprietary Information Agreement.

(f) Amendments; Waivers. This Agreement may not be modified, amended, or terminated except by an instrument in writing, signed by Executive and a duly authorized officer of the Parent or the Company. By an instrument in writing similarly executed, Executive or a duly authorized officer of the Company or the Parent may waive compliance by the other Party with any specifically identified provision of this Agreement that such other Party was or is obligated to comply with or perform; *provided, however,* that such waiver shall not operate as a waiver of, or estoppel with respect to, any other or subsequent failure. No failure to exercise and no delay in exercising any right, remedy, or power hereunder preclude any other or further exercise of any other right, remedy, or power provided herein or by law or in equity.

(g) No Inconsistent Actions. The Parties hereto shall not voluntarily undertake or fail to undertake any action or course of action inconsistent with the provisions or essential intent of this Agreement. Furthermore, it is the intent of the Parties hereto to act in a fair and reasonable manner with respect to the interpretation and application of the provisions of this Agreement.

(h) Construction. This Agreement shall be deemed drafted equally by the Parties. Its language shall be construed as a whole and according to its fair meaning. Any presumption or principle that the language is to be construed against any Party shall not apply. The headings in this Agreement are only for convenience and are not intended to affect construction or interpretation. Any references to paragraphs, subparagraphs, sections or subsections are to those parts of this Agreement, unless the context clearly indicates to the contrary. Also, unless the context clearly indicates to the contrary, (a) the plural includes the singular and the singular includes the plural; (b) "and" and "or" are each used both conjunctively and disjunctively; (c) "any," "all," "each," or "every" means "any and all," and "each and every"; (d) "includes" and "including" are each "without limitation"; (e) "herein," "hereof," "hereunder" and other similar compounds of the word "here" refer to the entire Agreement and not to any particular paragraph, subparagraph, section or subsection; and (f) all pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular or plural as the identity of the entities or persons referred to may require.

(i) Arbitration. Any controversy, claim or dispute arising out of or relating to this Agreement, shall be settled solely and exclusively by a binding arbitration process administered by JAMS/Endispute before a single arbitrator in Boston, Massachusetts. Such arbitration shall be conducted in accordance with the then-existing JAMS/Endispute Rules of Practice and Procedure, with the following exceptions if in conflict: (a) one arbitrator who is a retired judge shall be chosen consistent with the then current rules of JAMS/Endispute; (b) each Party to the arbitration will pay one-half of the expenses and fees of the arbitrator, together with other expenses of the arbitration incurred or approved by the arbitrator; and (c) arbitration may

proceed in the absence of any Party if written notice (pursuant to the JAMS/Endispute rules and regulations) of the proceedings has been given to such Party. Each Party shall bear its own attorneys' fees and expenses; provided that the arbitrator may assess the prevailing Party's fees and costs against the non-prevailing Party as part of the arbitrator's award. The Parties agree to abide by all decisions and awards rendered in such proceedings. Such decisions and awards rendered by the arbitrator shall be final and conclusive. All such controversies, claims or disputes shall be settled in this manner in lieu of any action at law or equity; provided, however, that nothing in this subsection shall be construed as precluding the bringing of an action for injunctive relief or specific performance as provided in this Agreement or the Proprietary Information Agreement. This dispute resolution process and any arbitration hereunder shall be confidential and neither any Party nor the neutral arbitrator shall disclose the existence, contents or results of such process without the prior written consent of all Parties, except where necessary or compelled in a Court to enforce this arbitration provision or an award from such arbitration or otherwise in a legal proceeding. If JAMS/Endispute no longer exists or is otherwise unavailable, the Parties agree that the American Arbitration Association ("AAA") shall administer the arbitration in accordance with its then-existing rules as modified by this subsection. In such event, all references herein to JAMS/Endispute shall mean AAA.

(j) Enforcement. If any provision of this Agreement is held to be illegal, invalid or unenforceable under present or future laws effective during the term of this Agreement, such provision shall be fully severable; this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a portion of this Agreement; and the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance from this Agreement. Furthermore, in lieu of such illegal, invalid or unenforceable provision there shall be added automatically as part of this Agreement a provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible and be legal, valid and enforceable.

(k) Withholding. The Company shall be entitled to withhold from any amounts payable under this Agreement any federal, state, local or foreign withholding or other taxes or charges which the Company is required to withhold. The Company shall be entitled to rely on an opinion of counsel if any questions as to the amount or requirement of withholding shall arise.

(l) Survival. Notwithstanding anything to the contrary in this Agreement, the provisions of Sections 5 through 9 will survive the termination of Executive's employment and the expiration or termination of the Term.

(m) Section 409A.

(i) *General.* The intent of the Parties is that the payments and benefits under this Agreement comply with or be exempt from Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations and guidance promulgated thereunder (collectively, "Section 409A") and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance therewith.

(ii) *Separation from Service.* Notwithstanding anything in this Agreement to the contrary, any compensation or benefits payable under this Agreement that are designated under this Agreement as payable upon Executive's termination of employment shall be payable only upon Executive's "separation from service" with the Company within the meaning of Section 409A (a "Separation from Service") and, except as provided below, any such compensation or benefits described in Sections 4(b) and 4(c) shall not be paid, or, in the case of installments, shall not commence payment, until the 30th day following Executive's Separation from Service (the "First Payment Date"). Any installment payments that would have been made to Executive during the 30-day period immediately following Executive's Separation from Service but for the preceding sentence shall be paid to Executive on the First Payment Date and the remaining payments shall be made as provided in this Agreement.

(iii) Specified Employee. Notwithstanding anything in this Agreement to the contrary, if Executive is deemed by the Company at the time of Executive's Separation from Service to be a "specified employee" for purposes of Section 409A, to the extent delayed commencement of any portion of the benefits to which Executive is entitled under this Agreement is required in order to avoid a prohibited distribution under Section 409A, such portion of Executive's benefits shall not be provided to Executive prior to the earlier of (i) the expiration of the 6-month period measured from the date of Executive's Separation from Service with the Company or (ii) the date of Executive's death. Upon the first business day following the expiration of the applicable Section 409A period, all payments deferred pursuant to the preceding sentence shall be paid in a lump sum to Executive (or Executive's estate or beneficiaries), and any remaining payments due to Executive under this Agreement shall be paid as otherwise provided herein.

(iv) *Expense Reimbursements.* To the extent that any reimbursements under this Agreement are subject to Section 409A, any such reimbursements payable to Executive shall be paid to Executive no later than December 31 of the year following the year in which the expense was incurred, provided that Executive submits Executive's reimbursement request promptly following the date the expense is incurred. The amount of expenses reimbursed in one year shall not affect the amount eligible for reimbursement in any subsequent year, other than medical expenses referred to in Section 105(b) of the Code, and Executive's right to reimbursement under this Agreement will not be subject to liquidation or exchange for another benefit.

(v) *Installments.* Executive's right to receive any installment payments under this Agreement, including any continuation of salary payments that are payable on Company payroll dates, shall be treated as a right to receive a series of separate payments and, accordingly, each such installment payment shall at all times be considered a separate and distinct payment as permitted under Section 409A. Except as otherwise permitted under Section 409A, no payment hereunder shall be accelerated or deferred unless such acceleration or deferral would not result in additional tax or interest pursuant to Section 409A.

(n) Legal Fees. The Company shall, within ten (10) calendar days of Executive's delivery to the Company of appropriate documentation evidencing Executive's legal fees and costs incurred in connection with the negotiation, preparation and related advice concerning this Agreement and the other agreements referenced herein (the "Executive's Legal Fees") pay directly by wire transfer to Executive's legal counsel the Executive's Legal Fees up to a cap of Five Thousand Dollars ($5,000).

(o) No Mitigation. In no event shall Executive be obligated to seek other employment or take any other action by way of mitigation of any amounts payable to Executive pursuant to Section 4 and such amounts shall not be reduced whether or not Executive obtains other employment (including self-employment).

9. Acknowledgements and Representations.

(a) Executive acknowledges that Executive has read and understands this Agreement, is fully aware of its legal effect, has not acted in reliance upon any representations or promises made by the Company other than those contained in writing herein, and has entered into this Agreement freely based on Executive's own judgment.

(b) The Company represents and warrants that this Agreement has been authorized by all necessary corporate action and is a valid and binding agreement of the Company enforceable against it in accordance with its terms. Parent represents and warrants that this Agreement and the Option Grant Notice have each been authorized by all necessary corporate action and the applicable portions of this Agreement are, and the Option Grant Notice will when executed be, valid and binding agreement of Parent enforceable against it in accordance with its terms.

10. Third Party Beneficiary Rights.

Parent has third party beneficiary rights to the terms of this Agreement applicable to the Company.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the persons below have executed this Agreement on the date and year first above written.

COMPANY

By: /s/ Ton Logtenberg
Ton Logtenberg
Chief Executive Officer

By: _____
Shelley Margetson

PARENT (solely for purposes of Sections 1, 2(c), 6, 8 and 9(b))

By: /s/ Ton Logtenberg
Ton Logtenberg
Chief Executive Officer

By: _____
Shelley Margetson

EXECUTIVE

By: /s/ Andres Sirulnik
Andres Sirulnik

EXHIBIT A

Form of Option Grant Notice

Exhibit 4.9

Additional Employment agreement

In addition to the employment agreement between Mark Throsby (Employee) and Merus B.V. (Employer) regarding the start of employment of Mark Throsby as of 1 October 2008 at Merus, the Employer and Employee hereby additionally agree that the following provisions shall apply as well with respect to the intellectual property rights.

1. All intellectual property rights, including but not limited to patent rights, design rights, copyrights, trademark rights and knowledge, created during and after the end of the employment agreement or as a result of the work or activities performed by the Employer in the service of the Employer, belong or shall belong exclusively and in their entirety to the Employer.

2. If based on legal agreements the aforementioned intellectual property rights do not immediately accrue to the Employer, the Employee hereby transfers these rights to the Employer.

3. Insofar as the intellectual property rights mentioned in clause 1 cannot be transferred to the Employer, then the Employee hereby grants the Employer, without any payment obligations of the Employer, an exclusive, comprehensive and finite licence to use these rights in the broadest sense of the word.

4. If, despite that which is agreed above, personal rights on the intellectual property mentioned in clause 1 accrue to the Employee and insofar as the law allows such, then the Employee hereby waives all his/her personal rights, including the right he/she has to have his/her name mentioned as a result of the Copyright Act 1912.

5. The Employee shall inform the Employer without delay about all results, inventions, information and intellectual property rights which are the result of his/her employment and/or which are in any way relevant for the creation, protection or enforceability of the intellectual property rights.

6. As long as the employment agreement and these additional provisions are in force, the Employee shall perform all actions which are necessary, anywhere in the world, for the registration of or application for intellectual property rights in name of the Employer.

7. If the Employer is not able or not in a position to give effect to the collaboration pledged above in paragraphs 2 and 6, then the Employee hereby grants the Employer an irrevocable authorisation to represent him/her with regard to the assignment and registration of the intellectual property rights as referred to in paragraphs 2 and 6.

8. The Employee acknowledges and determines that his/salary indeed offers reasonable compensation for the loss of intellectual and industrial property rights as determined here, in the employment agreement and by law.

Thus agreed, prepared in duplicate and signed in

Utrecht on 10 March 2010:

For Merus B.V.:

[signature]

T. Logtenberg
Managing Director

Employee Signature:

[signature]

Mark Throsby

Employment agreement

M. Throsby

The undersigned:

Merus B.V., located at the Uppsalalaan 8 in 3584 CT Utrecht, duly represented by Mr T. Logtenberg, in the position of Managing Director, hereinafter referred to as "Employer",

and

Mark Throsby, born in Adelaide on 22 March 1967, residing at Kerkstraat 37 in Utrecht, hereinafter referred to as "Employee",

have agreed as follows:

Article 1 Start of employment, position, nature and location of work

The Employee shall commence his employment with the Employer on 1 October 2008 in the position of Chief Operations Officer.

The activities associated with this position are: 1) The development and supervision together with the Chief Scientific Officer of research programs for the generating and improvement of therapeutic antibodies and bearing final responsibility for this, and 2) the development together with the "Chief Executive Officer", "Chief Scientific Officer" and "Chief Business Officer" of the Research and Development Strategy of Merus B.V. and furthermore all work which can reasonable asked from the employee.

This position is performed from Uppsalalaan 8 – 3584 CT Utrecht

Article 2 Duration

This employment agreement is concluded for an undetermined period of time.

Article 3 Probationary period

The probationary period is two months. During the probationary period, both the Employer and the Employee may terminate the employment agreement at any time with immediate effect.

Article 4 Cancellation

Outside of the probationary period, both the Employer and the Employee are authorised to cancel the employment agreement prematurely in writing with due observance of the legal notice periods. The employment agreement can only be cancelled at the end of each calendar month.

Article 5 Salary

The gross salary excluding vacation allowance of the Employee at the start of employment is €7,200 per month based on a full-time position. The payment of the salary takes place no later than the last day of the month.

Article 6 Salary in case of disability

From the first day of disability during the first year, the Employee is entitled to continued payment of 100% of the most recent salary and to 70% of the most recent salary during the second year.

Article 7 Working time, working hours and overtime

The position will be fulfilled for 40 hours per week (full-time position). The working hours shall be determined by the Employer in consultation with the Employee.

The Employee is reasonably obligated to abide by a request of the Employer to work overtime, without receiving overtime pay.

Article 8 Vacation and vacation allowance

The Employee is entitled to 30 vacation days per calendar year with retention of salary. The vacation days are used in consultation with the Employer.

As a rule, vacation days must be used in the year to which they relate. In the first year of employment, the number of vacation days is 24.

The Employee is entitled to a vacation allowance of 8% of the gross salary. The vacation allowance is calculated over the period located between 1 June and 31 May. The vacation allowance is paid as a lump sum in the month of May.

In case of an interim start or termination of the employment agreement, the vacation allowance shall be calculated pro rata the number of months the Employee has been employed.

Article 9 Employment and company regulations of Hubrecht Institute

The Employee declares to be aware of and to agree with the employment and company regulations applicable at the Hubrecht Institute. The employee has received a copy of these employment and company regulations.

Article 10 Employee Manual

This employment agreement is subject to the attached Employee Manual (Annex I). This Employee Manual contains the general employment conditions which apply to all employees of Merus B.V. The Employee Manual is an integral part of this employment agreement and is provided to the Employee at the start of the employment. The provisions laid down in the Employee Manual apply to this employment agreement insofar as these are not expressly deviated from. The Employer reserves the right to make changes to the provisions which are laid down in the Employee Manual.

Article 11 Pension Scheme

A pension scheme shall be set up for the Employee which is attached to this agreement as Annex II.

Special provisions

Article 12 Confidentiality clause

The Employee is obligated to observe the confidentiality of all he has learned about the business of the Employer and its clients and of which the Employee can reasonably suspect the confidential nature during and for a period of 5 years after the end of the employment agreement.

For every non-compliance or violation of the above, the Employee shall forfeit an immediately payable penalty of €50,000 to the Employer, as well as a penalty of €1,000 for each day the violation continues. This penalty shall be owed by the mere fact of the non-compliance or violation but shall not affect the right of the Employer to claim full damage. The penalty is owed directly to the Employer and shall be for the benefit of the Employer, which constitutes a deviation from Article 7:650(3-5) DCC.

Article 13 Relationship clause

The Employee is forbidden may not perform work for or on behalf of a relationship of the Employer which exist at the time of the end of this employment agreement who perform activities in a similar area or which otherwise competes with the activities of the Employer for a period of 12 months after the end of the employment agreement.

This provision shall not apply if the Employee has received prior written permission from the Employer, whether or not granted under special conditions.

For each violation of the above, the Employee shall forfeit an immediately payable penalty of €10,000 to the Employer, as well as a penalty of €1,000 for each day the violation continues. This penalty shall be owed by the mere fact of the violation but shall not affect the right of the Employer to claim full damage. The penalty is owed directly to the Employer and shall be for its benefit, which constitutes a deviation from Article 7:650(3-5) DCC.

Article 14 Ban on ancillary activities

The Employee shall not perform work for another employer or client during the term of this employment agreement. The Employee shall also directly and indirectly refrain from doing business for his own account.

This provision shall not apply if the Employee has received prior written permission from the Employer, whether or not granted under special conditions.

For each non-compliance or violation of the above, the Employee shall forfeit an immediately payable penalty of €5,000 to the Employer, as well as a penalty of €1,000 for each day the violation continues. This penalty shall be owed by the mere fact of the non-compliance or violation but shall not affect the right of the Employer to claim full damage. The penalty is owed directly to the Employer and shall be for its benefit, which constitutes a deviation from Article 7:650(3-5) DCC.

Additional provisions

Article 15 Reimbursement mobile phone

The Employee is entitled to a mobile phone and full reimbursement of a mobile phone subscription. The nature of the subscription is determined in consultation with the Managing Director. The costs of the subscription are paid monthly together with the salary.

Article 16 Business travel

Flights in the context of the work for Merus generally take place economy class. This can be deviated from in consultation with the Managing Director.

Article 17 Government measures

Government measures which mandate a different policy than set out in this agreement, including a change to fiscal regulation, shall be taken into account and shall not require the Employer to pay any compensation on any other ground.

Article 18 Change clause

The Employer reserves the right to change the employment agreement unilaterally if it has such compelling interest that the interest of the Employee, which is harmed by the change, must make way by standards of reasonableness and fairness.

Article 19 Final provision

This agreement and all subsequent agreements between the parties are governed by Dutch law.

Annexes belonging to this agreement:

1. Employee Manual Merus B.V.
2. Pension Scheme

Thus agreed to, drawn up in duplicate and signed in Utrecht on [hw:] *19 JULY 2008*.

Employer signature:	Employee signature:
[signature]	[signature]
T. Logtenberg	M. Throsby
Managing Director	

Exhibit 4.10

Employment agreement

Lex Bakker

The undersigned:

Merus B.V., located at Padualaan 8 in 3584 CH Utrecht, duly represented by Mr T. Logtenberg in the position of Managing Director, hereinafter referred to as "Employer",

and

Alexander Bakker, born in Ooststellingwerg, on 1 December 1966, residing at Waardenburg 51, 2181 LN Hillegom, hereinafter referred to as "Employee",

have agreed as follows:

Article 1 Start of employment, position, nature and location of work

The Employee shall commence his employment with the Employer on 1 October 2010 in the position of Chief Development Officer (CDO).

The CDO reports directly to the CEO and is a member of the management team. The CDO provides leadership and guidance to the planning and execution of the internal and external pre-clinical and clinical development activities of product candidates of Merus according to strict quality demands as required by the FDA and EMEA. The CDO is responsible for the creation and implementation of a development plan and the associated budget based on the integration of the scientific and business objectives of Merus and knowledge of the regulatory environment and pre-clinical and clinical development processes. In the management team, the CDO contributes to the strategic discussions regarding new product and licence possibilities based on his expertise and to all business development activities in a broader sense. The CDO provides the CEO and the Supervisory Board with recommendations regarding possibilities and risks of product development activities.

This position is performed at or from Padualaan 8 – 3584 CH Utrecht.

Article 2 Duration

This employment agreement is concluded for an undetermined period of time.

Article 3 Probationary period

The probationary period is two months. During the probationary period, both the Employer and the Employee may terminate the employment agreement at any time with immediate effect.

Article 4 Cancellation

Outside of the probationary period, both the Employer and the Employee are authorised to cancel the employment agreement prematurely in writing with due observance of the legal notice periods. The employment agreement can only be cancelled at the end of each calendar month.

Article 5 Salary

The gross salary excluding of vacation allowance of the Employee at the start of employment is €8,416.00 per month based on a full-time position. The payment of the salary takes place no later than the last day of the month.

Article 6 Salary in case of disability

From the first day of disability during the first year, the Employee is entitled to continued payment of 100% of the most recent salary and to 70% of the most recent salary during the second year.

Article 7 Working time, working hours and overtime

The position will be fulfilled for 40 hours per week (full-time position). The working hours shall be determined by the Employer in consultation with the Employee.

The Employee is reasonably obligated to abide by a request of the Employer to work overtime, without receiving overtime pay.

Article 8 Vacation and vacation allowance

The Employee is entitled to 30 vacation days per calendar year with retention of salary. The vacation days are used in consultation with the Employer.

As a rule, vacation days must be used in the year to which they relate. In the first year of employment, the number of vacation days is 12.

The Employee is entitled to a vacation allowance of 8% of the gross salary. The vacation allowance is calculated over the period located between 1 June and 31 May. The vacation allowance is paid as a lump sum in the month of May.

In case of an interim start or termination of the employment agreement, the vacation allowance shall be calculated pro rata the number of months the Employee has been employed.

Article 9 Employment and company regulations of Merus BV

The Employee declares to be aware of and to agree with the employment and company regulations applicable at the Employer. The Employee shall receive a copy of these employment and company regulations at the start of the employment.

Article 10 Employee Manual

This employment agreement is subject to the attached Employee Manual (Attachment I). This Employee Manual contains the general employment conditions which apply to all employees of Merus B.V. The Employee Manual is an integral part of this employment agreement and is provided to the Employee at the start of the employment. The provisions laid down in the Employee Manual apply to this employment agreement insofar as these are not expressly deviated from. The Employer reserves the right to make changes to the provisions which are laid down in the Employee Manual.

Article 11 Pension Scheme

A pension scheme is set up for the Employee (Annex II).

Special provisions

Article 12 Confidentiality clause

The Employee is obligated to observe the confidentiality of all he has learned about the business of the Employer and its clients and of which the Employee can reasonably suspect the confidential nature during and for a period of 5 years after the end of the employment agreement.

For every non-compliance or violation of the above, the Employee shall forfeit an immediately payable penalty of €50,000 to the Employer, as well as a penalty of €1,000 for each day the violation continues. This penalty shall be owed by the mere fact of the non-compliance or violation but shall not affect the right of the Employer to claim full damage. The penalty is owed directly to the Employer and shall be for the benefit of the Employer, which constitutes a deviation from Article 7:650(3-5) DCC.

Article 13 Relationship clause

The Employee is forbidden may not perform work for or on behalf of a relationship of the Employer which exist at the time of the end of this employment agreement who perform activities in a similar area or which otherwise competes with the activities of the Employer for a period of 12 months after the end of the employment agreement.

This provision shall not apply if the Employee has received prior written permission from the Employer, whether or not granted under special conditions.

For each violation of the above, the Employee shall forfeit an immediately payable penalty of €10,000 to the Employer, as well as a penalty of €1,000 for each day the violation continues. This penalty shall be owed by the mere fact of the violation but shall not affect the right of the Employer to claim full damage. The penalty is owed directly to the Employer and shall be for its benefit, which constitutes a deviation from Article 7:650(3-5) DCC.

Article 14 Ban on ancillary activities

The Employee shall not perform work for another employer or client during the term of this employment agreement. The Employee shall also directly and indirectly refrain from doing business for his own account.

This provision shall not apply if the Employee has received prior written permission from the Employer, whether or not granted under special conditions.

For each non-compliance or violation of the above, the Employee shall forfeit an immediately payable penalty of €5,000 to the Employer, as well as a penalty of €1,000 for each day the violation continues. This penalty shall be owed by the mere fact of the non-compliance or violation but shall not affect the right of the Employer to claim full damage. The penalty is owed directly to the Employer and shall be for its benefit, which constitutes a deviation from Article 7:650(3-5) DCC.

Additional provisions

Article 15 Intellectual property rights

All intellectual property rights, including but not limited to patent rights, design rights, copyrights, trademark rights and knowledge created during and after the end of the employment agreement or as a result of the work or activities performed by the Employee in the service of the Employer, belong or shall belong exclusively and in their entirety to the Employer.

If the aforementioned intellectual property rights do not immediately accrue to the Employer based on legal agreements, the Employee hereby transfers these rights to the Employer.

Insofar as the intellectual property rights mentioned in this article cannot be transferred to the Employer, the Employee hereby grants the Employer an exclusive, comprehensive and finite licence to use these rights in the broadest sense of the word without any payment obligation of the Employer. If, despite the above, personal rights on the intellectual property mentioned in this article accrue to the Employee and insofar as the law allows, the Employee hereby waives all his/her personal rights, including the right to have his/her name mentioned based on the Copyright Act 1912.

The Employee shall inform the Employer without delay of all results, inventions, information and intellectual property rights which are the result of his/her employment and/or which are in any way relevant to the creation, protection or enforceability of the intellectual property rights.

As long as the employment agreement and these additional provisions are in force, the Employee shall perform all actions which are necessary for the registration of or application for intellectual property rights in name of the Employer anywhere in the world.
If the Employer is not able or not in a position to give effect to the collaboration pledged above in paragraphs 2 and 6, the Employee hereby grants the Employer an irrevocable mandate to represent him/her with regard to the assignment and registration of the intellectual property rights as referred to in paragraphs 2 and 6.

The Employee acknowledges and determines that his/her salary offers reasonable compensation for the loss of intellectual and industrial property rights as set out in this Article, the employment agreement and by law.

Article 16 Travel expense allowance

The Employee is entitled to compensation of travel expenses for public transportation based on economy class. In case of a move to a location within a radius of 15km from the work location of Merus, any right to the travel expense allowance expires.

Travel other than the commute which is performed in the context of the work or Merus BV will be reimbursed separately after declaration of the costs incurred by the Employee. The travel expenses allowance is paid monthly together with the salary.

Article 17 Reimbursement mobile phone

The Employee is entitled to a mobile phone ("smartphone") and full reimbursement of a mobile phone subscription. The nature of the subscription is determined in consultation with the Managing Director. The costs of the subscription are paid directly by Merus.

Article 18 Reimbursement of study expenses

Costs for training in the context of the work for Merus are reimbursed in full by the Employer. If the employment agreement between the Employer and the Employee ends within 2 years after the completion of the course, the Employee shall repay 50% of the study costs.

Article 19 Moving expenses

In case of a move to a location within a radius of 15 km from the location of Merus, the Employee is entitled to a one-time allowance for the moving expenses of €1,500.

Article 20 Government measures

Government measures which mandate a different policy than set out in this agreement, including a change to fiscal regulation, shall be taken into account and shall not require the Employer to pay any compensation on any other ground.

Article 21 Change clause

The Employer reserves the right to change the employment agreement unilaterally if it has such compelling interest that the interest of the Employee, which is harmed by the change, must make way by standards of reasonableness and fairness.

Article 22 Final provision

This agreement and all subsequent agreements between the parties are governed by Dutch law.

Annexes belonging to this agreement:

I. Employee Manual Merus B.V.

II. Pension Scheme Lex Bakker

Thus agreed to, drawn up in duplicate and signed in Utrecht on [hw:] *05/08/*2010.

Employer Signature:	Employee Signature:
[signature] T. Logtenberg Managing Director	[signature] Alexander Bakker

Exhibit 4.11

Additional Employment agreement

Supplementary to the employment agreement between John de Kruif (Employee) and Merus B.V. (Employer) regarding the start of employment of John Kruif per 2 April 2007 at Merus, the Employer and Employee hereby additionally agree that regarding the intellectual property rights the following provisions shall apply as well.

1. All intellectual property rights, including but not limited to patent rights, design rights, copyrights, trademark rights and knowledge, created during and after the end of the employment agreement or as a result of the work or activities performed by the Employer in the service of the Employer, belong or shall belong exclusively and in their entirety to the Employer.

2. If the aforementioned intellectual property rights as referred to in clause 1 do not immediately accrue to the Employer pursuant to statutory provisions, the Employee hereby transfers these rights to the Employer.

3. Insofar as the intellectual property rights mentioned in clause 1 cannot be transferred to the Employer, then the Employee hereby grants the Employer, without any payment obligations of the Employer, an exclusive, comprehensive and perpetual licence to use these rights in the broadest sense of the word.

4. If, despite that which is agreed above, personal rights on the intellectual property mentioned in clause 1 accrue to the Employee and insofar as the law allows such, then the Employee hereby waives all his/her personal rights, including the right he/she has to have his/her name mentioned as a result of the Copyright Act of 1912.

5. The Employee shall inform the Employer without delay about all results, inventions, information and intellectual property rights which are the result of his/her employment and/or which are in any way relevant for the creation, protection or enforceability of the intellectual property rights.

6. As long as the employment agreement and these additional provisions are in force, the Employee shall perform all actions which are necessary, anywhere in the world, for the registration of or application for intellectual property rights in the Employer's name.

7. If the Employer is not able, or not in a position, to give effect to the collaboration pledged above in paragraphs 2 and 6, then the Employee hereby grants the Employer an irrevocable authorisation to represent him/her with regard to the assignment and registration of the intellectual property rights as referred to in paragraphs 2 and 6.

8. The Employee acknowledges and determines that his/salary indeed provides a reasonable compensation for the loss of intellectual and industrial property rights as determined here, in the employment agreement and by law.

Thus agreed, prepared in duplicate and signed in

Utrecht on 10 March 2010:

For Merus B.V.:	Signature Employee:
[signature]	[signature]
T. Logtenberg Managing Director	John de Kruif

Employment agreement John de Kruif

Preamble, start date of employment, position, nature and location of the work

The undersigned:

Merus BV, located at the Uppsalalaan 8, 3584 CT Utrecht, duly represented by Mr T. Logtenberg, in the position of Managing Director, hereinafter referred to as employer,

and

John de Kruif, born in Jutphaas, on 7 January 1964, residing in de Bilt, Westerlaan 40, hereinafter referred to as employee,

have agreed as follows:

Article 1

Effective 2 April 2007, the employee will commence employment with the employer in the position of Scientific Director.

The work associated with this position consist of: bearing overall responsibility for the daily leadership of the Research and Development Department of Merus BV and the development of the Research and Development Strategy of Merus BV in collaboration with the Managing Director, and furthermore of any work which may be reasonable expected from the employee. This position's duties will be performed at or from the location Uppsalalaan 8 – 3584 CT Utrecht.

Duration of employment

Article 2

This employment agreement is concluded for an undetermined period of time.

Article 3

The probationary period is two months. During the probationary period, both the employer and the employee may terminate the employment agreement with immediate effect at any time.

Termination of employment agreement

Article 4

[initials]

Outside of the probationary period, the employer and the employee are authorised to terminate the employment agreement prematurely with due observance of the legal notice periods. The employment agreement may only be terminated per the end of each calendar month.

The Salary

Article 5

The gross salary of the employee at the start of his employment is €6,700 per month, with a full-time position. The payment of the salary takes place no later than on the last day of the month.

Salary in case of disability and waiting period

Article 6

In case of sickness, the employee must report that he/she is sick to the secretary of Merus BV before 9:00 a.m.

From the first day of disability, the employee is entitled to the payment of 70% of the most recent salary for a period of two years.

Provisions concerning working time, working hours and overtime

Article 7

The working time is 40 hours per week.

The employee is reasonably obligated to comply with a request of the employer to work overtime, without receiving overtime compensation for this.

Vacation and vacation allowance

Article 8

The employee is entitled to 30 vacation days per calendar year with retention of salary. The vacation days are used in consultation with the employer.

As a rule, vacation days must be used during the year to which they relate. During the first year of employment, the number of vacation days is 23.

The employee is entitled to a vacation allowance of 8% of the gross salary. The vacation allowance is calculated over the period which is located bewten 1 June and 31 May. The vacation allowance is paid in one lump sum in the first year of the month of September, and in the following years during the month of May.

In case of an interim start or end of the employment agreement, the vacation allowance is calculated prorated to the number of months the employee is employed.

[initials]

Employment and company rules

Article 9

The employee declares to be aware of and to agree with the employment and company rules that apply at the employer. The employee has received a copy of these employment and company rules.

Pension scheme

Article 10

A pension scheme will be set up for the employee, which is attached as annex I to this agreement.

Special conditions

Confidentiality clause

Article 11

The employee is obligated during and for 5 years after the end of the employment agreement to observe confidentiality with regard to all that he has learned about the business of the employer and its clients and which the employee may reasonably suspect to be confidential in nature.

For any non-compliance with or violation of the above, the employer shall forfeit an immediately payable penalty of €50,000.00 to the employer, as well as a penalty of €1,000.00 for each day the violation continues. The penalty will be forfeit by the mere fact of the non-compliance or violation but shall not affect the right of the employer to claim full damages. The penalty is owed directly to the employer and shall be for its benefit, which is in deviation of the provisions in article 7:650, paragraph 3-5 of the Civil Code.

Relationship clause

Article 12

For 12 months after the end of the employment agreement, the employee is prohibited to perform work for or on behalf of the employer's commercial contacts which exist at the time of the termination of this employment agreement.

This provision does not apply if the employee has received written permission for this from the employer, whether or not subject to certain conditions.

[initials]

For any violation of the above, the employer shall forfeit an immediately payable penalty of €10,000.00 to the employer, as well as a penalty of €1,000.00 for each day the violation continues. The penalty will be forfeit by the mere fact of the violation but shall not affect the right of the employer to claim full damages. The penalty is owed directly to the employer and shall be for its benefit.

Prohibition of ancillary activities

Article 13

During this employment agreement, the employee shall not perform work for another employer or client. Furthermore, the employee shall directly and indirectly refrain from doing business on his own behalf.

This provision does not apply if the employee has received written permission for this from the employer, whether or not subject to certain conditions

For any non-compliance with or violation of the above, the employer shall forfeit an immediately payable penalty of €5,000.00 to the employer, as well as a penalty of €1,000.00 for each day the violation continues. The penalty will be forfeit by the mere fact of the non-compliance or violation but shall not affect the right of the employer to claim full damages. The penalty is owed directly to the employer and shall be for its benefit, which is in deviation of the provisions in article 7:650, paragraph 3-5 of the Civil Code.

Additional provisions

Article 14

Business resources, as well as all correspondence, notes, drawings, etc. relating to business matters shall be returned in good condition to the employer by the employee on the last working day of the employment agreement.

Article 15

The employer reserves the right to amend the employment agreement unilaterally if it has such compelling interest that the interest of the employee which is harmed by the amendment must give way for this in accordance with standards of reasonableness and fairness.

[initials]

Confirmation receipt of copy

Article 16

The employee declares having received a signed copy of this agreement.

Thus agreed, prepared in duplicate and signed in

Driebergen, on 2 April 2007.

Signature employer:

[signature]

T. Logtenberg
Managing Director

Signature employee:

[signature]

John de Kruif

Exhibit 4.12

Execution version

EMPLOYMENT AGREEMENT

This Employment Agreement (this "Agreement"), dated as of 24th December, 2016 is made by and among Merus US, Inc., a Delaware corporation (together with any successors or assigns, the "Company") and Peter Silverman ("Executive"). The Company and Executive are collectively referred to herein as the "Parties" and individually as a "Party."

RECITALS

(A) It is the desire of the Company to assure itself of the services of Executive beginning on and following a date to be mutually agreed upon by the Company and Executive, which date will be no later than 1st February, 2017 by entering into this Agreement. The actual date on which Executive begins his employment with the Company is referred to herein as the "Effective Date."

(B) Executive and the Company mutually desire that Executive provide services to the Company on the terms herein provided.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and of the respective covenants and agreements set forth below, the Parties hereto agree as follows:

1. Employment.

(a) General. Effective as of the Effective Date, the Company shall employ Executive and Executive shall remain in the employ of the Company, for the period and in the position set forth in this Section 1, and subject to the other terms and conditions herein provided.

(b) At-Will Employment. The Company and Executive acknowledge that Executive's employment is at-will, as defined under applicable law, and that Executive's employment with the Company may be terminated by the Company or Executive at any time for any or no reason (subject to the notice requirements of Section 3(b)). This "at-will" nature of Executive's employment shall remain unchanged during Executive's tenure as an employee and may not be changed, except in an express writing signed by Executive and a duly authorized officer of the Company. If Executive's employment terminates for any reason, Executive shall not be entitled to any payments, benefits, damages, award or compensation other than as provided in this Agreement or otherwise agreed to in writing by a duly authorized officer of the Company or as provided by applicable law. The period of Executive's employment by the Company shall be referred to herein as the "Term".

(c) Position; Duties and Location. Executive shall serve as **Senior Vice President and Chief IP Officer** the Company, with such responsibilities, duties and authority normally associated with such positions and as may from time to time be assigned to Executive.
Executive's normal place of work shall be at the Company's office in the Boston, Massachusetts metropolitan area. Executive shall devote substantially all of Executive's working time and efforts to the business and affairs of the Company (which shall include service to its affiliates, including Merus N.V., a Dutch public limited liability company ("Parent"), as applicable) and

shall not engage in outside business activities (including serving on outside boards or committees) without the consent of the Board of Directors of the Company or the Management Board or the Supervisory Board of Parent (collectively, the "Board"), provided that Executive shall be permitted to (i) manage Executive's personal, financial and legal affairs, (ii) participate in trade associations, and (iii) serve on the board of directors and committees of not-for-profit or tax-exempt charitable organizations, in each case, subject to compliance with this Agreement and provided that such activities do not materially interfere with Executive's performance of Executive's duties and responsibilities hereunder. Executive agrees to observe and comply with the written rules and policies of the Company and Parent as adopted by the Company or Parent, as applicable from time to time, in each case as amended from time to time, as set forth in writing, and as delivered or made available to Executive (each, a "Policy").

2. Compensation and Related Matters.

(a) Annual Base Salary. During the Term, Executive shall receive a base salary as adjusted from time to time, "Annual Base Salary", at a rate of no less than $315,000 per annum, which shall be paid in accordance with the customary payroll practices of the Company and shall be pro-rated for partial years of employement. The Annual Base Salary shall be reviewed from time to time and may be increased (but not decreased) from the annual rate then in effect.

(b) Annual Bonus. During the Term, Executive will be eligible to participate in an annual incentive program established by the Board. Executive's annual incentive compensation under such incentive program (the "Annual Bonus") shall be targeted at 30% of the Annual Base Salary. The Annual Bonus payable under the incentive program shall be based on the achievement of performance goals to be determined by the Company and may be pro-rated for calendar year 2016 performance based on the Effective Date. The payment of any Annual Bonus pursuant to the incentive program shall be subject to Executive's continued employment with the Company through the date of payment.

(c) Equity Awards. Within thirty (30) days following the Effective Date, Parent will grant Executive an option to purchase 50,000 common shares of Parent pursuant to Parent's 2016 Incentive Award Plan and the Stock Option Grant Notice in the form attached hereto as Exhibit A (the "Option Grant Notice"), which shall provide for a per share exercise price equal to the per share fair market value (closing price on Nasdaq Global Market) as per the date of grant (the "Option"). Executive shall be eligible to receive additional equity awards at the discretion of the Board.

(d) Benefits. During the Term, Executive shall be eligible to participate in employee benefit plans, programs and arrangements of the Company (including medical, dental, vision, life insurance, disability insurance and defined contribution 401(k) plan) made available to other similarly-situated employees of the Company, consistent with the terms thereof and as such plans, programs and arrangements may be amended from time to time. Notwithstanding the foregoing, if the Company does not maintain any "group health plan" (within the meaning of Section 4980B of the Internal Revenue Code of 1986, as amended (the "Code") and the regulations thereunder ("COBRA")) for its U.S. employees as of the Effective Date, then, subject to Executive's valid election to receive COBRA benefits under the health plans of Executive's prior employer, during the period beginning on the Effective Date and ending on the first to

occur of: (i) the date on which the Company adopts or otherwise makes generally available to its U.S. employees a group health plan or (ii) the date on which Executive terminates employment with the Company, the Company shall reimburse Executive for the actual cost of healthcare premiums incurred by Executive under the group health plan of Executive's prior employer pursuant to COBRA, subject to proper substantiation of such costs in accordance with applicable Company Policy no later than sixty (60) days after such costs are incurred; provided, that, in the event the period of time during which Executive is entitled to continuation coverage under the group health plan of Executive's prior employer pursuant to COBRA expires prior to the Company adopting or otherwise making available a group health plan to its U.S. employees, the Company shall continue to pay Executive for healthcare costs in an amount equal to the cost of healthcare premiums incurred by Executive under the group health plan of Executive's prior employer pursuant to COBRA based on the last month of the COBRA period. Such costs shall be reimbursed promptly, but in no event later than sixty (60) days following proper substantiation thereof.

(e) Vacation. During the Term, Executive shall be entitled to paid personal leave in accordance with the Company's paid time off Policies. Any vacation shall be taken at the reasonable and mutual convenience of the Company and Executive.

(f) Business Expenses. During the Term, the Company shall reimburse Executive for all reasonable travel and other business expenses incurred by Executive in the performance of Executive's duties to the Company in accordance with the Company's expense reimbursement Policy.

(g) Relocation Expenses. In the event the Company requests that the Executive relocate to the Boston, Massachusetts metropolitan area, the Company shall reimburse Executive up to a maximum amount of $10,000 for reasonable, documented moving expenses incurred as a result of such relocation, which relocation expense reimbursement shall be paid (subject to all tax withholdings which the Company reasonably determines are required) as soon as reasonably practicable following Executive's submission of documentation of such expenses reasonably requested by the Company, but no later than December 31 of the year following the year in which the expenses were incurred ("Relocation Expenses").

(h) Key Person Insurance. At any time during the Term, the Company shall have the right to insure the life of Executive for the Company's sole benefit. The Company shall have the right to determine the amount of insurance and the type of policy. Executive shall reasonably cooperate with the Company in obtaining such insurance by submitting to physical examinations, by supplying all information reasonably required by any insurance carrier, and by executing all necessary documents reasonably required by any insurance carrier, provided that any information provided to an insurance company or broker shall not be provided to the Company or its affiliates without the prior written authorization of Executive. Executive shall incur no financial obligation by executing any required document, and shall have no interest in any such policy.

3. Termination.

(a) Circumstances. Executive's employment hereunder may be terminated by the Company or Executive, as applicable, without any breach of this Agreement, at any time, under the following circumstances:

(i) *Death.* Executive's employment hereunder shall terminate upon Executive's death.

(ii) *Disability.* If Executive has incurred a Disability, as defined below, the Company may terminate Executive's employment.

(iii) *Termination for Cause.* The Company may terminate Executive's employment for Cause, as defined below.

(iv) *Termination without Cause.* The Company may terminate Executive's employment without Cause.

(v) *Resignation from the Company for Good Reason.* Executive may resign Executive's employment with the Company for Good Reason, as defined below.

(vi) *Resignation from the Company Without Good Reason.* Executive may resign Executive's employment with the Company for any reason other than Good Reason or for no reason.

(b) Notice of Termination. Any termination of Executive's employment by the Company or by Executive under this Section 3 (other than termination pursuant to Section 3(a)(i)) shall be communicated by a written notice to the other Party (i) indicating the specific termination provision in this Agreement relied upon, (ii) setting forth in reasonable detail the facts and circumstances claimed to provide a basis for the termination of Executive's employment under the provision so indicated, if applicable, and (iii) specifying a Date of Termination which, if submitted by Executive, shall be at least thirty (30) days following the date of such notice (a "Notice of Termination"); *provided, however,* that in the event that Executive delivers a Notice of Termination to the Company, the Company may, in its sole discretion, change the Date of Termination to any date that occurs following the date of the Company's receipt of such Notice of Termination and is prior to the date specified in such Notice of Termination. A Notice of Termination submitted by the Company may provide for a Date of Termination on the date Executive receives the Notice of Termination, or any date thereafter elected by the Company in its sole discretion. The failure by the Company or Executive to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Cause or Good Reason shall not waive any right of such Party hereunder or preclude such Party from asserting such fact or circumstance in enforcing such Party's rights hereunder.

(c) Company Obligations upon Termination. Upon termination of Executive's employment pursuant to this Section 3, Executive (or Executive's estate) shall be entitled to receive the sum of: (i) the portion of Executive's Annual Base Salary earned through the Date of Termination, but not yet paid to Executive; (ii) any expenses owed to Executive pursuant to Section 2(f) and Section 2(g); and (iii) any amount accrued and arising from Executive's participation in, or benefits accrued under any employee benefit plans, programs or arrangements, which amounts shall be payable in accordance with the terms and conditions of such employee benefit plans, programs or arrangements (collectively, the "Company Arrangements"). Except as otherwise expressly required by law (e.g., COBRA) or as specifically provided herein, all of Executive's rights to salary, severance, benefits, bonuses and other compensatory amounts hereunder (if any) shall cease upon the termination of Executive's employment hereunder. In the event that Executive's employment is terminated by the Company for any reason, Executive's sole and exclusive remedy hereunder shall be to receive the payments and benefits described in this Section 3(c) or Section 4, as applicable. For the avoidance of doubt, nothing in this Agreement shall limit in any way any rights of Executive to receive compensation, reimbursement or other payments pursuant to any other agreement (including the Option Grant Notice) entered into between Executive and the Company, Parent and/or their respective affiliates, to the extent any such agreement provides for payment following the termination of Executive's employment.

(d) Deemed Resignation. Upon termination of Executive's employment for any reason, Executive shall be deemed to have resigned from all offices and directorships, if any, then held with the Company or any of its affiliates, including Parent.

4. Severance Payments.

(a) Termination for Cause, or Termination Upon Death, Disability or Resignation from the Company Without Good Reason. If Executive's employment shall terminate as a result of Executive's death pursuant to Section 3(a)(i) or Disability pursuant to Section 3(a)(ii), pursuant to Section 3(a)(iii) for Cause, or pursuant to Section 3(a)(vi) for Executive's resignation from the Company without Good Reason, then Executive shall not be entitled to any severance payments or benefits, except as provided in Section 3(c).

(b) Termination without Cause or Resignation from the Company for Good Reason. If Executive's employment is terminated by the Company without Cause pursuant to Section 3(a)(iv) or pursuant to Section 3(a)(v) due to Executive's resignation for Good Reason, then Executive shall receive the payments and benefits set forth in Section 3(c) and, in addition to such payments and benefits, subject to Executive signing on or before the 21st day following Executive's Separation from Service (as defined below), and not revoking, a release of claims in substantially the form attached hereto as Exhibit B (the "Release"), and Executive's continued compliance with the terms of the Proprietary Information Agreement (as defined below), Executive shall receive (i) an amount in cash equal to the sum of (A) 0.5 times the Annual Base Salary and (B) a pro-rata portion of the Annual Bonus for the calendar year in which the Date of Termination occurs, in an amount equal to the targeted Annual Bonus for such calendar year multiplied by a fraction, the numerator of which is the number of days that have elapsed during such calendar year up to the Date of Termination and the denominator of which is 365, which shall be paid in the form of salary continuation in regular instalments over the six-month period following Executive's Separation from Service in accordance with the Company's customary payroll practices, and (ii) payment, on the First Payment Date (or, if later, the date paid to active executives of the Company), of any unpaid and earned Annual Bonus for a completed bonus year.

5. Employee Proprietary Information and Inventions Assignment Agreement.

Executive acknowledges and agrees that, as a condition to Executive's employment by the Company, Executive shall enter into, and be bound by the terms of the Employee Proprietary Information and Inventions Assignment Agreement in the form attached hereto as Exhibit C (the "Proprietary Information Agreement"), effective from and after the Effective Date in accordance with its terms.

6. Assignment and Successors.

The Company may assign its rights and obligations under this Agreement to any successor to all or substantially all of the business or the assets of the Company whether by merger or otherwise. This Agreement shall be binding upon and inure to the benefit of the Company, Executive and their respective successors, permitted assigns, personnel and legal representatives, executors, administrators, heirs, distributees, devisees, and legatees, as applicable. None of Executive's rights or obligations may be assigned or transferred by Executive, other than Executive's rights to payments hereunder, which may be transferred only by will or operation of law. Notwithstanding the foregoing, Executive shall be entitled, to the extent permitted under applicable law and applicable Company Arrangements, to select and change a beneficiary or beneficiaries to receive compensation hereunder following Executive's death by giving written notice thereof to the Company.

7. Certain Definitions.

(a) Cause. The Company shall have "Cause" to terminate Executive's employment hereunder upon:

(i) Executive's failure to (A) substantially perform his duties as contemplated under this Agreement (other than any such failure resulting from Executive's Disability) or (B) comply with, in any material respect, any of the Company's Policies;

(ii) Executive's failure in any material respect to carry out or comply with any lawful and reasonable directive of the Board or Executive's immediate supervisor;

(iii) Executive's breach of a material provision of this Agreement or the Proprietary Information Agreement;

(iv) Executive's conviction, plea of no contest, plea of nolo contendere, or imposition of unadjudicated probation for any felony or crime involving moral turpitude;

(v) Executive's unlawful use (including being under the influence) or possession of illegal drugs on the Company's (or any of its affiliate's) premises or while performing Executive's duties and responsibilities under this Agreement; or

(vi) Executive's commission of an act of fraud, embezzlement, misappropriation, willful misconduct, or breach of fiduciary duty against the Company or any of its affiliates.

(b) Date of Termination. "Date of Termination" shall mean (i) if Executive's employment is terminated by Executive's death, the date of Executive's death; or (ii) if Executive's employment is terminated pursuant to Section 3(a)(ii) – (vi) either the date indicated in the Notice of Termination or the date specified by the Company pursuant to Section 3(b), after delivery by Executive of the Notice of Termination, whichever is earlier.

(c) Disability. "Disability" shall mean, at any time the Company or any of its affiliates sponsors a long-term disability plan for the Company's employees, "disability" as defined in such long-term disability plan for the purpose of determining a participant's eligibility for benefits, provided, however, if the long-term disability plan contains multiple definitions of disability, "Disability" shall refer to that definition of disability which, if Executive qualified for such disability benefits, would provide coverage for the longest period of time. The determination of whether Executive has a Disability shall be made by the person or persons required to make disability determinations under the long-term disability plan. At any time the Company does not sponsor a long-term disability plan for its employees, Disability shall mean Executive's inability to perform, with or without reasonable accommodation, the essential functions of Executive's position hereunder for a total of three months during any six-month period as a result of incapacity due to mental or physical illness as determined by a physician selected by the Company or its insurers and acceptable to Executive or Executive's legal representative, with such agreement as to acceptability not to be unreasonably withheld or delayed. Any refusal by Executive to submit to a medical examination for the purpose of determining Disability shall be deemed to constitute conclusive evidence of Executive's Disability.

(d) Good Reason. For the sole purpose of determining Executive's right to severance payments as described above, Executive's resignation will be for "Good Reason" if Executive resigns within ninety days of Executive's knowledge of the occurrence of any of the following events, unless Executive consents to the applicable event: (i) a decrease in Executive's Annual Base Salary, other than a reduction in annual base salary of less than 10% that is implemented in connection with a contemporaneous reduction in annual base salaries affecting other similarly situated employees of the Company, or (ii) the relocation of Executive's primary office to a location more than 50 miles from the Boston, Massachusetts metropolitan area. Notwithstanding the foregoing, no Good Reason will have occurred unless and until Executive has: (i) provided the Company, within 60 days of Executive's knowledge of the occurrence of the facts and circumstances underlying the Good Reason event, written-notice stating with specificity the applicable facts and circumstances underlying such finding of Good Reason; (ii) provided the Company with an opportunity to cure the same within 30 days after the receipt of such notice; and (iii) the Company fails to cure the same within such 30 day period after receipt of such notice.

8. Miscellaneous Provisions.

(a) Governing Law. This Agreement shall be governed, construed, interpreted and enforced in accordance with its express terms, and otherwise in accordance with the substantive laws of the Commonwealth of Massachusetts without reference to the principles of conflicts of law of the Commonwealth of Massachusetts or any other jurisdiction, and where applicable, the laws of the United States.

(b) Validity. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

(c) Notices. Any notice, request, claim, demand, document and other communication hereunder to any Party shall be effective upon receipt (or refusal of receipt) and shall be in writing and delivered personally or sent by facsimile, nationally recognized overnight delivery service, postage prepaid, or certified or registered mail, postage prepaid, as follows:

(i) If to the Company, the Chief Financial Officer at its headquarters,

(ii) If to Executive, at the last address that the Company has in its personnel records for Executive, or

(iii) At any other address as any Party shall have specified by notice in writing to the other Party.

(d) Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, but all of which together will constitute one and the same Agreement. Signatures delivered by facsimile, PDF or other electronic means shall be deemed effective for all purposes.

(e) Entire Agreement. The terms of this Agreement, the Option Grant Notice and the Proprietary Information Agreement are intended by the Parties to be the final expression of their agreement with respect to the subject matter hereof and thereof and supersede all prior understandings and agreements, whether written or oral. The Parties further intend that this Agreement, the Option Grant Notice and the Proprietary Information Agreement shall constitute the complete and exclusive statement of their terms and that no extrinsic evidence whatsoever may be introduced in any judicial, administrative, or other legal proceeding to vary the terms of this Agreement, the Option Grant Notice or the Proprietary Information Agreement.

(f) Amendments; Waivers. This Agreement may not be modified, amended, or terminated except by an instrument in writing, signed by Executive and a duly authorized officer of the Company. By an instrument in writing similarly executed, Executive or a duly authorized officer of the Company may waive compliance by the other Party with any specifically identified provision of this Agreement that such other Party was or is obligated to comply with or perform; *provided, however,* that such waiver shall not operate as a waiver of, or estoppel with respect to, any other or subsequent failure. No failure to exercise and no delay in exercising any right, remedy, or power hereunder preclude any other or further exercise of any other right, remedy, or power provided herein or by law or in equity.

(g) No Inconsistent Actions. The Parties hereto shall not voluntarily undertake or fail to undertake any action or course of action inconsistent with the provisions or essential intent of this Agreement. Furthermore, it is the intent of the Parties hereto to act in a fair and reasonable manner with respect to the interpretation and application of the provisions of this Agreement.

(h) Construction. This Agreement shall be deemed drafted equally by the Parties. Its language shall be construed as a whole and according to its fair meaning. Any presumption or principle that the language is to be construed against any Party shall not apply. The headings in this Agreement are only for convenience and are not intended to affect construction or interpretation. Any references to paragraphs, subparagraphs, sections or subsections are to those parts of this Agreement, unless the context clearly indicates to the contrary. Also, unless the context clearly indicates to the contrary, (a) the plural includes the singular and the singular includes the plural; (b) "and" and "or" are each used both conjunctively and disjunctively; (c) "any," "all," "each," or "every" means "any and all," and "each and every"; (d) "includes" and "including" are each "without limitation"; (e) "herein," "hereof," "hereunder" and other similar compounds of the word "here" refer to the entire Agreement and not to any particular paragraph, subparagraph, section or subsection; and (f) all pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular or plural as the identity of the entities or persons referred to may require.

(i) Arbitration. Any controversy, claim or dispute arising out of or relating to this Agreement, shall be settled solely and exclusively by a binding arbitration process administered by JAMS/Endispute before a single arbitrator in Boston, Massachusetts. Such arbitration shall be conducted in accordance with the then-existing JAMS/Endispute Rules of Practice and Procedure, with the following exceptions if in conflict: (a) one arbitrator who is a retired judge shall be chosen consistent with the then current rules of JAMS/Endispute; (b) each Party to the arbitration will pay one-half of the expenses and fees of the arbitrator, together with other expenses of the arbitration incurred or approved by the arbitrator; and (c) arbitration may proceed in the absence of any Party if written notice (pursuant to the JAMS/Endispute rules and regulations) of the proceedings has been given to such Party. Each Party shall bear its own attorneys' fees and expenses; provided that the arbitrator may assess the prevailing Party's fees and costs against the non-prevailing Party as part of the arbitrator's award. The Parties agree to abide by all decisions and awards rendered in such proceedings. Such decisions and awards rendered by the arbitrator shall be final and conclusive. All such controversies, claims or disputes shall be settled in this manner in lieu of any action at law or equity; provided, however, that nothing in this subsection shall be construed as precluding the bringing of an action for injunctive relief or specific performance as provided in this Agreement or the Proprietary Information Agreement. This dispute resolution process and any arbitration hereunder shall be confidential and neither any Party nor the neutral arbitrator shall disclose the existence, contents or results of such process without the prior written consent of all Parties, except where necessary or compelled in a court to enforce this arbitration provision or an award from such arbitration or otherwise in a legal proceeding. If JAMS/Endispute no longer exists or is otherwise unavailable, the Parties agree that the American Arbitration Association ("AAA") shall administer the arbitration in accordance with its then-existing rules as modified by this subsection. In such event, all references herein to JAMS/Endispute shall mean AAA.

(j) Enforcement. If any provision of this Agreement is held to be illegal, invalid or unenforceable under present or future laws effective during the term of this Agreement, such provision shall be fully severable; this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a portion of this Agreement; and the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance from this Agreement. Furthermore, in lieu of such illegal, invalid or unenforceable provision there shall be added automatically as part of this Agreement a provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible and be legal, valid and enforceable.

(k) Withholding. The Company shall be entitled to withhold from any amounts payable under this Agreement any federal, state, local or foreign withholding or other taxes or charges which the Company is required to withhold. The Company shall be entitled to rely on an opinion of counsel if any questions as to the amount or requirement of withholding shall arise.

(l) Survival. Notwithstanding anything to the contrary in this Agreement, the provisions of Sections 5 through 9 will survive the termination of Executive's employment and the expiration or termination of the Term.

(m) Section 409A.

(i) *General.* The intent of the Parties is that the payments and benefits under this Agreement comply with or be exempt from Section 409A of the Code and the regulations and guidance promulgated thereunder (collectively, "Section 409A") and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance therewith.

(ii) *Separation from Service.* Notwithstanding anything in this Agreement to the contrary, any compensation or benefits payable under this Agreement that are designated under this Agreement as payable upon Executive's termination of employment shall be payable only upon Executive's "separation from service" with the Company within the meaning of Section 409A (a "Separation from Service") and, except as provided below, any such compensation or benefits described in Section 4(b) shall not be paid, or, in the case of installments, shall not commence payment, until the 30th day following Executive's Separation from Service (the "First Payment Date"). Any installment payments that would have been made to Executive during the 30-day period immediately following Executive's Separation from Service but for the preceding sentence shall be paid to Executive on the First Payment Date and the remaining payments shall be made as provided in this Agreement.

(iii) *Specified Employee.* Notwithstanding anything in this Agreement to the contrary, if Executive is deemed by the Company at the time of Executive's Separation from Service to be a "specified employee" for purposes of Section 409A, to the extent delayed commencement of any portion of the benefits to which Executive is entitled under this Agreement is required in order to avoid a prohibited distribution under Section 409A, such portion of Executive's benefits shall not be provided to Executive prior to the earlier of (i) the expiration of the 6-month period measured from the date of Executive's Separation from Service with the Company or (ii) the date of Executive's death. Upon the first business day following the expiration of the applicable Section 409A period, all payments deferred pursuant to the preceding sentence shall be paid in a lump sum to Executive (or Executive's estate or beneficiaries), and any remaining payments due to Executive under this Agreement shall be paid as otherwise provided herein.

(iv) *Expense Reimbursements.* To the extent that any reimbursements under this Agreement are subject to Section 409A, any such reimbursements payable to Executive shall be paid to Executive no later than December 31 of the year following the year in which the expense was incurred, provided that Executive submits Executive's reimbursement request promptly following the date the expense is incurred. The amount of expenses reimbursed in one year shall not affect the amount eligible for reimbursement in any subsequent year, other than medical expenses referred to in Section 105(b) of the Code, and Executive's right to reimbursement under this Agreement will not be subject to liquidation or exchange for another benefit.

(v) *Installments.* Executive's right to receive any installment payments under this Agreement, including any continuation of salary payments that are payable on Company payroll dates, shall be treated as a right to receive a series of separate payments and, accordingly, each such installment payment shall at all times be considered a separate and distinct payment as permitted under Section 409A. Except as otherwise permitted under Section 409A, no payment hereunder shall be accelerated or deferred unless such acceleration or deferral would not result in additional tax or interest pursuant to Section 409A.

(n) No Mitigation. In no event shall Executive be obligated to seek other employment or take any other action by way of mitigation of any amounts payable to Executive pursuant to Section 4 and such amounts shall not be reduced whether or not Executive obtains other employment (including self-employment).

9. Acknowledgements and Representations.

Executive acknowledges that Executive has read and understands this Agreement, is fully aware of its legal effect, has not acted in reliance upon any representations or promises made by the Company other than those contained in writing herein, and has entered into this Agreement freely based on Executive's own judgment.

10. Third Party Beneficiary Rights.

Parent has third party beneficiary rights to the terms of this Agreement applicable to the Company.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the persons below have executed this Agreement on the date and year first above written.

COMPANY

By: /s/ Ton Logtenberg
Ton Logtenberg
Chief Executive Officer

By: /s/ Shelley Margetson
Shelley Margetson
Chief Operating Officer

EXECUTIVE

By: /s/ PETER SILVERMAN
PETER SILVERMAN
12/27/2017

EXHIBIT A

Form of Option Grant Notice

EXHIBIT B

Separation Agreement and Release

This Separation Agreement and Release (this "Agreement") is made by and between Peter Silverman ("Executive") and (the "Company") (collectively referred to as the "Parties" or individually referred to as a "Party"). Capitalized terms used but not defined in this Agreement shall have the meanings set forth in the Employment Agreement (as defined below).

WHEREAS, the Parties have previously entered into that certain Employment Agreement, dated as of (the "Employment Agreement"); and

WHEREAS, in connection with Executive's termination of employment with the Company or a subsidiary or affiliate of the Company effective , 20, the Parties wish to resolve any and all disputes, claims, complaints, grievances, charges, actions, petitions, and demands that Executive may have against the Company and any of the Releasees as defined below, including, but not limited to, any and all claims arising out of or in any way related to Executive's employment with or separation from the Company or its subsidiaries or affiliates but, for the avoidance of doubt, nothing herein will be deemed to release any rights or remedies in connection with the Retained Claims, as defined below.

NOW, THEREFORE, in consideration of the severance payments and benefits described in Section 4 of the Employment Agreement, which, pursuant to the Employment Agreement, are conditioned on Executive's execution and non-revocation of this Agreement, and in consideration of the mutual promises made herein, the Company and Executive hereby agree as follows:

1. Severance Payments; Salary and Benefits. The Company agrees to provide Executive with the severance payments and benefits described in Section 4(b) of the Employment Agreement, payable at the times set forth in, and subject to the terms and conditions of, the Employment Agreement. In addition, to the extent not already paid, and subject to the terms and conditions of the Employment Agreement, the Company shall pay or provide to Executive all other payments or benefits described in Section 3(c) of the Employment Agreement, subject to and in accordance with the terms thereof.

2. Release of Claims. Executive agrees that, other than with respect to the Retained Claims, the foregoing consideration represents settlement in full of all outstanding obligations owed to Executive by the Company, any of its direct or indirect parents, subsidiaries and affiliates, and any of their current and former officers, directors, equity holders, managers, employees, agents, investors, attorneys, shareholders, administrators, affiliates, benefit plans, plan administrators, insurers, trustees, divisions, and subsidiaries and predecessor and successor corporations and assigns (collectively, the "Releasees"). Executive, on Executive's own behalf and on behalf of any of Executive's affiliated companies or entities and any of their respective heirs, family members, executors, agents, and assigns, other than with respect to the Retained Claims, hereby and forever releases the Releasees from, and agrees not to sue concerning, or in any manner to institute, prosecute, or pursue, any claim, complaint, charge, duty, obligation, or cause of action relating to any matters of any kind, whether presently known or unknown, suspected or unsuspected, that Executive may possess against any of the Releasees arising from any omissions, acts, facts, or damages that have occurred up until and including the Effective Date of this Agreement (as defined in Section 7 below), including, without limitation:

(a) any and all claims relating to or arising from Executive's employment or service relationship with the Company or any of its direct or indirect subsidiaries or affiliates and the termination of that relationship;

(b) any and all claims relating to, or arising from, Executive's right to purchase, or actual purchase of any shares of stock or other equity interests of the Company or any of its affiliates, including, without limitation, any claims for fraud, misrepresentation, breach of fiduciary duty, breach of duty under applicable state corporate law, and securities fraud under any state or federal law;

(c) any and all claims for wrongful discharge of employment; termination in violation of public policy; discrimination; harassment; retaliation; breach of contract, both express and implied; breach of covenant of good faith and fair dealing, both express and implied; promissory estoppel; negligent or intentional infliction of emotional distress; fraud; negligent or intentional misrepresentation; negligent or intentional interference with contract or prospective economic advantage; unfair business practices; defamation; libel; slander; negligence; personal injury; assault; battery; invasion of privacy; false imprisonment; conversion; and disability benefits;

(d) any and all claims for violation of any federal, state, or municipal statute, including, but not limited to, Title VII of the Civil Rights Act of 1964; the Civil Rights Act of 1991; the Rehabilitation Act of 1973; the Americans with Disabilities Act of 1990; the Equal Pay Act; the Fair Credit Reporting Act; the Age Discrimination in Employment Act of 1967; the Older Workers Benefit Protection Act; the Employee Retirement Income Security Act of 1974; the Worker Adjustment and Retraining Notification Act; the Family and Medical Leave Act; and the Sarbanes-Oxley Act of 2002;

(e) any and all claims for violation of the federal or any state constitution;

(f) any and all claims arising out of any other laws and regulations relating to employment or employment discrimination;

(g) any claim for any loss, cost, damage, or expense arising out of any dispute over the non-withholding or other tax treatment of any of the proceeds received by Executive as a result of this Agreement; and

(h) any and all claims for attorneys' fees and costs.

Executive agrees that the release set forth in this section shall be and remain in effect in all respects as a complete general release as to the matters released. Notwithstanding anything to the contrary in this Agreement, the release set forth in this Agreement does not release any of the following claims by Executive (collectively, the "Retained Claims"): (i) claims that cannot be released as a matter of law, including, but not limited to, Executive's right to report possible violations of federal law or regulation to any governmental agency or entity in accordance with the provisions of and rules promulgated under Section 21F of the Securities Exchange Act of

1934 or Section 806 of the Sarbanes-Oxley Act of 2002, or any other whistleblower protection provisions of state or federal law or regulation; (ii) Executive's right to file a charge with or participate in a charge by the Equal Employment Opportunity Commission, or any other local, state, or federal administrative body or government agency that is authorized to enforce or administer laws related to employment, against the Company or any Releasee (with the understanding that Executive's release of claims herein bars Executive from recovering such monetary relief from the Company or any Releasee); (iii) claims for unemployment compensation or any state disability insurance benefits pursuant to the terms of applicable state law; (iv) claims to continued participation in certain of the Company's and the other Releasees group benefit plans pursuant to the terms and conditions of COBRA; (v) claims to any benefit entitlements vested as the date of separation of Executive's employment, pursuant to written terms of any employee benefit plan of the Company or any other Releasee and Executive's right under applicable law; (vi) claims related to Executive's ownership of vested equity securities, and vested options to purchase equity securities, in each case of the Company or any other Releasee (including equity securities and options to purchase equity securities that vest pursuant to the Employment Agreement); (vii) claims related to Executive's right to indemnification by the Company or any other Releasee pursuant to contract or applicable law; (viii) claims for breach of Section 3(c) or Section 4(b) of the Employment Agreement; or (ix) claims for breach of this Agreement.

3. Acknowledgment of Waiver of Claims under ADEA. Executive understands and acknowledges that Executive is waiving and releasing any rights Executive may have under the Age Discrimination in Employment Act of 1967 ("ADEA"), and that this waiver and release is knowing and voluntary. Executive understands and agrees that this waiver and release does not apply to any rights or claims that may arise under the ADEA after the Effective Date of this Agreement. Executive understands and acknowledges that the consideration given for this waiver and release is in addition to anything of value to which Executive was already entitled. Executive further understands and acknowledges that Executive has been advised by this writing that: (a) Executive should consult with an attorney prior to executing this Agreement; (b) Executive has 21 days within which to consider this Agreement; (c) Executive has 7 days following Executive's execution of this Agreement to revoke this Agreement pursuant to written notice to the General Counsel of the Company; (d) this Agreement shall not be effective until after the revocation period has expired; and (e) nothing in this Agreement prevents or precludes Executive from challenging or seeking a determination in good faith of the validity of this waiver under the ADEA, nor does it impose any condition precedent, penalties, or costs for doing so, unless specifically authorized by federal law. In the event Executive signs this Agreement and returns it to the Company in less than the 21 day period identified above, Executive hereby acknowledges that Executive has freely and voluntarily chosen to waive the time period allotted for considering this Agreement.

4. Severability. In the event that any provision or any portion of any provision hereof or any surviving agreement made a part hereof becomes or is declared by a court of competent jurisdiction or arbitrator to be illegal, unenforceable, or void, this Agreement shall continue in full force and effect without said provision or portion of provision.

5. No Oral Modification. This Agreement may only be amended in a writing signed by Executive and a duly authorized officer of the Company.

6. Governing Law; Dispute Resolution. This Agreement shall be subject to the provisions of Sections 8(a), 8(c), 8(d) and 8(i) of the Employment Agreement.

7. Effective Date. If Executive has attained or is over the age of 40 as of the date of Executive's termination of employment, then Executive has seven days after Executive signs this Agreement to revoke it and this Agreement will become effective on the eighth day after Executive signed this Agreement, so long as it has not been revoked by Executive before that date (the "Effective Date"). If Executive has not attained the age of 40 as of the date of Executive's termination of employment, then the "Effective Date" shall be the date on which Executive signs this Agreement.

8. Voluntary Execution of Agreement. Executive understands and agrees that Executive executed this Agreement voluntarily, without any duress or undue influence on the part or behalf of the Company or any third party, with the full intent of releasing all of Executive's claims against the Company and any of the other Releasees. Executive acknowledges that: (a) Executive has read this Agreement; (b) Executive has not relied upon any representations or statements made by the Company that are not specifically set forth in this Agreement; (c) Executive has been represented in the preparation, negotiation, and execution of this Agreement by legal counsel of Executive's own choice or has elected not to retain legal counsel; (d) Executive understands the terms and consequences of this Agreement and of the releases it contains; and (e) Executive is fully aware of the legal and binding effect of this Agreement.

IN WITNESS WHEREOF, the Parties have executed this Agreement on the respective dates set forth below.

Dated:

Peter Silverman

COMPANY

Dated: 12/24/16

By: /s/ Ton Logtenberg
Name: Ton Logtenberg
Title: CEO

Dated: 12/24/16

By: _____
Name: Shelley Margetson
Title: COO

ADDENDUM TO EMPLOYMENT AGREEMENT

This addendum to the Employment Agreement dated December 24, 2016 (the **Agreement)** is entered into as of February 1, 2017 by and between Merus US, Inc., a Delaware corporation (together with any successors or assigns, the **Company)** and Peter Silverman (**Executive**) (the **Addendum)**. The Company and Executive are collectively referred to herein as the **Parties** and individually as a **Party.**

WHEREAS the Company and Executive wish to amend the Agreement with this Addendum.

NOW THEREFORE THE PARTIES HAVE AGREED AS FOLLOWS

1. The Parties hereby agree to replace recital (A) of the Agreement with the following:

   "*It is the desire of the Company to assure itself of the services of the Executive beginning on and following a date to be mutually agreed upon by the Company and Executive, which date will be no later than 15 February 2017 by entering into this Agreement. The actual date on which Executive begins his employment with the Company is referred to herein as the "Effective Date"."*

2. The Agreement is amended only to the extent necessary to give full effect to the Agreement. All other terms and conditions of the Agreement shall remain in full force and effect.

IN WHITNESS WHEREOF, the Parties have duly executed the Addendum as of February 1, 2017.

Merus US, Inc.	**Peter Silverman**
By: /s/ Ton Logtenberg	/s/ Peter Silverman
Ton Logtenberg	
CEO	
By: /s/ Shelley Margetson	
Shelley Margetson	
COO	

CONFIDENTIAL

LEASE AGREEMENT

Lessor	Stichting Incubator Utrecht Yalelaan 40 3584 CM UTRECHT
Lessee	Merus B.V. Padualaan 8 3584 CH Utrecht The Netherlands
Object	Yalelaan 62, 3584 CM, in Utrecht
Lease period	5 years
Lease commencement date	1 November 2016
Lease notice period	12 months
End date	31 October 2021
Bank guarantee	3 months rent
Extension options	automatic extension
Annual lease (base price)	€ 434,150.60 (also see Article 4.1)
Taxed lease	yes, as of lease commencement date
Indexation	annual, for the first time as of 1 July 2017

LEASE AGREEMENT FOR OFFICE SPACE AND LABORATORY SPACE

WHEREAS:

The LSI on the Yalelaan is intended primarily to accommodate life sciences companies (objective);

Given the aforementioned objective, various companies can be accommodated on each floor;

These companies must share the joint facilities, such as the toilets and pantry present on their floor, among other things;

Office and laboratory space in the LSI are offered at market conditions, taking into account the European Regional Development Fund (ERDF) subsidy provided;

Where appropriate, specific and individual agreements will be made with start-up life science companies, including with regard to the lease price, any discount, lease period and notice period.

THE UNDERSIGNED

Stichting Incubator Utrecht, having its registered address and having offices at 3584 CM Utrecht, at Yalelaan 40, and legally represented in this matter by its Director, Oscar Schoots, hereinafter to be called "Lessor",

AND

Merus B.V., having its registered office at 6534 AB Nijmegen and having offices at 3584 CH Utrecht at Padualaan 8, and legally represented in this matter by Mr Ton Logtenberg and Ms Shelley J. Margetson, jointly.

hereinafter to be called "Lessee",

registered in the trade register in Amsterdam under Chamber of Commerce No. 30189136, VAT (Value Added Tax) number NL812247413B01.

HAVE AGREED

This lease agreement replaces the agreement dated 22 April 2016

The leased object, purpose

1.1 Lessor leases to Lessee and Lessee leases from Lessor specific spaces in the new multi-tenant business building to be delivered known as LSI (located at Yalelaan 62, 3584 CM, Utrecht), these being the spaces on the third (3rd) and fourth (4th) floors numbered 3.01 through 3.15 and 4.01 through 4.15 (offices) and 3.16 through 3.28 and 4.16 through 4.19 (laboratories), hereinafter called "the Leased Object", situated at Yalelaan in Utrecht, including the shared use of common areas including entrance, service entrance and atrium (LSI ground floor), lifts, the hallway pantry and toilets on the same floor, the service building behind the LSI and the bicycle shed (basement of the Alexander Numan building) at Yalelaan 40-60 in Utrecht and further indicated on the drawing attached to this agreement and signed by parties, which drawing is part of this agreement.

1.2 The leased object will only be used by or on account of Lessee for the purpose of laboratory space with associated office space.

1.3 The Lessee is prohibited from giving the leased object a purpose other than what is described in 1.2 without prior written consent from Lessor.

1.4 The highest permissible load on the floors of the leased object is 500 kg/m².

Conditions

2.1 The "GENERAL PROVISIONS OF THE LEASE AGREEMENT FOR OFFICE SPACE and LABORATORY SPACE", hereinafter to be called "General Provisions", are part of this agreement. The content of these General Provisions is known to parties. Lessee and Lessor have received one copy of the General Provisions as Appendix to this agreement.

2.2 The General Provisions to which 2.1 refers are completely applicable except insofar as they are explicitly deviated from in this agreement and any appendices, in which case this agreement and any appendices prevail, or if application of the General Provisions is not possible with regard to the leased object.

Term, start, extension and termination

3.1 This agreement has been entered into for the term of five (5) years, starting on 1 November 2016 and running until 31 October 2021. Cancellation must occur 12 months before the expiration of the lease period. If the agreement is extended in accordance with 3.2, then cancellation must occur six months before the expiration of the lease period.

3.2 After the expiration of the cancellation option stated in 3.1, if no cancellation has occurred, the agreement will be tacitly extended for a new period of two (2) years each time. In the event of cancellation, Lessee agrees that the Leased Object will be evacuated and clean and free of use and usage rights as of the relevant date.

3.3 Premature termination of this agreement is only possible by mutual consent. In the event that Lessee and Lessor mutually consent to terminate the agreement prematurely, Lessee will then in any event pay to Lessor the remainder of the Tenant Share of Adjustments (as stated under 4.1 and 4.6) until the end of this agreement's duration, the details of such a remuneration to be then specified and recorded in mutual consultation. In any event, a lump sum payment of the remainder of the Tenant Share of Adjustments will suffice as remuneration.

3.4 In the event of an acquisition of the majority of the Lessee's shares by a third party under "at arm's-length" conditions, Lessee is entitled, once, during 3 (three) months after aforementioned share transfer, to prematurely terminate this agreement with due observance of a notice period of 12 months.

3.5 Cancellation or premature termination must be done by bailiff's writ or registered letter.

Lease price, VAT, lease price adjustment, payment obligation, payment period

4.1 The annual base lease price of the leased object amounts to € 434,150.60, excluding Tenant Share of Adjustments, VAT and service costs. In addition to the aforementioned base lease price, Lessee receives extra discounts on the base lease price, decreasing each year as shown in the schedule below. Insofar as the lease in the first quarter, or upon cancellation in the last quarter, does not concern a full quarter, the amount to be paid for the first and last quarter, respectively, will be adjusted proportionally.

PAYMENT SCHEDULE 5-year lease contract		**Year 1**		**Year 2**		**Year 3**		**Year 4**
(all amounts in Euros, 2016 price level)								
base lease price on an annual basis at start		434.150,60		434.150,60		434.150,60		434.150,60
base lease price per quarter at start		108.537,65		108.537,65		108.537,65		108.537,65
discount on lease price	*30%*	-32.561,30	*20%*	-21.707,53	*10%*	-10.853,77	*0%*	0,00
lease price per quarter including discount		75.976,36		86.830,12		97.683,89		108.537,65
share of tenant adjustments (estimate)		33.947,08		33.947,08		33.947,08		33.947,08
lease VAT and tenant adjustments	*21%*	23.083,92		25.363,21		27.642,50		29.921,79
subtotal 1		133.007,35		146.140,41		159.273,46		172.406,52
advance payment service costs per quarter (20% of the base lease price)	*20%*	21.707,53		21.707,53		21.707,53		21.707,53
service costs VAT	*21%*	4.558,58		4.558,58		4.558,58		4.558,58
subtotal 2		26.266,11		26.266,11		26.266,11		26.266,11
total to be paid before start of quarter								
(subtotal 1 + subtotal 2)		**159.273,46**		**172.406,52**		**185.539,58**		**198.672,63**

4.2 Parties agree that Lessor will charge VAT on the lease price. If a lease charged with VAT is not agreed upon, Lessee owes to Lessor, in addition to the lease price, a separate remuneration to compensate for the disadvantage that Lessor and/or its legal successor(s) suffer or will suffer because the VAT on the Lessor's investments and operating costs are not (or no longer) deductible. What is stated in 19.1 through 19.9 of the General Provisions will not apply in that case.

4.3 If parties have agreed to a lease charged with VAT, Lessee and Lessor make use of the option, based on Notification 45, decision of 24 March 1999, no. VB 99/571, to waive the submission of a joint request for a lease charged with VAT. By signing the lease agreement, Lessee declares, also on behalf of Lessor's legal successor(s), that it will continue to use the leased object or will ensure that leased object continues to be used for purposes for which a full or practically full right to deduction of VAT exists based on Article 15 of the Value Added Tax Act of 1968.

4.4 The lease price will be adjusted on an annual basis each 1 July, for the first time effective 1 July 2017, in accordance with General Provisions 9.1 through 9.4.

4.5 The remuneration that Lessee owes for additional supplies and services to be provided by or on account of Lessor will be specified in accordance with Article 16 General Provisions and Article 5 of this agreement. A system of advance payments with later settlement will be applied to this remuneration, as indicated there.

4.6 The Lessee's payment obligation consists of:

a. the lease price;

b. the VAT owed on the lease price if parties have agreed to a lease charged with VAT;

c. the advance payment on the remuneration for the additional supplies and services to be provided by or on account of Lessor with the corresponding VAT owed;

d. a remuneration called the "Tenant Share of Adjustments" estimate, due to the Leased Object adjustments commissioned by Lessor upon Lessee's request for Lessee's benefit. This Tenant Share of Adjustments regards the investment costs and financing expenses settled over a period of five years. For the avoidance of doubt, the Tenant Share of Adjustments under 4.6d consists of an estimate at the time of signing this agreement. Based on the adjustment requests and cost estimates already made in consultation with Lessee, as well as an agreed-upon distribution of costs between the Lessee and Lessor, the final costs per Tenant will be known definitively after negotiated calls for tenders and selection. An amendment with the final calculation of Tenant Share of Adjustments will then be added to this agreement. Parties hereby acknowledge that the costs may be higher, by no more than 20%, or lower than estimated.

4.7 For each payment period of 3 (three) calendar months, to be paid in advance each quarter.

4.8 The periodic payments to be made by Lessee to Lessor based on this lease agreement are due in Euros in one amount to be paid in advance as shown in 4.7. Lessor sends Lessee an invoice for each period for this purpose.

4.9 Lessee may at any time pay Lessor the remainder of the Tenant Share of Adjustments (as stated under 4.1 and 4.6) until the end of this agreement's duration by means of a lump sum. The redemption value is then the sum of the number of remaining quarters multiplied by the quarterly Tenant Share of Adjustments amount with a discount of 5%.

4.10 Unless stated otherwise, all of the amounts in this lease agreement and General Provisions that are part of this agreement are listed excluding VAT.

Supplies and services

5. As additional supplies and services to be provided by or on account of Lessor, parties agree that, in accordance with Article 16 of the General Provisions, the advance payment for service costs amounts to 20% of the base lease price (without discount) at the start of the lease agreement, € 21,707.53 per quarter, to be increased with VAT, to be paid in full via advance payment at the time of payment of the lease price.

- heat supply
- electricity supply in the leased object and the general areas
- water supply (water for business and drinking purposes and demineralised water)
- supply of additional cooling
- maintenance and periodic control of heating
  and/or air treatment installation(s)
  same, lift installation(s)
- same, hydrophone [sic] installation
- same, window cleaning installation
- same, fire alarm, building security, automatic fault report system and emergency power installations
- cleaning costs for the common areas, lifts, façade, outside of the windows as well as the awnings, windows in common areas, patios, parking garage and/or lot, offices and laboratories in accordance with sufficient standard
- waste processing costs for normal business waste (with the exception of specific lab waste such as chemical waste, specific hospital waste, GMO [Genetically Modified Organism] waste)
- surveillance/security costs
- reception services costs
- catering facility costs
- insurance premium for exterior windows
- sewer rights
- user OZB (onroerendezaakbelasting [property tax])
- retention and maintenance of environmental licence (Wabo (Wet algemene bepalingen omgevingsrecht [Environmental Licensing Act]))
- administration costs of 5% over the supplies and services ticked off above

Bank guarantee

6.1 In accordance with 12.1 of the General Provisions, Lessee will provide a bank guarantee for 3 (three) months lease. The amount of the bank guarantee specified in 12.1 is hereby established between parties at € 108,537.65. The bank guarantee will be provided to Lessor prior to the final commencement date of the lease.

Manager

7.1 Until Lessor communicates otherwise, the following shall act as Manager: Lessor.

Special provisions

Indemnification

8.1 Lessee indemnifies Lessor for each liability regarding ARBO (Health and Safety) requirements related to the intended use or intended layout.

Other facilities

8.2 Lessee can use the Lessor's present infrastructure for the data and telecommunications facilities and for that purpose, must make agreements with Lessor and the University of Utrecht, ITS (Information and Technology Services) Board. If desired, Lessee can also use the service provided by the University of Utrecht Facilities Service Centre (FSC) for items such as the cleaning of the leased object, security (connecting the leased object's break-in alarm and the alarms on refrigerators/freezers and the like with the control centre), waste disposal, doorman services and the like. Lessee will make these agreements directly with the FSC and also settle the costs directly with the FSC, unless agreed upon otherwise with Lessor.

Condition of delivery

8.3 The leased object will be delivered all at once time with partitioning walls, ceilings, lighting, flooring and fixed furnishings, as indicated on the attached agreement drawings (being the final drawings including the Lessee's requirements). Offices equipped with climate control per grid size of 3.60 m for a maximum of three fully occupied workspaces. If Lessee purchases and will install biohazard cabinets or microbiological safety cabinets, then these must satisfy the NEN-EN 12469 standard or its replacement. The Lessee may not apply any changes to the finishes and fixed layout of the spaces (being the walls, acid cabinets, lab islands, flooring and awnings) without prior consultation and without written consent from the Lessor. In the event that Lessee wants to apply adjustments, parties will meet in consultation. Lessor will not withhold consent for adjustment requests on unreasonable grounds and will explain its reasoning in writing insofar as these are not permitted. Upon termination of the lease agreement, Lessee must deliver the Leased Object in accordance with the agreement drawings.

Parking

8.4 Lessee has option to lease a limited number of exclusive parking spaces on the adjacent terrain for € 700.00 per parking space per year. Lessee also has the option to purchase parking passes from the UU at the applicable rate for access to parking spaces in the Veterinary Medicine quadrant. The total of the parking passes may not exceed the municipal parking standard (0.7 per 100 m² gross floor area). Parking prices to be increased by VAT and price level starting in 2017 to be adjusted in accordance with Articles 9.1 through 9.4 General Provisions. Visitors may use the parking spaces purchased by Lessee. There is an additional option, when available, to request a visitor parking space for a visitor via the Lessor.

Utilisation

8.5 Lessee is obligated utilise the Leased Object with care, in accordance with the objective specified for this purpose in 1.2, with sufficiently skilled personnel and management, taking into account the Lessor's interests. Lessee ensures that the utilisation of the Leased Object will always be in accordance with all of the applicable (legal) regulations, which also include those of the municipality and the owner of the land (leaseholder).

Visitors

8.6 Lessee will ensure that the Lessee's visitors do not make their way around in the premises without a Lessee escort. Lessee will also ensure that visitors are only allowed in that part of the building to which this agreement is applicable, being the Leased Object as described in Article 1.1.

Liability

8.7 In addition to Article 11 General Provisions, Lessee is liable—if Lessee, in the execution of its business and/or profession, uses or possesses a resource and/or substance, of which it is known that this has properties such that it constitutes a serious hazard to persons or items—for the corresponding consequences.

In any event, special hazards of a serious nature include substances that are explosive, oxidising, flammable, highly flammable or extremely flammable, toxic or highly toxic or contagious or highly contagious according to the criteria and methods established pursuant to the Environmentally Hazardous Substances Act. Lessee is liable for all direct and indirect damage that the Lessor and the other tenants in the premises may suffer as a consequence of the realisation of the hazard.

In addition to Article 11 General Provisions, in the event of any defects to the Object and Leased Object upon delivery and after delivery due to negligence or demonstrable fault on the part of Lessor, Lessor is liable for damage demonstrably suffered, up to a maximum of the annual base lease price.

8.8 Lessee indemnifies Lessor for third party claims, also including the other tenants in the premises of which the leased object is part and the government, regarding damage that is the direct or indirect consequence of the Lessee's use of hazardous substances.

Insurance

8.9 Lessee has a liability insurance which covers, at a minimum, the damage for which Lessee is liable based on the legal provisions regarding liability, including, without being limited to, environmental liabilities and the risk liability in the context of the use or possession of hazardous substances, or Lessee is obligated to develop the required activities in order to obtain such a liability insurance.

Usage requirements

8.10 Lessee is familiar with the current purpose of the Leased Object and qualitative obligations and fire brigade requirements. Lessee will observe and comply with all public and private law requirements, including those qualitative obligations applicable to the Leased Object, the zoning plan applicable at any time, permits and safety requirements from the government, fire brigade and other authorised agencies. The failure to comply with these requirements will not in any way be at the Lessor's expense.

Permits

8.11 Lessee itself must provide for the acquisition of the required permits, with the exception of the construction permit and other (municipal) permits to be granted to Lessor for the design according to attached drawings and the environmental licence (Wabo) as stated in Article 8.14. Lessee must act in accordance with the provisions in these permits. It must also follow any guidelines issued by the Lessor.

Lessee must maintain adequate administration regarding the required permits. Lessor is entitled to inspect this administration. Insofar as deemed necessary, Lessee will inform Lessor and if desired, make available copies of permits including appendices for the Wabo, among other things (8.14).

Lessee itself must apply for permits for working with GMOs (Genetically Modified Organisms), nevertheless in consultation with the University Health, Safety and Environment Department.

Lessee is liable for violations when acting without required permit(s) and/or not acting in accordance with these permits unless a violation and/or not acting in accordance with the permits is committed by Lessor or a third party hired by Lessor.

Environmentally Hazardous Substances Act

8.12 The Lessee guarantees that, insofar as the Environmentally Hazardous Substances Act and/or corresponding decisions/regulations are applicable to the Lessee's activities that occur in the leased object, it satisfies all the requirements set out in this law and any decisions/regulations and that it has complied and will comply with all the requirements and obligations as a result of this law and such decisions/regulations.

Lessee, insofar as it is obligated to do so based on Article 3 of the Environmentally Hazardous Substances Act, has made the required notification to the Minister of Housing, Spatial Planning and the Environment and insofar as it is obligated, Lessee has a permit based on the Environmentally Hazardous Substances Act.

Animal Testing Act

8.13 In principle, tests on animals are not permitted. Tests on animals can be conducted where appropriate, and only after written consent from the Lessor. The Lessee must then guarantee that, insofar as the Animal Testing Act and/or corresponding decisions/regulations are applicable to the Lessee's activities that occur in the leased object, it satisfies all the requirements set out in this law and any decisions/regulations and that it has complied and will comply with all the requirements and obligations as a result of this law and such decisions/regulations.

If the Lessee conducts tests on animals in the sense of the Animal Testing Act, it has obtains a permit for this purpose from the Minister of Public Health, Welfare and Sport.

Wet algemene bepalingen omgevingsrecht (Wabo) [Environmental Licensing Act]

8.14 In the context of the Environmental Licensing Act (Wabo), the Environmental Licence with reference HZ_WABO-14- 20927 has been granted for the Alexander Numan building on the Yalelaan 40-60 and the LSI on the Yalelaan 62 on 15 September 2015. The Lessee guarantees that it, insofar as the Wabo and/or corresponding decisions/regulations are applicable to the Lessee's activities that occur in the Leased Object, satisfies all the requirements from this law and decisions/regulations and that it has complied and will comply with all the requirements and obligations as a result of this law and the decisions/regulations.

Nuclear Energy Act

8.15 The Lessee guarantees that, insofar as the Nuclear Energy Act and/or corresponding decisions/regulations are applicable to the Lessee's activities that occur in the Leased Object, satisfies all the requirements set out in this law and any decisions/regulations and that it has complied and will comply with all the requirements and obligations as a result of this law and such decisions/regulations.

If Lessee prepares, transports, has in its possession, applies, brings or has delivered within or outside of Dutch territory, radioactive substances, or disposes itself of it, Lessee has obtained a permit for this purpose and Lessee is obligated to perform administration in that regard.

Access to the Leased Object

8.16 Lessor and all persons to be indicated by Lessor are entitled to enter the Leased Object with equipment necessary to do so at any time without prior consent from Lessee and to inspect inside as well as outside, when, in the Lessor's opinion, there is a need for this purpose and where reasonably possible, with due observance of the restrictions and precautions that are required in accordance with the current licences. Lessor is entitled to check at any time whether Lessee satisfies the legal requirements and in that context, Lessee will provide the information required for that purpose to Lessor upon Lessor's first request. Lessor will, if possible, first consult with Lessee in the event that access to the Leased Object is anticipated. Lessor will also ensure that, where applicable, only persons legally authorised for that purpose enter the Leased Object. Should prior consultation between Lessee and Lessor not have been possible, Lessor will inform Lessee afterwards about the access and the corresponding reasoning and background.

Sublease

8.17 Subject to prior consent from Lessor, Lessee is prohibited from renting, subletting or relinquishing use of the leased object completely or partially to third parties, or from transferring the lease rights completely or partially to third parties or contributing them to a professional partnership or legal entity.

Violation of lease agreement provisions

8.18 Should either Lessee or Lessor act in conflict with any provision in this lease agreement and fail to remedy this within a period of 30 (thirty) days, or as sooner as is reasonably possible, then the other party is entitled to immediately terminate the lease agreement, without prejudice to the right of parties to claim fulfilment or dissolution, as well as damage compensation.

In addition to Article 6.7 General Provisions, Lessor is entitled to immediately terminate the lease agreement without prior notice of default, if the required permits and/or exemptions that Lessee requires in the execution of its activities in the lease object are lacking, have expired, are refused or are withdrawn.

Choice of applicable law

8.19 Dutch law is applicable to this lease agreement.

Thus prepared and signed in duplicate.

Utrecht, dated	Utrecht, dated
(Lessor) **Stichting Incubator Utrecht**	(Lessee) **Merus B.V.**
O. Schoots Director	T. Logtenberg CEO
	(Lessee) **Merus B.V.**
	S.J. Margetson CFO

Exhibit 4.19

Confidential Treatment Requested Under 17 C.F.R.§§ 200.80(b)(4) and 240-24b-2

CONFIDENTIAL

CONTRACT RESEARCH AND LICENSE AGREEMENT

THIS CONTRACT RESEARCH AND LICENSE AGREEMENT (this **"Agreement"**) is entered into as of March 14, 2018 (the **"Effective Date"**) by and between **MERUS N.V.**, a Dutch company having an office at Yalelaan 62, 3584 CM Utrecht, the Netherlands (**"Merus"**), and Ono Pharmaceutical Co., Ltd., a Japanese company with its head offices located at 8-2, Kyutaromachi 1-chome, Chuo-ku, Osaka 541-8564, Japan (**"Ono"**). Merus and Ono may each be referred to individually as a "Party", and collectively as the "Parties".

RECITALS

WHEREAS, Merus is the owner of proprietary MeMo® mouse, Spleen to Screen™, CH3 dimerization and CH2 silencing technologies for the efficient generation of next generation Biclonics® bispecific antibodies for therapy; and

WHEREAS, Merus has expertise and intellectual property related to the above mentioned technologies, including related know how and materials; and

WHEREAS, Ono is engaged in the research, development and commercialization of pharmaceutical products; and

WHEREAS, Ono and Merus executed the Contract Research and License Agreement dated April 8, 2014, and Addendums on March 27, 2015, February 1, 2017, May 18, 2017, August 18, 2017, September 20, 2017, and November 20, 2017 (collectively, the "CRLA"); and

WHEREAS, Pursuant to Section 5.4 of CRLA, Ono has exercised the Exclusive Option, by means of the Notice of Exercise of Exclusive Option received by Merus on November 21, 2016, to enter into a collaborative relationship whereby Merus will use its MeMo® mouse, Spleen to Screen™, CH3 dimerization and CH2 silencing technologies for the efficient generation of next generation Biclonics® [***] bispecific antibodies with immunosuppressive properties to be further characterized and developed by Ono under a license from Merus for preclinical development, clinical development and commercialization by Ono, subject to the terms and conditions set forth herein.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. DEFINITIONS

1.1 Capitalized Terms. For purposes of this Agreement (including its appended schedules and exhibits), the capitalized terms used in this Agreement shall have the defined meanings set forth below or elsewhere in this Agreement. Capitalized singular, plural, and other variant forms of the defined terms shall have the corresponding meanings.

"Affiliate" means, with respect to a Party, any company or other entity controlled by, controlling, or under common control with such Party, where the term "controlled by" (with correlative meanings for the terms "controlling" and "under common control with") means for purposes of this definition the possession, through ownership or control, directly or indirectly, of at least 50% of the voting power, which voting power in the case of a corporation is entitled to vote for the election of directors, or otherwise has the actual right and ability to control and direct the management and business affairs.

"**Antibody**" or "**Antibodies**" shall mean a molecule, or a set of genes encoding such a molecule, comprising or containing one or more immunoglobulin variable domains or any existing or future fragments, variants, modifications or derivatives thereof.

"Biclonics Antibody" or **"Biclonics"** means any bispecific Antibody generated using Merus Technology, including the [***], from [***] contains a [***] and a [***], which bispecific antibody binds to 2 different targets as described in Exhibit A of this Agreement.

"Business Day(s)" means any day other than (i) Saturday, Sunday or other national holidays in Japan and/or the Netherlands, and (ii) a day within Ono's or Merus' corporate holidays. Each Party shall provide the other Party with the relevant corporate calendar of the following year promptly after it is available.

"[***]" means [***] encoded by the [***] gene.

"Commercial Sale" means, with respect to a Product, the sale in a commercial arms'-length transaction of such Product intended for end use or consumption for any application in the Field of Use in a country after the governing Regulatory Authority of such country has granted Regulatory Approval of the Product for such end use or consumption in the Field of Use (which will include sales of a Product occurring prior to Regulatory Approval in a country if such sold Products are intended to be used and are sold for use by an end user in such country after Regulatory Approval is obtained in such country). Sale to an Affiliate or Sublicensee for distribution will not constitute a Commercial Sale.

"Confidential Information" has the meaning provided in Section 10.1.

"Controlled" means, in reference to any information, materials, Patent Rights or other intellectual property, that the applicable Party owns, possesses, or has a license to such intellectual property or intellectual property right (including through control of an Affiliate or through a license from an Affiliate or Third Party) of the right or ability to grant the other Party a license or a sublicense or other right (as applicable) under same as provided in this Agreement without violating the terms of any agreement or other arrangement with any Third Party.

"Cover" means, with respect to a claim of any Patent Rights in reference to specified subject matter (such as a composition of matter or method of use), reading on or literally, or by the doctrine of equivalents, encompassing such subject matter, whether generically or specifically.

"EMA" means the European Medicines Agency, a decentralized body of the European Union, located in London, whose main responsibility is the protection and promotion of public and animal health, through the evaluation and supervision of medicines for human and veterinary use, or any successor agency thereto having the administrative authority to regulate the marketing of human pharmaceutical products or biological therapeutic products, delivery systems and devices in the European Union.

"FDA" means the United States Food and Drug Administration, or any successor agency thereto having the administrative authority to regulate the marketing of human pharmaceutical products or biological therapeutic products, delivery systems and devices in the United States of America.

"Field of Use" means the [***].

"**FTE**" or "**Full Time Equivalent**" means the equivalent of the work of one scientist full time during one full year of work during the Research Term, meaning a total of at least 1600 working hours. Each Party understands that scientists who are working on the Research Program subject to the terms and conditions of this Agreement also may be working (during periods that do not count towards the FTE allocation devoted to the Research Program) on other independent projects.

"Human Antibodies" shall mean any [***]; specifically (a) the [***] or (b) from [***].

For [***], "Human Antibodies of Lead Biclonics" shall mean [***]("[***] HALBs")]. Subject to the conditions of Section 5.4, Ono may [***], and [***], i.e.,[***] Human Antibodies of Successful Bicloinics® ("[***] HASBs")].

For [***], "Human Antibodies of Successful Biclonics" shall mean [***], i.e., [***] Human Antibodies of Successful Biclonics® ("[***] HASBs").

"IND" means an investigational drug application, including any amendments, to perform clinical investigation(s) of a Product as an investigational new drug or investigational medicinal product or the like that is filed with a Regulatory Authority in any jurisdiction for approval to conduct clinical studies of such Product in humans prior to the delivery of a Regulatory Approval or any request for authorization to use in an emergency situation filed with a Regulatory Authority in any jurisdiction prior to delivery of a Regulatory Approval.

"**Joint Steering Committee**" or "**JSC**" means the committee comprised of three representatives of each of Ono and Merus, unless otherwise agreed by the Parties, to oversee the Research Program pursuant to Section 3.1.

"**Know-How**" means all know-how, whether or not reduced to writing, technical information, data, ideas, concepts, materials (including but not limited to chemical and biological materials), techniques, specifications, processes, software, algorithms, practices, methods, material compositions, formulas, discoveries, inventions, trade practices, and trade secrets, whether or not patentable.

"Lead Biclonics" means Target Specific Biclonics that is/are functional and identified by Ono in accordance with the Specifications as further described in Exhibit B of this Agreement. For clarity, Lead Biclonics includes Successful Biclonics and Licensed Biclonics.

"Licensed Biclonics" means up to five [***] is/are identified and selected by Ono for further research, development and commercialization as a Product.

"Merus IP" means (i) Merus Patent Rights, (ii) Merus Know-How and (iii) any related Research Tool Controlled by Merus as of the Effective Date.

"**Merus Know-How**" means the Know-How Controlled by Merus as of the Effective Date or developed by Merus during the Term that are necessary for research, development, use manufacturing and/or commercialization activities of Ono, its Affiliates or Sublicensees with respect to Successful Biclonics and/or Products. For clarity, Merus Know-How will not include Merus Patent Rights and/or Ono Patent Rights.

"**Merus Patent Rights**" means the Patent Rights (a) Controlled by Merus as of the Effective Date relating to the Merus Technology or (b) Covering any invention and discovery conceived, developed or reduced to practice solely by either Party, or jointly by both Parties during the Term relating to (i) any improvement of Merus Technology, (ii) any process or material for making, delivering, or formulating bispecific Antibodies generated using Merus Technology, (iii) any method of using bispecific Antibodies generated using Merus Technology, or (iv) any Research Tool or any process or material for making or using a Research Tool, or (v) a Human Antibody against either [***] or [***], but excluding [***] HALBs, [***] HASBs (to the extent made) and [***] HASBs, in each case of subsection (i) through (v) in this paragraph excluding Ono Patent Rights. The Merus Patent Rights include the Patent Rights listed in Exhibit C.

"Merus Technology" means [***] for the efficient generation of Biclonics® bispecific antibodies.

"Net Sales" means the gross amount invoiced on sales of a Product by Ono or its Affiliates or Sublicensees to Third Party distributor(s), wholesaler, medical institution or otherwise, less the following deductions related to the Products: (i) direct credits and allowances or adjustments granted to such Third Parties on account of price adjustments, government or other rebates, rejections or returns in respect of the Products; (ii) any trade or cash discounts, rebates, charge-backs or administrative fees or other price reductions granted to such Third Parties who are involved in the acquisition, dispensing, utilization or management of prescriptions; (iii) any sales or other like taxes (but specifically excluding any taxes based on net income imposed upon the sale of the Products) to the extent included in the gross sales price, (iv) the costs of freight, transport, insurance, postage, handling and any other similar charges relating to the sale, transportation, delivery or return of the Development Product, (v) commissions related to import of the Product paid to Third Parties, (vi) [***], and (vii) [***]. In the event any combination product, sold in a finished dosage form containing a Licensed Biclonics and other therapeutic component(s) which is not the Licensed Biclonics, all as active pharmaceutical ingredients (as opposed to excipients or additives) is sold in any country, the Parties shall discuss in good faith to agree on the calculation method of Net Sales of such combination product reflecting relative value of the Licensed Biclonics and other therapeutic component(s) contained in such combination product by means of prices listed in publicly available drug tariff of Development Product containing the Licensed Biclonics and a pharmaceutical product containing such other therapeutic component each as a sole active pharmaceutical ingredient and sold as a single agent, or by any other means.

"**Ono IP**" means (i) Ono Patent Rights, (ii) Ono Know-How and (iii) any related Research Tool Controlled by Ono as of the Effective Date.

"**Ono Know-How**" means the Know-How Controlled by Ono as of the Effective Date or developed by Ono during the Term under this Agreement and that are reasonably required for the practice of Ono Patent Rights. For clarity, Ono Know-How will not include Merus Patent Rights and/or Ono Patent Rights.

"**Ono Patent Rights**" means the Patent Rights (a) Controlled by Ono as of the Effective Date specifically relating to the Research Program or (b) Covering any invention or discovery conceived, developed or reduced to practice solely by either Party, or jointly by both Parties, during the Term relating to (i) any composition of matter claims relating to Successful Biclonics and/or [***] HALBs, [***] HASBs (to the extent made) and [***] HASBs, (ii) any process or material for making, delivering, or formulating Successful Biclonics, (iii) any method of using Successful Biclonics, or (iv) any Research Tool or any process or material for making or using a Research Tool specifically relating to Successful Biclonics.

"Ono Proceeds" means the gross amounts [***] by Ono to any of its Affiliates or Sublicensees, including but not limited to [***], [***] in partial consideration [***] and the later of [***]. For clarity Ono Proceeds shall not include [***] and [***].

"Patent Rights" means, with respect to a particular invention, any and all original (priority-establishing) patent applications filed anywhere in the world including any claim Covering the invention, including provisional and non-provisional applications, and all related applications thereafter filed including any claim Covering such invention or including a common priority right, including any continuations, continuations-in-part, divisional and substitute applications, any patents issued or granted from any such patent applications, and any reissues, renewals, reexaminations, extensions (including by virtue of any supplementary protection certificates) of any such patents, and any confirmation patents, inventor's certificates or registration patents or patents of addition based on any such patents, and all foreign counterparts or equivalents in any country or jurisdiction of any of the foregoing.

"[***]**"** means [***] encoded by the gene [***].

"Phase I Clinical Trial" means that portion of a clinical drug development program which provides a clinical trial involving the first introduction into humans of a Product with the purpose of determining human toxicity, metabolism, absorption, elimination and/or other pharmacological action, as more fully defined in 21 C.F.R. § 312.21(a), or its successor regulation, or the equivalent in any foreign country.

"Phase IIb Clinical Trial" means that portion of a clinical drug development program which provides a definitive, well controlled clinical trial of a Product in the relevant patient population for the purpose of determining its safety and efficacy in the proposed therapeutic indication, as more fully described in 21 C.F.R. § 312.21(b), or its successor regulation, or the equivalent in any foreign country.

"Phase III Clinical Trial" means that portion of a clinical drug development program which provides an expanded trial of a Product on sufficient numbers of patients to establish the safety and efficacy of a Product and generate pharmaco-economic/benefit-risk data to support Regulatory Approval in the proposed therapeutic indication or provide an adequate basis for physician labeling, as more fully defined in 21 C.F.R. § 312.21(c), or its successor regulation, or the equivalent in any foreign country.

"PMDA" means the Pharmaceuticals and Medical Devices Agency, a Japanese regulatory agency, working together with Ministry of Health, Labour and Welfare with the obligation to protect the public health by assuring safety, efficacy and quality of pharmaceuticals and medical devices.

"Preclinical Proof of Mechanism" means immune suppressive effects mediated through [***] in one relevant animal model as more specifically set forth in Exhibit B.

"Product" means a pharmaceutical product containing a Licensed Biclonics in final form suitable for human use.

"**Prosecute**", "**Prosecuting**" or "**Prosecution**" means, with regard to specified Patent Rights, preparing, filing, prosecuting, maintaining, and defending such Patent Rights, including with respect to any reexamination, review, reissue, interference, or opposition proceedings. For the avoidance of doubt, "Prosecuting" excludes any infringement suits or other legal proceedings to enforce the specified Patent Rights, regardless of whether or not such proceedings involve the defense of the Patent Rights in suit.

"Regulatory Approval" means receipt of any and all approvals, licenses, registrations, or authorizations of any country, federal, supranational, state or local regulatory agency, ministry, department, bureau or other government entity that are necessary for the use or sale of a particular Product in the jurisdiction for a particular indication, including any approvals for importation, manufacture, pricing, and/or reimbursement where necessary.

"**Regulatory Authority**" means any country, federal, supranational, state or local regulatory agency, ministry, department, bureau or other governmental entity having authority in any country, region, or supra-national jurisdiction to grant a Regulatory Approval, such as the FDA, EMA, PMDA or any equivalent governmental entity in any other country.

"Research" means any research work performed by any of the Parties or on their behalf under the Research Program pursuant to the Research Plan.

"Research Budget" means the itemized budget described in Exhibit A specifying those Merus FTEs to be funded by Ono pursuant to Section 6.2 and any personnel, equipment, reagents and all other expenses including support staff and overhead for or associated with an FTE, which budget and any amendment thereto shall be in writing and signed by duly authorized representatives of both Parties.

"Research Plan" means the written plan outlining the Parties' respective responsibilities for conducting the Research Program, setting forth the Research Budget, and allocating the Merus FTEs funded by Ono, as such plan may be amended from time to time by the Parties. The initial Research Plan has been agreed upon by the Parties as of the Effective Date and is described in Exhibit A.

"Research Program" means a collaborative research program carried out by Merus and Ono during the Research Term pursuant to Articles 3 and 4 to conduct pre-clinical research and process development related to Target Specific Biclonics in the Field of Use.

"Research Term" means the period beginning on the Effective Date and ending on the date of Ono's payment of RME4 in accordance with Section 6.3(a), or earlier terminated on early termination of this Agreement in accordance with Article 11.

"**Research Tool**" means any assay method, protocol, reagent, or material Controlled by Merus or Ono and necessary or useful for carrying out Research activities pursuant to the Research Plan.

"**Royalty Term**" means with respect to a particular Product in a particular country, the period commencing on the first Commercial Sale of the Product in such country and ending upon the expiration of the last to expire Valid Claim of the licensed Merus Patent Rights in such country Covering the Product.

"Senyoh Jisshiken Tohroku" has the meaning set forth in Section 5.3.

"Sublicensee" means a Third Party or Affiliate to whom Ono has granted a license or sublicense of the right to use, have used, make, have made, market, have marketed, offer for sale, have offered to sell, sell, have sold, export and/or import one or more Licensed Biclonics and/or Products.

"Successful Biclonics" means [***] Target Specific Biclonics within the Lead Biclonics, [***] for which Preclinical Proof of Mechanism is demonstrated as further described in Exhibit B of this Agreement.

"Target Combination" means [***] and [***].

"Target Specific Biclonics" means one or more Biclonics that bind to the Target Combination and that is/are transferred by Merus to Ono for identification of the Lead Biclonics.

"Territory" means the entire world.

"Term" means the term of this Agreement as further provided in Section 11.1.

"Third Party" means any entity other than Merus or Ono or an Affiliate of Merus or Ono.

"Valid Claim" means (a) an unexpired claim of an issued patent that has not been found or held to be invalid or unenforceable by a court or other authority in the subject country of competent jurisdiction, from which decision no appeal is taken or can be taken; or (b) a pending allowed or finally unrejected claim of a pending application that has its earliest priority date (by filing or claiming the benefit of the earlier filing date of one or more related applications) no more than [***] ([***]) years prior to the date upon which pendency of the claim is determined.

1.2 Miscellaneous Interpretation Aids.

(a) Each use in this Agreement of the term "including", "comprising", or "containing" (or a variant form thereof) shall be understood to have an open, non-limiting meaning. Thus, e.g., "including" shall be interpreted as meaning "including without limitation" or "including but not limited to", regardless of whether the words "without limitation" or "but not limited to" actually follow the term "including". Similarly, the terms "such as", "for example", and "e.g." shall be understood as referring to non-limiting illustrations or examples.

(b) "Herein," "hereby," "hereunder," "hereof," and other equivalent words shall be understood as referring to this Agreement in its entirety, and not solely to the particular provision or portion of this Agreement in which any such word is used.

(c) Wherever used herein, any pronoun or pronouns shall be understood to cover all genders.

(d) All references to days, months, quarters, or years shall be understood to refer, respectively, to calendar days, calendar months, calendar quarters, or calendar years, unless otherwise indicated.

(e) Any reference to a supranational, national, federal, state, local, or foreign statute or law shall be understood to refer to the applicable version of the law or statute then in force (as it may have been amended or superseded) as well as all rules and regulations promulgated thereunder, unless the context requires otherwise.

(f) All references to "€" shall mean EUROS.

2. RESEARCH COLLABORATION

2.1 Diligence. Subject to the terms and conditions set forth herein, and commencing on the Effective Date, the Parties will each use commercially reasonable efforts during the Research Term to conduct their respective activities in the Research Program on a collaborative basis and in accordance with this Agreement, with the goal of performing pre-clinical research related to Target Specific Biclonics and Successful Biclonics. The Parties will conduct the Research Program in accordance with the Research Plan (Exhibit A), as may be amended or revised by the JSC from time to time. The Research Plan will specify the scientific direction and Research activities, and allocate Research Program responsibilities and resources between the Parties in a manner consistent with this Agreement.

2.2 Exclusive Collaboration.

(a) Merus' conduct of research activities related to Target Specific Biclonics shall be exclusively carried out for the sole benefit of Ono in the Research Program or in support thereof as provided for hereunder. Neither Merus nor its Affiliates shall conduct, alone or in collaboration with any Third Parties, (i) any independent research, development or commercialization of [***] or (ii) any independent development or commercialization of [***] and shall [***] during (a) [***], or (b) [***].

(b) Notwithstanding the provisions set forth in Section 2.2(a), if Ono does not perform any relevant research activities for a period of more than [***] ([***]) months following [***] without any reasonable justification, the exclusivity under this Section 2.2 will terminate and Merus may then [***], provided that [***].

(c) Notwithstanding the provisions set forth in Section 2.2(a), in case of an assignment of this Agreement by Merus as indicated in Section 14.6(a) to a Third Party that, prior to the transfer or sale of all or substantially all of the business of Merus, already had a license from Merus under Merus Technology that included the Target Combination, the exclusivity conditions under Section 2.2(a) will not apply to such Third Party.

3. GOVERNANCE

3.1 Joint Steering Committee. The Parties shall establish the Joint Steering Committee within [***] ([***]) days of the Effective Date of this Agreement. The Parties' initial members of the JSC are identified in Exhibit E. Promptly after the Effective Date, one member of the JSC will be selected by each Party to act as the chairperson of the JSC. The JSC will meet at least [***] per year during the Research Term. Such meetings may be conducted by videoconference, teleconference or in person, as agreed by the Parties, and each Party shall bear its own costs, including travel, lodging, food and telephone or video conference costs, for its personnel serving on the JSC or attending any meeting of the JSC. Upon completion of the Research Term, the JSC will be disbanded. Promptly after the Effective Date, the Parties will establish a project team (the "Project Team") consisting of key employees of both Parties performing or involved in the Research Program. One of the Project Team members of each Party shall be appointed as a project manager (a "Project Manager") to coordinate its part of the activities under the Research Program. The Project Managers will be the primary contacts between the Parties with respect to all Research activities performed under the Research Program. Meetings of the Project Team may be conducted by videoconference, teleconference or in person, to discuss the results of the Research and progress or delay thereof, at least once a month, or will be held *ad hoc* upon reasonable request of Project Manager of a Party and acceptable by the same of the other Party, acceptance of which will not be unreasonably withheld or delayed. Either Party may change its Project Manager upon written notice to the other Party. A Project Manager may be a member of the JSC.

3.2 Decision making. The purpose of the JSC is to coordinate the Research efforts of the Parties and oversee the progress of the work being done under the Research Plan during the Research Term. The JSC will set specific Research goals, evaluate the results of the Research, discuss information relating to the Research, assign priorities and ensure that there is appropriate scientific direction for the collaboration of the Parties under the Research Plan. Subject to the terms and conditions of this Agreement, the JSC may modify the Research Plan with respect to the Parties' respective Research responsibilities as deemed appropriate and submit recommended Research Budget modifications to the Parties for review and approval. The specific number of Merus FTEs that Ono will fund is specified in the Research Plan. Regardless of the number of representatives, each Party will present one consolidated view via one vote. All decisions of the JSC will be made by unanimous vote, and if the JSC is unable to reach a decision by unanimous vote, Section 13.1 shall apply. If following the application of Section 13.1(a) there is still no consensus, then [***] on such matter.

3.3 Minutes. The JSC chairperson, or his or her designee, will prepare and distribute draft of complete and accurate minutes of all discussions occurring at the JSC meetings regarding matters within its purview and all matters decided upon at the meetings within [***] ([***]) Business Days after such meeting, except that matters reflecting legal advice of counsel will not be included in such minutes, and the minutes shall be finalized by agreement of both Parties. Communications reflecting legal or regulatory advice may, to the extent desired, shall be kept in a separate file with the legend "Attorney-Client Communications Privileged and Confidential".

3.4 Responsibilities. The JSC shall have no authority to modify any provision set forth in the body of this Agreement, including any payment conditions or terms, periods for performance, or obligations of the Parties, and such modification is only effective and in force in a writing expressly stated for such purpose and signed by the Parties hereto pursuant to Section 14.2. The JSC shall have authority to:

(a) allocate (and reallocate from time to time) activities in the Research Program to the Ono funded FTEs committed by Merus to the ongoing Research Program;

(b) modify the Research Plan, excluding the Research Budget, or propose modifications to the Research Budget, subject to the applicable provisions of this Agreement;

(c) provide general oversight for the Parties' activities in the Research Program; and

(d) periodically review the goals, strategies, and results of the Research Program.

3.5 Research Plan. The initial Research Plan as agreed to by the Parties as of the Effective Date is described in Exhibit A. The JSC will be responsible for reviewing and approving any updates or amendments to the Research Plan except as related to the Research Budget and for making any recommendations for additional resources or otherwise proposing any changes to the Research Budget.

4. RESEARCH AND DEVELOPMENT OF SUCCESSFUL BICLONICS

4.1 Merus Research Commitment and Performance. During the Research Term, Merus will devote to the Research Program the FTEs as designated in the Research Plan, which shall be funded by Ono, subject to Ono's compliance with its funding obligations under Section 6.2. Merus shall use commercially reasonable efforts in performing the Research to carry out its Research obligations as specified in the Research Plan. Merus will conduct its activities under the Research Program in accordance with good scientific standards and practices and in compliance in all material respects with the requirements of applicable laws and regulations and with applicable good research practices. In conformity with standard pharmaceutical and biotechnology industry practices and the terms and conditions of this Agreement, Merus will prepare and maintain, or will cause to be prepared and maintained, complete and accurate laboratory notebooks and other written records, accounts, notes, reports and data with respect to activities conducted pursuant to the Research Plan for [***] ([***]) years after expiration or termination of the Research Term and, upon Ono's written request and at its expense, will send legible copies of the aforesaid to Ono. Notwithstanding anything to the contrary herein, Merus shall, at its sole cost, supply any research reagents, similar materials and any standard laboratory equipment (and any replacements thereto) that it needs to carry out its duties under the Research Plan.

4.2 Ono Research Commitment and Performance. During the Research Term, Ono will devote to the Research Program such number of FTEs of Ono or its Affiliates or contract out a part of its work to any Third Party research organization as are necessary for Ono to fulfill its obligations under the Research Plan. Ono will be responsible for the payment of all costs and expenses for such FTEs and other activities it undertakes in conducting its responsibilities under the Research Plan. Ono will conduct its activities under the Research Program in accordance with good scientific standards and practices and in compliance in all material respects with the requirements of applicable laws and regulations and with applicable good laboratory practices. Ono will, directly or through its Affiliates, maintain laboratories, offices and all other facilities reasonably necessary to carry out the activities to be performed by it pursuant to the Research Plan. In conformity with standard pharmaceutical and biotechnology industry practices and the terms and conditions of this Agreement, Ono will prepare and maintain, or will cause to be prepared and maintained, complete and accurate laboratory notebooks and other written records, accounts, notes, reports and data with respect to activities conducted pursuant to the Research Plan for [***] ([***]) years after expiration or termination of the Research Term.

4.3 Research Reports. Each Party will keep the other reasonably informed as to the progress achieved and results, discoveries and technical developments made in the course of performing activities under the Research Program pertaining to any Target Specific Biclonics. Each Party will prepare, and distribute to all members of the JSC, no later than [***] ([***]) Business Days prior to the next scheduled JSC meeting, a reasonably detailed written summary regarding the Party's results and progress of performance in the Research Program during the period following the last such report (if any). In the event of early termination hereof, Merus shall submit a final report covering all the work performed by Merus under the Research Program up to such termination within [***] ([***]) days after the effective date of such termination.

4.4 Subcontracts. Either Party may perform appropriate Research under the Research Plan pursuant to this Agreement through one or more Third Party subcontractors approved by the JSC, provided that such Party engages each Third Party subcontractor through a written agreement consistent with the terms and conditions of this Agreement, and further provides that (a) no rights or obligations of either Party under this Agreement are diminished or otherwise adversely affected as a result of such subcontracting, (b) the subcontractor undertakes the obligations of confidentiality and non-use regarding Confidential Information which are substantially the same as those undertaken by the Parties pursuant to Article 9 hereof, and (c) the subcontractor agrees that any intellectual property developed in the course of the work hereunder shall be assigned to the Party engaging the subcontractor or such Party's designee, so as to permit re-assignment as required by the terms and conditions of this Agreement. The Party engaging any such Third Party subcontractor shall be responsible for all compensation due to the Third Party subcontractor (or its employees or agents) arising from such subcontracting.

4.5 Technology Transfer. Commencing promptly after the Effective Date and from time to time thereafter during the Research Term and as indicated in the Research Plan, Merus shall transfer to Ono the identified Target Specific Biclonics, necessary Research Tools and related Know-How Controlled by Merus as the JSC reasonably determines to be necessary or useful for Ono to perform its Research under the Research Program and to exercise the licenses granted to Ono under

Article 5 hereof. Commencing promptly after the Effective Date and from time to time thereafter during the Research Term, Ono will use its commercially reasonable efforts to disclose to Merus such materials and related Know-How Controlled by Ono as the JSC reasonably determines to be necessary or useful for Merus to perform its Research under the Research Program and to otherwise exercise the licenses granted to Merus under Article 5 hereof. During the Term, Merus will provide Ono with reasonable technical assistance (in an amount to be set forth in the Research Plan) relating to (i) the use of such Target Specific Biclonics and Research Tools, (ii) manufacturing of Licensed Biclonics, and (iii) related Know-How with respect to subsections (i) and (ii) in this Section 4.5, in each case of subsection (i), (ii) and (iii), transferred and/or disclosed by Merus to Ono solely to the extent permitted under the license rights granted to Ono under Article 5. During the Term, Ono will provide Merus with reasonable technical assistance (in an amount to be set forth in the Research Plan) relating to the use of the materials and related Know-How disclosed by Ono to Merus solely to the extent permitted to perform the Research Program.

4.6 Conditions for Technology Transfer. All supplied Target Specific Biclonics, Research Tools and related Know-How will be used in confidence by the other Party only for purposes of the Research or otherwise as permitted under the applicable license rights granted under Article 5, and subject to all the other restrictions and obligations under this Agreement. Except as otherwise provided under this Agreement, all such materials and related Know-How delivered to the other Party will remain the sole property of the supplying Party, will be used only for purposes of the Research Program or as otherwise permitted by this Agreement, will not be used or delivered to or for the benefit of any Third Party except as otherwise permitted under this Agreement without the prior written consent of the supplying Party, and will be used in compliance with all applicable laws, rules and regulations. The materials and related Know How supplied under this Agreement shall be used by the receiving Party at its own risk and with prudence and appropriate caution in any experimental work because not all of their characteristics may be known. Except as expressly set forth herein, THE MATERIALS AND RELATED KNOW HOW ARE PROVIDED "AS IS" AND WITHOUT ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTY OF MERCHANTABILITY OR OF FITNESS FOR ANY PARTICULAR PURPOSE OR EXCEPT AS OTHERWISE PROVIDED IN THIS AGREEMENT ANY WARRANTY THAT THE USE OF THE MATERIALS WILL NOT INFRINGE OR VIOLATE ANY PATENT OR OTHER PROPRIETARY RIGHTS OF ANY THIRD PARTY.

4.7 Regulatory Affairs Responsibility. Ono (directly or through its Affiliates or Third Party subcontractors) shall be solely responsible for conducting all its activities contemplated by the Research Plan to be performed for Successful Biclonics, including Preclinical Proof of Mechanism Product. Thereafter, Ono shall have the sole responsibility, for each Product, to file all clinical research exemptions for any clinical trials and all INDs related thereto.

4.8 Ongoing Disclosure Regarding Development. Ono (directly or through its Affiliates or Third Party subcontractors) shall solely control and be responsible for selection of Licensed Biclonics from Successful Biclonics and conducting all further non-clinical and clinical development activities for Licensed Biclonics and Products, including manufacture of sufficient amounts of all research, non-clinical and clinical supplies of Licensed Biclonics and Product for non-clinical studies and clinical trials to be performed by Ono, as well as relating to process development (including scale-up) for (pre-)clinical and/or commercial manufacture of Licensed Biclonics and Product.

Ono will keep Merus informed about Ono's development of the Licensed Biclonics and Product, including the results from such development progress towards meeting goals and milestones during the development of the Licensed Biclonics and Product, significant findings and developments, any delays and any proposed changes in its plans. Such disclosures will be made in a written report provided to Merus at least annually, or more often at Ono's election, the contents of which shall be treated as Ono's Confidential Information.

4.9 Exclusive Commercialization Rights. Subject to the terms and conditions of this Agreement, Ono will control and have exclusive rights over the worldwide commercialization of all approved Products, including the worldwide supply of Products for use in all such commercialization activities. Ono will be solely responsible for all costs and expenses in the commercialization of Products.

5. LICENSES AND OBLIGATIONS

5.1 License Grants. The grants of rights provided in this Section 5.1 are subject to the terms and conditions of this Agreement.

(a) License to Ono. Merus hereby grants to Ono an exclusive (even as to Merus but subject to subsection (b) below of this Section 5.1) royalty-bearing license, with the right to sublicense, under the Merus IP to (i) research, test, and/or study Target Specific Biclonics and Lead Biclonics, and (ii) use, have used, make, have made, market, have marketed offer to sell, have offered to sell, sell, have sold, export and/or import Licensed Biclonics and/or Products in the Field of Use in the Territory.

(b) Merus Retained Rights. Merus retains all rights to use and commercialize any Human Antibodies that are generated under the Research Program but which are not [***] HALBs, [***] HASBs (to the extent made) or [***] HASBs, and provided that such retained use or commercialization is not with respect to the Target Combination.

(c) For the avoidance of doubt, Third Parties to whom Merus has or will grant a license under Merus IP, have been or will be granted rights to research, develop and commercialize bispecific Antibodies generated using Merus Technology against either [***] or [***] or the Target Combination, provided that, for as long as the exclusivity of the collaboration between the Parties exists as specified in Section 2.2, neither Merus nor its Affiliates shall conduct, alone or in collaboration with any such Third Party licensees, directly or indirectly, any research or development of such bispecific Antibodies generated using Merus Technology against the Target Combination, and shall neither sell, supply, provide nor transfer directly or indirectly, any Target Specific Biclonics to any Third Party.

(d) Sublicenses. Ono shall have the right to grant sublicenses under the licenses granted under Section 5.1(a), and Ono shall notify Merus of each grant of a sublicense right to any Third Party within the rights granted in Section 5.1(a), and each such Sublicensee shall be identified in a notice to Merus, which Merus shall treat as Ono's Confidential Information. Notwithstanding any such sublicensing, Ono shall remain liable to Merus for the performance of its Sublicensees hereunder, and Ono shall use reasonable measures to ensure that its Sublicensees comply with the applicable terms and conditions of this Agreement.

(e) License to Merus. Ono hereby grants to Merus a perpetual, royalty-free, non-exclusive worldwide license, with the right to sublicense,

(i) under the Ono IP to conduct the Research under the Research Program as contemplated in this Agreement, and

(ii) under Ono IP other than those Controlled by Ono on the Effective Date, to research, develop, use, make, have made, offer to sell, have offered to sell, sell, have sold, export and/or import any products containing monospecific or bispecific Antibodies, but not any products containing bispecific Antibodies against the Target Combination, alone or in collaboration with any Third Parties, subject to the provisions of Section 2.2.

Merus shall be permitted to sublicense the license granted under this Section 5.1(e)(ii) only to such other licensees of Merus Patent Rights for bispecific Antibodies generated using Merus Technology ("Merus Licensees") that are contractually obligated to license to Merus (with the right to sublicense to other Merus Licensees) rights under such other Merus Licensees' Patent Rights and Know How rights in improvements to the Merus IP developed by or on behalf of such other Merus Licensees.

5.2 No Implied Licenses. Except as for expressly provided for herein, no other right or license under any Patent Rights or Know How Controlled by a Party is granted to the other Party.

5.3 Senyoh Jisshiken Tohroku. Upon Ono's request, Merus agrees that Ono shall be entitled to register, at Ono's sole expense, Ono's exclusive license to the extent granted pursuant to Section 5.1(a) with respect to Merus IP in Japan ("Senyoh Jisshiken Tohroku") in accordance with the patent law of Japan, and, at Ono's request, Merus shall render reasonable assistance for such registration by Ono, including providing Ono with any documents duly signed by an authorized personnel of Merus in the English language reasonably necessary for such registration; provided, however, that Ono shall promptly cancel such registration of Senyoh Jisshiken Tohroku in the event of termination of this Agreement pursuant to Section 11 hereof.

5.4 **[***]**. To the extent that after the Delivery Period no Lead Biclonics, Successful Biclonics or Licensed Biclonics are [***], based on use of [***] HALBs, Merus will [***].

6. FEES AND PAYMENTS

6.1 Upfront Fee. Ono will pay to Merus a non-refundable, non-creditable upfront fee of €700,000 (seven hundred thousand euros), exclusive of VAT, which shall be due upon execution of this Agreement and payable within [***] ([***]) days after Ono's receipt of the relevant invoice.

6.2 Research Funding.

6.2.1 Funded Merus FTEs. Except as expressly provided herein, each Party shall be responsible for its costs and expenses incurred in performing its Research in the Research Program. Ono will agree to fund Merus FTEs for the Research Term in a total amount of €[***], as further described in Exhibit A. Any further Merus FTEs above the specified number of FTEs to be funded by Ono during the Research Term shall be specified in a written amendment executed by duly authorized representatives of the Parties setting forth in the Research Plan the specific number of Merus FTEs to be so funded. Merus shall be reimbursed for the funded FTEs actually contributed pursuant to the Research Plan (up to the maximum specified therein) at the rate of €[***] per Scientist/Technician FTE per year and €[***] per Project Manager/Director FTE per year. Merus shall be reimbursed €[***] for the funded FTEs and associated costs that actually contributed Merus' generation of [***] Human Antibodies that will be evaluated as part of this Agreement. Such rates shall include all personnel, equipment, consumables, materials reagents and all other expenses including support staff and overhead for or associated with an FTE, and in no event shall Ono be obligated to make any other funding to support the Research to be performed by Merus except as expressly set forth in this Agreement Exhibit A unless otherwise agreed in writing and signed by duly authorized representatives of both Parties. In the event that Merus contributes any additional FTEs to Research other than those agreed upon to be funded by Ono as specified in the Research Plan, Merus shall be solely responsible for the costs of such additional FTEs. On a quarterly basis during the Research Term, Ono shall reimburse Merus in arrears for the funded Merus FTEs actually expended in Research pursuant to the Research Plan.

6.2.2 FTE Payment Terms. The payments for the funded FTEs under Section 6.2.1 shall be paid by Ono in arrears upon receipt of a proper invoice from Merus on a quarterly basis based on Merus' actual work performed by qualified FTEs. Ono shall pay Merus such amount within [***] ([***]) days of Ono's receipt of the invoice.

6.2.3 General Payment Terms. Any payment for an amount due under this Section 6.2 or Section 6.3 below shall be payable within [***] ([***]) days after Ono's receipt of an invoice from Merus for such amount, which invoice shall specifically refer to this Agreement and contain the information describing such payment as specified in sample invoice set forth at Exhibit F. All payments shall be made by wire to such bank account as Merus may designate in writing to Ono. Any payments due and payable under this Agreement on a date that is not a Business Day may be made on the next Business Day.

6.3 Milestone Payments.

(a) Subject to the terms and conditions provided in subsections (b) and (c) below and in consideration for the license granted and the ownership rights that are assigned hereunder (provided that any Ono IP is generated by Merus), the following amounts shall be due, each one time only upon the first attainment of the specified event by the first Product regardless of subsequent or repeated achievement of such milestone except as specified in Section 6.3(d), from Ono to Merus upon the first occurrence of the specified milestone event listed below with respect to the Licensed Biclonics or Product (whether such milestone event is achieved by Ono directly or

through its Affiliates or any Third Party Sublicensees). Milestone payments shall be made by Ono within [***] ([***]) days of receipt of the corresponding invoice issued by Merus, which invoice may be issued upon the same date as achieving the milestone. In the event any Target Specific Biclonics delivered to Ono later than after a period of [***] ([***]) times the Delivery Period (as defined below) fulfills RME1 for the first time, the amount of RME1 payment set forth in the table below will be reduced by [***] percent ([***]%) and if any Target Specific Biclonics delivered to Ono later than after a period of [***] ([***]) times the Delivery Period fulfills RME1 for the first time, the amount of RME1 payment set forth in the table below will be reduced by [***] percent ([***]%). "Delivery Period" means mutually agreed putative period starting from the Effective Date and ending upon the [***] as more specifically set forth in the Research Plan (as amended from time to time), provided that a period of time during which Merus is [***], and therefore [***] under the Research Plan, will be excluded from the determination of such period.

Research Milestone Events	**EURO**
RME1: [***]	€ [***]
RME2: [***]	€ [***]
RME3: [***]	€[***]
RME4: [***]	€ [***]
Clinical Development Milestone Events	
[***]	€ [***]
[***]	€ [***]
[***]	€[***]
[***]	€[***] [***]% of the Ono Proceeds]
[***]	€[***] [***]% of the Ono Proceeds]
[***]	€[***] [***]% of the Ono Proceeds]
[***]	€ [***]

(b) The Clinical Development Milestones are minimum payments. If Ono grants a sublicense to a Sublicensee under the Merus IP to use, have used, make, have made, market, have marketed, offer to sell, have offered to sell, sell, have sold and import Products in the Field of Use in any country other than Japan, Ono shall pay Merus the larger of either the [***] or [***]% of the Ono Proceeds. The [***]% Ono Proceeds shall be applied pro-rata to the Phase III Clinical Trial and Regulatory Approval milestones for the United States of America and Europe indicated above. Each of the development and approval milestone payments set forth above will be due one time only upon the first attainment of the specified event by the first Product regardless of subsequent or repeated achievement of such milestone except as specified in Section 6.3(d).

(c) If the development of a Product is being abandoned after any of the milestone payments under Section 6.3(a) has been made (such Product, the **"Discontinued Product"**), and Ono (or its Affiliate or Sublicensee) then commences and conducts development of a replacement Product for the Discontinued Product, then only those milestone payments under this Section 6.3 that were not previously made with respect to such Discontinued Product will be payable with respect to achievement by the replacement Product of any further milestone events as provided above.

(d) Notwithstanding anything to the contrary contained in Section 6.3(a), in the event [***], Ono shall pay [***]% amount of the Clinical Development Milestones of those specified in the table of Section 6.3(a) above for [***]. In the event [***], Ono shall pay [***]% amount of the Clinical Development Milestones of those specified in the table of Section 6.3(a) above for [***]. For clarity, Ono will not be obliged to pay any milestone payments for [***].

6.4 Royalties.

6.4.1 Royalty Rate. In consideration for the license granted and the ownership rights that are assigned hereunder (provided that any Ono IP is generated by Merus), on a Product-by-Product basis and country-by-country basis, Ono will pay Merus a royalty of [***] % based on the aggregate Net Sales of any Product sold in such country by Ono (directly or through its Affiliates, distributors, or Sublicensees) for each calendar quarter (or portion thereof) during the Royalty Term. For clarity, a royalty rate of [***]% set forth in this Section 6.4.1 shall apply to Net Sales of the second and further Products. These royalties will be paid in each country where at least one Valid Claim of the licensed Merus Patent Rights Covers the Product or its use. Royalties due shall be calculated by multiplying the applicable total(s) of Net Sales of each Product sold in such countries against the applicable royalty rate of [***]%, such amounts converted from local currency to Euros where necessary and as detailed below in article 7.3.

6.4.2 Royalty Term for Products. As to sales of a particular Product in a country, the royalty payments specified in Section 6.4 will be due on all Net Sales of the Product in such country occurring during the Royalty Term. After the Royalty Term expires with respect to a particular Product in a given country, Ono's license rights with respect to such Product will be fully paid-up and perpetual and continue on a royalty-free basis.

6.4.3 No Royalty Reductions. Parties hereby agree that there will be no royalty reductions under any circumstance, including but not limited to the event in which Ono would have to grant compulsory licenses or obtain additional licenses under third party intellectual property rights related to the sale of Products.

7. PAYMENT; RECORDS; AUDITS

7.1 Research Program Payments. In consideration for Merus' performance of its obligations under the Research Program, and subject to the terms contained in this Agreement, Ono shall provide the FTE funding as provided for in Section 6.2.

7.2 Royalty Payments; Reports. Within [***] ([***]) days after the end of each calendar quarter for which royalties are due by Ono to Merus, Ono shall pay Merus all such amounts payable by it under Section 6.4 by wire transfer on a country by country basis. Each such payment shall be accompanied with a report, providing in reasonable detail an accounting of all Net Sales made during such calendar quarter and the calculation of any royalties due under Section 6.4.

7.3 Exchange Rate. If any currency conversion shall be required in connection with the calculation of royalties hereunder, such conversion shall be made using the following procedures. Sales recorded during each calendar quarter will be translated to Euro values at the rate on the last working day of that calendar quarter based on the exchange rates published on the European Central Bank website. Any changes to procedures for currency conversion shall only apply after such notice has been delivered and provided that such changes are consistently applied across Ono's operating units and continue to maintain a set methodology for currency conversion.

7.4 Tax Matters.

(a) Ono Payments to Merus Without Withholding. Ono will make all payments to Merus under this Agreement without deduction or withholding for taxes except to the extent that any such deduction or withholding is required by law in effect at the time of payment.

(b) Ono Payment of Tax. Any tax required to be withheld on amounts payable to Merus under this Agreement will promptly be paid by Ono on behalf of Merus to the appropriate governmental authority, and Ono will furnish Merus with proof of payment of such tax. Any such tax required to be withheld will be an expense of and borne by Merus.

(c) Cooperation Between Ono and Merus. Ono and Merus will cooperate with respect to all documentation required by any government taxing authority or reasonably requested by Ono to secure a reduction in the rate of applicable withholding taxes to the maximum extent permitted by law. The documentation referred in this Section 7.4(c) as of the Effective Date includes Form 3 and Form 17 (application form for the relief from Japanese Income Tax on Royalties) and Certificate of Residence of Merus issued and signed by the tax authority in the Netherlands, or thereafter any other document that may be required for the similar purpose from time to time during the Term. Notwithstanding the provisions of Section 6.2.3, Merus agrees that Ono's payments of upfront fee, research and development milestones and royalties payments respectively set forth in Section 6.1, 6.3 and 6.4 will not be made until all the procedures required for such withholdings or its reduction is accepted by the authority, or Ono will pay to Merus the amount due in accordance with this Agreement deducting the applicable withholding tax if Merus so requests. In such case Ono will pay the applicable withholding tax to the Japanese tax authority, and provide Merus with the relevant tax proof.

7.5 Audits.

(a) Each Party shall keep, and cause its Affiliates and Third Party subcontractors or Sublicensees to keep, complete and accurate records for [***] ([***]) years which are relevant to the determination of any payment to be made by such Party under this Agreement, including without limitation, FTE records, records on Net Sales and royalty calculations, and records relating to the milestone events covered in Section 6.3. At the request and expense of a Party, the other Party and its applicable Affiliates and its Third Party subcontractors or Sublicensees shall permit an independent certified public accountant appointed by such requesting Party and reasonably acceptable to the other Party, at reasonable times and upon [***] ([***]) days prior notice, to examine in confidence such records as may be necessary to determine, with respect to any records pertaining to any financial report or payment due in any quarter ending not more than [***] months prior to such Party's request, to verify the correctness or completeness of any such report or payment made under this Agreement.

(b) The foregoing right of examination may be exercised only once per [***]-month period during the Term and only [***] with respect to any such financial report or payment due hereunder. Results of any such examination shall be limited to information relating to the applicable reporting and payment obligations, and made available to the audited Party. The accountant shall disclose to the auditing Party only whether the applicable reports and payments were correct or incorrect and the amount of any discrepancy between an amount due and an amount paid. The Party requesting the audit shall bear the expenses of such independent certified public accountant related to the performance of any such audit, unless such audit discloses such a discrepancy to the detriment of the auditing Party of more than [***] percent ([***]%) from the amount of the original payment made; in such case, the Party being audited shall bear the such expenses for the performance of such audit.

(c) If such audit reveals that the audited Party, its Affiliate or Third Party subcontractor or Sublicensee has failed to accurately report information causing a discrepancy resulting in the underpayment of any amounts owed, the audited Party shall promptly pay any amounts due to the auditing Party together with interest on such amount, calculated from the date originally owed at the interest rate set forth in Section 7.6. In the event of a discrepancy resulting in an overpayment, any amount of such overpayment shall be fully credited against amounts payable by the audited Party in subsequent periods or reimbursed to the audited Party.

7.6 Late Payments. In the event that any payment due under this Agreement is not made when due, the payment will accrue interest from the date due until paid, calculated on a daily basis, based on the total number of days payment is delinquent at a rate per annum equal to the [***] ([***]) month USD LIBOR rate quoted [***] Business Days prior to the due date by the British Bankers' Association plus a premium of [***] percent ([***]%), *provided, however*, that in no event will such rate exceed the maximum legally permissible annual interest rate. The payment of such interest will not limit either Party from exercising any other rights it may have as a consequence of the lateness of any payment.

8. INTELLECTUAL PROPERTY

8.1 Ownership.

8.1.1. Ono's Ownership. Ono IP is and will remain the sole property of Ono and all rights to any Ono IP generated under this Agreement solely vests in Ono, subject to the license grants of Section 5.1. If the perfection and documentation of the assignment of ownership set forth in Section 8.1.4 as contemplated in Section 8.1.2 is not technically practical or feasible in Prosecution, then such Patent Rights nevertheless remain the sole property of Ono subject to the license granted set forth in Section 5.1(e).

8.1.2. Merus' Ownership. Merus IP is and will remain the sole property of Merus and all rights to any Merus IP generated under this Agreement solely vests in Merus. If assignment of ownership set forth in Section 8.1.4 as contemplated in Section 8.1.1 is not technically practical or feasible in Prosecution, then such Patent Rights nevertheless remain the sole property of Merus subject to the license granted set forth in Section 5.1(a), (c) and (d).

8.1.3. Negative Covenant. Except as expressly provided hereunder, Merus (a) shall not acquire, or attempt to acquire, pursuant to this Agreement any right, title or interest to any Successful Biclonics and any Patent Rights solely owned by Ono pursuant to Section 8.1.1 (b) shall not (and shall not attempt to purport to attempt to) transfer, assign, sell, have sold, lease, offer to sell or lease, distribute, license, sublicense or otherwise transfer title in, commercialize or exploit any Successful Biclonics and Patent Rights solely owned by Ono pursuant to Section 8.1.1, and (c) shall not, directly or indirectly, file, Prosecute, or maintain, in any country, any Patent Rights applicable to such Successful Biclonics and Patent Rights solely owned by Ono pursuant to Section 8.1.1.

8.1.4. Assignment of Ownership; Assistance. Either Party hereby assigns and transfers to the other Party all right, title and interest including ownership rights to and in all inventions falling into the scope of the other Party's ownership rights as set forth in Section 8.1.1 or 8.1.2 hereof. Each Party undertakes that it shall do or procure to be done all such acts and things, and execute, or procure the execution of, all such documents, as the other Party may from time to time reasonably require to give it the full benefit of any assignment contemplated in Article 8, and shall cause its employees to have any documents or instruments required by laws or regulations duly executed by signing in order to effect such assignment and transfer. In no event shall either Party be liable for compensation for inventions conceived, developed or reduced to practice by the other Party' employee(s) regardless of which Party has ownership rights to such invention.

8.2 Patent Prosecution.

(a) General Principle. The Parties will discuss in good faith and mutually agree on the best strategy for the Prosecution of Patent Rights for Successful Biclonics and its use, provided, that, in any event, [***] shall have the final right to Prosecute and to decide the scope of claims on patent applications, in which countries and when patent claims shall be filed, and whether patent claims shall be filed within one or several patents or patent applications. Subject to Merus' discretion and agreement, Ono may [***] the [***].

(b) Prosecution. Unless otherwise agreed between the Parties, [***] shall, at its sole expense, control the Prosecution of all Patent Rights relating to Successful Biclonics, but that for clarity excludes Merus Patent Rights. Upon reasonable request of [***] shall, at [***] expense, reasonably cooperate with [***] in relation to such Prosecution. In particular in case of any interference, opposition, reexamination request, nullity proceeding, appeal or other interparty action, [***] shall review it with [***] as reasonably requested, and make employees of [***] available in any course of such interference, opposition, reexamination request, nullity proceeding, appeal or other interparty action for testimony, deposition or hearing, and [***] shall [***] in connection with such cooperation including [***] of its own employees.

(c) Cooperation. [***] agrees to cooperate with [***], and perform such lawful acts, and execute such documents in order to reasonably assist [***] with respect to the Prosecution of Patent Rights pursuant to Section 8.2.

8.3 Infringement of Third Party Patent Rights.

(a) If either Party after the Effective Date is warned or sued by a Third Party alleging or charging infringement of any patents or published patent applications of a Third Party arising out of or resulting from the use of the Merus Technology, the Party, which is warned or sued, shall notify promptly the other Party.

(b) Merus shall be responsible, at its expense, for settling and/or defending such warning or litigation for patent infringement in which the alleged infringing process or product giving rise to liability for damages involves [***]. In so far as any such settlement or defense effects is likely to have an effect on Ono activities, Merus shall promptly inform Ono and Merus and Ono shall confer as to any modification of any right granted to Ono hereunder. Upon Merus' written request, Ono agrees to reasonably assist Merus in any such defense, if such infringement action might have an effect on Ono activities.

(c) Ono shall be responsible, [***], for settling and/or defending such warning or litigation for patent infringement in which the alleged infringing process or product giving rise to liability for damages involves [***]. If Merus should suffer any [***] and [***] as a result of such dispute, including [***], [***] any such [***].

9. REPRESENTATIONS, WARRANTIES, AND COVENANTS

9.1 Mutual Representations and Warranties. Each Party represents and warrants to the other that: (a) it is duly organized and validly existing under the laws of its jurisdiction of incorporation or formation, and has full corporate or other power and authority to enter into this Agreement and to carry out the provisions hereof; (b) it is duly authorized to execute and deliver this Agreement and to perform its obligations hereunder, and each person executing this Agreement on its behalf has been duly authorized to do so by all requisite corporate or partnership action; and (c) this Agreement is legally binding upon it, enforceable in accordance with its

terms, and does not conflict with any agreement, instrument or understanding, oral or written, to which it is a Party or by which it may be bound, nor violate any applicable law or regulation of any court, governmental body or administrative or other agency having jurisdiction over it.

9.2 Merus IP Warranties. Merus represents and warrants to Ono as of the Effective Date that:

(a) to Merus' knowledge, Merus Patent Rights listed in Exhibit C are accurate and complete and identifies all Patent Rights Controlled by Merus or any of its Affiliates as of the Effective Date that include any claim Covering or otherwise directly relating to the Merus Technology; and

(b) Merus has not granted any Third Party any right, license or interest in or under, nor assigned, transferred, conveyed or encumbered any right, title and interest in and to, any of the Merus Patent Rights, or any of Merus Know-How disclosed therein, that is in conflict with the rights and licenses granted to Ono under this Agreement.

(c) to Merus' knowledge, Merus IP are free and clear of any liens, charges and encumbrances, and no other person, corporate or other private entity, or governmental entity or subdivision thereof, has or shall have any claim of ownership whatsoever with respect to Merus IP.

(d) Except for the individual cases as more specifically described in Exhibit D, Merus has not received notice from, or been prosecuted through a legal action by, any Third Party claiming that the use or exploitation of Background IP infringes any Third Party's Patent Rights and Know-How.

(e) no consent by any Third Party or governmental entity is required with respect to the execution and delivery of this Agreement by Merus or the consummation by Merus of the transactions contemplated hereby.

(f) Except for the individual cases as more specifically described in Exhibit D, to Merus' knowledge, there is no unauthorized use, infringement or misappropriation of any of Background IP by any employee or former employee of Merus, or any other Third Party.

(g) Any and all fact based statement(s) contained in Exhibit D is/are true.

(h) Merus Patent Rights listed on Exhibit C hereto constitute all of Merus' Patent Rights that are, to Merus' knowledge, necessary for the performance of the Research Program by Merus and/or Ono as contemplated herein.

(i) to Merus' knowledge, all inventors identified in Merus Patent Rights, or all employees or sub-contractors of Merus have agreed to assign or license to Merus their entire rights, title and interest to and in any Intellectual Property that may be made, discovered or developed by them as a result of performance of their activities contemplated herein.

9.3 Disclaimer. Except as expressly set forth herein, THE KNOW-HOW, MATERIALS AND INTELLECTUAL PROPERTY RIGHTS PROVIDED BY EACH PARTY HEREUNDER ARE PROVIDED "AS IS". WITH RESPECT TO SUCH KNOW-HOW AND MATERIALS SUPPLIED HEREUNDER, EACH SUPPLYING PARTY EXPRESSLY DISCLAIMS ANY AND ALL WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION THE WARRANTIES OF DESIGN, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, OR NONINFRINGEMENT OF THE INTELLECTUAL PROPERTY RIGHTS OF THIRD PARTIES. Without limiting the generality of the

foregoing, each Party expressly does not warrant, and disclaims any warranties with regards to: (a) the success of any study or test commenced under the Research Program, (b) the safety or usefulness for any purpose of the materials it provides or discovers under this Agreement; and/or (c) the validity or enforceability of any intellectual property rights existing as of the Effective Date licensed to the other Party under this Agreement.

9.4 Limitation of Liability. EXCEPT FOR LIABILITY FOR BREACH OF ARTICLE 9, NEITHER PARTY WILL BE ENTITLED TO RECOVER FROM THE OTHER PARTY ANY SPECIAL, INCIDENTAL, CONSEQUENTIAL OR PUNITIVE DAMAGES IN CONNECTION WITH THIS AGREEMENT OR ANY LICENSE GRANTED HEREUNDER; *provided, however,* that this Section 9.4 will not be construed to limit either Party's indemnification obligations under Article 12.

9.5 Covenants of the Parties

(a) Throughout the Term, Merus and Ono will comply (and will cause their respective Affiliates and Sublicensees to comply) in all material respects with all applicable laws and regulations concerning any of their activities hereunder, including with respect to performing Research and to the research, manufacture, use and sale of Products.

(b) Each of the Parties will, at the reasonable request of the other Party, use reasonable efforts to execute and deliver any further or additional instruments or documents, and to perform any other acts, as are necessary in order to effectuate and carry out the terms of this Agreement, but *provided that* the foregoing shall not be interpreted to require such Party to incur any additional expenses or grant any other rights to the other Party, other than rights expressly granted elsewhere in the Agreement.

10. CONFIDENTIALITY

10.1 Confidential Information. Except to the extent expressly authorized by this Agreement or agreed in writing by the Parties, each Party agrees that, during the Term and for [***] ([***]) years thereafter, the receiving Party and its Affiliates and Sublicensees and Third Party subcontractors will keep confidential and will not publish or otherwise disclose, and will not use for any purpose other than as expressly permitted in this Agreement, any information furnished to it or its Affiliates, Sublicensees or Third Party subcontractors by the other Party pursuant to this Agreement or information acquired or developed on such other Party's behalf (collectively, **"Confidential Information"**). For the avoidance of doubt, as long as Ono retains license rights to any Successful Biclonics and/or Products hereunder, data and other information relating thereto shall be considered Ono's Confidential Information. Each Party may use such Confidential Information of the other Party only to the extent required to accomplish the purposes of this Agreement or exercise its rights under the licenses granted to it under this Agreement. Each Party will use at least the same standard of care as it uses to protect proprietary or confidential information of its own, but in no event less than stringent as set forth in this Article 10. Each Party shall use reasonable efforts to ensure that its and its Affiliates' and Sublicensees' and Third Party subcontractors' employees, agents, consultants, investors and other representatives comply with the Party's obligations hereunder and do not disclose or make any unauthorized use of the Confidential Information,

and that the terms of any subcontracts will be in all essential aspects consistent with the obligations and restrictions hereunder, including by providing a confidentiality term that is of equivalent duration or no less than what is reasonable to protect the Confidential Information to be disclosed or developed in the subcontractual arrangement. Each Party will promptly notify the other upon discovery of any unauthorized use or disclosure of the other Party's Confidential Information. The Parties further acknowledge that each Party has disclosed to the other Party (or its Affiliates), prior to the Effective Date, certain Confidential Information pursuant to non-disclosure and/or material transfer agreements entered into between the Parties (or a Party's Affiliates), that limit the disclosure and use of such information by the receiving Party. The Parties hereby agree that any such Confidential Information earlier disclosed by one Party to the other (or its Affiliates) under such earlier agreements will be deemed to be the Confidential Information of the disclosing Party and subject to all the terms of this Article 10 and Section 4.6, as well as the additional terms covering such information and materials (if any) under the earlier agreements.

10.2 Exceptions. The obligations of non-disclosure and non-use under Section 10.1 will not apply as to particular Confidential Information of a disclosing Party to the extent that the receiving Party can prove by competent written evidence that such Confidential Information: (a) is at the time of receipt, or thereafter has become, through no act or failure to act on the part of the receiving Party (or its Affiliates or Sublicensees or Third Party subcontractors), published, generally known or otherwise available in the public domain; (b) is known by the receiving Party at the time of receiving such information, as evidenced by its records; (c) is hereafter furnished to the receiving Party by a Third Party, as a matter of right and without restriction on disclosure; (d) is independently discovered or developed by the receiving Party without reference to Confidential Information belonging to the disclosing Party; or (e) is the subject of a written permission to disclose provided by the disclosing Party.

10.3 Authorized Disclosure. Each Party may disclose Confidential Information belonging to the other Party solely to the extent such disclosure is reasonably necessary in connection with the following:

(a) Prosecuting Patent Rights as permitted by this Agreement;

(b) in connection with regulatory filings for Licensed Biclonics and/or Products that such Party has a license or right to develop hereunder;

(c) prosecuting or defending litigation as permitted by this Agreement;

(d) complying with applicable court orders or governmental regulations;

(e) disclosure to Affiliates, Sublicensees, Third Party subcontractors, clinical or non-clinical institutions, and consultants (including their potential entities) on a need to know basis and only for purposes of performance of such Party's obligations under this Agreement, and provided, in each case, that any such Affiliate, Sublicensee, or Third Party subcontractor, clinical or non-clinical institutions, and consultants (including their potential entities) agrees to be bound by similar terms of written confidentiality and non-use at least equivalent in scope to those set forth in this Article 10; or

(f) disclosure to existing or potential Third Party investors, merger partners, acquirers, and professional advisors (including lawyers, accountants, and investment bankers) solely as reasonably necessary in the context of a potential transaction to which the Confidential Information is material, provided, that any such Third Party agrees to be bound by similar terms of confidentiality and non-use at least equivalent in scope to those set forth in this Article 10.

Notwithstanding the foregoing, in the event a Party is required to make a disclosure of the other Party's Confidential Information pursuant to Section 10.3(d) or (f), it will, except where impracticable, give reasonable advance notice to the other Party of such planned disclosure and use reasonable efforts to secure, or to assist the other Party in securing, confidential treatment of and/or a protective order regarding such information. In the case of authorized disclosure set forth in Section 10.3(a) through (f) above such Party shall disclose only such Confidential Information of such other Party as is required to be disclosed. The receiving Party of Confidential Information shall take all steps reasonably necessary, including obtaining an order of confidentiality or redacting financial terms of conditions of this Agreement, to ensure the continued confidential treatment of such Confidential Information. Each Party agrees that it shall cooperate fully with the other with respect to all disclosures regarding this Agreement as required under the regulations of Securities and Exchange Commission in the US or similar regulatory agency in any other country including requests for confidential information or proprietary information of either Party to be included in any such disclosure. Authorized disclosure of the Confidential Information pursuant to this Section 10.3 shall not be deemed exceptions pursuant to Section 10.2 unless and until publicly available.

10.4 Publications.

10.4.1 If either Party seeks to publish any information relating to any results of Research conducted under this Agreement or which includes any Confidential Information of the other Party, including any information relating in any way to any Target Specific Biclonics or Product, the Party seeking to publish will provide the other Party the material proposed for publication, such as by draft slide presentation, manuscript, poster, or abstract, at least [***] ([***]) days in advance of submitting the material to a publisher or an organizing committee or other equivalent organization of scientific meeting, and the other Party will have the right to review and comment on all such material. The Parties will reasonably agree on the content of any such publication, *except that* Ono shall be free to publish the results of and/or information concerning research and development of Successful Biclonics and/or Product subject to Section 10.4.2 below.

10.4.2 If Ono seeks to publish any of Merus' Confidential Information relating to the results of its Research conducted under this Agreement in connection with a proposed publication concerning development of Successful Biclonics and/or Product, Ono will deliver the draft material to Merus at least [***] ([***]) days prior to submitting the material to a publisher or an organizing committee or other equivalent organization of scientific meeting. Merus will review any such material and give its comments to Ono as soon as practicable and will give written notice whether it authorizes the disclosure of its Confidential Information or requests deletion of Merus Confidential Information, but shall not unreasonably withhold such authorization.

10.5 Publicity. No disclosure of the existence, or the terms, of this Agreement may be made by either Party, and neither Party shall use the name, trademark, trade name or logo of the other Party, its Affiliates or their respective employees in any publicity, promotion, news release or disclosure relating to this Agreement or its subject matter, without the prior express written consent of the other Party, except as may be required by law. Without prior written consent, the name of a Party or any other of its Affiliates may not be used by the other Party for any advertising or promotional purposes. Either Party may make subsequent public disclosure of the same contents as previously done pursuant to this Section 10.5. Each Party agrees not to issue any other press release or other public statement, whether oral or written, disclosing the existence of this Agreement, the terms hereof or any information relating to this Agreement without the prior written consent of the other Party.

10.6 Public Announcement. No public announcement with respect to this Agreement or any activities under the Research Program shall be made, whether directly or indirectly, by either Party without prior agreement of the other Party. A Party desiring to make public announcement shall provide the other Party with the proposed text of such announcement with sufficient time prior to public release for the other Party's review and comments, and such desiring Party shall use its reasonable efforts to incorporate the other Party's comments. Both Parties shall discuss in good faith and agree on the timing, nature and text of such announcement. Subject to Section 10.7 below, either Party may make public announcement repeatedly to the extent that once it has been made pursuant to this Section 10.6, without first obtaining the written approval of the other Party. Either Party agrees that it may include the other Party's name and short description of its business and the collaboration on a list of strategic partners in its corporate documents to be made publicly available, including the corporate website, financial reports for its shareholders or such documents submitted to Securities and Exchange Commission in the US or similar regulatory agency in any other country.

10.7 Combination of Features or Disclosures. Any combination of features or disclosures shall not be deemed to fall within the foregoing exceptions contemplated in Section 10.3 merely because individual features are published or available to the general public or in the rightful possession of the receiving Party unless the combination itself and principle of operation are published or available to the public or in the rightful possession of the receiving Party.

10.8 Return of Confidential Information. Upon termination of this Agreement, the receiving Party shall promptly return to the disclosing Party or destroy the disclosing Party's Confidential Information, including all copies thereof, except to the extent that retention of such Confidential Information is reasonably necessary for the receiving Party to exploit any continuing rights it may have and/or to fulfil its obligations contemplated herein, including its obligations of non-disclosure and non-use hereunder. Any such destruction requested by the disclosing Party shall be certified in writing to the disclosing Party by an authorized officer of the receiving Party. The return and/or destruction of such Confidential Information as provided above shall not relieve the receiving Party of its obligations under this Agreement.

11. TERM AND TERMINATION

11.1 Term of Agreement. The term of this Agreement (the **"**Term**"**) will commence on the Effective Date and continue until expiration of the later of expiration or termination of all payment obligations of Ono accruing prior to the effective date of early termination under this Agreement or expiration of the Royalty Term for all Products licensed hereunder, unless earlier terminated as provided below.

11.2 Termination for Cause. Each Party will have the right to terminate this Agreement upon sixty (60) days' prior written notice to the other Party upon the material breach by such other Party of any obligation under this Agreement, including a breach of any diligence obligations, *provided that* such notice has given sufficient detail of the basis for the breach and the breaching Party has not cured such breach within the 60-day period following such written notice. The right of a Party to terminate this Agreement under this Section, and the notice period for such termination, will be tolled during the period of any dispute resolution process (including arbitration) that is invoked under Article 13 to resolve the issue of whether the alleged breaching Party has in fact committed a material breach of this Agreement, or whether such Party has cured such breach.

11.3 Termination by Ono Without Cause During The Research Term. At any time during the Research Term, Ono may terminate this Agreement by providing Merus at least forty-five (45) days prior written notice. Ono agrees to pay Merus within forty-five (45) days of such termination an amount equal to the research funding owed under Section 6.2 for a ninety (90) day period. The calculation of such amount will be made based on the annual FTE rate set forth in Section 6.2.1 above *pro-rata* to the Business Days of Merus up to the end of such ninety (90) day period.

11.4 Termination by Ono Without Cause. At any time after expiration of the Research Term, by providing Merus at least ninety (90) days prior written notice to Merus, Ono may terminate this Agreement in its entirety.

11.5 Termination for Insolvency. Either Party may terminate this Agreement by written notice to the other with immediate effect if the other Party becomes insolvent, is compelled to file bankruptcy, is determined otherwise imminently subject to control by a bankruptcy trustee, liquidator or administrator or the equivalent, or upon an assignment of a substantial portion of the assets for the benefit of creditors by the other Party pursuant to the laws of the jurisdiction in which such Party is doing business; provided, however, that in the case of any involuntary bankruptcy proceeding such right to terminate shall only become effective if the Party consents to the involuntary bankruptcy or such proceeding is not dismissed within ninety (90) days after the filing thereof.

11.6 Effect of Termination; Surviving Obligations.

11.6.1 Except in the case of termination by Ono for cause pursuant to Section 11.2, upon early termination of this Agreement, all rights under the licenses granted by Merus to Ono under this Agreement, if then in effect, will automatically terminate and revert to Merus; in the case of termination by Ono for cause pursuant to Section 11.2, the provisions of this Section 11.6.1 shall not apply and Ono's license granted hereunder will be fully paid-up and perpetual and continue on a royalty-free basis; and

11.6.2 Except in the case of termination by Ono for cause pursuant to Section 11.2, upon early termination of this Agreement by either Party, at Merus' written request, Ono and its Affiliates shall destroy all Research Tools and all supplies of Target Specific Biclonics, Licensed Biclonics and Product, and shall promptly thereafter confirm such destruction in writing to Merus.

11.6.3 Expiration or termination of this Agreement will not relieve the Parties of any obligation accruing prior to such expiration or termination. The following provisions of this Agreement will survive expiration or termination of this Agreement: Articles 1, 4.1, 4.2, 4.3, 5.1 (e)ii, 6.4.2, 7.5, 8.1, 9, 10, 11.6, 11.8, 12, 13, and 14 until expiration of a period of performance of its obligations set forth in the relevant Section or, if such period is not expressly provided, completely performed of its obligations.

11.6.4 Within [***] ([***]) days following the expiration or termination of this Agreement, except to the extent and for so long as a Party retains license rights hereunder pertaining to any of the other Party's Confidential Information or materials, at a Party's request the other Party will deliver to the requesting Party any other Confidential Information and materials of the requesting Party in its possession or at the requesting Party's option, will destroy such Confidential Information and materials and will certify to the requesting Party in writing that it has so destroyed such Confidential Information and materials.

11.7 Exercise of Right to Terminate. The use by either Party hereto of a termination right provided for under this Agreement will not in and of itself give rise to the payment of damages or any other form of compensation or relief to the other Party with respect thereto.

11.8 Damages; Relief. Subject to Sections 9.4 and 11.6 above, termination of this Agreement will not preclude either Party from claiming or seeking or being entitled to any other damages, compensation or relief that it may be entitled to which accrued prior to such termination based on the Agreement.

12. INDEMNIFICATION

12.1 Indemnification by Merus. Merus hereby agrees to save, defend and hold harmless Ono and its Affiliates and their respective directors, officers, employees and agents (each, a **"Ono Indemnitee"**) from and against any and all claims, suits, actions, demands, liabilities, damages, expenses and/or loss, including reasonable legal expense and attorneys' fees (collectively, **"Losses"**), to which any Ono Indemnitee may become subject, to the extent such Losses result from any claim, demand, action or other proceeding against the Ono Indemnitee by any Third Party to the extent based upon: (i) the [***], but provided that Merus is not obliged to enter litigation and defend Ono for [***] against Ono (ii) the [***], or (iii) the breach by Merus of any warranty, covenant or agreement made by Merus in this Agreement; except, in each case, to the extent such Losses result from the negligence or willful misconduct of any Ono Indemnitee or the breach by Ono of any warranty, covenant or agreement made by Ono in this Agreement. For avoidance of doubt, such indemnification shall not apply to any Loss caused by the sale of any Product by Ono to any Third Party.

12.2 Indemnification by Ono. Ono hereby agrees to save, defend and hold harmless Merus and its Affiliates and their respective directors, officers, employees and agents (each, a **"Merus Indemnitee"**) from and against any and all Losses to which any Merus Indemnitee may become subject, to the extent such Losses result from any claim, demand, action or other proceeding against the Merus Indemnitee by any Third Party to the extent based upon: (i) the [***], including the practice by Ono (or its Affiliate or any Third Party subcontractor or Sublicensee) of [***] under this Agreement, (ii) the manufacture, use, handling, storage, sale or other disposition of any Product and/or Licensed Biclonics by Ono, its Affiliates or Sublicensees, or (iii) the breach by Ono of any warranty, covenant or agreement made by Ono in this Agreement; except, in each case, to the extent such Losses result from the negligence or willful misconduct of any Merus Indemnitee or the breach by Merus of any warranty, covenant or agreement made by Merus in this Agreement.

12.3 Control of Defense. Any Party or any of its indemnitees entitled to indemnification under this Article 12 will give notice to the indemnifying Party of any Losses for which it is claiming indemnification promptly after learning of such Losses, and the indemnifying Party will assume the defense of such Losses with counsel reasonably satisfactory to the indemnified Party. If such defense is assumed by the indemnifying Party with counsel so selected, the indemnifying Party will not be liable for any settlement of such Losses made by the indemnified Party without consent of the indemnifying Party (provided that such consent is not unreasonably withheld or delayed), and will not be obligated to pay the fees and expenses of any separate counsel retained by the indemnified Party with respect to such Losses or indemnification claim.

12.4 Insurance. Each Party shall maintain at its expense insurance coverage consistent with normal business practices and adequate to cover the risks associated with its performance of any activities hereunder, and each Party acknowledges and agrees that the maintenance of such insurance coverage shall not relieve either Party of its obligations under this Agreement. Ono, at its own expense, will maintain product liability insurance (or self-insure) in an amount consistent with industry standards during the Term of this Agreement. Ono will provide a certificate of insurance (or evidence of self-insurance) evidencing such coverage to Merus upon request. Merus, at its own expense, will maintain during the Research Term and for a period of at least [***] ([***]) years thereafter to maintain (a) workers' compensation insurance for all of its employees, the limits of which shall be as required under statute; and (b) commercial general liability insurance on a claims made basis having limits of not less than €[***] in the aggregate and €[***] per occurrence. Merus will provide a certificate of insurance (or evidence of self-insurance) evidencing such coverage to Ono upon request. For avoidance of doubt, such insurance obligation by Merus shall not apply to cover any Loss caused by the sale of any Product by Ono to any Third Party.

13. DISPUTE RESOLUTION

13.1 Discussion by Senior Executives.

(a) If there is a matter within the JSC's authority for which the JSC is unable to reach a decision, or if any dispute (including any claim or controversy arising from or related in any way to this Agreement or the interpretation, application, breach, termination or validity thereof, including any claim of inducement of breach of this Agreement by fraud or otherwise) arises between the Parties under this Agreement, such matter or dispute will be referred to the Chief Executive Officer of Merus and the Executive Director of Discovery and Research of Ono, for further discussion and resolution. These individuals will as soon as practicable meet and attempt in good faith to resolve the matter or dispute and reach agreement. These individuals may obtain the advice of other employees or consultants as they deem necessary or advisable to facilitate resolution.

(b) If an unresolved JSC matter or the dispute with respect to performance of Ono under its sole responsibility is not resolved by such senior executives, the decision by Ono's senior executive shall be final and bind on the Parties as set forth the last sentence of Section 3.2. For all other disputes, if the senior executives cannot reach agreement as to the dispute within [***] ([***]) days of the dispute being referred to them by either Party in writing, then the dispute (an "**Unresolved Issue**") will be resolved as provided in Section 13.2 or 13.3, as applicable.

13.2 Arbitration.

(a) Any Unresolved Issue not resolved under Section 13.1 shall be resolved by arbitration pursuant to the rules then pertaining under the Rules of Arbitration of the International Chamber of Commerce ("ICC") by [***] ([***]) arbitrators, except where these Rules conflict with this provision, in which case this provision controls. The arbitration will be held in New York, in the U.S.A., and shall be conducted in the English language. The arbitrators shall decide the Dispute in accordance with the law governing this Agreement. In the case that no ICC rules exist, the Parties will in that case agree in good faith on alternate arbitration rules to govern any arbitration conducted under this Section 13.2.

(b) The panel will consist of [***] ([***]) arbitrators each of whom is a lawyer with a law firm or corporate law department or was a judge of a court of general jurisdiction who, in either case, has at least [***] ([***]) years of experience in the biopharmaceutical field. Notwithstanding the foregoing, if the aggregate damages sought by the claimant are stated to be less than €[***], and the aggregate damages sought by the counterclaimant are stated to be less than €[***], and neither side seeks equitable relief, then a single arbitrator will be chosen, having the same qualifications and experience specified above. Each arbitrator will be neutral, independent, disinterested, and impartial.

(c) Each Party shall nominate in the request for arbitration and the answer thereto one arbitrator and the two arbitrators so named shall then jointly appoint the third arbitrator as chairman of the arbitration tribunal, each of them reasonably acceptable to the other Party, acceptance of which shall not be unreasonably withheld. If one Party fails to nominate its arbitrator or, if the Parties' arbitrators cannot agree on the person to be named as chairman within [***] ([***]) days, the President of the ICC shall make the necessary appointments. After appointment, the Parties shall have no ex-parte communication with their proposed arbitrator.

(d) Within [***] ([***]) days of initiation of arbitration, the Parties shall reach agreement upon and thereafter follow procedures assuring that the arbitration shall be concluded and the award rendered within no more than [***] ([***]) months from selection of the arbitrators. Failing such agreement, the ICC Arbitration Rules shall control the scheduling and the Parties shall follow procedures that meet such a time schedule. Each Party has the right before or, if the arbitrators cannot hear the matter within an acceptable period, during the arbitration to seek and obtain from any court of competent jurisdiction provisional remedies such as attachment, preliminary injunction, replevin, etc., to avoid irreparable harm, maintain the status quo or preserve the subject matter of the arbitration. Any request for such provisional measures by a Party to a court shall not be deemed a waiver of this agreement to arbitrate. In addition, the arbitration tribunal may, at the request of a Party, order provisional or conservatory measures (including preliminary injunctions to prevent breaches hereof) and the Parties shall be able to enforce the terms and provisions of such orders in any court having jurisdiction. The decision of the arbitration tribunal must be in writing and must specify the basis on which the decision was made, and the award of the arbitration tribunal shall be final, non-appealable and binding upon the Parties and judgment upon such an award may be entered in any competent court or application may be made to any competent court for judicial acceptance of such an award and order of enforcement. THE ARBITRATION TRIBUNAL SHALL NOT AWARD ANY PARTY PUNITIVE, EXEMPLARY, MULTIPLIED OR CONSEQUENTIAL DAMAGES, AND EACH PARTY HEREBY IRREVOCABLY WAIVES ANY RIGHT TO SEEK SUCH DAMAGES. NO PARTY MAY SEEK OR OBTAIN PREJUDGMENT INTEREST OR ATTORNEY'S FEES OR COSTS.

13.3 Preliminary Injunctive Relief. Notwithstanding anything to the contrary, either Party may at any time seek to obtain provisional remedies such as attachment, preliminary injunctive relief, replevin, etc., solely to avoid irreparable harm, maintain the status quo or preserve the subject matter of the arbitration in equity from a court of competent jurisdiction with respect to an issue arising under this Agreement if the rights of such Party would be prejudiced absent such relief, including any dispute relating to (i) the determination as to the infringement, validity or claim interpretation of a Party's Patent Rights, or (ii) the misuse and/or misappropriation of a Party's Confidential Information, in each case, a Party may submit such dispute to the competent court.

13.4 Diligence Disputes. For any Unresolved Dispute that involves a claim by either Party that the other Party has breached its diligence obligations under the Agreement, the arbitrators of such Unresolved Dispute will, under the arbitration conducted under Section 13.2, determine if such other Party materially breached such diligence obligations.

14. GENERAL PROVISIONS

14.1 Governing Law. This Agreement will be governed by, and construed and enforced in accordance with, the laws and regulations of the State of New York, U.S.A., as well as United States federal law and regulations, without giving effect to any conflicts of laws principles.

14.2 Entire Agreement; Modification. This Agreement, including its appendices and exhibits, is both a final expression of the Parties' agreement and a complete and exclusive statement with respect to all of its terms. In the event of any inconsistency between the terms of the body of this Agreement and the terms of any appendices or exhibits, the body of this Agreement shall control. This Agreement supersedes all prior and contemporaneous agreements and communications between the Parties, whether oral, written or otherwise, concerning the subject matter contained herein. No rights or licenses with respect to any intellectual property of either Party are granted or deemed granted hereunder or in connection herewith, other than those rights expressly granted in this Agreement. This Agreement may only be modified or supplemented in a writing expressly stated for such purpose and signed by the Parties to this Agreement.

14.3 Relationship of the Parties. The Parties' relationship, as established by this Agreement, is solely that of independent contractors. This Agreement does not create any partnership, joint venture or similar business relationship between the Parties. Neither Party is a legal representative or agent of the other Party, and neither Party can assume or create any obligation, representation, warranty or guarantee, express or implied, on behalf of the other Party for any purpose whatsoever.

14.4 Performance by Affiliates and Sublicensees. The Parties recognize that each may perform some or all of its obligations under this Agreement through Affiliates or Third Party subcontractors or Sublicensees, *provided, however,* that each Party will remain responsible and be guarantor of the performance by its Affiliates and Third Party subcontractors and Sublicensees and will cause them to comply with the provisions of this Agreement in connection with such performance. In particular, if any Affiliate of a Party or its Third Party subcontractor participates in Research under this Agreement or its Sublicensee with respect to Target Specific Biclonics, (a) the restrictions and obligations of this Agreement which apply to the activities of a Party will apply equally to the activities of such Affiliate and Third Party subcontractors and Sublicensees, and (b) the Party performing through such Affiliate or Third Party subcontractor or Sublicensee will assure, and hereby guarantees, that such performance will be consistent with the provisions of this Agreement. Any action or omission by a Party's Affiliate, Third Party subcontractor, or a Sublicensee which would, if such action or omission were conducted by the Party, constitute a breach of the Party's obligations under this Agreement will constitute a breach by the Party.

14.5 Non-Waiver. The failure of a Party to insist upon strict performance of any provision of this Agreement or to exercise any right arising out of this Agreement will neither impair that provision or right nor constitute a waiver of that provision or right, in whole or in part, in that instance or in any other instance. Any waiver by a Party of a particular provision or right to be effective must be in writing signed by such Party, and will be limited to the specified matter and, if applicable, the specified period of time in such writing.

14.6 Assignment. Except as expressly provided hereunder, neither this Agreement nor any rights or obligations hereunder may be assigned or otherwise transferred by either Party without the prior written consent of the other Party (which consent will not be unreasonably withheld); *provided, however*, that either Party may assign this Agreement or any of its license rights granted hereunder without the other Party's consent:

(a) to its successor in interest in connection with the transfer or sale of all or substantially all of the business of such Party to which this Agreement relates, whether by merger, sale of stock, sale of assets or otherwise, provided that in the event of a transaction (whether this Agreement is actually assigned or is assumed by the acquiring Party by operation of law), intellectual property rights of the acquiring party to such transaction (if other than one of the Parties to this Agreement) will not be included in the technology licensed hereunder, and, provided further that the such acquiring party will remain liable and responsible to the non-assigning Party hereto for the performance and observance of all such duties and obligations of the assigning Party; or

(b) to an Affiliate, provided that the assigning Party will remain liable and responsible to the non-assigning Party hereto for the performance and observance of all such duties and obligations by such Affiliate.

The rights and obligations of the Parties under this Agreement will be binding upon and inure to the benefit of the successors and permitted assigns of the Parties. Any assignment not in accordance with this Agreement will be void.

14.7 No Third Party Beneficiaries. This Agreement is neither expressly nor impliedly made for the benefit of any party other than those Parties executing it.

14.8 Severability. If, for any reason, any part of this Agreement is adjudicated invalid, unenforceable or illegal by a court of competent jurisdiction, all other portions will remain in full force and effect, and the Parties will use their reasonable efforts to substitute for the invalid, unenforceable or illegal provision a valid, enforceable and legal provision which conforms as nearly as possible with the original intent of the Parties.

14.9 Notices. Any notice to be given under this Agreement must be in writing and delivered either in person, by Express or certified mail (return receipt requested) (in each case postage prepaid), or by an internationally recognized express courier, or by facsimile with confirmed transmission, to the Party to be notified at its address(es) given below, or at any address such Party has previously designated by prior written notice to the other. Notice will be deemed sufficiently given for all purposes upon the earliest of: (a) the date of actual receipt; (b) if mailed, [***] ([***]) days after the date of postmark; or (c) if delivered by express courier, [***].

If to Ono, notices must be addressed to:

Ono Pharmaceutical Co., Ltd
Minase Research institute
1-1, Sakurai, 3-chome,
Shimamoto, Mishima, Osaka, 618-8585, Japan
Attn: Senior Director, Discovery Research Alliance
Facsimile: [***]

If to Merus, notices must be addressed to:

Merus N.V.
Yalelaan 62
3584 CM Utrecht
the Netherlands
Attention: Mark Throsby, CSO
Telephone: [***]
Email: [***]

with a copy to:

Peter B. Silverman, Chief IP Officer, Head of Legal U.S.

Email: [***]

14.10 Force Majeure. Each Party will be excused from liability for the failure or delay in performance of any obligation under this Agreement by reason of any event beyond such Party's reasonable control, including but not limited to Acts of God, fire, flood, explosion, earthquake, or other natural forces, war, terrorism, civil unrest, accident, destruction or other casualty, any lack or failure of transportation facilities, any lack or failure of supply of raw materials, any strike or labor disturbance, or any other event similar to those enumerated above. Such excuse from liability will be effective only to the extent and duration of the event(s) causing the failure or delay in performance and provided that the Party has not caused such event(s) to occur and continues to use diligent, good faith efforts to avoid the effects of such event and to perform the obligation. Notice of a Party's failure or delay in performance due to force majeure must be given to the other Party within [***] ([***]) days after its occurrence. All delivery dates under this Agreement that have been affected by force majeure will be tolled for the duration of such force majeure. The Party failing or delaying in performance of any obligation under this Agreement by reason of such force majeure event will use reasonable effort to recover from such force majeure event to perform its obligations, provided that in no event will any Party be required to prevent or settle any labor disturbance or dispute. Notwithstanding the foregoing, should the event(s) of force majeure suffered by a Party extend beyond a nine-month period, the other Party may then terminate this Agreement by written notice to the non-performing Party, with the consequences of such termination as set forth in Section 11.5.

14.11 Interpretation.

(a) Captions & Headings. The captions and headings of clauses contained in this Agreement preceding the text of the articles, sections, subsections and paragraphs hereof are inserted solely for convenience and ease of reference only and will not constitute any part of this Agreement, or have any effect on its interpretation or construction.

(b) Singular & Plural. All references in this Agreement to the singular will include the plural where applicable, and all references to gender will include both genders and the neuter.

(c) Articles, Sections & Subsections. Unless otherwise specified, references in this Agreement to any article will include all sections, subsections, and paragraphs in such article; references in this Agreement to any section will include all subsections and paragraphs in such sections; and references in this Agreement to any subsection will include all paragraphs in such subsection.

(d) Ambiguities. Ambiguities and uncertainties in this Agreement, if any, will not be interpreted against either Party, irrespective of which Party may be deemed to have caused the ambiguity or uncertainty to exist.

(e) English Language. All notices required or permitted to be given hereunder, and all written, electronic, oral or other communications between the Parties regarding this Agreement will be in the English language.

14.12 Counterparts. This Agreement may be executed in any number of counterparts, each of which will be deemed an original document, and all of which, together with this writing, will be deemed one instrument. Signing and delivery of this Agreement may be evidenced by an electronic transmission of the front and signed signature page to the other Party, provided however, that such electronic signing and delivery is confirmed in written paper copy signed by and delivered to each Party promptly following electronic signing and delivery.

IN WITNESS WHEREOF, the Parties have duly executed this Agreement as of the Effective Date.

MERUS N.V.

By: /s/ Ton Logtenberg
Name: Ton Logtenberg
Title: CEO

ONO PHARMACEUTICAL Co. Ltd.

By: /s/ Gyo Sagara
Name: Gyo Sagara
Title: President, Representative Director and Chief Executive Officer

EXHIBIT A

Initial Research Plan

1. Rationale

[***]

2. Background information

[***]

3. Objective

[***]

4. Endpoint / Outcome

[***]

5. Proposed start and end date

[***]

6. Time line for Merus and Ono activities and FTE

[***]

7. Merus Research Budget and planning [

[***]

]

Table 1 timelines| [***]

[***]

Table 2 Contracted rates

[***]

Table 3 External costs. [***]

8. Detailed research plan

[***]

]

EXHIBIT B

[***]

[***] 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 C

MERUS PATENT RIGHTS

[***]

[***] 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 D

Litigation Update

On 11 March 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 3 July 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 21 November 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 24 February 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 2 November 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 18 December 2015, Regeneron filed an appeal of the Court's decision which is currently pending. An oral hearing before the US Court of Appeals for the Federal Circuit is scheduled for 13 February 2017, and a decision issued July 27 affirming that Regeneron has committed inequitable conduct in procuring the '018 patent, and affirming the judgment of unenforceability. Regeneron petitioned for rehearing and rehearing en banc, which the Federal Circuit denied on December 26, 2017.

On 11 March 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 2013. On 17 September 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.

EXHIBIT E

INITIAL MEMBERS OF JSC

Members representing Merus:

[***]

Members representing Ono:

[***]

[***] 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 F

Form of Invoice

Invoice to be printed on official Merus letterhead with date, payee's tax ID, and Ono's (or its designated Affiliate payor's) P.O. number inserted:

DATE: _____

INVOICE NO.: _____ Merus* Tax ID: [***]

Bill To:

Ono Pharmaceutical Co., Ltd.
3-1-1 Sakurai, Shimamoto-cho
Mishima-gun, Osaka 618-8585, Japan

Ono P.O. Number: _____

Terms: Net [***]

Amount of payment due: _____Euro

Payment due according to CONTRACT RESEARCH AND LICENSE AGREEMENT between Merus B.V. and ONO Pharmaceuticals Inc. dated _____, 2016,

for: _____

(If Research Funding) Relevant Research Period: _____

(If Milestone Payment) Milestone Event: _____

Ship To:

Director, Research Licensing, Discovery Research Alliance, Discovery and Research
Ono Pharmaceutical Co., Ltd.
3-1-1 Sakurai, Shimamoto-cho
Mishima-gun, Osaka 618-8585, Japan

Wire Instructions for Remittance to Merus:

** Merus to provide details and contact information*

[***] 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. (the "Company");

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)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the 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 30, 2018

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. (the "Company");

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)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the 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 30, 2018

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, 2017 (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 30, 2018

By: /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, 2017 (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 30, 2018

By: /s/ John J. Crowley
John J. Crowley
Chief Financial Officer
(Principal Financial Officer)

Exhibit 15.1

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Merus N.V.:

We consent to the incorporation by reference in the registration statement (No. 333-211497) on Form S-8 and in the registration statement (No. 333-218432) on Form F-3 and F-3/A of Merus N.V. of our report dated April 30, 2018, with respect to the consolidated statements of financial position of Merus N.V. as of December 31, 2017 and 2016, 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, 2017, and the related notes (collectively, the consolidated financial statements), which report appears in the December 31, 2017 annual report on Form 20-F of Merus N.V.

/s/ KPMG Accountants N.V.

Amstelveen, The Netherlands
April 30, 2018