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

FORM 20-F

☐ **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, 2020

OR

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

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 _____

For the transition period from _____ to _____

Commission file number: **000-30902**

_____

Compugen Ltd.
(Exact name of Registrant as specified in its charter)

_____

(Translation of Registrant's name into English)

_____

Israel
(Jurisdiction of incorporation or organization)

Azrieli Center, 26 Harokmim Street, Building D, Holon 5885849 Israel
(Address of principal executive offices)

_____

Ari Krashin, Chief Financial Officer
Phone: +972-3-765-8585, Fax: +972-3-765-8555
Azrieli Center, 26 Harokmim Street, Building D, Holon 5885849 Israel
(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	**Trading Symbol(s)**	**Name of each exchange on which registered**
Ordinary shares, par value NIS 0.01 per share	CGEN	The Nasdaq Stock Market LLC (The Nasdaq Global Market)

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

None

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

(Title of Class)

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: **83,675,856 Ordinary Shares**

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or an emerging growth company. See definition of "accelerated filer" "large 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 ☐

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

† 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 ☐

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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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This annual report on Form 20-F includes "forward-looking statements" within the meaning of the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, and the safe-harbor provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are based on our current beliefs, expectations and assumptions. Forward-looking statements can be identified by the use of terminology such as "will," "may," "assume," "expect," "anticipate," "could," "project," "estimate," "possible," "potential," "believe," "suggest," and "intend," and similar expressions that are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. These forward-looking statements involve known and unknown risks and uncertainties that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Factors that could cause our actual results to differ materially from those projected in the forward-looking statements include, without limitation, the risk factors set forth under "Item 3. Key Information -D. Risk Factors," the information about us set forth under "Item 4. Information on the Company" and information related to our financial condition under "Item 5. Operating and Financial Review and Prospects." Any forward-looking statements represent our views only as of the date hereof and should not be relied upon as representing its views as of any subsequent date. We do not assume any obligation to update any forward-looking statements unless required by law.

All references in this annual report on Form 20-F to "Compugen," the "Company," "we," "us," "our," or similar references refer to Compugen Ltd. and our wholly owned subsidiary Compugen USA, Inc., except where the context otherwise requires or as otherwise indicated.

We have prepared our consolidated financial statements in United States dollars and in accordance with generally accepted accounting principles in the United States, or U.S. GAAP. All references herein to "dollars" or "$" are to United States dollars, and all references to "Shekels" or "NIS" are to New Israeli Shekels.

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 CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data are derived from our audited consolidated financial statements which have been prepared in accordance with U.S. GAAP. The selected consolidated financial data as of December 31, 2020, and 2019 and for the years ended December 31, 2020, 2019 and 2018 have been derived from our audited consolidated financial statements and notes thereto included elsewhere in this annual report. The selected consolidated financial data as of December 31, 2018, 2017 and 2016 and for the years ended December 31, 2017 and 2016 have been derived from audited consolidated financial statements not included in this annual report. The selected consolidated financial data set forth below should be read in conjunction with and are qualified by reference to "Item 5. Operating and Financial Review and Prospects" and our consolidated financial statements and notes thereto included elsewhere in this annual report.

Selected Financial Data

	Year ended December 31,				
	2016	**2017**	**2018**	**2019**	**2020**
	(US$ in thousands, except share and per share data)				
Consolidated Statement of Operations Data					
Revenues	$ 712	$ -	$ 17,800	$ -	$ 2,000
Cost of revenues	223	-	1,034	-	60
Total operating expenses [(1)]	33,072	37,405	39,993	28,879	33,436
Operating loss	(32,583)	(37,405)	(23,227)	(28,879)	(31,496)
Financial and other income, net	1,097	339	628	820	1,798
Losses before taxes on income	(31,486)	(37,066)	(22,599)	(28,059)	(29,698)
Taxes on income	(20)	-	-	722	-
Net loss	(31,506)	(37,066)	(22,599)	(27,337)	(29,698)
Realized and unrealized gain (loss) from investment in marketable securities and from foreign currency derivative contracts	(414)	10	(17)	-	-
Total comprehensive loss	(31,920)	(37,056)	(22,616)	(27,337)	(29,698)
Basic net loss per share	$ (0.62)	$ (0.72)	$ (0.41)	$ (0.43)	$ (0.37)
Weighted average number of ordinary shares used in computing basic net loss per share	50,855,908	51,179,694	55,277,428	63,636,673	79,591,187
Diluted net loss per share	$ (0.62)	$ (0.72)	$ (0.41)	$ (0.43)	$ (0.37)
Weighted average number of ordinary shares used in computing diluted net loss per share	50,855,908	51,179,694	55,277,428	63,636,673	79,591,187

(1) Includes stock-based compensation - see Note 8 to our 2020 consolidated financial statements.

	As of December 31,				
	2016	2017	2018	2019	2020
	(US$ in thousands)				
Consolidated Balance Sheet Data					
Cash and cash equivalents, short-term bank deposits and restricted cash	$ 61,527	$ 30,438	$ 45,675	$ 43,879	$ 124,432
Trade receivable	-	-	-	-	2,000
Total assets	71,139	38,746	53,180	53,763	138,316
Deferred participation in R&D expenses, including long term	-	-	4,092	3,465	2,636
Accumulated deficit	(270,965)	(308,242)	(330,841)	(358,178)	(387,876)
Total shareholders' equity	$ 63,519	$ 29,297	$ 37,243	$ 38,321	$ 119,782

For additional financial information, please see "Item 5. Operating and Financial Review and Prospects - A. Operating Results,"

B. CAPITALIZATION AND INDEBTEDNESS

Not applicable.

C. REASONS FOR THE OFFER AND USE OF PROCEEDS

Not applicable.

D. RISK FACTORS

An investment in our ordinary shares involves a high degree of risk and many factors could affect our financial condition, cash flows and results of operations. You should carefully consider the following risk factors, as well as the other information in this Annual Report. If we do not, or cannot, successfully address the risks to which we are subject, we could experience a material adverse effect on our business, results of operations and financial condition, which could include the need to limit or even discontinue our business operations, and accordingly our share price may decline and you could lose all or part of your investment. We can give no assurance that we will successfully address any of these risks. The principal risks we face are described below.

Summary Risk Factors

Our business is subject to a number of risks of which you should be aware of before making an investment decision. These risks are discussed more fully in this "Item 3. Key Information—D. Risk Factors" section of this annual report. These risks include, but are not limited to, the following:

- We have a history of losses and we expect to incur future losses and may never achieve or sustain profitability.
- We may need to raise additional funds in the future, and if we are unable to raise such additional funds, we may need to limit, curtail or cease operations. To the extent any such funding is based on the sale of equity, our existing shareholders would experience dilution of their shareholdings.
- We cannot provide assurance that our business model will succeed in generating substantial revenues.
- The global COVID-19 pandemic may continue to negatively impact the global economy and may also adversely affect our business.
- In the near term, we are highly dependent on the success of COM701 and to a lesser extent on COM902. We may not be able to advance our internal clinical stage programs through clinical development or manufacturing or successfully partner or commercialize them, or obtain marketing approval, either alone or with a collaborator, or may experience significant delays in doing so.
- Clinical trials of any product candidates that we, or any current or future collaborators, may develop may fail to satisfactorily demonstrate safety and efficacy to the FDA, and we, or any collaborators, may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of these product candidates.
- Clinical development involves a lengthy and expensive process, with an uncertain outcome. We may encounter substantial delays or even an inability to begin clinical trials for any specific product or may not be able to conduct or complete our trials on the timelines we expect.
- We rely and expect to continue to rely on third parties to conduct our clinical trials. These third parties may not successfully carry out their contractual duties, comply with regulatory requirements or meet expected deadlines, and we may experience significant delays in the conduct of our clinical trials as well as significant increased expenditures.
- Serious adverse events or undesirable side effects or lack of efficacy, may emerge in clinical trials conducted by other companies running clinical trials investigating the same target as us, which could adversely affect our development programs or our capability to enroll patients or partner the program for further development and commercialization.
- It may be difficult to manufacture therapeutic products addressing our drug target candidates.
- We may require companion or complimentary diagnostics and/or biomarkers for portion of our clinical trials and may be required to have such to obtain marketing approval or commercialization of our therapeutic programs. Failure to successfully discover, develop, validate and obtain regulatory clearance or approval for such tests could harm our patients' selection strategy and may harm our clinical strategy.

- Our current and future relationships, and/or the relationships with any future collaborators through which we may market, sell, and distribute our products, with healthcare professionals, principal investigators, consultants, customers and third-party payors in the United States and elsewhere may be subject, directly or indirectly, to applicable anti-kickback, fraud and abuse, false claims, physician payment transparency, health information privacy and security and other healthcare laws and regulations, which could expose us to penalties.
- Our approach to the discovery of therapeutic products is based on our predictive computational discovery platforms is unproven clinically, and we do not know whether we will be able to discover and develop additional potential product candidates or products of commercial value.
- We are focusing our discovery and therapeutic development activities on therapeutic product candidates for uses in immuno-oncology. Our current candidates may fail, and we may fail to continue to discover and develop therapeutic product candidates of industry interest in this field.
- We have limited experience in the development of therapeutic product candidates, and we may be unable to implement our business strategy.
- We depend significantly on third parties to carry out the research, development and commercialization of our therapeutic product candidates. If we are unable to maintain our existing agreements or to enter into additional agreements with such third parties, including collaborators, in the future, our business will likely be materially harmed.
- We rely and expect to continue to rely completely on third parties to manufacture and supply certain preclinical and all clinical drug supplies. Our business could be harmed if those third parties fail to provide us with sufficient quantities of drug product or fail to do so at acceptable quality levels, prices or timelines.
- Our dependence on collaboration agreements with third parties presents a number of risks.
- We may need to obtain third-party drugs for combination with our clinical programs that may not be available to us or are available only on commercially unreasonable terms, and which may cause us to either not perform the right clinical trial, or not perform the clinical trial for the right indication, or in a more costly manner or otherwise adverse manner that was not anticipated.
- Potential collaborators, including major pharmaceutical companies, might be hesitant to pursue target validation and preclinical and clinical development programs based on novel targets lacking robust experimental validation results particularly those discovered through computational discovery approach.
- We rely on our predictive computational discovery platforms to identify drug targets. Our competitive position could be materially harmed if our competitors develop platforms similar to our computational discovery platforms and identify and develop rival drug targets and product candidates.
- Potential collaborators, including major pharmaceutical companies, might be hesitant to pursue target validation and preclinical and clinical development programs based on novel targets lacking robust experimental validation results particularly those discovered through computational discovery approach.
- The biotechnology and pharmaceutical industries are highly competitive, and we may be unable to compete effectively.
- Healthcare policy is volatile and changes in healthcare policy could increase our expenses, decrease our revenues and impact sales of, and reimbursement for, our products.
- We may be unable to hire or retain key personnel or sufficiently qualified management, clinical and scientific personnel, in which case our business may be harmed.
- We may be unable to safeguard the integrity, security and confidentiality of our data or third parties' data.
- Our internal computer systems, or those of our CROs or other contractors or consultants, may fail or suffer security breaches, which could result in a material disruption of our pipeline.

- If a successful liability claim or other claim for damages or series of claims is brought against us for uninsured liabilities or in excess of insured liabilities, we could be forced to pay substantial damage awards.
- If we do not comply with laws regulating the use of human tissues, other human biological samples or the conduct of experiments involving animals or laws regulating the protection of the environment and health and human safety, our business could be adversely affected.
- Our business and operations would suffer in the event of a security breach, system failure, invasion, corruption, destruction or interruption of our or our vendors' or partners' critical information technology systems or infrastructure.
- If the scope of any patent protection we obtain is not sufficiently broad, or if we lose any of our patent protection, our ability to prevent our competitors world-wide from commercializing similar or identical product candidates would be adversely affected.
- Changes to the patent law in the United States and other jurisdictions could diminish the value of patents in general, thereby impairing our ability to protect our product candidates.
- In the future, we may need to obtain additional licenses of third-party technology that may not be available to us or are available only on commercially unreasonable terms, and which may cause us to operate our business in a more costly or otherwise adverse manner that was not anticipated.
- We, or potential collaborators and licensees, may infringe, misappropriate or otherwise violate third-party rights and may become involved in litigation or may become subject to claims for remuneration or royalties for assigned service invention rights by our employees, which could be expensive, time consuming and unsuccessful and may materially harm our business.
- We may become involved in lawsuits to protect or enforce our patents or other intellectual property, which could be expensive, time consuming and unsuccessful.
- Increased progress in our scientific and technological environment may reduce our chances of obtaining a patent.
- 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.
- Conditions in the Middle East and in Israel may adversely affect our operations.
- Our results of operations may be adversely affected by the exchange rate fluctuations between the dollar and the New Israeli Shekel.
- We may not be entitled to certain Israeli tax benefits.
- Provisions of Israeli law may delay, prevent or make undesirable an acquisition of all or a significant portion of our shares or assets.
- We received grants from the IIA that may expose us to payment of royalties and restrict the transfer of know-how that we develop.
- If we are a passive foreign investment company our U.S. shareholders may be subject to adverse U.S. federal income tax consequences.
- Our ability to use net operating losses to offset future taxable income may be subject to limitations.
- Future sales of our ordinary shares or securities convertible or exchangeable for our ordinary shares may depress our share price.
- If we sell ordinary shares in future financings, shareholders may experience immediate dilution and, as a result, our share price may decline.
- Our share price and trading volume have been volatile and may be volatile in the future and that could limit investors' ability to sell our shares at a profit and could limit our ability to successfully raise funds.

Risks Related to our Business, Financial Results and Financing Needs

We have a history of losses and we expect to incur future losses and may never achieve or sustain profitability.

As of December 31, 2020, we had an accumulated deficit of approximately $387.9 million and had incurred net losses of approximately $22.6 million in 2018, approximately $27.3 million in 2019 and approximately $29.7 million in 2020, in large part due to the expenditures associated with our ongoing research and development and limited revenues received to date. In addition, we expect to continue to incur net losses in the future due to our anticipated costs and expenses, primarily associated with our preclinical and clinical activities. We have entered into three pipeline program-based partnership agreements under which we have received or accrued to date a total amount of $57.2 million, including a $12.0 million investment. We cannot be certain that we will receive additional revenues under our existing collaborations or that we will enter into additional arrangements for our programs or with respect to our predictive computational discovery capabilities, or that such additional arrangements will provide sufficient revenues to achieve profitability. Even if we do achieve profitability, we may not be able to sustain or increase our profitability.

We may need to raise additional funds in the future, and if we are unable to raise such additional funds, we may need to limit, curtail or cease operations. To the extent any such funding is based on the sale of equity, our existing shareholders would experience dilution of their shareholdings.

We believe that our existing cash and cash equivalents and short-term bank deposits, at the current level of yearly expenditures, will be sufficient to fund our current level of operations through 2023, without considering the possible receipt of any additional funds, such as proceeds from existing or additional licensing and/or collaborative agreements, or from financings. However, as we expand our clinical trials and may increase our cash expenditures, our cash balances may be sufficient for a shorter period of time. We cannot predict with any degree of certainty when, or even if, we will achieve profitability, and therefore may need additional funds to continue financing our operations. In 2018, we received net proceeds of approximately $20 million through a registered direct public offering (which also included the issuance of warrants to the purchasers), as well as $12 million pursuant to an investment from a strategic partner. In 2019, we received proceeds of approximately $23 million through our ATM facility. In 2020, we received net proceeds of approximately $74 million from public offering and approximately $34 million from warrants and options exercise. We may seek additional capital due to favorable market conditions and strategic considerations even if we believe we have sufficient funds for our current and future operating plans.

Additional funds, including proceeds from license or collaborative agreements, or from other financings, may not be available to us on acceptable terms, or at all. In addition, the terms of any financing may adversely affect the holdings or the rights of our existing shareholders. For example, if we raise additional funds by issuing equity securities, our existing shareholders would experience dilution of their shareholdings. Debt financing, if available, may involve restrictive covenants that could limit our flexibility in conducting future business activities. If we are unable to obtain funding on a timely basis, we may be required to significantly curtail one or more of our research or development programs or otherwise reduce our operations. We also could be required to seek funds through arrangements with collaborators or other investors that may require us to enter into arrangements on terms that would otherwise not be acceptable to us.

Our therapeutic programs have reached more costly stages of research and development, including preclinical and clinical development of therapeutic product candidates. If we are not able to secure the funding or the capabilities required for such activities, we may be required to abandon, postpone, or attempt to license out certain therapeutic product candidates at an earlier than anticipated stage, which may adversely affect us. Any failure to raise funds as and when needed would materially harm our business, financial condition and results of operations, and result in the inability to have some or all of such therapeutic product candidates developed to fit potential commercialization and have a negative impact on our ability to pursue our business strategy.

We cannot provide assurance that our business model will succeed in generating substantial revenues.

Our business model is primarily based on expected future revenues in various forms, including upfront fees, research funding, in-kind funding, milestone payments, license fees, royalties on product sales and other revenue sharing payments from commercialization of products by third parties, pursuant to various forms of collaborations for our novel targets and related drug product candidates at various stages of research and development. Our primary focus in immuno-oncology utilizes our predictive computational discovery platforms to identify novel drug targets and develop first-in-class therapeutics in the field of cancer immunotherapy. Drug target candidates discovered by our predictive computational discovery platforms undergo initial target validation studies and, in selected cases, are advanced to the discovery and development of the therapeutic product candidate. Such drug target candidates and their related therapeutic product candidates may serve as the basis for licensing and other forms of third-party collaborations. Some of our existing third-party collaboration and licensing agreements have been entered into at early research and development stages, each of which has an inherently high risk of failure. The inability to derive adequate revenues, or at all, from our business model would materially harm our business, financial condition and results of operations and could result in the need to limit or even discontinue our business operations.

The global COVID-19 pandemic may continue to negatively impact the global economy and may also adversely affect our business.

The COVID-19 pandemic has created macro-economic uncertainty and disruption in the business and financial markets. Many countries around the world, including the United States and Israel, have been taking measures designated to limit the continued spread of the COVID-19 virus, including closing workplaces, restricting travel, prohibiting assembling, closing international borders and quarantining populated areas. These measures have impacted, and may further impact, our suppliers and other business partners from conducting business activities as usual (including, without limitation, the availability and pricing of materials, manufacturing and delivery efforts, clinical trials and other aspects that may affect our business) for an unknown period of time. In addition, we, our suppliers and other business partners may experience significant impairments of business activities due to operational shutdowns or suspensions that may be requested or mandated by national or local governmental authorities or self-imposed by us, our suppliers or other business partners. As the implementation of the above-mentioned measures extends, and as additional measures may be required in the event that the measures already taken prove to be insufficient or ineffective, we may face new and/or increasing concerns that may affect our ability to conduct our business effectively, including, but not limited to, adverse effect on employees' health, a slowdown and stoppage of work and other activities which are essential and critical for maintaining on-going business activities. Even if the measures taken, or that will be taken, prove themselves to be useful, we, our suppliers and other business partners may recover at different rates, which may also affect our business activities.

These effects could materially and adversely affect our business, financial condition, results of operations and growth prospects. In addition, to the extent the evolving effects of the COVID-19 pandemic adversely affect our business, financial condition, results of operations and growth prospects, they may also have the effect of heightening many of the other risks and uncertainties described elsewhere in this "Risk Factors" section. It is also possible that the volatility that the capital markets have experienced due to the ongoing spread of COVID-19 shall continue and as a result, the price of our shares may be negatively impacted and will affect our ability to raise additional capital.

Furthermore, future global pandemics could also occur and also materially and adversely affect our business, financial condition, results of operations and growth prospects.

We have a limited operating history with respect to the partnering and commercialization aspects of our business model upon which investors can base an investment decision or upon which to predict future revenues.

Our ability to generate revenues from collaborations for our current novel drug targets and related therapeutic product candidates at various stages of research and development has been limited to date. Since we began focusing our discovery capabilities in 2010 on therapeutic pipeline establishment, we have entered into three partnership agreements with respect to our pipeline programs under which we have received to date a total amount of $57.2 million, of which $12 million was an investment. We recognized revenue of $2.0 million in 2020, no revenue in 2019 and revenue of $17.8 million in 2018.

We cannot be certain that our focus on discovery, research and development, and clinical efforts in the field of immuno-oncology, along with our decision to advance selected programs to later drug development and clinical stages partially or fully at our own expense, will generate a stable or significant revenue stream. Moreover, we have very limited experience with respect to the financial arrangements and terms that may be available for our candidates at their various R&D stages. Additionally, financial terms for agreements by other companies, to the degree disclosed, vary greatly. The inability to derive adequate revenues within our field of focus and for our specific drug targets or product candidates would materially harm our business, financial condition and results of operations and could result in the need to limit or even discontinue our business operations. Moreover, our operating history with respect to the partnering and commercialization aspects of our model provides a limited basis to assess our ability to generate significant fees, research revenues, milestone payments, royalties or other revenue sharing payments from the licensing, development and anticipated future commercialization of our programs based on our existing and future novel drug targets and related therapeutic products and any future product candidates.

Our failure to establish and maintain effective internal control over financial reporting could result in material misstatements in our financial statements or a failure to meet our reporting obligations. This may cause investors to lose confidence in our reported financial information, which could result in the trading price of our shares to decline.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act. Under the supervision and with the participation of our management, including the Chief Executive Officer and the Chief Financial Officer, we carried out an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2020, using the criteria established in "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Based on our assessment under that framework and the criteria established therein, our management concluded that the Company's internal control over financial reporting was effective as of December 31, 2020 in providing reasonable assurance regarding the reliability of the Company's financial reporting.

However, if we conclude in the future that our internal controls over financial reporting are not effective, we may fail to meet our future reporting obligations on a timely basis, our financial statements may contain material misstatements, our operating results may be negatively impacted, and we may be subject to litigation and regulatory actions, causing investor perceptions to be adversely affected and potentially resulting in a decline in the market price of our shares. Even if we conclude that our internal controls over financial reporting are adequate, any internal control or procedure, no matter how well designed and operated, can only provide reasonable assurance of achieving desired control objectives and cannot prevent all mistakes or intentional misconduct or fraud.

Risks Related to Development, Manufacturing, Clinical Trials and Government Regulation

In the near term, we are highly dependent on the success of COM701 and to a lesser extent on COM902. We may not be able to advance our internal clinical stage programs through clinical development or manufacturing or successfully partner or commercialize them, or obtain marketing approval, either alone or with a collaborator, or may experience significant delays in doing so.

We currently have no products approved for sale and are investing a significant portion of our efforts and financial resources in the clinical development of COM701 and to a lesser extent in the clinical development of COM902. Our prospects are substantially dependent on our ability, or that of any existing and future collaborator, to manufacture, develop, obtain marketing approval for and successfully commercialize COM701 and COM902. We have reported preliminary signal of antitumor activity in our ongoing phase 1 study with COM701 monotherapy or in combination with nivolumab, which may not predict the final results of the trials or future clinical trials or otherwise be sufficient to attract a partner and support an approval. Many companies in the pharmaceutical, biopharmaceutical and biotechnology industries have suffered significant setbacks in clinical trials after achieving positive results, and we cannot be certain that we will not face similar setbacks.

We are early in our clinical development activities, with two programs, COM701 and COM902, and with other future product candidates in early stage research activities.

As we advance our clinical programs, we will need to expand our personnel and operational capabilities to support these activities. In part because of our limited infrastructure and limited experience in conducting clinical trials as a company and in regulatory interactions, we cannot be certain that our clinical trials will be completed on time, that our planned clinical trials will be initiated on time, if at all, that our planned development programs would be acceptable to the FDA or other comparable foreign regulatory authorities, or that, if approval is obtained, such investigational products can be successfully commercialized.

The success of COM701 and COM902 is dependent upon several factors, including the following:

- timely initiation, enrollment and completion of clinical trials;
- a safety, tolerability and efficacy profile, alone or in combination with other approved or investigational products, that is satisfactory to the FDA;

- timely receipt of marketing approvals from applicable regulatory authorities;
- the performance of our current and future collaborators, if any;
- the extent of any required post-marketing approval commitments to applicable regulatory authorities;
- establishment and monitoring of manufacturing arrangements with third-party suppliers and drug substance and drug product manufacturers;
- Stability of our drug substance and drug products;
- supply of our drugs in sufficient quantities and quality for our clinical studies;
- establishment and monitoring of arrangements with third-party suppliers of raw materials and service for fill-finish, packaging and labeling and drug substance and drug product manufacturers;
- establishment of arrangements with third-party manufacturers to obtain finished drug product that is appropriately packaged for sale;
- adequate ongoing availability of raw materials and drug product for clinical development and any commercial sales;
- protection of our rights in our intellectual property portfolio;
- successful launch of commercial sales following any marketing approval;
- a continued acceptable safety profile following any marketing approval;
- commercial acceptance by patients, the medical community and third-party payors; and
- successful identification of biomarkers, including for patient selection.

Many of these factors are beyond our control, including clinical development, the regulatory submission process, potential threats to our intellectual property rights and the manufacturing, marketing and sales efforts of any current and future third party. If we are unable to develop, receive marketing approval for and successfully commercialize COM701 and/or COM902, on our own or with any collaborator, or experience delays as a result of any of these factors or otherwise, our business could be substantially harmed.

Clinical trials of any product candidates that we, or any current or future collaborators, may develop may fail to satisfactorily demonstrate safety and efficacy to the FDA, and we, or any collaborators, may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of these product candidates.

We, and any current or future collaborators, are not permitted to commercialize, market, promote or sell any therapeutic product candidate in the United States without obtaining marketing approval from the FDA. We, and any collaborators, must complete extensive preclinical development and clinical trials to demonstrate the safety and efficacy of our therapeutic product candidates in humans before we will be able to obtain these approvals.

Clinical testing is expensive, is difficult to design and implement, can take many years to complete and is inherently uncertain as to outcome. We cannot guarantee that any clinical trials will be conducted as planned or completed on schedule, if at all. The clinical development of our therapeutic product candidates is susceptible to the risk of failure inherent at any stage of product development, including failure to demonstrate efficacy in a clinical trial or across population of patients, choosing the incorrect patient population or indication, the occurrence of adverse events that are severe or medically or commercially unacceptable, failure to comply with protocols or applicable regulatory requirements and determination by the FDA that a therapeutic product candidate may not continue development or is not approvable. The outcome of preclinical studies and early clinical trials may not predict the success of later clinical trials and interim results of a clinical trial do not necessarily predict final results. A number of companies in the pharmaceutical and biotechnology industries have suffered significant setbacks in advanced clinical trials due to lack of efficacy or unacceptable safety profiles, notwithstanding promising results in earlier trials. Despite the safety and efficacy results reported from our preclinical studies for COM701 and COM902 and initial results from our ongoing Phase I study for COM701 so far, we do not know whether the clinical trials we or our partners may conduct will demonstrate adequate efficacy and safety to result in the advancement of our clinical trials or regulatory approval to market of COM701 and/or COM902, or any other of our product candidates when they reach the clinic, in any particular jurisdiction or jurisdictions. It is also possible that, even if one or more of our therapeutic product candidates has a beneficial effect, that effect will not be detected during clinical evaluation as a result of one or more of a variety of factors, including the size, duration, design, measurements, conduct or analysis of our clinical trials, patient monitoring, the dosing we choose and other factors.

Any inability to successfully complete preclinical and clinical development could result in additional costs to us, or any collaborators and impair our ability to generate revenues from product sales, development, regulatory and commercialization milestones and royalties. Moreover, if we, or any collaborators, are required to conduct additional clinical trials or repeat clinical trials or other testing of our product candidates beyond the trials and testing that we or they contemplate, if we, or they, are unable to successfully complete clinical trials of our product candidates or other testing, or the results of these trials or tests are unfavorable, uncertain or are only modestly favorable, or there are unacceptable safety concerns associated with our product candidates, we, or any collaborators, may:

- incur additional unplanned costs;
- not obtain approval to proceed to next development phase;
- be delayed in obtaining marketing approval for our product candidates;
- not obtain marketing approval at all;
- obtain approval for indications or patient populations that are not as broad as intended or desired;
- obtain approval with labeling that includes significant use or distribution restrictions or significant safety warnings, including boxed warnings;
- be subject to additional post-marketing testing or other requirements; or
- be required to remove the product from the market after obtaining marketing approval.

Our failure to successfully initiate and complete clinical trials of our product candidates and to demonstrate the efficacy and safety necessary to obtain regulatory approval to market any of our product candidates would significantly harm our business, could further result in significant harm to our financial position and results of operations and could result in the need to limit or even discontinue our business operations.

We depend on enrollment of patients in our clinical trials in order to continue development of our product candidates.

We are conducting Phase 1 and Phase 1/2 clinical trials of COM701 in patients with advanced solid tumors and one Phase 1 clinical trial of COM902 in patients with advanced malignancies. Our anticipated time to data in these trials is subject to our ability to recruit sufficient eligible patients and the number and size of cohorts that will need to be enrolled prior to observing activity, if achieved at all for the dose escalation and expansion arms of the relevant trials. There can be no assurance that we will complete enrollment or have data from the trials when we anticipate or at all. The timely completion of clinical trials in accordance with their protocols depends, among other things, on our ability to enroll a sufficient number of patients that are in line with our inclusions and exclusion criteria and our ability to monitor these patients as required.

We may experience difficulties in patient enrollment in our clinical trials for a variety of reasons. Patient enrollment is affected by many factors including the size and nature of the patient population, the eligibility criteria for the trial, the design of the clinical trial, the size of the patient population required for analysis of the trial's primary endpoints, the proximity of patients to study sites, our ability to recruit clinical trial investigators with the appropriate competencies and experience, the number of enrolling clinical sites, our ability to obtain and maintain patient consents, the risk that patients enrolled in clinical trials will drop out of the trials before completion, and competing clinical trials (including other clinical trials that we are conducting or will conduct in the future) and clinicians' and patients' perceptions as to the potential advantages of the drug being studied in relation to other available therapies, or competing drugs against the same target as well as any new drugs that may be approved for the indications we are investigating.

Many pharmaceutical companies are conducting clinical trials in patients with the disease indications that COM701, COM902 and our future potential drug products may target. Additionally, other pharmaceutical companies may clinically investigate their own therapeutic candidates against PVRIG, the target of COM701, as currently being done with respect to TIGIT, the target of COM902. For example, in the case of COM902, the enrollment of oncology subjects in our COM902 clinical trial may be hampered by other anti-TIGIT antibodies that are currently in clinical studies such as Tiragolumab by Roche, MK-7684 by Merck, AB154 by Arcus, BMS-986207 by Bristol Myers Squibb and others. As a result, we must compete with them for clinical sites, clinicians and the limited number of patients who fulfill the stringent requirements for participation in clinical trials. Also, due to the confidential nature of clinical trials, we do not know how many of the eligible patients may be enrolled in competing studies and who are consequently not available to us for our clinical trials. Our clinical trials may be delayed or terminated due to the inability to enroll enough patients. The delay or inability to meet planned patient enrollment may result in increased costs and delay or termination of our trials, which could have a harmful effect on our ability to develop products.

From time to time we publicly disclose preliminary data from our ongoing clinical studies. As more patient data become available the data interpretation may change.

From time to time, we publish preliminary data from our ongoing clinical studies. Preliminary data are also subject to the risk that one or more of the clinical outcomes may materially change as patient enrollment continues and more patient data become available. As a result, preliminary data should be viewed with caution until the final data are available. Material adverse changes in the final data could significantly harm our business prospects and eventually harm our financial condition and results of operations.

Clinical development involves a lengthy and expensive process, with an uncertain outcome. We may encounter substantial delays or even an inability to begin clinical trials for any specific product or may not be able to conduct or complete our trials on the timelines we expect.

Obtaining marketing approval from regulatory authorities for the sale of any therapeutic product requires substantial preclinical development and then extensive human clinical trials to demonstrate the safety and efficacy of such product candidates. It is impossible to predict when or if any of our programs or those of our collaborators based on our target discoveries will yield products that will be approved for human testing, or, if such testing is proven sufficiently safe and effective to receive regulatory approval for marketing. Preclinical and clinical testing is expensive, time consuming, and subject to uncertainty and will require significant additional financial and management resources. As a company, we have limited experience in conducting clinical trials and have never progressed a product candidate through to regulatory approval. In part because of this lack of experience, our clinical trials may require more time and incur greater costs than we anticipate. We cannot guarantee that any of our therapeutic drug candidates from our pipeline will be advanced into clinical trials or that our clinical trials will be conducted as planned or completed on schedule, if at all. The outcome of preclinical testing and early clinical trials may not be predictive of the success of later clinical trials, and interim results of a clinical trial do not necessarily predict final results. Moreover, preclinical and clinical data are often susceptible to varying interpretations and analyses, and many companies that have believed their product candidates performed satisfactorily in preclinical studies and clinical trials have nonetheless failed to continue to achieve such successes at later stages of the clinical studies or to obtain marketing approval for such products.

We submitted to the FDA an Investigational New Drug application, or IND, for COM701, which was cleared by the FDA in June 2018 and an IND for COM902, which was cleared by the FDA in October 2019. However, there can be no assurance that we will submit additional INDs, nor if submitted, the actual timing for such submission (including amendments), nor that such submissions will be accepted by the FDA allowing clinical trials to begin or continue. There can be no assurance that clinical trials will begin at any predicted date or will be completed on schedule, if at all. Moreover, even if these clinical trials begin, issues may arise that could result in the suspension of or termination of such clinical trials. A failure of one or more clinical trials can occur at any stage of testing. Events that may prevent successful or timely completion of clinical development include:

- inability to generate sufficient preclinical, toxicology, or other scientific data to support the initiation of clinical trials;
- lack of authorization from regulators or institutional review boards, or IRBs, or ethics committees to allow us or our investigators to commence a clinical trial or conduct a clinical trial at a prospective trial site or continue such clinical trial;
- delays in sufficiently developing, characterizing, or controlling a manufacturing process suitable for clinical trials;

- inability to generate sufficient quantities or quality of our drug substance or drug product to support the initiation or continuation of clinical trials;
- delays in reaching a consensus with collaborators or regulatory agencies on study design;
- delays in reaching 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 clinical trial sites;
- imposition of a temporary or permanent clinical hold by the FDA, or a similar delay imposed by foreign regulatory agencies for a number of reasons, including after review of an IND, other application or amendment; (i) as a result of a new safety finding that presents unreasonable risk to clinical trial participants; (ii) a negative finding from an inspection of our clinical study operations or study sites; (iii) developments on trials conducted by competitors for related technology that raises FDA concerns about risk to patients of the technology broadly; or (iv) if FDA finds that the investigational protocol or plan is clearly deficient to meet its stated objectives;
- clinical trials of any product candidates may fail to show safety or efficacy, produce negative or inconclusive results and we may decide, or regulators may require us, to conduct additional preclinical studies or clinical trials or we may decide to abandon product development programs;
- difficulty collaborating with patient groups and investigators;
- failure by our CROs, other third parties, or us to adhere to clinical trial and related regulatory requirements;
- failure to perform in accordance with the FDA's Good Clinical Practice, or GCP, requirements, or similar applicable regulatory guidelines in other countries;
- the number of patients required for clinical trials of any product candidates may be larger than we anticipate, enrollment in these clinical trials may be slower than we anticipate, or participants may drop out of these clinical trials or fail to return for post-treatment follow-up at a higher rate than we anticipate;
- delays in having patients complete their participation in a trial or return for post-treatment follow-up;
- occurrence of adverse events associated with the product candidate that are viewed to outweigh its potential benefits;
- changes in regulatory requirements and guidance that require amending or submitting new clinical protocols;
- changes in the standard of care on which a clinical development plan was based, which may require new or additional trials;
- the cost of clinical trials of our product candidates being greater than we anticipate;
- clinical trials of our product candidates producing negative or inconclusive results, or early results that will not be repeated in larger or future cohorts, which may result in our deciding, or regulators requiring us, to conduct additional clinical trials or abandon product development programs;
- we may be choosing the wrong dosing regimen and/or the wrong drug combination;
- delays or failure to secure supply agreements with suitable reagent suppliers, or any failures by suppliers to meet our quantity or quality requirements for necessary reagents; and
- delays in manufacturing, testing, releasing, validating, or importing/exporting sufficient stable quantities of our product candidates for use in clinical trials or the inability to do any of the foregoing.

Our product development costs will increase if we experience delays in clinical trials (including termination thereof) or in obtaining marketing approvals. We do not know whether any of our preclinical studies or clinical trials will begin as planned, and once begun whether will need to be restructured or will be completed on schedule, or at all. Significant preclinical or clinical trial delays also may allow our competitors to bring products to market before we do, potentially impairing our ability to be first in class or successfully commercialize our product candidates and harming our potential market share and business and results of operations. Any delays in our preclinical or future clinical development programs may harm our business, financial condition and prospects significantly.

We rely and expect to continue to rely on third parties to conduct our clinical trials. These third parties may not successfully carry out their contractual duties, comply with regulatory requirements or meet expected deadlines, and we may experience significant delays in the conduct of our clinical trials as well as significant increased expenditures.

We do not have the ability to independently conduct clinical trials. We rely and will continue to rely on medical institutions, clinical investigators, contract manufacturing research organizations, contract laboratories, outsourced preclinical and clinical service providers and other third parties, such as CROs and advisors, to conduct or otherwise support our clinical trials. We rely and will rely heavily on these parties for execution of clinical trials for COM701 and COM902 and any other future product candidates we may take to the clinic, and we control only certain aspects of their activities. Nevertheless, we are responsible for ensuring that each of our internal clinical trials is conducted in accordance with the applicable protocol, legal and regulatory requirements and scientific standards, and our reliance on these third parties including CROs will not relieve us of our regulatory responsibilities. For any violations of laws and regulations during the conduct of our clinical trials, we could be subject to untitled and warning letters or enforcement action that may include civil penalties up to and including criminal prosecution.

If clinical investigators, CROs or other third parties do not successfully carry out their contractual duties or obligations diligently and in a professional manner or meet expected deadlines, if they need to be replaced or if the quality or accuracy of the clinical data they obtain and store or their data analysis are compromised due to the failure to adhere to market standards, our clinical protocols, regulatory requirements or for other reasons, any clinical trials such clinical investigators or CROs are associated with may be extended, delayed or terminated. As a result, we believe that our financial results and the commercial prospects for COM701, COM902, and any other future therapeutic product candidates we may take to the clinic, would be harmed, our costs could increase and our ability to generate revenue could be significantly adversely impacted.

Serious adverse events or undesirable side effects or lack of efficacy, may emerge in clinical trials conducted by other companies running clinical trials investigating the same target as us, which could adversely affect our development programs or our capability to enroll patients or partner the program for further development and commercialization.

We initiated a Phase 1 study for COM902, which targets TIGIT, in March 2020. There are additional companies that have a program targeting TIGIT in clinical trials, such as Merck, Roche, Bristol Myers Squibb, BeiGene, and Arcus. We have no control over their clinical trials or development program, and lack of efficacy, adverse events or undesirable side effects experienced by subjects in their clinical trials could affect our development and regulatory path of COM902 or the enthusiasm of clinicians recruiting patients for our clinical trials for COM902 or any other service provider, or harm its potential to be partnered for further development and commercialization and generate revenues for the Company.

Furthermore, any negative results that may be reported in clinical trials of other programs targeting TIGIT may make it difficult or impossible to recruit and retain subjects in our clinical trials of COM902. Delays in patient enrollment may result in increased costs or may affect the timing or outcome of the planned clinical trials, which could prevent completion of these trials and adversely affect our ability to advance the development of COM902. Failures in planned subject enrollment or retention may result in increased costs or program delays and could render further development impossible.

It may be difficult to manufacture therapeutic products addressing our drug target candidates.

Our therapeutic pipeline is focused mainly on mAbs generated against our discovered targets. These types of therapeutics can be difficult to manufacture in the quantity and quality needed for preclinical, clinical and commercial use. The production of mAbs must be conducted pursuant to a well-controlled and reproducible process and the resulting product testing must conform to defined quality standards. Should it prove to be difficult to manufacture or repeat manufacturing, of any therapeutics addressing our drug candidates in sufficient quantities or commercial scale, meeting the required quality standards or in an economical manner to conduct clinical trials and to commercialize any approved therapeutic candidate, our business, financial condition and results of operations would be materially harmed.

We or any of our collaborators, or third-party manufacturers, may fail to comply with regulatory requirements, and we or they could be subject to enforcement or other regulatory actions.

If we or any of our collaborators or third-party manufacturers with whom we work or with whom we may enter into agreements in the future fail to comply with applicable federal, state or foreign laws or regulations, we or they could be subject to enforcement or other regulatory actions. These actions may include:

- warning letters;
- clinical trial holds;
- recalls, product seizures or medical product safety alerts;
- data lock, for failure to comply with applicable privacy and data security laws;
- restrictions on, or prohibitions against, marketing such products;
- restrictions on importation of such products;
- suspension of review or refusal to accept or approve new or pending applications;
- withdrawal of product approvals;
- injunctions;
- civil and criminal penalties and fines; or
- debarment or other exclusions from government programs.

If we or our collaborators become subject to such enforcement actions, these enforcement actions could affect the ability to successfully develop, market and sell therapeutic products based on our discoveries and could significantly harm our financial status and/or reputation and lead to reduced acceptance of such products by the market. In addition, we may be subject to significant civil, criminal and administrative penalties, damages, fines, disgorgement or imprisonment.

We are subject to certain manufacturing risks, any of which could either result in additional costs or delays in completing, or ultimately make us unable to complete, the development and commercialization of our product candidates.

The process of manufacturing biologics is susceptible to product loss or unavailability due to contamination, degradation, instability, equipment failure, lack of critical reagents or disposables, improper installation or operation of equipment, or vendor or operator error leading to process deviations. Even minor deviations from normal manufacturing processes could result in reduced production yields, product defects and other supply disruptions up to supply termination. If microbial, viral or other contaminations are discovered in our products or in the manufacturing facilities in which our products are made, the products may need to be manufactured again and/or such manufacturing facilities may need to be closed for an extended time to investigate and remediate the contamination. In addition, the product manufactured may be determined at later stage to be insufficiently stable or qualified as a therapeutic agent, even following treatment.

We have not contracted with alternate suppliers in the event we experience any problems with our current manufacturer. If we are unable to arrange for alternative third-party manufacturing sources, or are unable to reserve another manufacturing slot with our current manufacturer, or are unable to do so on commercially reasonable terms or in a timely manner, we may incur additional costs or be delayed in the development or delivery of our current and future product candidates, which can cause us material harm.

We may require companion or complimentary diagnostics and/or biomarkers for portion of our clinical trials and may be required to have such to obtain marketing approval or commercialization of our therapeutic programs. Failure to successfully discover, develop, validate and obtain regulatory clearance or approval for such tests could harm our patients' selection strategy and may harm our clinical strategy.

Companion or complimentary diagnostics are subject to regulation by the FDA and comparable foreign regulatory authorities as a medical device and may require separate regulatory authorization prior to commercialization. We may be required for certain portions of our clinical programs, companion diagnostics and/or biomarkers to correctly identify the right patients for the appropriate indications. We rely on access to patient tumor and blood samples for analysis of protein, DNA, and RNA biomarkers. We may rely on third parties on certain activities related to biomarkers and companion diagnostics for the tumor and blood samples' handling, processing, and analysis, discovery, development, and validation of these potential companion diagnostics and/or biomarkers, as well as the application for and receipt of any required regulatory authorization. If we, or the third parties we engage for this purpose, are unable to successfully discover, validate and/or develop companion diagnostics and/or biomarkers for our clinical programs, or experience delays in doing so, the development of our clinical candidates may be adversely affected and this can harm our patients' selection and our clinical strategy, as well as obtaining marketing authorization for these product candidates.

Our current and future relationships, and/or the relationships with any future collaborators through which we may market, sell, and distribute our products, with healthcare professionals, principal investigators, consultants, customers and third-party payors in the United States and elsewhere may be subject, directly or indirectly, to applicable anti-kickback, fraud and abuse, false claims, physician payment transparency, health information privacy and security and other healthcare laws and regulations, which could expose us to penalties.

Our current and future business operations, including, among other things, our clinical research activities and our or our collaborators' business and financial arrangements and relationships with healthcare providers, physicians and other parties through which we or our collaborators may market, sell and distribute our products, once approved, may be subject to extensive U.S. federal, U.S. state and foreign healthcare fraud and abuse, transparency, and data privacy and security laws. For example, U.S. federal civil and criminal laws and regulations prohibit, among other things: knowingly and willfully soliciting, receiving, offering or providing remuneration, directly or indirectly, to induce or reward either the referral of an individual, or the furnishing, recommending or arranging for a good or service, for which payment may be made under a federal healthcare program, such as the Medicare and Medicaid programs; knowingly presenting or causing to be presented, a false or fraudulent claim for payment by a federal healthcare program; and knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program (including a private payor), 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. Many U.S. states and foreign countries have analogous prohibitions that may be broader and scope and apply regardless of payor. In addition, we may be subject to U.S. federal, U.S. state and foreign laws that require us to report information related to certain payments and other transfers of value to certain health care professionals, as well as ownership and investment interests in our company held by those health care professionals and their immediate family members, and data security and privacy laws that restrict our practices with respect to the use and storage of certain data.

Efforts to ensure that our current and future business arrangements with third parties comply with applicable healthcare laws and regulations may involve substantial costs. If we or our collaborators are found to be in violation of any of these laws, we or our collaborators could be subject to significant civil, criminal and administrative penalties, including damages, fines, disgorgement, imprisonment, exclusion from participation in government healthcare programs, additional integrity oversight and reporting obligations, contractual damages, reputational harm and the curtailment or restructuring of our operations, any of which, whether enforced against us or our collaborators, could significantly harm our business and our royalties from any of our products, once approved, that we license to such collaborators.

Risks Related to our Discovery and Development Activities

Our computational target discovery activities are primarily focused on the discovery of new drug target candidates and our therapeutic pipeline is based on our discovered targets.

While we believe that our drug target programs represent a compelling and unique opportunity to generate first-in-class therapeutic products, they require significant investment in the research and validation of the drug target candidate and in the discovery and development of the respective therapeutic product candidate and bear high risk. The predictive computational discovery of new drug target candidates is a source for the development of potential first-in-class drug candidates, but the inherent lack of sufficient published scientific and clinical data to support the potential of these new drug targets candidates to serve as therapeutic opportunities, increases the risk of failure. Although we have built the target identification, validation and drug discovery infrastructure and capabilities required to scientifically validate our new drug targets and to later translate them into therapeutic antibody development programs, we cannot be assured that our investment in such new discoveries will result in validated drug targets that will enable the development of effective cancer immunotherapies, nor that we will realize success in product development or our ability to partner and commercialize such opportunities and generate revenues.

Our approach to the discovery of therapeutic products is based on our predictive computational discovery platforms is unproven clinically, and we do not know whether we will be able to discover and develop additional potential product candidates or products of commercial value.

Our method of identifying novel drug targets is based on our predictive computational discovery platforms and involves first identifying unmet needs in the field of cancer immunotherapy, where we believe our predictive computational discovery platforms would be relevant or could be modified to be relevant. We focus on the discovery of drug targets that could serve as the basis for the development of possible treatments for patients non-responsive, refractory or relapsing to existing cancer immunotherapies. In this field, we apply our predictive computational target discovery platforms, or develop new capabilities, to identify novel drug targets for addressing such unmet patient need.

While we believe that applying our predictive computational discovery platforms to identify new drug targets may potentially enable the development of first-in-class therapeutics, our capabilities are still unproven clinically and our efforts may not result in the discovery and development of therapeutic products, or commercially viable or successful therapeutic products. Although our approach has resulted in the discovery of several new drug targets and their related first-in-class therapeutic product candidates, they are in early stages of research and development or in clinical stage, with COM701 and BAY 1905254, having entered the clinic in 2018 and COM902 which entered the clinic in March 2020. Our approach may not result in time savings, higher success rates or reduced costs, or clinically meaningful programs and if not, we may not attract collaborators or develop new drugs as quickly or cost effectively or at all and therefore we may not be able to partner and commercialize our products as expected.

We are focusing our discovery and therapeutic development activities on therapeutic product candidates for uses in immuno-oncology. Our current candidates may fail, and we may fail to continue to discover and develop therapeutic product candidates of industry interest in this field.

The focus of our therapeutic development activities is on monoclonal antibodies, or mAb, therapeutics in the field of immuno-oncology for treatment of cancer. As a result, we are not undertaking internal discovery and development in other therapeutic areas or for other drug modalities, and presently we only intend to pursue such opportunities. If our current candidates fail, or we fail to continue to discover and develop therapeutic product candidates of industry interest in this field or if we are unable to discover drug targets for mAb therapeutics, or if other modalities would be more successful in treating cancer patients, our business will likely be materially harmed. With respect to immune checkpoints, although there have been positive clinical results reported by others with respect to a number of products resulting in some products gaining approval by the U.S. Food and Drug Administration, or FDA, based on this positive data, there can be no assurance that our therapeutic product candidates or our earlier stage immuno-oncology target candidates in our pipeline, will provide similar clinical advantages or interest, that no long term adverse effects will be seen, or that other classes of targets or other products will not be discovered and developed with comparable or superior attributes or clinical activity. In the event of any of these occurrences, the actual and/or perceived value of a substantial portion of our pipeline would likely be reduced in which case our business may be materially harmed. To date, we have signed three partnership agreements involving our product candidates. There is no assurance that we will be able to enter into additional collaborations or agreements on reasonable terms, if at all. In addition, if we fail to continue to discover and validate drug targets or develop product candidates of industry interest in our field of focus, our business will likely be materially harmed. There are many risks associated with this decision focus on immuno-oncology that include, among others:

- We may not be able to discover new drug targets in this field;
- not utilizing the full scope of our target discovery capabilities;
- not choosing the right therapeutic area;
- choosing a therapeutic area with a very high degree of competition;
- choosing a therapeutic area of great biological complexity and with very high failure rates in product development;
- not choosing the appropriate drug modality;
- having insufficient knowledge, expertise, personnel or capabilities in our chosen therapeutic area to select the right unmet medical needs, or drug targets, or to timely, properly and efficiently validate the targets and/or select the appropriate mAb for further development as therapeutic product candidates, or to timely, properly or efficiently further them in development; and
- the inherent risk of high program failure rate throughout therapeutic development.

In each case, our failure could be due to lack of experience and expertise, delays in our internal research programs or applying the wrong criteria or experimental systems and procedures, or selecting an inappropriate drug modality, or unanticipated scientific, safety, activity or efficacy issues with our selected drug targets or product candidates, with the possible result that none of our product candidates result in licensed or marketable products. If any of these risks should materialize, our business, financial condition and results of operations would be materially harmed.

We may focus our efforts and resources on a particular target or therapeutic candidate or indication and fail to focus our efforts on targets or therapeutic candidates or indications that may be more successful.

Due to our limited resources and experience and due to the early stage of our discoveries, we prioritize our research programs and focus to programs that, we believe, based on limited amounts of data, seem to have the highest potential. As a result, we might focus our limited resources on the wrong target or therapeutic candidates or focus our candidates on the wrong therapeutic indication and delay in pursuing or fail to pursue candidates that might be later proven (or never proven) as more successful.

We have limited experience in the development of therapeutic product candidates, and we may be unable to implement our business strategy.

Our experience in the development of therapeutic product candidates, which was undertaken in our South San Francisco facilities, was limited, and our experience is now further limited due to the termination in 2019 of certain activities conducted in our San Francisco facility. Therefore, we may encounter unforeseen expenses, difficulties, complications, delays and other known or unknown factors in achieving our business objectives. To successfully develop and commercialize therapeutic products, we must either access such expertise via collaborations, consultants or service providers, and/or enhance and improve our internal expertise and capabilities. We may not be able to retain our scientific, research and development and clinical personnel or attract qualified scientific, research and development and clinical personnel with the required expertise in a timely manner, if at all, and/or engage or adequately manage any or all of the collaborators, consultants, service providers or other experts that we need in order to do so.

If we are not able to attract, retain and motivate necessary personnel or third party service providers to accomplish our business objectives or fail to have available, at the appropriate times, the required experience and expertise for the further development and commercialization of our therapeutic product candidates, we may be unsuccessful in these activities, or these activities may be significantly delayed and as a result we may be unable to implement our business strategy and our business would be materially harmed.

There are risks that are inherent in the development and commercialization of therapeutic products.

We and our collaborators face a number of risks of failure that are inherent in the lengthy and costly process of developing and commercializing new therapeutic products. These risks, which typically result in very high failure rates even for successful biopharmaceutical companies, include, among others, the possibility that:

- our new target candidates will prove to be inappropriate for treatment of cancer;
- our new target candidates will prove to be inappropriate targets for therapeutic product candidates;
- our new target candidates will prove to be inappropriate targets for immunotherapy;
- we will not succeed in choosing the appropriate mAb for these targets, or the appropriate mAb lead or the appropriate mAb isotype;
- we will not succeed in choosing the appropriate drug modality for these targets;
- our therapeutic product candidates will fail to progress to preclinical studies or clinical trials;
- our therapeutic product candidates will be found to be therapeutically ineffective;
- our therapeutic product candidates will be found to be toxic or to have other unacceptable side effects or negative consequences;
- our therapeutic product candidates will be inferior, or not show added value, compared to competing products or the standard of care;
- our early stage development efforts may provoke competition by others;
- our products covered by our collaborations may face internal competition from our partners' internal pipeline;

- we or our collaborators will fail to receive required regulatory approvals;
- we or our collaborators will fail to manufacture our therapeutic product candidates in the quantity or quality needed for preclinical studies or clinical trials on a large or commercial scale, on time or in a cost-effective manner;
- the discovery of drug targets and the discovery, development or commercialization of our therapeutic product candidates may infringe third-party intellectual property rights;
- the development, marketing or sale of our therapeutic product candidates will fail because of our inability or failure to protect or maintain our own intellectual property rights;
- once a product is commercially available, there will be little or no demand for it for a number of possible reasons, including lack of acceptance by the medical community or by patients, lack of or insufficient coverage and payment by third-party payors, inefficient or insufficient marketing and sales activities or as a result of there being more attractive, less risky or less expensive, products available for the same use; and
- the product will be withdrawn from the market, or sales limited due to side effects observed in clinical practice.

If one or more of these risks or any similar risks should materialize, our business, financial condition and results of operations may be materially harmed.

Risks Related to Our Dependence on Third Parties

We depend significantly on third parties to carry out the research, development and commercialization of our therapeutic product candidates. If we are unable to maintain our existing agreements or to enter into additional agreements with such third parties, including collaborators, in the future, our business will likely be materially harmed.

Our primary strategy for the further development and commercialization of products based on our drug target and therapeutic product candidates depends on third parties to carry out and/or finance, research, development and commercialization of such products, principally pharmaceutical and biotechnology companies and other healthcare related organizations either on their own or in collaboration with us. To date, we have entered into three partnership agreements with respect to our drug target candidates. We cannot be sure that any of the agreements will result in the successful development or commercialization of any product. Further, we cannot provide assurance that we will succeed in identifying additional suitable parties or entering into any other additional agreements on satisfactory terms or at all for the discovery, research, development and/or commercialization of our drug target or therapeutic product candidates. If we are unable to identify such additional suitable parties or enter into new agreements on satisfactory terms, or at all, our business will likely be materially harmed.

We rely and expect to continue to rely completely on third parties to manufacture and supply certain preclinical and all clinical drug supplies. Our business could be harmed if those third parties fail to provide us with sufficient quantities of drug product or fail to do so at acceptable quality levels, prices or timelines.

We do not currently have, nor do we plan to acquire, the infrastructure or capability internally to manufacture our preclinical and clinical drug supplies for use in the conduct of pre-clinical testing and our clinical trials, and we lack the resources and the capability to manufacture any of our product candidates on a clinical or commercial scale. In order to develop products, apply for regulatory approvals and commercialize our products, we will need to develop, contract for, or otherwise arrange for access to the necessary manufacturing capabilities. We rely and expect to continue to rely on contract manufacturing organizations, or CMOs, and other third-party contractors to manufacture formulations and produce larger scale amounts of drug substance and drug products required for any clinical trials that we initiate. Such third parties may not be able to deliver in a timely manner, or at all, or may fail to comply with the FDA's current Good Manufacturing Practice, or cGMP, to manufacture our drugs in the required quality or quantity or in commercial scale. We have entered into manufacturing and supply agreements with third parties for the manufacturing and respective analytics of each of COM701and COM902, for which we have ongoing Phase 1 clinical trials. These agreements are sole source agreements. In addition, in October 2018, we entered into a master clinical trial collaboration agreement, or the MCTC, with Bristol Myers Squibb Company, or Bristol Myers Squibb, to evaluate the safety and tolerability of COM701 in combination with Bristol Myers Squibb's PD-1 immune checkpoint inhibitor Opdivo®. Such agreement was amended in February 2020 to include a clinical trial to evaluate the safety, tolerability and antitumor activity of COM701 in combination with Opdivo®, and Bristol Myers Squibb's investigational antibody targeting TIGIT known as BMS-986207 and further amended in February 2021 to include an expansion of the Phase 1 combination study in combination with Opdivo®. Pursuant to this agreement, as amended, Bristol Myers Squibb provides Opdivo® and BMS-986207 (and will provide Opdivo® for the expansion study of COM701 with Opdivo®)at no cost to us. Accordingly, if any of these third parties breach, terminate or otherwise are unable to fulfill their obligations under the agreements for drug supply, we would need to identify an appropriately qualified alternative source, which could be time consuming, and we may not be able to do so without incurring material delays and costs in the development of our products, including COM701 and COM902.

The manufacturing process for any products based on our technologies that we or our partners may develop is subject to the FDA regulation and foreign regulatory authority approval process, and we will need to contract with manufacturers who can meet cGMP requirements and foreign regulatory authority requirements on an ongoing basis. In addition, if we receive the necessary regulatory approval for any therapeutic drug candidate, we also expect to rely on third parties, to produce materials required for commercial supply. We may experience difficulty in obtaining adequate manufacturing capacity for our needs, adequate and sufficient material as well as difficulties and challenges in technology transfer from one CMO to the other, as needed. If we are unable to obtain or maintain adequate manufacturing sources for these product candidates, or to do so on commercially reasonable terms and adequate timelines, we may not be able to successfully develop and commercialize our products.

To the extent that we enter into manufacturing or supply arrangements with third parties, we will depend on these third parties to perform their obligations in a timely manner and consistent with regulatory requirements, including those related to quality control and quality assurance. We are also dependent upon these third parties with respect to critical reagents supply, supplies required for our manufacturing and quality control, packaging, storage and others. The failure of a third-party manufacturer or supplier to perform its obligations as expected could adversely affect our business in a number of ways, including:

- we may not be able to initiate or continue preclinical and clinical trials of products that are under development;
- we may experience significant disruption to our clinical supply chain and delay;
- we may experience significant adverse effect if we are unable to transfer the manufacturing process to a different third-party manufacturer in a timely and efficient manner;
- we may need to repeat clinical trials or stop our clinical trials;
- we may be delayed in submitting regulatory applications, or receiving regulatory approvals, for our product candidates;
- we may lose the cooperation of our collaborators;
- we may be required to cease distribution or recall some or all batches of our products; and
- ultimately, we may not be able to meet commercial demands for our products, if approved.

If a third-party manufacturer or supplier with whom we contract fails to perform its obligations, we may be forced to manufacture or otherwise obtain the materials ourselves, for which we do not currently and may not in the future have the capabilities or resources, or identify and qualify a different third-party manufacturer, which we may not be able to do timely or on reasonable terms, if at all. In some cases, the technical skills or processes required to manufacture our product may be unique to the original manufacturer and we may have difficulty transferring such skills or processes to a back-up or alternate manufacturer or supplier, or we may be unable to transfer such skills or processes at all. In addition, if we are required to change manufacturers for any reason, we will be required to verify that the new manufacturer maintains facilities and procedures that comply with quality standards and with all applicable regulations and guidelines. We will also be required to demonstrate that the newly manufactured material is similar to the previously manufactured material, or we may need to repeat clinical trials with the newly manufactured material. The delays associated with the verification of a new manufacturer could negatively affect our ability to develop product candidates or commercialize approved products in a timely manner or within budget. Furthermore, a manufacturer may possess technology related to the manufacture of our product candidate that such manufacturer owns independently, which would increase our reliance on such manufacturer or require us to obtain a license from such manufacturer in order to have another third-party manufacture our products.

Our dependence on collaboration agreements with third parties presents a number of risks.

The risks that we face in connection with our existing collaborations, licenses and other business alliances as well as those that we may enter into in the future include, among others, the following:

- we may be unable to reach mutually agreeable terms and conditions with respect to potential new collaborations;
- we or our collaborators may be unable to comply or fully comply with the obligations under collaboration agreements to which we are (or will become) a party, and as a result, we may not generate royalties or milestone payments from such agreements, and our ability to enter into additional agreements may be harmed;
- our obligations under existing or future collaboration agreements may harm our ability to enter into additional collaboration agreements;
- our collaborators have significant discretion in electing whether to pursue any of the planned activities and the manner in which it will be done, including the amount and nature of the resources to be devoted to the development and commercialization of our product candidates;
- our collaborators have significant discretion in terminating the collaborations for scientific, clinical, business or other reasons;
- if our collaborators breach or terminate an agreement with us, the development and commercialization of our therapeutic product candidates could be adversely affected because at such time we may not have sufficient financial or other resources or capabilities or access to the other partner's data and drug(s) to successfully develop and commercialize these therapeutics on our own or find other partners or enforce our rights under breached or terminated agreement;
- our collaborators may fail to design and implement or analyze appropriate preclinical and/or clinical trials;
- our collaborators may not have an access to the drug combination treatment required for an effective treatment;
- our collaborators may not be able to identify biomarkers that may be required for further product development or approval;
- our collaborators may require us changing or adopting the trial design to fit their business priorities, standards and other objectives;
- our collaborators may fail to manufacture our therapeutic product candidates needed for either clinical trials or for commercial purposes on a sufficiently large scale, in the required quality and/or in a cost-effective manner;
- our collaborators may fail to develop and market products based on our discoveries due to various development hurdles or regulatory restrictions;
- our collaborators may fail to develop and market products based on our discoveries prior to the successful marketing of competing products by others or prior to expiry of the patents protecting such products;
- changes in a collaborator's business strategy may negatively affect its willingness or ability to complete its obligations under its arrangement or to continue with its collaboration with us;
- our collaborators may terminate the program or the agreement and then compete against us in the development or commercialization of similar therapeutics;
- our collaborators may terminate the program or the agreement due to the competitive threat we may present to them with similar products;
- ownership of the intellectual property generated under or incorporated in our collaborations may be disputed;
- our ownership of rights in any intellectual property or products that may result from our collaborations may depend on additional investment of resources that we may not be able or willing to make;
- prospective collaborators may pursue alternative products or technologies, by internally developing them or by preferring those of our competitors;

- disagreements between us and our collaborators may lead to delays in, or termination of, the collaboration;
- our collaborators may fail to develop or commercialize successfully any products based on our novel drug targets or therapeutic product candidates to which they have obtained rights from us;
- we or our collaborators may not choose the right drug combinations for our therapeutic product;
- our collaborations may face internal competition by our partners' internal pipelines;
- prospective collaborators may hesitate to pursue collaborations on novel target candidates that lack robust validation to serve as a basis for the development of therapeutics; and
- our collaboration partners may be acquired by, acquire, or merge with, another company, and the resulting entity may have different priorities or competitive products to the collaboration product being developed previously by our partner.

If any of these risks should materialize, our business, financial condition and results of operations may be materially harmed.

Our existing agreements for our drug candidates are subject to many risks.

In August 2013, we entered into a Research and Development Collaboration and License Agreement with Bayer Pharma AG, or Bayer, for the research, development, and commercialization of antibody-based therapeutics for cancer immunotherapy against a novel, Compugen-discovered immune checkpoint regulator CGEN-15001T/ILDR2, for which the therapeutic antibody BAY1905254 is currently being evaluated in a Phase 1 clinical trial. The collaboration with Bayer, or the Bayer Collaboration, continues until Bayer is no longer required to make payments under the agreement or until otherwise terminated by either party in accordance with the terms of the agreement. Bayer may also terminate the agreement, at any time with or without cause on a product-by-product and/or country-by country basis, upon prior written notice. Upon any termination of the agreement, depending upon the circumstances, the parties have varying rights and obligations with respect to the continued development and commercialization of any products and or various payment and royalty obligations in the event of such continuation of the development and commercialization.

In March 2018, we entered into an exclusive license agreement with MedImmune Limited, the global biologics research and development arm of AstraZeneca, which is currently part of AstraZeneca, or AstraZeneca. Under the terms of the license agreement, we provided an exclusive license for the development of bi-specific and multi-specific antibody products derived from a Compugen pipeline program. Subject to termination rights for material breach, bankruptcy or by Compugen for patent challenge by AstraZeneca, the term of the license agreement continues until the expiration of the last Royalty Term in the Territory, each capitalized term as defined in the license agreement. In addition, AstraZeneca may terminate the agreement for convenience upon prior written notice.

In October 2018, we entered into MCTC with Bristol Myers Squibb to evaluate the safety and tolerability of COM701 in combination with Bristol Myers Squibb's PD-1 immune checkpoint inhibitor Opdivo® (nivolumab), in patients with advanced solid tumors. In February 2020, the MCTC was amended to include a clinical trial, sponsored by Compugen, to evaluate the safety, tolerability and antitumor activity of COM701 in combination with Opdivo® (nivolumab), and Bristol Myers Squibb's investigational antibody targeting TIGIT known as BMS-986207, in patients with advanced solid tumors. In February 2021, such MCTC was further amended to include an expansion of the Phase 1 combination study designed to evaluate the dual combination of COM701 and Opdivo® in patients with advanced solid tumors. Pursuant to the terms of the MCTC with Bristol Myers Squibb, as amended, subject to termination rights for breach, bankruptcy or a material safety issue or clinical hold, the term of the MCTC will continue in effect until completion by all centers or institutions participating in combined therapy studies, the delivery of study data to both parties and the completion of any then agreed upon protocol(s), statistical analysis and bioanalysis plan. In the event a third-party merges with or acquires us, we are free to assign or transfer the agreement without the consent of Bristol Myers Squibb. Such third-party must expressly assume in writing all of our rights and obligations under the MCTC.

Each of these agreements were entered into for Compugen-discovered drug candidates and is subject to all of the risks as set forth above with respect to our dependence in general on collaboration agreements with third parties.

If significant adverse unforeseen events occur in our collaborations or they terminated, particularly prior to our signing additional collaboration agreements, our business and financial condition may be materially harmed.

Our reliance on third parties for the performance of key research, validation and development activities heightens the risks faced by our business.

We invest significant efforts and resources into outsourcing certain key functions with third parties, including certain research, validation, discovery and development activities, manufacturing operations, and others. Following termination in 2019 of certain activities conducted in our San Francisco facility and the consolidation of our R&D activities in one location in Israel, we outsourced additional therapeutic antibody discovery and preclinical activities to third-party service providers. We do not control the third parties to whom we outsourced these functions, and have limited internal expertise to appropriately manage their activities. However, we are dependent on them to undertake activities and provide results, product candidates or materials, including the production of certain biological reagents, which may be significant to us. If these third parties fail to properly or timely perform these activities, or provide us with incorrect or incomplete results, or fail to produce and/or provide certain materials, tests or analysis, this could lead to significant delays in the program or even program failure, along with significant additional costs and damage. In addition, should any of these third parties fail to comply with the applicable laws and regulations and/or research and development or manufacturing accepted standards in the course of their performance of services for us, there is a risk that we could be held responsible for such violations of law as well. Any such failures by third parties could have a material adverse effect on our business, financial condition or results of operations.

Moreover, we do not always independently verify the results obtained by such third parties and in some cases, rely upon the data provided by the third-party. If we fail to identify and obtain accurate and quality services, technologies and/or data from such third parties, or if the contractual demands of such third parties become unreasonable and we are not able to reach satisfactory agreements with such third parties, we may lose our investment in these services, fail to receive the expected benefits from our discoveries, and our validation and development capabilities or activities or our final products, may be significantly harmed, delayed or terminated.

We may need to obtain third-party drugs for combination with our clinical programs that may not be available to us or are available only on commercially unreasonable terms, and which may cause us to either not perform the right clinical trial, or not perform the clinical trial for the right indication, or in a more costly manner or otherwise adverse manner that was not anticipated.

We may need to obtain certain drugs from third parties to further develop our drug candidates to work in combinations with other drugs for selected indications in order to commercialize our drug candidates. If we fail to obtain these drugs or license thereof, our drug candidates may not be sufficiently efficient, and we may not be able to pursue them through development and commercialization.

Risks Related to Competition and Commercialization

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

The biotechnology and biopharmaceutical industries are highly competitive, subject to consolidation, characterized by rapid and significant technological advancements, and have a strong emphasis on proprietary products. Our success is highly dependent upon our ability to identify, develop and obtain regulatory approval for therapeutic products based on our discovered novel drug targets. In doing so, we face and will continue to face intense competition from a variety of businesses, including large, fully integrated, well-established pharmaceutical companies, specialty pharmaceutical and biopharmaceutical companies, academic institutions, government agencies and other private and public companies and research institutions.

Many of the companies against which we are competing or against which we may compete in the future have significantly greater resources and expertise in research and development, manufacturing, preclinical testing, conducting clinical trials, obtaining regulatory approvals and marketing approved drugs than we do. These competitors and others may develop competing products targeting the same mechanisms, the same drug targets and pathways as our products, or the same therapeutic indications and they can leverage their resources or use different approaches than we do to receive marketing approval before our products. Additionally, these third parties compete with us in recruiting and retaining qualified scientific, drug development and management personnel and advisors, establishing clinical trial sites and patient enrollment for clinical trials, as well as in acquiring technologies complementary to, or necessary for, our programs. Mergers and acquisitions in the biopharmaceutical industry, such as the acquisitions of Celgene by Bristol Myers Squibb in 2019 could result in even more resources being concentrated among a small number of our competitors, in addition to, increased industry interest and deals in the anti-TIGIT and anti-PVRIG field that may further enhance the competition in this field.

Competition may further increase as a result of advances in the commercial applicability of technologies similar to our predictive computational discovery platforms and greater availability of capital for investment in these industries. Over the last several years, there has been an increase in the interest of pharmaceutical companies, the healthcare community and the investment community in applying computational methodologies, mostly Artificial Intelligence (AI) and Machine Learning (ML) algorithms, to the field of data-driven drug discovery/healthcare. This interest may be seen in the increase in the number of companies within the pharmaceutical and biotech industries which focus on this area, including by way of establishing internal AI and/or ML capabilities or receiving investments or entering into partnerships or acquisitions in furtherance thereof. Our competitors may succeed in discovering targets and therefore also develop products that are competitive to ours.

In addition, there is a trend towards consolidation in the pharmaceutical, diagnostic and biotechnology industry, which may result in the remaining companies having greater financial resources and discovery and technological capabilities, thus intensifying competition in our industry. This trend may also result in fewer potential collaborators or licensees for our therapeutic product candidates. Also, if a consolidating company is already doing business with our competitors, we may lose existing or potential licensees or collaborators as a result of such consolidation. In addition, if a consolidating company is already doing business with us, we may lose the interest of the consolidating parties in our discovery capabilities or individual discoveries or product candidates as a result of a modified strategy, new priorities, competition and revised capabilities or portfolio of such consolidated entity. This trend may adversely affect our ability to enter into agreements for the development and commercialization of our therapeutic product candidates or to keep current collaborations in place or on-track and as a result may harm our business.

Established biopharmaceutical companies may invest heavily to accelerate discovery and development of novel drug targets or therapeutic products or to in-license novel drug targets or therapeutic products that could make our product candidates less competitive. In addition, any new product that competes with an approved product must demonstrate compelling advantages in efficacy, convenience, tolerability and safety in order to overcome price competition and to be commercially successful. Accordingly, our competitors may succeed in obtaining patent protection, discovering, developing, receiving FDA approval for or commercializing drugs before we do, which would have an adverse impact on our business and results of operations.

Potential collaborators, including major pharmaceutical companies, might be hesitant to pursue target validation and preclinical and clinical development programs based on novel targets lacking robust experimental validation results particularly those discovered through computational discovery approach.

There is a need for new drug targets generating new treatment options for patients who are non-responsive or refractory to current immunotherapies. Our business model includes selectively entering into collaborations for novel targets and related therapeutic product candidates at various stages of research and development under various revenue-sharing arrangements. Entering into collaborations with product candidates and targets at an early stage in the validation or drug discovery process is significantly more challenging than identifying partnerships for later-stage products that would have a more complete data package to support its clinical and business potential. In addition, although we have demonstrated success in validating our predictive computational discovery capabilities with three product candidates in human clinical trials, major pharmaceutical companies may be hesitant to enter into early stage collaborations based on newly discovered targets, more so if discovered by computer, as opposed to drug targets with human clinical trial data, or product candidates with significant published experimental validation. Therefore, we cannot assure that our business model to enter into commercialization arrangements for our early stage novel targets and product candidates will be successful.

Our business model is challenging to implement and to date has not yielded significant revenues.

Our discovery and development capabilities are designed to identify and develop novel products addressing a specific unmet need and enter into collaborations with partners with respect to such novel products. Our objective is that under these collaborations, we will have the right to receive various forms of revenue from such products. To date, we have entered into three partnership agreements with respect to our pipeline programs. There can be no assurance that any current or future agreements for novel targets based on our discoveries and associated product candidates will be successful and thus provide significant revenues to us, nor can there be any assurance that we will be able to enter into additional future agreements. If we are unable to succeed in securing additional license agreements or other collaboration arrangements related to our discoveries, our business may be materially harmed.

Our clinical pipeline consists of two clinical candidates against our discovered novel targets entered Phase 1 clinical trials in 2018, one executed by us (COM701) and the second by Bayer under the Bayer Collaboration. An additional clinical candidate (COM902) against our discovered novel target entered into a Phase 1 clinical trial in 2020. There can be no assurance that we will be able to establish additional collaborations for COM701 or COM902. It further consists of programs in the target discovery, research and validation stage. Failure to enter into collaborations, may materially harm our business. The research and validation data generated to date for our early stage pipeline may not be sufficient to attract interest from prospective collaborators and we may fail to generate data suitable to draw interest with potential partners. Furthermore, the drug target candidates or prospective therapeutic product candidates may not fit their corporate or clinical strategy. These companies may require more data, including their independent testing of our therapeutic product candidate, before considering a collaboration. We are therefore dependent on the potential fit of our programs with individual pharmaceutical company strategies and, there can be no assurance that we will be able to identify additional partners interested in our programs at their current stages. This may adversely affect our ability to enter into additional agreements for the research, development, license or other form of collaboration or commercialization of our therapeutic product candidates, and as a result may harm our business.

Additionally, we may not be able to demonstrate efficacy, safety profile, prove our preclinical hypothesis or obtain approval for and commercialize our products as monotherapy treatments. We may be required to combine our product candidates with other products to provide sufficient data for approval by FDA and other regulatory authorities, in all or in specific indications (which may require our dependency on third-party drugs). As part of our business strategy, we are looking to establish clinical collaborations with pharmaceutical and biotechnology companies to specifically test the hypothesis that there may be greater effects when combining our products with other products. In October 2018, we entered into MCTC with Bristol Myers Squibb to evaluate the safety and tolerability of COM701 in combination with Bristol Myers Squibb's PD-1 immune checkpoint inhibitor Opdivo®. In February 2020, the MCTC was amended to include a clinical trial, sponsored by Compugen, to evaluate the safety, tolerability and antitumor activity of COM701 in combination with Opdivo® (nivolumab), and Bristol Myers Squibb's antibody targeting TIGIT known as BMS-986207, in patients with advanced solid tumors and in February 2021, such MCTC was further amended to include an expansion of the Phase 1 combination study designed to evaluate the dual combination of COM701 and Opdivo® in patients with advanced solid tumors. See "Business Strategy and Partnerships - Bristol Myers Squibb Collaboration" below. There can be no assurance that we will be able to establish additional clinical collaborations or to maintain existing collaborations. Failure to enter into combination clinical collaborations may materially harm our business. These potential combination products may include both marketed as well as investigational products, and as such, adverse events resulting from combining the products or investigational agents are unknown and could be severe, including resulting in death of the patient due to these unknown toxicities. There is an industry trend towards drug combinations in the field of cancer immunotherapy which may result in a situation under which our therapeutic product candidates will serve in a combination product and may therefore be entitled to only a fraction of the anticipated product revenues. These trends may adversely affect any revenues we may be entitled to receive and as a result may harm our business.

The agreement cycle for potential collaborations is complex and long to implement and, if we are not able to establish collaborations on commercially reasonable terms, we may expend substantial funds and management resources with no assurance of success.

In general, each potential license agreement or other form of collaboration we may enter into will require negotiating with our potential collaborator, a large number of scientific, legal and business terms and conditions that can vary significantly in each instance due to the specific drug target or therapeutic product candidate or candidates involved, the potential market opportunity, the potential collaborator's licensing, development and business operations and strategy, and competition in the partnering and business development space. The accommodation of these requirements mandates a thorough consideration of both the scientific and business aspects of each transaction. Furthermore, the diversity and wide applicability of our predictive computational discovery platforms and our therapeutic product candidates adds additional levels of complexity to our business development efforts.

Whether we reach a definitive agreement for new collaborations will depend, among other things, upon our assessment of the collaborator's resources, capabilities and expertise, the terms and conditions of the proposed collaboration, the proposed collaborator's evaluation of our business, drug targets and therapeutic product candidates, and the competition in the business development space. We may not be successful in our efforts to establish a collaboration or other alternative arrangements for future product candidates because they may be deemed to be at too early of a stage of development for collaborative effort and third parties may not view them as having the requisite potential to demonstrate safety and efficacy or may find any other development hurdles and challenges as a limiting factor. If we are unable to do so, we will need to expend substantial funds and substantial key personnel time and effort into these business development activities with no assurance of successfully entering into agreements with potential collaborators and this could harm our business.

We rely on our predictive computational discovery platforms to identify drug targets. Our competitive position could be materially harmed if our competitors develop platforms similar to our computational discovery platforms and identify and develop rival drug targets and product candidates.

We rely on unpatented know-how and other proprietary computational processes and tools to maintain our competitive computational discovery position. We consider know-how to be our primary intellectual property with respect to our predictive computational discovery platforms. Know-how can be difficult to protect and enforce. In particular, we anticipate that with respect to our platform, this know-how may over time be disseminated within the industry through independent development and the movement of skilled personnel.

We cannot rule out that our competitors may have or obtain the knowledge necessary to identify and develop therapeutic products based on novel drug targets that could compete with the drug targets we identify. Our competitors may have significantly greater experience in artificial intelligence, computer sciences, algorithmic tool development and alike to identify targets and greater experience in using translational science to develop product candidates and may also have significantly greater financial, product development, scientific, technical and human resources than we do to discover novel drug targets and develop product candidates.

We may not be able to prohibit our competitors from using methods to identify and develop product candidates, including such methods that are the same as or similar to our own. If our competitors use methods to identify and develop products that compete with COM701 or COM902 or any future product candidates we develop, our ability to develop and commercialize a promising product candidate may diminish substantially, which could have a material adverse effect on our business prospects, financial condition, and results of operations.

The biotechnology and pharmaceutical industries are highly competitive, and we may be unable to compete effectively.

The biotechnology and pharmaceutical industries in general, and the immuno-oncology field in particular, are highly competitive. Numerous entities in the United States, Europe and elsewhere compete with our efforts to discover, validate, develop and partner with licensees and/or collaborators to commercialize drug target and therapeutic products candidates. Recent clinical trial failures of novel agents in the immuno-oncology field may adversely impact our ability to sign early stage collaborations, and as a result we may be required to advance our programs into clinical development and show clinical proof of concept before we may attract potential collaborators. Our competitors include pharmaceutical and biotechnology companies, academic and research institutions and governmental and other publicly funded agencies. We face, and expect to continue to face, competition from these entities to the extent they develop products that have a function similar or identical to or competing with the function of our therapeutic product candidates in the field of immuno-oncology that may attract our potential collaborators or that may reach the market sooner. We also face, and expect to continue to face, competition from entities that seek to develop technologies that enable the discovery of novel targets and therapeutic agents in the field of oncology. These competitors include traditional pharmaceutical and biotechnology companies and additionally, an increasing number of new entities looking to apply computer science, bioinformatics, AI or ML technologies to the field of target discovery. Many of our competitors have one or more of the following:

- much greater financial, technical and human resources than we have at every stage of the discovery, development, manufacture and commercialization process;
- more extensive experience in computational discovery, preclinical testing, conducting clinical trials, obtaining regulatory approvals, and in manufacturing and marketing therapeutics;

- more extensive experience in oncology and immuno-oncology and in the fields of mAb therapeutics;
- accessibility to enhanced technologies that may result in better products;
- access to and experience in the development of therapeutic modalities that are competitive to mAb therapeutics;
- more extensive experience in oncology and immuno-oncology and in the field of target discovery;
- more extensive experience in the research and development of biological or genetic markers to determine response of or responders to therapeutic agents or for patient selection;
- greater accessibility to data and proprietary data from patients;
- access to internally developed, proprietary technologies for the discovery, research, development, or manufacturing of therapeutic agents;
- greater resources and means to compete with us on target discovery and as well as in acquiring or generating technologies complementary to, or necessary for, our programs as well as in recruiting and retaining qualified scientific and management personnel and establishing clinical trial sites;
- products that have been approved or are in late stages of development;
- reduced reliance on collaborations or partnerships with third parties in order to further develop and commercialize competitive therapeutic products; and
- collaborative arrangements in our target markets with leading companies and research institutions.

Since we are a small company with limited human and financial resources, we are not able to work with a large number of collaborators in parallel and/or advance a large number of drug target or therapeutic product candidates in parallel. Our competitors may develop or commercialize products with significant advantages over any therapeutic products we, our collaborators or third-party licensees may develop. They may also obtain patents and other intellectual property rights before us, or broader than ours, and thereby prevent us from pursuing the development and commercialization of our discoveries. They may also develop products faster than us and therefore limit our market share. Our competitors may therefore be more successful in developing and/or commercializing products than we, our collaborators, or third-party licensees are, which could adversely affect our competitive position and business. If we are unable to compete successfully against existing or potential competitors, our financial results and business may be materially harmed.

Healthcare policy is volatile and changes in healthcare policy could increase our expenses, decrease our revenues and impact sales of, and reimbursement for, our products.

Our ability to commercialize our future therapeutic product candidates successfully, alone or with collaborators, will depend in part on the extent to which coverage and reimbursement for these product candidates will be available from government health programs, such as Medicare and Medicaid in the United States, private health insurers and other third-party payors. At present, significant changes in healthcare policy, in particular the continuing efforts of the U.S. and other governments, insurance companies, managed care organizations and other payors to contain or reduce health care costs are being discussed, considered and proposed. Drug prices in particular are under significant scrutiny and continue to be subject to intense political and societal pressures, which we anticipate will continue and escalate on a global basis.

For example, in the United States, there have been several initiatives implemented to achieve these aims. The Patient Protection and Affordable Care Act, or the PPACA, as amended by the Health Care and Education Affordability Reconciliation Act, and collectively, the ACA, represents the biggest regulatory overhaul to the health care system in decades and substantially changes the way health care is financed by both governmental and private insurers. However, the ACA has faced legislative, judicial, executive and political challenges from Congress, the Trump administration, state governments, consumer groups and business organizations. For example, since January 2017, President Trump has signed several Executive Orders and other directives designed to delay the implementation of certain provisions of the ACA or otherwise circumvent some of the requirements for health insurance mandated by the ACA. Concurrently, Congress has considered legislation that would repeal or repeal and replace all or part of the ACA. While Congress has not passed comprehensive repeal legislation, ACA-related provisions have been enacted as part of tax reform or federal budget legislation that, among other things, affect the implementation of certain taxes under the ACA and increase discounts owed by certain drug manufacturers under Medicare Part D. The Tax Cuts and Jobs Act of 2017, or the Tax Act, included a provision which repealed, effective January 1, 2019, the tax-based shared responsibility payment imposed by the ACA on certain individuals who fail to maintain qualifying health coverage for all or part of a year that is commonly referred to as the “individual mandate”. In addition, the 2020 federal spending package permanently eliminated, effective January 1, 2020, the ACA-mandated “Cadillac” tax on high-cost employer-sponsored health coverage and medical device tax and, effective January 1, 2021, also eliminated the health insurer tax. On December 14, 2018, a Texas U.S. District Court Judge ruled that the ACA is unconstitutional in its entirety because the “individual mandate” was repealed by Congress as part of the Tax Act. Additionally, on December 18, 2019, the U.S. Court of Appeals for the 5th Circuit upheld the district court ruling that the individual mandate was unconstitutional and remanded the case back to the district court to determine whether the remaining provisions of the ACA are invalid, as well. The U.S. Supreme Court is currently reviewing the case, although it is uncertain when a decision will be made. It is unclear how such litigation will impact the ACA and our business.

Further, other legislative changes have been proposed and adopted since the ACA was enacted that have, among other things, reduced reimbursement to several healthcare providers and increased the statute of limitations period for the government to recover overpayments to providers.

In addition, there has been heightened governmental scrutiny over the manner in which manufacturers set prices for their marketed products that has led to several recent U.S. Congressional inquiries and proposed and enacted federal and state legislation designed to, among other things, bring more transparency to drug pricing, review the relationship between pricing and manufacturer patient programs, reduce the costs of drugs under Medicare and reform government program reimbursement methodologies for drug products. For example, at the federal level, the Trump administration previously released a "Blueprint", or plan, to lower drug prices and reduce out of pocket costs of drugs contained additional proposals to increase drug manufacturer competition, increase the negotiating power of certain federal healthcare programs, incentivize manufacturers to lower the list price of their products, and reduce the out of pocket costs of drug products paid by consumers.

In the fall of 2020, several final rules have been finalized that seek to implement the Trump administration' s proposals. However, it is unclear whether the Biden administration will work to reverse these measures or pursue similar policy initiatives. It is too early to predict specifically what effect efforts to institute pricing controls or repeal the ACA and the implementation of any replacement or any future healthcare reform legislation or policies in the United States or other countries will have on our business, including our ability to set prices for our product candidates which we believe are fair, and therefore our ability to generate revenues and achieve and maintain profitability. Yet, current and future healthcare reform legislation and policies could have a material adverse effect on our business and financial condition. Further, it is possible that additional government action is taken in response to the COVID-19 pandemic.

The commercial success of our products depends on the availability and sufficiency of third-party payor coverage and reimbursement.

Market acceptance of drug products is dependent on the extent to which coverage and reimbursement is available from third-party payors. Significant uncertainty exists as to the coverage and reimbursement status of any products for which we may obtain regulatory approval. Coverage decisions may not favor new products when more established or lower cost therapeutic alternatives are already available. Even if we obtain coverage for a given product, the associated reimbursement rate may not be adequate to cover our costs, including research, development, intellectual property, manufacture, sale and distribution expenses, or may require co-payments that patients find unacceptably high. Patients are unlikely to use our products unless reimbursement is adequate to cover all or a significant portion of the cost of our products.

Coverage and reimbursement policies for products can differ significantly from payor to payor as there is no uniform policy of coverage and reimbursement for products among third-party payors in the United States. There may be significant delays in obtaining coverage and reimbursement as the process of determining coverage and reimbursement is often time consuming and costly which will require us to provide scientific and clinical support for the use of our products to each payor separately, with no assurance that coverage or adequate reimbursement will be obtained. It is difficult to predict at this time what government authorities and third-party payors will decide with respect to coverage and reimbursement for our drug products.

Risks Related to our Operations and Other Risks Related to our Business

Given our level of managerial, operational, financial and other resources, our current activities and future growth may be limited.

We manage our operations, including clinical trials and preclinical development activities of our therapeutic candidates with limited workforce and by using third-parties to provide us services that we do not possess in-house. Our personnel, systems and facilities currently in place may not be adequate to support our current activities or future growth.

If we are unable to maintain or expand our managerial, operational, financial and other resources to the extent required to manage our development and commercialization activities, our business may be materially adversely affected.

We may be unable to hire or retain key personnel or sufficiently qualified management, clinical and scientific personnel, in which case our business may be harmed.

Our business is highly dependent upon the continued services of our senior management and key scientific and clinical personnel. While members of our senior management and other key personnel have entered into employment or consulting agreements and non-competition and non-disclosure agreements, they can terminate their employment agreements with us at any time without cause. We cannot be sure that these key personnel and others will not leave us or compete with us, which could harm our business activities and operations. It is difficult to find suitable and highly qualified personnel in certain aspects of our industry, mainly in the field of immuno-oncology and specifically in Israel.

It can also be difficult for us to find employees with appropriate experience for our business. We require a multidisciplinary approach and some of our researchers require an understanding in both exact and biological sciences. In addition, we require experience in drug development and immuno-oncology, for which there is significant competition for highly qualified personnel in these fields. As a result, we may face higher than average employee turnover or challenges in hiring due to such competition. During 2020, we added preclinical expertise, clinical expertise and also expanded our computational expertise, which we expect to continue to expand in 2021 and which will require significant efforts to attract the required personnel with the required expertise and experience.

The competition for qualified personnel in the pharmaceutical and biotech industry is intense. The loss of service of any of our key personnel could harm our business. Due to our limited resources, we may not be able to effectively retain our existing key personnel or attract and recruit additional qualified key personnel.

We may be unable to safeguard the integrity, security and confidentiality of our data or third parties' data.

We rely heavily on the use and manipulation of large amounts of data and on the secure and continuous use of our internal computers, communication networks and software and hardware systems. We have implemented and maintain physical and software security measures to preserve and protect our computers and communication, hardware and software systems as well as our data and third parties' data. However, these methods may not fully protect us against fire, storm, flood, power loss, earthquakes, telecommunications failures, physical or software break-ins or similar events. In addition, these measures may not be sufficient to prevent unauthorized access, use or publication of such proprietary data. A party who is able to circumvent our security measures could misappropriate or destroy (partially or completely) proprietary information or cause interruptions in our operations. In addition, a party, including an employee or a contractor, who obtains unauthorized access to our proprietary data or breaches a confidentiality agreement with us could publish or transfer large portions or all of our proprietary data. Some of our proprietary data is maintained in secured cloud services that may also be subject to security breach, including by employees of the cloud services provider. Such publication of proprietary data could materially harm our intellectual property position, thereby seriously harming our competitive position. Such security breaches, if significant, could materially harm our operations and even cause our business to cease.

Our internal computer systems, or those of our CROs or other contractors or consultants, may fail or suffer security breaches, which could result in a material disruption of our pipeline.

Our business is increasingly dependent on critical, complex and interdependent information technology systems to support business processes as well as internal and external communications. Despite the implementation of security measures, our internal computer systems and those of our CROs and other contractors and consultants are vulnerable to damage from computer viruses, unauthorized access, natural disasters, terrorism, war and telecommunication and electrical failures. While, to our knowledge, we have not experienced any such system failure, accident or security breach to date, if such an event were to occur and cause interruptions in our operations, it could result in a material disruption to our programs. For example, the loss of clinical trial data from the clinical trials of our therapeutic product candidate could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data. In addition, our systems are potentially vulnerable to data security breaches, whether by employees or others, which may expose sensitive data to unauthorized persons. Although we have invested in measures at our sites in Israel and the U.S. to reduce these risks, we cannot assure you that these measures will be successful in preventing compromise and/or disruption of our information technology systems and related data. To the extent that any disruption or security breach results in a loss of or damage to our data or applications, or inappropriate disclosure of confidential or proprietary information, we could incur liability and the further development of our therapeutic candidates could be delayed.

If a successful liability claim or other claim for damages or series of claims is brought against us for uninsured liabilities or in excess of insured liabilities, we could be forced to pay substantial damage awards.

The use of any of our therapeutic product candidates in clinical trials might expose us to liability. We have obtained clinical trial insurance coverage in amounts that we believe are reasonable and customary in our industry based on the size and design of our clinical trials. However, there can be no assurance that such insurance coverage will fully protect us against some or all of the claims to which we might become subject. We might not be able to maintain adequate insurance coverage at a reasonable cost or in sufficient amounts or scope to protect us against potential losses. In the event a claim is brought against us, we might be required to pay legal and other expenses to defend the claim, as well as uncovered damages awards resulting from a claim brought successfully against us. Furthermore, whether or not we are ultimately successful in defending any such claims, we might be required to direct financial and managerial resources to such defense and adverse publicity could result, all of which could harm our business.

If we do not comply with laws regulating the use of human tissues or other human biological samples or the conduct of experiments involving animals, our business could be adversely affected.

We use human tissue samples and other human biological samples and conduct experiments involving animals for the purpose of development and validation of our technologies, discoveries and drug and therapeutic product candidates. Our access to and use of human tissue samples and other human biological samples and the conduct of experiments involving animals are subject to government regulation in the United States, Israel and elsewhere and may become subject to additional regulation. For example, the Israeli Ministry of Health requires, among other things compliance with the principles of the Helsinki Declaration, the Public Health Regulations (Clinical Trials in Human Subjects) 5741-1980, the Genetic Information Law, 5761-2000, the provisions of the Israel Ministry of Health Guidelines for Clinical Trials in Human Subjects and the provisions of the current Harmonized Tripartite Guideline for Good Clinical Practice. Our use of clinical data related to any tissue or other human biological samples must comply with applicable local, national and international privacy law. Our use of animal models for preclinical research must comply with applicable laws. Our failure, or the failure of our subcontractors or collaborators, to comply with these or similar regulations could negatively impact our business and results of operations.

If we do not comply with laws regulating the protection of the environment and health and human safety, our business could be adversely affected.

Our research and development activities involve the use of hazardous materials and chemicals, and we maintain quantities of microbial agents, various flammable and toxic chemicals in our facilities. Although we believe our safety and other procedures for storing, handling and disposing these materials in our facilities comply with applicable governmental and local regulations and guidelines, the risk to our employees or others of accidental contamination or injury from these materials cannot be eliminated. If an accident occurs, we could be held liable for resulting damages, which may exceed our financial resources and may seriously harm our business. We are also subject to numerous environmental, health and workplace safety laws and regulations, including those governing laboratory procedures, exposure to blood-borne pathogens and the handling of biohazardous materials. We may be subject to liability and may be required to comply with new or existing laws and regulations regulating pharmaceuticals or be subject to substantial fines or penalties if we violate any of these laws or regulations.

Our business and operations would suffer in the event of a security breach, system failure, invasion, corruption, destruction or interruption of our or our vendors' or partners' critical information technology systems or infrastructure.

We, our vendors and partners rely on information technology systems to keep financial records, capture laboratory data, maintain clinical trial data, and corporate records, communicate with staff and external parties and operate other critical functions. The effects of the COVID-19 pandemic have intensified our dependence on information technology systems as many of our business activities are currently being conducted remotely and our increased reliance on personnel working from home could increase our cybersecurity risk. Our information technology systems are potentially vulnerable to disruption due to breakdown, malicious intrusion and computer viruses or other disruptive events including but not limited to natural disaster. If we were to experience a prolonged system disruption in our information technology systems or those of certain of our vendors and partners, it could delay or negatively impact the development and commercialization of our product candidates, which could adversely impact our business. Although we maintain offsite back-ups of our data, if operations at our facilities were disrupted, it may cause a material disruption in our business if we are not capable of restoring function on an acceptable timeframe. In addition, our and our vendors and partners information technology systems are potentially vulnerable to data security breaches, whether by employees or others, which may expose sensitive or personal data to unauthorized persons. Such data security breaches could lead to the loss of trade secrets or other intellectual property or could lead to the public exposure of personal information (including sensitive personal information) of our employees, patients in our clinical trials, customers and others, any of which could have a material adverse effect on our business, financial condition and results of operations. Moreover, a security breach or privacy violation that leads to destruction, loss, alteration, unauthorized use or access, disclosure or modification of, personally identifiable information or personal data, could harm our reputation, compel us to comply with federal, state and/or international breach notification laws, subject us to mandatory corrective or regulatory action, require us to verify the correctness of database contents and otherwise subject us to liability under laws and regulations that protect personal data, including the EU General Data Protection Regulation, or the GDPR, which could disrupt our business, result in increased costs or loss of revenue, and/or result in significant legal and financial exposure. In addition, a data security breach could result in loss of clinical trial data or damage to the integrity of that data or compliance thereof. Furthermore, security breaches and other inappropriate access can be difficult to detect, and any delay in identifying them may lead to increased harm of the type described above. If we and our vendors and partners are unable to implement and maintain adequate organizational and technical measures to prevent such security breaches or privacy violations, or to respond adequately in the event of a breach, our operations could be disrupted, and we may suffer loss of reputation, problems with regulatory authorities, financial loss and other negative consequences. Moreover, failure to maintain effective internal accounting controls related to data security breaches and cybersecurity in general could impact our ability to produce timely and accurate financial statements and could subject us to regulatory scrutiny. In addition, security breaches and other inappropriate access can be difficult to detect, and any delay in identifying them may lead to increased harm of the type described above.

Failure to comply with current or future federal, state and foreign laws and regulations and industry standards relating to privacy and data protection laws could lead to government enforcement actions (which could include civil or criminal penalties), private litigation, and/or adverse publicity and could negatively affect our operating results and business.

We or our collaborators may be subject to federal, state and foreign data privacy and security laws and regulations. In the United States, numerous federal and state laws and regulations, including federal health information privacy laws, state data breach notification laws, state health information privacy laws and federal and state consumer protection laws, that govern the collection, use, disclosure and protection of health-related and other personal information could apply to our operations or the operations of our collaborators. Many state legislatures have adopted legislation that regulates how businesses operate online, including measures relating to privacy, data security and data breaches. Laws in all 50 states require businesses to provide notice to customers whose personally identifiable information has been disclosed as a result of a data breach. The laws are not consistent, and compliance in the event of a widespread data breach is costly. Furthermore, California recently enacted the California Consumer Privacy Act, or the CCPA, which became effective on January 1, 2020. The CCPA provides for civil penalties for violations, as well as a private right of action for data breaches. Additionally, a new privacy law, the California Privacy Rights Act, or the CPRA, was approved by California voters in the election of November 3, 2020. The CPRA, which will take effect in most material respects on January 1, 2023, modifies the CCPA significantly, potentially resulting in further uncertainty and requiring us to incur additional costs and expenses in an effort to comply. Foreign data protection laws, including the GDPR may also apply to health-related and other personal information obtained outside of the United States. The GDPR introduced new data protection requirements in the EU, as well as potential fines for noncompliant companies of up to the greater of €20 million or 4% of annual global revenue. Among other requirements, the GDPR regulates transfers of personal data subject to the GDPR to third countries that have not been found to provide adequate protection to such personal data, including the United States, and the efficacy and longevity of current transfer mechanisms between the EU and the United States remains uncertain. For example, in 2016, the EU and United States agreed to a transfer framework for data transferred from the EU to the United States, called the Privacy Shield, but the Privacy Shield was invalidated in July 2020 by the Court of Justice of the European Union. Further, the vote in the United Kingdom in favor of exiting the EU, referred to as Brexit, has created uncertainty with regard to data protection regulation in the United Kingdom. The United Kingdom has transposed the GDPR into domestic law with a United Kingdom version of the GDPR that took effect in January 2021, which could expose us to two parallel regimes, each of which potentially authorizes similar fines and other potentially divergent enforcement actions for violations. In addition, it is still unclear whether transfer of data from the European Economic Area to the United Kingdom will remain lawful under GDPR. On December 24, 2020, the United Kingdom and EU entered into a Trade and Cooperation Agreement. The Trade and Cooperation Agreement provides for a transitional period during which the United Kingdom will be treated like an EU member state in relation to processing and transfers of personal data for four months from January 1, 2021. This may be extended by two further months. After such period, the United Kingdom will be a "third country" under the GDPR unless the European Commission adopts an adequacy decision in respect of transfers of personal data to the United Kingdom. Compliance with U.S. and foreign data protection laws and regulations could require us to take on more onerous obligations in our contracts, restrict our ability to collect, use and disclose data, or in some cases, impact our ability to operate in certain jurisdictions. Failure by us or our collaborators to comply with U.S. and foreign data protection laws and regulations could result in government enforcement actions (which could include civil or criminal penalties), private litigation and/or adverse publicity and could negatively affect our operating results and business. Moreover, clinical trial subjects about whom we or our potential collaborators obtain information, as well as the providers who share this information with us, may contractually limit our ability to use and disclose the information. Claims that we have violated individuals' privacy rights, failed to comply with data protection laws or breached our contractual obligations, even if we are not found liable, could be expensive and time consuming to defend, could result in adverse publicity and could have a material adverse effect on our business, financial condition, results of operations and prospects.

Risks Related to Intellectual Property.

If the scope of any patent protection we obtain is not sufficiently broad, or if we lose any of our patent protection, our ability to prevent our competitors from commercializing similar or identical product candidates would be adversely affected.

We have applied for patents covering proteins, therapeutic and diagnostic product candidates and their method of use, and the success of our business depends, to a large extent, on our ability to obtain and maintain such patents and any additional patents covering our future product candidates. We design our patent strategy to fit the business competitive landscape and continual legislative changes. In addition, we periodically analyze and examine our patent portfolio to align it with our pipeline strategy and business needs. We have issued patents and pending patent applications that are related to our product candidates in the U.S., Europe, and other territories. We plan to continue to apply for patent protection for our therapeutic and diagnostic inventions, but we cannot be sure that any of our patent applications will be accepted, or that they will be accepted to the extent that we seek or that they will not be challenged. Additionally, we file for patent protection in selected countries and not in all countries of the world. Therefore, we are exposed to competition in those countries in which we have no patent protection. Also, due to our early stage pipeline and various business considerations, we may be required to seek patent protection at a very early stage. This may cause us to file with insufficient supportive data, possibly making it difficult to obtain patents in jurisdictions that do not accept post filing evidence to support the claims, and thus enabling others to compete with us. This may also cause issuance of a patent at an earlier stage creating a shorter commercialization period under patent protection, possibly enabling others to compete with us. Delays in filing patents may preclude us from obtaining protection on some or all of our product candidates due to others filing ahead of us. Patent applications filed before us, but yet unpublished, may cause us to spend significant resources in areas that due to these previously filed patents or applications we are not able to obtain patent protection or are only able to obtain a narrower scope of protection than contemplated.

Because the patent position of biopharmaceutical companies involves complex legal and factual questions, we cannot predict the validity, scope or enforceability of patents with certainty. The issuance of a patent is not conclusive as to its inventorship, scope, validity or enforceability and our patents may be subject to a third party pre issuance submission of prior art to the patent authorities or become involved in opposition, derivation, revocation, reexamination, post-grant and inter partes review, or other similar proceedings challenging our patent rights in the United States and abroad which may result in such patents being narrowed, invalidated, or held unenforceable, and thus could limit our ability to stop competitors from marketing related products or limit the length of the term of patent protection that we may have for our product candidates. Such proceedings also may result in substantial cost and require our pending patent applications, and those we may file in the future may not result in patents being issued. Furthermore, even if our patents do issue, and even if they are unchallenged, our patents may not adequately protect our intellectual property or prevent others from designing their products to avoid being covered by our claims. If the breadth or strength of protection provided by the patents we hold is threatened, this could dissuade companies from collaborating with us to develop, and could threaten our ability to commercialize, product candidates and expose us to unexpected competition that could have a material adverse impact on our business.

Moreover, because of the extensive time required for development, testing and regulatory review of a potential product, it is possible that, before any particular product candidate can be commercialized, any related patent may expire or remain in force for only a short period following commercialization, thereby reducing any advantage of the patent.

The process of obtaining patents for inventions that cover our products is uncertain for a number of reasons, including but not limited to:

- the patenting of inventions involves complex legal issues relating to intellectual property laws, prosecution and enforcement of patent claims across a number or patent jurisdictions, many of which have not yet been settled;
- legislative and judicial changes, or changes in the examination guidelines of governmental patent offices may negatively affect our ability to obtain patent claims to certain biologic molecules- and/or use of certain therapeutic targets;
- competition from other biotechnology and pharmaceutical companies who have already sought patent protection relating to proteins and protein based products, as well as therapeutic antibodies or other modulators specifically binding these proteins, and their utility based discoveries that we may intend to develop and commercialize; such prior patents may negatively affect our ability to obtain patent claims on antibodies or certain proteins or other biologic modulators, or may hinder our ability to obtain sufficiently broad patent claims for our inventions, and/or may limit our freedom to operate;
- publication of data on gene products by non-commercial and commercial entities may hinder our ability to obtain sufficiently broad patent claims for our inventions;
- even if we succeed in obtaining patent protection, such protection may not be sufficient to prevent third parties from circumventing our patent claims;
- even if we succeed in obtaining patent protection, we may face freedom to operate (FTO) issues;
- even if we succeed in obtaining patent claims protecting our inventions and product candidates, our patents could be subject to challenge and litigation by our competitors, and may be partially or wholly invalidated as a result of such legal/judicial challenges and in connection with such challenges, in October 2020, two parties filed oppositions in the European Patent Office, or EPO, requesting revocation of our granted European patent relating to anti-PVRIG antibodies, that expires in 2036;
- significant costs that may need to be incurred in registering and filing patents;
- insufficient data to support our claims and/or may support others in strengthening their patents;
- seeking patent protection at an early stage may prevent us from providing comprehensive data supporting the patent claims and may prevent allowance of certain patent claims or limit the scope of patent claim coverage;

- we may not be able to supply sufficient data to support our claims, within the legally prescribed time following our initial filing in order to support our patent claims and this may harm our ability to get appropriate patent protection or protection at all;

- our claims may be too broad and not have sufficient enablement, in which case such claims might be rejected by patent offices or invalidated in court; and

- we might fail to demonstrate a unique technical feature for our antibodies as compared to existing prior art, in which case our claims might be rejected by the EPO or other patent offices, requiring superiority over prior art.

If we do not succeed in obtaining patent protection for our inventions (should it be discoveries, drug targets candidates and product candidates) to the fullest extent for which we seek protection, or if we fail to select the best inventions to seek such protection, our business and financial results could be materially harmed.

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

Patents are of national or regional effect, and filing, prosecuting and defending patents on all of our investigational products throughout the world would be extremely expensive. Thus, we may not be able to prevent third parties from practicing or from selling or importing products made using our inventions in all countries. Further, the legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents and other intellectual property protection, which could make it difficult for us to stop the infringement of our patents or marketing of competing products in violation of our proprietary rights generally. In addition, certain countries have compulsory licensing laws under which a patent owner may be compelled to grant licenses to third parties. In those countries, we and our licensors may have limited remedies if patents are infringed or if we or our licensors are compelled to grant a license to a third party, which could materially diminish the value of those patents. This could limit our potential revenues. Accordingly, our efforts to enforce our intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop or license.

The existence of third-party intellectual property rights may prevent us from developing our discoveries or require us to expend financial and other resources to be able to continue to do so.

In selecting a drug target or a therapeutic product candidate for development, we take into account, among other considerations, the existence of third-party intellectual property rights that may hinder our right to develop and commercialize that product candidate. To our knowledge, third parties, including our competitors, have been filing patent applications covering an increasing portion of the human proteome or antibodies directed thereto. As a result of the existence of third-party intellectual property rights, we have been and may be further required to:

- forgo the research, development and commercialization of certain drug target candidates and product candidates that we discover, notwithstanding their promising scientific and commercial merits; or

- invest substantial management and financial resources to either challenge or in-license such third-party intellectual property, and we cannot be sure that we will succeed in doing so on commercially reasonable terms, if at all.

We do not always have available to us, in a timely manner, information of the existence of third-party intellectual property rights related to our own discoveries. The content of U.S. and other patent applications remains unavailable to the public for a period of approximately 18 months from the filing date and therefore we cannot be certain that we were the first to file any patent application related to our product candidate. In some instances, the content of U.S. patent applications remains unavailable to the public until the patents are issued. Moreover, when patents ultimately are issued, the claims may be substantially different from those that were originally published and may vary from country to country. Furthermore, there may be issued patents or pending patent applications that we are aware of, but that we think are irrelevant to our therapeutic product candidates, but which may ultimately be found to be infringed by the manufacture, sale, or use of such product candidates. As a result, we can never be certain that programs that we commence will be free of third-party intellectual property rights. If we become aware of the existence of third-party intellectual property rights only after we have commenced a particular program, we may have to forgo such project after having invested substantial resources in it or, to the extent such third-party right has not expired, obtain a license which may involve substantial financial resources.

Changes to the patent law in the United States and other jurisdictions could diminish the value of patents in general, thereby impairing our ability to protect our product candidates.

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 involves both technological and legal complexity and is therefore costly, time consuming and inherently uncertain. Changes in either the patent laws or interpretation of the patent laws in the United States or other jurisdictions could increase the uncertainties and costs surrounding the prosecution of patent applications and the enforcement or defense of issued patents.

In 2011, the United States passed comprehensive patent reform laws in the "America Invents Act", or the Act. The Act includes a number of significant changes to U.S. patent law, including provisions that affect the way patent applications are prosecuted, redefine prior art, and provide more efficient and cost-effective avenues for competitors to challenge the validity of patents. These changes may affect our ability to obtain and enforce patents in a number of ways. The changes include allowing third-party submission of prior art to the USPTO during patent prosecution and additional procedures to attack the validity of a patent by USPTO administered post-grant proceedings, including post-grant review, inter partes review, and derivation proceedings. If the validity of one of our U.S. patents is successfully challenged, some or all of the claims may be invalidated, such that we could not enforce the patent and hence may not be able to protect one or more of our therapeutic product candidates. After March 2013, under the Act, the United States transitioned to a first inventor to file system in which, assuming that the other statutory requirements are met, the first inventor to file a patent application will be entitled to the patent on an invention regardless of whether a third party was the first to invent the claimed invention. If we are not the first to file a patent application on one of our inventions, we may not be able to obtain a patent on our invention, and may not be able to protect one or more of our therapeutic product candidates. The Act and its implementation could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of our issued patents. Other countries may also pass legislative changes to their patent laws which could materially affect, and even invalidate, one or more of our already filed patent applications, or even granted patents.

The U.S. Supreme Court has ruled on several patent cases in recent years, either narrowing the scope of patent protection available in certain circumstances or weakening the rights of patent owners in certain situations. There is a trend in the USPTO to narrower antibody claim scope, mainly through stringent "written description requirements", which increasingly limit an applicant's ability to claim antibodies by describing them functionally and thus limiting the patent claims to specific antibody sequences. The written description requirement in antibodies may result in difficulties to obtain early broad patent protection on antibody inventions and result in significant patent vulnerabilities. An example of this trend is a recent U.S. Supreme Court decision in the Amgen v. Sanofi case. In October 2017, in Amgen v. Sanofi, the Federal Circuit overturned the "newly characterized antigen" test, which permitted patentees to claim a genus of antibodies by describing the structure of a corresponding antigen, rather than by describing the structure of the claimed antibodies themselves. The Federal Circuit abolished the newly characterized antigen test on the grounds that it failed to satisfy the written description requirement found in Section 112 of the Patent Act, 35 U.S.C. § 112. In doing so, the Federal Circuit not only eliminated a favored claiming strategy, it also called into question the validity of numerous existing patents. On Jan. 7, 2019, the U.S. Supreme Court declined to hear an appeal of the Federal Circuit's ruling, effectively changing the landscape for antibody patents for the foreseeable future. In the current IP environment in the U.S., and particularly after Amgen v. Sanofi, we may not be able to obtain broad, early patent protection on our antibody inventions.

Depending on future actions by the U.S. Congress, the U.S. courts, the USPTO and the relevant law-making bodies in other countries, the laws and regulations governing patents could change in unpredictable ways that would weaken our ability to obtain new patents or to enforce our existing patents and patents that we might obtain in the future. Changes in patent law could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of our issued patents, all of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

*In the future, we **may** need to obtain additional licenses of third-party technology that may not be available to us or are available only on commercially unreasonable terms, and which may cause us to operate our business in a more costly or otherwise adverse manner that was not anticipated.*

We may be required to license technology from third parties to further develop or commercialize our investigational products. Should we be required to obtain licenses to any third-party technology, such licenses may not be available to us on commercially reasonable terms, or at all. The inability to obtain any third-party license required to develop or commercialize any of our products could cause us to abandon any related efforts, which could seriously harm our business and operations.

We, or potential collaborators and licensees, may infringe third-party rights and may become involved in litigation, which may materially harm our business.

If a third-party accuses us, our collaborator or a potential collaborator and licensee of infringing its intellectual property rights or if a third-party commences litigation against us, our collaborator or a potential collaborator and licensee for the infringement of patent or other intellectual property rights, we may incur significant costs in obtaining a license or defending such action, whether or not we ultimately prevail. We are aware of U.S. and foreign issued patents and pending patent applications controlled by third parties that may relate to the areas in which we are developing therapeutic products. Because all issued patents are entitled to a presumption of validity in many countries, including the United States and many European countries, issued patents held by others with claims related to products, may limit our freedom to operate unless and until these patents expire or are declared invalid or unenforceable in a court of applicable jurisdiction, if we do not obtain a license or other right to practice the claimed inventions. Typically, patent litigation in the pharmaceutical and biotechnology industry is expensive and prolonged. Some claimants may have substantially greater resources than we do and may be able to sustain the costs of complex intellectual property litigation to a greater degree and for longer periods of time than we could. Costs that we may incur in defending third-party infringement actions would also result in the diversion of management's and technical personnel's time. In addition, parties making claims against us may be able to obtain injunctive or other equitable relief that could prevent us or our collaborators and licensees from further developing our discoveries or commercializing our products.

In the event of a successful claim of infringement against us or a potential collaborator and licensee, we may be required to pay damages, including treble damages and attorney's fees if we are found to be willfully infringing a third-party's patent, or obtain one or more licenses from the prevailing third-party (if not obtained prior to such litigation), which may not be available to us on commercially reasonable terms, if at all. Even if we were able to obtain a license, the rights may be nonexclusive, which would give our competitors access to the same intellectual property. If we are not able to obtain such a license or not able to obtain such a license at a reasonable cost, we could be prevented from commercializing a product until the relevant patents expired, or we could be forced to redesign our products, or to cease some aspect of our business operations, and we could encounter delays in product introductions and loss of substantial resources while we attempt to develop alternative products. Defense of any lawsuit or failure to obtain any such license could prevent us or our partners from commercializing available products and could cause us to incur substantial expenditures and would divert management's attention from our core business.

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

Competitors may infringe, misappropriate or otherwise violate our patents, trademarks, copyrights or other intellectual property, or those of our licensors. To counter infringement, misappropriation, unauthorized use or other violations, we may be required to file legal claims, which can be expensive and time consuming and divert the time and attention of our management and scientific personnel.

We may not be able to prevent, alone or with our licensees or any future licensees, infringement, misappropriation or other violations of our intellectual property rights, particularly in countries where the laws may not protect those rights as fully as in the United States. Any claims we assert against perceived infringers could provoke these parties to assert counterclaims against us alleging that we infringe their patents. In addition, in a patent infringement proceeding, there is a risk that a court will decide that a patent of ours is invalid or unenforceable, in whole or in part, and that we do not have the right to stop the other party from using the invention at issue. There is also a risk that, even if the validity of such patents is upheld, the court will construe the patent's claims narrowly or decide that we do not have the right to stop the other party from using the invention at issue on the grounds that our patents do not cover the invention. An adverse outcome in a litigation or proceeding involving our patents could limit our ability to assert our patents against those parties or other competitors and may curtail or preclude our ability to exclude third parties from making and selling similar or competitive products. Any of these occurrences could adversely affect our competitive business position, business prospects and financial condition. Similarly, if we assert trademark infringement claims, a court may determine that the marks we have asserted are invalid or unenforceable, or that the party against whom we have asserted trademark infringement has superior rights to the marks in question. In this case, we could ultimately be forced to cease use of such trademarks.

In any infringement, misappropriation or other intellectual property litigation, any award of monetary damages we receive may not be commercially valuable. Even if we establish infringement, the court may decide not to grant an injunction against further infringing activity and instead award only monetary damages, which may or may not be an adequate remedy. 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 litigation. There could also be public announcements of the results of hearings, motions or other interim proceedings or developments. If securities analysts or investors perceive these results to be negative, it could have a material adverse effect on our share price. Moreover, there can be no assurance that we will have sufficient financial or other resources to file and pursue such infringement claims, which typically last for years before they are concluded. Even if we ultimately prevail in such claims, the monetary cost of such litigation and the diversion of the attention of our management and scientific personnel could outweigh any benefit we receive as a result of the proceedings.

Increased progress in our scientific and technological environment may reduce our chances of obtaining a patent.

In order to obtain a patent to protect one of our therapeutic product candidates, we must show that the underlying invention (that is, the product candidate itself or its use) is inventive. As an increasing amount of scientific knowledge is becoming available regarding genes, proteins, biological mechanisms, and the relevance of the genes and proteins to various clinical indications, the bar is increasingly raised to show sufficient inventiveness, as inventiveness is judged against all publicly available information available prior to filing of the patent application (the exact date may vary by country or due to other circumstances). As an increasing amount of scientific knowledge is becoming available for various proteins and their potential use as drug targets, with time we may be limited or may not be able to obtain patents for our product candidates due to the increased information published in this area. Collective patent applications, in which a large number of candidates are included in one patent application, are also challenged due to the raised bar for information that must be included in a patent application, as well as due to the availability of other publications. Our own published patent applications and other publications also serve as prior art against our new inventions and patent applications and may prevent us from obtaining new patents.

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

We enter into assignment of invention agreements with our employees pursuant to which such individuals agree to assign to us all rights to any inventions created in the scope of their employment or engagement with us. A significant portion of our intellectual property has been developed by our employees in the course of their employment for us. Under the Israeli Patent Law, 5727-1967, or the Patent Law, inventions conceived by an employee due to and during his or her employment with a company are regarded as "service inventions", which belong to the employer, unless the employee and employer have entered into a specific agreement stating otherwise, except if the employer waived the service invention within six months of receipt of a notice by the employee regarding the creation of the service invention (in accordance with provisions of the Patent Law). The Patent Law also provides that if there is no agreement with respect to whether the employee is entitled to remuneration for his or her service invention, to what extent and under what conditions, such entitlement and terms shall be determined by the Israeli Compensation and Royalties Committee, or the Committee, a body constituted under the Patent Law. Decisions by the Committee and Israeli courts have created some uncertainty in this area. Although our employees have agreed to assign to us service invention rights and have waived any rights for additional compensation for such service inventions, we may still face claims demanding remuneration in consideration for assigned service inventions. As a consequence of such claims, we could be required to pay additional remuneration or royalties to our current and/or former employees, or be forced to litigate such claims, which could negatively affect our business.

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.

The USPTO and various foreign patent agencies require compliance with a number of procedural, documentary, fee payment and other provisions to maintain patent applications and issued patents. Noncompliance with these requirements can result in abandonment or lapse of a patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. In such an event, competitors might be able to enter the market earlier than would otherwise have been the case.

We may be subject to claims that we or our employees or consultants have infringed, misappropriated or otherwise violated the intellectual property of a third-party, or claiming ownership of what we regard as our own intellectual property.

We may be subject to claims that we or our employees or consultants have inadvertently or otherwise used or disclosed confidential information of former employers, competitors or other third-parties. Although we have implemented reasonable measures to ensure that our employees and consultants do not use the intellectual property of others in their work for us, we may become subject to claims that we caused an employee or consultant to breach, among others, the terms of his or her non-competition, or that we or these individuals have, inadvertently or otherwise, used or disclosed the alleged proprietary information of a former employer, competitor or other third-party.

While we may litigate to defend ourselves against these claims, even if we are successful, litigation could result in substantial costs and could distract the attention of our management. If our defenses to these claims fail, in addition to requiring us to pay monetary damages, a court could prohibit us from using technologies or features that are essential to our investigational products, if such technologies or features are found to incorporate or be derived from the proprietary information of third-parties. Moreover, any such litigation may adversely affect our ability to form strategic alliances, engage with scientific advisors or hire employees or consultants.

In addition, while we typically require our employees, consultants and contractors who may be involved in the development of intellectual property to execute agreements assigning such intellectual property to us, we may be unsuccessful in executing such an agreement with each party who in fact develops intellectual property. To the extent that we fail to obtain such assignments, such assignments do not contain a self-executing assignment of intellectual property rights or such assignments are breached, we may be forced to bring claims against third parties, or defend claims they may bring against us, to determine the ownership of what we regard as our intellectual property. 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. 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 are successful in prosecuting or defending against such claims, litigation could result in substantial costs and be a distraction to our management and scientific personnel.

We may become subject to claims challenging the inventorship or ownership of our patents.

We may be subject to claims that former employees, collaborators or other third parties have an interest in our patents as co-inventor. The failure to name the proper inventors on a patent application can result in the patents issuing thereon being unenforceable. Inventorship disputes may arise from conflicting views regarding the contributions of different individuals, the effects of foreign laws where foreign nationals are involved in the development of the subject matter of the patent, conflicting obligations of third parties involved or as a result of questions regarding co-ownership of potential joint inventions. Litigation may be necessary to resolve claims challenging inventorship and/or ownership. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights, such as exclusive ownership of, or right to use, valuable intellectual property. Such an outcome could have a material adverse effect on our business. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management and other employees.

Patent terms may be inadequate to protect our competitive position on our product candidates for an adequate amount of time.

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 product candidates are obtained, once the patent life has expired, we may be open to competition from competitive products, including generics or biosimilars. Given the amount of time required for the development, testing and regulatory review of new product 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.

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

Once granted, patents may remain open to opposition (as specified above), interference, re-examination, post-grant review, inter partes review, nullification or derivation action in court or before patent offices or similar proceedings for a given period after allowance or grant, during which time third parties can raise objections against such grant. In the course of such proceedings, which may continue for a protracted period of time, the patent owner may be compelled to limit the scope of the allowed or granted claims thus attacked or may lose the allowed or granted claims altogether. In addition, the degree of future protection afforded by our intellectual property rights is uncertain because even granted intellectual property rights have limitations and may not adequately protect our business. The following examples are illustrative:

- issued patents that we may own or that we license may be held invalid or unenforceable, as a result of legal challenges;
- others may be able to make products that are similar to our products but that are not covered by the claims of our patent rights;
- 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 file patent applications on the inventions covered by the issued patent or pending patent application that we own or have exclusively licensed;
- others may independently develop similar or alternative 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 may own or that we license may not provide us with any competitive advantage
- 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 product candidates or technologies could use the intellectual property of others without obtaining a proper license;
- we may not develop additional proprietary technologies that are patentable; and
- the patents of others may have an adverse effect on our business.

Should any of these events occur, they could have a material adverse effect on our business, financial condition, results of operations and prospects.

We may rely on trade secret and proprietary know-how which can be difficult to trace and enforce.

In addition to seeking patent protection for some of our technology and investigational products, we also rely on trade secrets, including unpatented know-how, technology and other proprietary information, to maintain our competitive position. Trade secrets and know-how can be difficult to protect. Any disclosure, either intentional or unintentional, by our employees or third party consultants and vendors that we engage to perform research, clinical trials or manufacturing activities, or misappropriation by third parties (such as through a cybersecurity breach) of our trade secrets or proprietary information could enable competitors to duplicate or surpass our technological achievements, thus eroding our competitive position in our market.

We require our employees to enter into written employment agreements containing provisions of confidentiality and obligations to assign to us any inventions generated in the course of their employment. We further seek to protect our potential trade secrets and proprietary know-how by entering into non-disclosure and confidentiality agreements with any third parties who are given access to them, including our collaborators, contract manufacturers, consultants, advisors and other third parties. With our consultants, contractors, and collaborators, these agreements typically include invention assignment obligations. Despite these efforts, any of these parties may breach the agreements and disclose our proprietary information, which may be difficult to trace, and we may not be able to obtain adequate remedies for such breaches. Enforcing a claim that a party illegally disclosed or misappropriated a trade secret is difficult, expensive and time-consuming, and the outcome is unpredictable.

If we are unable to adequately protect our proprietary know-how and trade secrets, competitors may be able to develop technologies and resulting discoveries and inventions that are identical, similar to or better than our own discoveries and inventions, which could materially harm our business.

Risks Related to Operations in Israel

Conditions in the Middle East and in Israel may adversely affect our operations.

Our headquarters and research and development facilities are located in Israel. Accordingly, we are directly influenced by the political, economic and military conditions affecting Israel. Specifically, we could be adversely affected by:

- hostilities involving Israel;
- the interruption or curtailment of trade between Israel and its present trading partners;
- a downturn in the economic or financial condition of Israel; and
- a full or partial mobilization of the reserve forces of the Israeli army.

Since its establishment in 1948, Israel has been subject to a number of armed conflicts that have taken place between it and its Middle Eastern neighbors. While Israel has entered into peace agreements with both Egypt and Jordan, and has entered into several normalization agreements in 2020 with the United Arab Amirates, Bahrain, Sudan and Morocco, Israel has no peace or arrangements with any other neighboring or Arab country. Further, all efforts to improve Israel's relationship with the Palestinians have failed to result in a permanent peaceful solution, and there have been numerous periods of hostility as well as civil insurrection of Palestinians in the West Bank and the Gaza Strip in recent years. Israel is further engaged, from time to time, in armed conflicts with Hamas (a militia group and political party controlling the Gaza Strip).

Over the years, this state of hostility, varying from time to time in intensity and degree, has led to security and economic problems for Israel.

Also, relations between Israel and Iran continue to be hostile, due to the fact that Iran is perceived by Israel as sponsor of Hamas and Hezbollah (a Shia Islamist political party and militant group based in Lebanon), while maintaining a military presence in Syria and Lebanon, and with regard to Iran's nuclear program. In addition, the normalization agreements that Israel has recently entered into with some Arab countries in the Middle East may affect the geo-political condition in the Middle East in general, and the relations between Israel and Iran in particular.

All of the above raise a concern as to the stability in the region which may affect the political and security situation in Israel and therefore could adversely affect our business, financial condition and results of operations.

Furthermore, the on-going conflict with the Palestinians is continuing to disrupt some of Israel's trading activities. Certain countries, primarily in the Middle East but also in Malaysia and Indonesia, as well as certain companies and organizations in different parts of the world, continue to participate in a boycott of Israeli brands and others doing business with Israel and Israeli companies. The boycott, restrictive laws, policies or practices directed towards Israel or Israeli businesses could, individually or in the aggregate, have a material adverse effect on our business in the future. In addition, should the BDS Movement, the movement for boycotting, divesting and sanctioning Israel and Israeli institutions (including universities) and products become increasingly influential in the United States and Europe, this may also adversely affect our business and financial condition. Further deterioration of our relationship with the Palestinians or countries in the Middle East could expand the disruption of international trading activities in Israel, may materially and negatively affect our business conditions, could harm our results of operation and adversely affect the share price of our Company.

Our business may also be disturbed by the obligation of personnel to perform military service. Our employees who are Israeli citizens are generally subject to a periodic obligation to perform reserve military service, until they reach the age of 40 (or older, for reservists with certain occupations), but during military conflicts, these employees may be called to active duty for longer periods of time. In response to the increase in violence and terrorist activity in the past years, there have been periods of significant call-ups for military reservists and it is possible that there will be further military reserve duty call-ups in the future. In case of further regional instability such employees who may include one or more of our key employees, may be absent for extended periods of time which may materially adversely affect our business.

We can give no assurance that the political, economic and security situation in Israel will not have a material adverse impact on our business in the future.

Furthermore, our Company's insurance does not cover any loss arising of events related to the security situation in the Middle East. While the Israeli government generally covers the reinstatement value of direct damages caused by acts of war or terror attacks, we cannot be certain that such coverage will be maintained.

Our results of operations may be adversely affected by the exchange rate fluctuations between the dollar and the New Israeli Shekel.

We hold most of our cash, cash equivalents and short-term and long-term bank deposits in U.S. dollars but incur a significant portion of our expenses, principally salaries and related personnel expenses and administrative expenses for our Israeli based operations, in NIS. As a result, we are exposed to exchange rate fluctuations between the U.S. dollar and the NIS, which may have a material adverse effect on our financial condition. In 2020, the U.S. dollar depreciated against the NIS by 7.0%, in 2019 by 7.8% and in 2018, the U.S. dollar appreciated against the NIS by 8.1%. As a result of these fluctuations, our NIS denominated expenses were affected.

We may not be entitled to certain Israeli tax benefits.

In the future, we may be entitled to benefit from certain Israeli government programs and enjoy certain tax benefits, particularly tax exemptions, resulting from the 'Benefiting Enterprise' status, or Benefiting Enterprise, granted to us under the Israel Law for Encouragement of Capital Investments, 1959, or the Investment Law. The availability of these tax benefits, however, are subject to us meeting certain conditions under the Investment Law, including making specified investments in fixed assets and equipment. The tax benefits that we anticipate receiving under the "Benefiting Enterprise" program may not be continued in the future at their current levels or at all. To date, we have not actually received any such tax benefits because we have not yet generated any taxable income.

It may be difficult to enforce a U.S. judgment against us, or our officers and directors or to assert U.S. securities law claims in Israel.

We are incorporated under the laws of the State of Israel. Service of process upon our directors and officers, the majority of whom reside outside the United States, may be difficult to obtain within the United States. Furthermore, because the majority of our assets and investments, and a majority of our directors and officers are located outside the United States, any judgment obtained in the United States against us or any of them may not be collectible within the United States.

Furthermore, it may be difficult for an investor, or any other person or entity, to assert U.S. securities law claims in original actions instituted in Israel. Israeli courts may refuse to hear a claim based on an alleged violation of U.S. securities laws reasoning that Israel is not the most appropriate forum to bring such a claim. In addition, even if an Israeli court agrees to hear such a claim, it is not certain whether Israeli law or U.S. law will be applicable to the claim. If U.S. law is found to be applicable, the content of applicable U.S. law must be proven as a fact by expert witnesses, which can be a time consuming and costly process. Certain matters of procedure will also be governed by Israeli law. There is little binding case law in Israel that addresses the matters described above.

Provisions of Israeli law may delay, prevent or make undesirable an acquisition of all or a significant portion of our shares or assets.

Israeli corporate law regulates mergers and acquisitions and requires that a tender offer be effected when certain thresholds of percentage ownership of voting power in a company are exceeded (subject to certain conditions), which may have the effect of delaying, preventing or making more difficult a merger with, or acquisition of, us. See "Item 10. Additional Information - B. Memorandum and Articles of Association - Change of Control." Further, Israeli tax considerations may make potential transactions undesirable to us or to some of our shareholders whose country of residence does not have a tax treaty with Israel granting tax relief to such shareholders from Israeli tax. With respect to mergers, Israeli tax law allows for tax deferral in certain circumstances but makes the deferral contingent on the fulfillment of numerous conditions, including a holding period of two years from the date of the transaction during which certain sales and dispositions of shares of the participating companies are restricted. Moreover, with respect to certain share swap transactions, the tax deferral is limited in time, and when such time expires, the tax becomes payable even if no actual disposition of the shares has occurred. See "Item 10. Additional Information – E. Taxation – Israeli Taxation."

In addition, in accordance with the Restrictive Trade Practices Law, 1988 and under the Israeli Law for the Encouragement of Industrial Research and Development of 1984 and regulations promulgated thereunder, together, the R&D Law, approvals regarding a change in control (such as a merger or similar transaction) may be required in certain circumstances. For more information regarding such required approvals please see "Item 5. Operating and Financial Review and Prospects- C. Research and Development, Patents and Licenses - The Israel Innovation Authority." In addition, as a corporation incorporated under the laws of the State of Israel, we are subject to the Israeli Economic Competition Law, 1988 and the regulations promulgated thereunder (formerly known as the Israeli Antitrust Law, 1988), under which we may be required in certain circumstances to obtain the approval of the Israel Competition Authority (formerly known as the Israel Antitrust Authority) in order to consummate a merger or a sale of all or substantially all of our assets.

These provisions of Israeli law could have the effect of delaying or preventing a change in control and may make it more difficult for a third-party to acquire us, even if doing so would be beneficial to our shareholders, and may limit the price that investors may be willing to pay in the future for our ordinary shares.

We received grants from the IIA that may expose us to payment of royalties and restrict the transfer of know-how that we develop.

We have received governmental grants from the Israeli Innovation Authority, or the IIA, for the financing of a portion of our research and development expenditures. Even following full repayment of any IIA grants, and unless agreed otherwise by the applicable authority of the IIA, we must nevertheless continue to comply with the requirements of the R&D Law with respect to technologies which were financed by such grants, or the Financed Know-How, including an obligation for repayment of such grants from sales of products based on the Financed Know-How, if and when such sales occur. In addition to the obligation to pay royalties to the IIA, the R&D Law requires that products which incorporate Financed Know-How be manufactured in Israel, and prohibits the transfer of the Financed Know-How and any right derived therefrom to third parties, unless otherwise approved in advance by the IIA; Such prior approval may be given by the IIA subject to payment of increased royalties. Although such restrictions do not apply to the export from Israel of Company's products developed with such Financed Know-How, they may prevent us from engaging in transactions involving the sale, outsource or transfer of such Financed Know-How or of manufacturing activities with respect to any product or technology based on Financed Know-How, outside of Israel, which might otherwise be beneficial to us. Furthermore, the consideration available to our shareholders in a transaction involving the transfer outside of Israel of Financed Know-How (such as a merger or similar transaction) may be reduced by any amounts that we are required to pay to the IIA. For more information regarding such restrictions please see "Item 5. Operating and Financial Review and Prospects- C. Research and Development, Patents and Licenses - The Israel Innovation Authority."

Being a foreign private issuer exempts us from certain SEC requirements and Nasdaq rules, which may result in less protection that is afforded to investors under rules applicable to domestic issuers.

We are a "foreign private issuer" within the meaning of rules promulgated by the SEC. As such, we are exempt from certain provisions under the Securities Exchange Act of 1934, as amended, or the Exchange Act, applicable to U.S. public companies, including:

- the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q and current reports on Form 8-K;
- the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act, including extensive disclosure of compensation paid or payable to certain of our highly compensated executives as well as disclosure of the compensation determination process;
- the provisions of Regulation FD aimed at preventing issuers from making selective disclosures of material information; and
- the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and establishing insider liability for profits realized from any "short-swing" trading transaction (a purchase and sale, or sale and purchase, of the issuer's equity securities within less than six months).

In addition, we may follow home country corporate governance practices and law instead of those rules and practices otherwise required by Nasdaq for domestic issuers. For instance, we have relied on the foreign private issuer exemption with respect to shareholder approval requirements for equity-based incentive plans for our employees. For the list of specific exemptions that we chose to adopt, please see "Item 16G - Corporate Governance."

Following our home country corporate governance practices as opposed to the requirements that would otherwise apply to a U.S. company listed on Nasdaq may provide less protection to investors than is afforded to investors under the Nasdaq Listing Rules applicable to domestic issuers.

We may lose our status as a foreign private issuer, which would increase our compliance costs and could negatively impact our operations results.

We may lose our foreign private issuer status if (a) a majority of our outstanding voting securities are either directly or indirectly owned of record by residents of the United States and (b)(i) a majority of our executive officers or directors are U.S. citizens or residents, (ii) more than 50% of our assets are located in the United States or (iii) our business is administered principally in the United States. If we will not be a foreign private issuer, we will be required to file periodic reports and registration statements on U.S. domestic issuer forms with the SEC, which are more extensive than the forms available to a foreign private issuer. We would also be required to follow U.S. proxy disclosure requirements, including the requirement to disclose, under U.S. law, more detailed information about the compensation of our senior executive officers on an individual basis. We may also be required to modify certain of our policies to comply with accepted governance practices associated with U.S. domestic issuers. Such conversion and modifications will involve increased costs. In addition, we would lose our ability to rely upon exemptions from certain corporate governance requirements on U.S. stock exchanges that are available to foreign private issuers, as described in the previous risk factor above.

Our shareholders rights and responsibilities are governed by Israeli law which differs in some material respects from the rights and responsibilities of shareholders of U.S. companies.

Because we are incorporated under Israeli law, the rights and responsibilities of our shareholders are governed by our Articles of Association, as amended from time to time, or the Articles, and Israeli law. These rights and responsibilities differ in some respects from the rights and responsibilities of shareholders in U.S.-based corporations. In particular, a shareholder of an Israeli company has a duty to act in good faith and in a customary manner in exercising its rights and performing its obligations towards the company and other shareholders and to refrain from abusing its power in the company, including, among other things, in voting at the general meeting of shareholders on certain matters, such as an amendment to a company's articles of association, an increase of a company's authorized share capital, a merger of a company and approval of interested party transactions that require shareholder approval. A shareholder also has a general duty to refrain from discriminating against other shareholders. In addition, a controlling shareholder or a shareholder who knows that it possesses the power to determine the outcome of a shareholders' vote or to appoint or prevent the appointment of an office holder in a company or has another power with respect to a company, has a duty to act in fairness towards such company. Israeli law does not define the substance of this duty of fairness and there is limited case law available to assist us in understanding the nature of this duty or the implications of these provisions. These provisions may be interpreted to impose additional obligations and liabilities on our shareholders that are not typically imposed on shareholders of U.S. corporations.

Risks Related to our Ordinary Shares

Future sales of our ordinary shares or securities convertible or exchangeable for our ordinary shares may depress our share price.

If our existing shareholders or holders of our options or warrants sell, or indicate an intention to sell, substantial amounts of our ordinary shares in the public market, the trading price of our ordinary shares could decline. The perception in the market that these sales may occur could also cause the trading price of our ordinary shares to decline. As of December 31, 2020, we have a total of 83,675,856 ordinary shares outstanding.

Based on the number of shares subject to awards under our 2010 Share Incentive Plan, as amended, or 2010 Plan, and our 2021 Employee Share Purchase Plan, or ESPP, as of December 31, 2020, 8,926,607 ordinary shares that are either subject to outstanding options or reserved for future issuance under our 2010 Plan and ESPP will be eligible for sale in the public market, subject to, in the case of shares issued to directors, executive officers and other affiliates, the volume limitations under Rule 144 under the Securities Act. In addition, as of December 31, 2020, we had 387,026 warrants outstanding exercisable into 387,026 ordinary shares. If these additional ordinary shares are sold, or if it is perceived that they will be sold, in the public market, the trading price of our ordinary shares could decline.

In addition, our directors, executive officers and other affiliates may establish, and certain executive officers and directors have established, programmed selling plans under Rule 10b5-1 of the Exchange Act, for the purpose of effecting sales of our ordinary shares. Any sales of securities by these shareholders, or the perception that those sales may occur, including the entry into such programmed selling plans, could have a material adverse effect on the trading price of our ordinary shares.

If we sell ordinary shares in future financings, shareholders may experience immediate dilution and, as a result, our share price may decline.

In order to raise additional capital, we may at any time offer additional ordinary shares or other securities convertible into or exchangeable for our ordinary shares at prices that may not be the same as the price paid for our ordinary shares by our shareholders. The price per share at which we sell additional ordinary shares, or securities convertible or exchangeable into ordinary shares, in future transactions may be higher or lower than the price per share paid by our existing shareholders. If we issue ordinary shares or securities convertible into ordinary shares, our shareholders would experience additional dilution and, as a result, our share price may decline.

In addition, as opportunities present themselves, we may enter into financing or similar arrangements in the future, including the issuance of debt securities or ordinary shares with or without additional securities convertible or exchangeable into ordinary shares. Whether or not we issue additional shares at a discount, any issuance of ordinary shares will, and any issuance of other equity securities or of options, warrants or other rights to purchase ordinary shares may, result in additional dilution of the percentage ownership of our shareholders and could cause our share price to decline. New investors could also gain rights, preference and privileges senior to those of our shareholders, which could cause the price of our ordinary shares to decline. Debt securities may also contain covenants that restrict our operational flexibility or impose liens or other restrictions on our assets, which could also cause the price of our ordinary shares to decline.

Our ordinary shares are traded on more than one market and this may result in price variations.

In addition to being traded on The Nasdaq Global Market, our ordinary shares are also traded on the Tel Aviv Stock Exchange, or TASE. Trading in our ordinary shares on these markets take place in different currencies (U.S. dollars on Nasdaq and NIS on the TASE), and at different times (resulting from different time zones, trading days and public holidays in the United States and Israel). The trading prices of our ordinary shares on these two markets may differ due to these and other factors. Any decrease in the price of our ordinary shares on one market could cause a decrease in the trading price of our ordinary shares on the other market.

Our share price and trading volume have been volatile and may be volatile in the future and that could limit investors' ability to sell our shares at a profit and could limit our ability to successfully raise funds.

During the calendar years 2019 and 2020, our closing share price on Nasdaq has ranged from a low of $2.35 to a high of $19.45 and trading volume is volatile. The volatile price of our shares and periodic volatile trading volume may make it difficult for investors to predict the value of their investment, to sell shares at a profit at any given time, or to plan purchases and sales in advance. A variety of factors may affect the market price of our ordinary shares including:

- global macroeconomic developments;
- our success (or lack thereof) in entering into collaboration agreements and achieving certain research and developmental milestones thereunder;
- our need to raise additional capital and our success or failure in doing so;
- our ability (or lack thereof) to disclose key discoveries or developments due to competitive concerns or need to secure our intellectual property position;
- achievement or denial of regulatory approvals by us or our competitors;
- announcements of technological innovations or new commercial products by our competitors;
- trends in share price of companies in our field or industry;
- announcement of corporate transactions, merger and acquisition activities or other similar events by companies in our field or industry;
- changes and developments effecting our field or industry;
- developments concerning material proprietary rights, including material patents;

- developments concerning our existing or new collaborations;
- regulatory developments in the United States, Israel and other countries;
- changes in the structure of healthcare payment systems;
- delay or failure by us or our partners in initiating, completing or analyzing preclinical or clinical trials or the unsatisfactory design or results of such trials;
- period to period fluctuations in our results of operations;
- changes in financial estimates by securities analysts;
- changes in senior management or the board of directors;
- our ability (or lack thereof) to disclose the commercial terms of, or progress under, our collaborations;
- our ability (or lack thereof) to show and accurately predict revenues; and
- transactions with respect to our ordinary shares by insiders or institutional investors.

We are not able to control many of these factors, and we believe that period-to-period comparisons of our financial results will not necessarily be indicative of our future performance.

In addition, the stock market in general, and the market for biotechnology companies in particular, have experienced extreme price and volume fluctuations that may be unrelated or disproportionate to the operating performance of individual companies. These broad market and industry factors may seriously harm the market price of our ordinary shares, regardless of our operating performance.

Furthermore, the market prices of equity securities of companies that have a significant presence in Israel may also be affected by the changing security situation in the Middle East and particularly in Israel. As a result, these companies may experience volatility in their stock prices and/or difficulties in raising additional financing required to effectively operate and grow their businesses. Thus, market and industry-wide fluctuations and political, economic and military conditions in the Middle East, but also in the US may adversely affect the trading price of our ordinary shares, regardless of our actual operating performance.

As a result of the volatility of our share price, we could be subject to securities litigation, which could result in substantial costs and divert management's attention and company resources from our business.

If we are a passive foreign investment company, or PFIC, our U.S. shareholders may be subject to adverse U.S. federal income tax consequences.

For U.S. federal income tax purposes, we generally will be classified as a PFIC for any taxable year in which, after the application of certain lookthrough rules with respect to our subsidiaries, either: (i) 75% or more of our gross income is passive income or (ii) at least 50% of the average value (determined on the basis of a weighted quarterly average) of our total assets for the taxable year produce or are held for the production of passive income. For purposes of these tests, passive income includes dividends, interest, and gains from the sale or exchange of investment property and rents and royalties other than rents and royalties that are received from unrelated parties in connection with the active conduct of a trade or business. For purposes of the above calculations, a non-U.S. corporation that directly or indirectly owns at least 25% by value of the shares of another corporation is treated as holding and receiving directly its proportionate share of assets and income of such corporation. If we are a PFIC for any taxable year during which a U.S. shareholder holds our shares, the U.S. investor may be subject to adverse tax consequences regardless of whether we continue to qualify as a PFIC, including ineligibility for any preferred tax rates on capital gains or on actual or deemed dividends, interest charges on certain taxes treated as deferred and additional reporting requirements.

Based on our analysis of our estimated income, estimated assets, activities and market capitalization, we believe that we were not a PFIC for the taxable year ended December 31, 2020, but the Company may be a PFIC in one or more subsequent taxable years. The determination of whether or not we are a PFIC is a fact-intensive determination made on an annual basis and the applicable law is subject to varying interpretation. In particular, our status as a PFIC in the current or any future tax year is uncertain because, among other things, (i) we currently own a substantial amount of passive assets, including cash, (ii) we may not receive milestone payments under any of our collaboration agreements, in which case, our income may be exclusively passive, (iii) the valuation of our assets that generate non-passive income for PFIC purposes, including our intangible assets, is uncertain and may be determined in substantial part by our market capitalization, which may vary substantially over time, and (iv) the allocation of our goodwill between passive and non-passive for purposes of the PFIC asset test is subject to uncertainty. Furthermore, there can be no assurance that the Internal Revenue Service, or IRS, will agree with our conclusion and that the IRS would not successfully challenge our position. Accordingly, our U.S. counsel expresses no opinion with respect to our PFIC status for any taxable year.

For further discussion of the PFIC rules and the adverse U.S. federal income tax consequences in the event we are classified as a PFIC, as well as certain elections that may be available to U.S. shareholders, see “Item 10.E. Taxation – Certain Material U.S. Federal Income Tax Considerations”.

If we are a controlled foreign corporation, there could be materially adverse U.S. federal income tax consequences to certain U.S. Holders of our ordinary shares.

Each "Ten Percent Shareholder" (as defined below) in a non-U.S. corporation that is classified as a controlled foreign corporation, or a CFC, for U.S. federal income tax purposes generally is required to include in income for U.S. federal tax purposes such Ten Percent Shareholder's pro rata share of the CFC's "Subpart F income, " global intangible low taxed income, and investment of earnings in U.S. property, even if the CFC has made no distributions to its shareholders. Subpart F income generally includes dividends, interest, rents, royalties, gains from the sale of securities and income from certain transactions with related parties. In addition, a Ten Percent Shareholder that realizes gain from the sale or exchange of shares in a CFC may be required to classify a portion of such gain as dividend income rather than capital gain. An individual that is a Ten Percent Shareholder with respect to a CFC generally would not be allowed certain tax deductions or foreign tax credits that would be allowed to a Ten Percent Shareholder that is a U.S. corporation. Failure to comply with these reporting obligations may subject a Ten Percent Shareholder to significant monetary penalties and may prevent the statute of limitations with respect to such Ten Percent Shareholder's U.S. federal income tax return for the year for which reporting was due from starting.

A non-U.S. corporation generally will be classified as a CFC for U.S. federal income tax purposes if Ten Percent Shareholders own, directly or indirectly, more than 50% of either the total combined voting power of all classes of stock of such corporation entitled to vote or of the total value of the stock of such corporation. A "Ten Percent Shareholder" is a United States person *(as defined by the Internal Revenue Code of 1986, as amended, or, the Code)* who owns or is considered to own 10% or more of the total combined voting power of all classes of stock entitled to vote or 10% or more of the total value of all classes of stock of such corporation.

The determination of CFC status is complex and includes attribution rules, the application of which is not entirely certain. In addition, recent changes to the attribution rules relating to the determination of CFC status may make it difficult to determine our CFC status for any taxable year. Because our group includes at least one U.S. subsidiary (Compugen USA, Inc.), those changes to the attribution rules may cause any non-U.S. subsidiaries that we form or acquire in the future to be treated as controlled foreign corporations. We cannot provide any assurances that we will assist holders of our ordinary shares in determining whether we or any non-U.S. subsidiaries that we may form or acquire are or will be treated as a CFC or whether any holder of the ordinary shares is treated as a Ten Percent Shareholder with respect to any such CFC or furnish to any Ten Percent Shareholders information that may be necessary to comply with the aforementioned reporting and tax paying obligations.

Each U.S. Holder (*as defined in Item 10.E* below) should consult its own tax advisors with respect to the potential adverse U.S. tax consequences of becoming a Ten Percent Shareholder in a CFC. If we are classified as both a CFC and a PFIC (as defined above), we generally will not be treated as a PFIC with respect to those U.S. Holders that meet the definition of a Ten Percent Shareholder during the period in which we are a CFC.

Our ability to use net operating losses to offset future taxable income may be subject to limitations.

The net operating loss, or NOL, carryforwards or other tax attributes of our U.S. subsidiary, Compugen USA, Inc., could expire unused and be unavailable to offset future income tax liabilities because of their limited duration or because of restrictions under U.S. tax law. Compugen USA, Inc.’s NOLs generated in tax years ending on or prior to December 31, 2017 are only permitted to be carried forward for 20 years under applicable U.S. tax law. Under the Tax Act as modified by the Coronavirus Aid, Relief, and Economic Security Act, Compugen USA, Inc.’s federal NOLs generated in tax years ending after December 31, 2017 may be carried forward indefinitely, but the deductibility of federal NOLs generated in tax years beginning after December 31, 2017 may be limited to 80% of current year taxable income for tax years beginning after December 31, 2020.

In addition, under Section 382 of the Code and corresponding provisions of state law, if a corporation undergoes an “ownership change,” which is generally defined as a greater than 50% change, by value, in its equity ownership over a three-year period, the corporation’s ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes to offset its post-change income or taxes may be limited. It is possible that Compugen USA, Inc. has in the past undergone, and in the future may undergo, ownership changes that could result in additional limitations on its net operating loss carryforwards.

Consequently, Compugen USA, Inc. may not be able to utilize a material portion of its net operating loss carryforwards and certain other tax attributes, which could have a material adverse effect on cash flow and results of operations.

Shareholder activism can negatively affect our business.

In recent years, shareholder activists have become involved in numerous public companies. Shareholder activists could propose to involve themselves in the governance, strategic direction and operations of a company. We encountered such activism prior to our 2017 annual general shareholders’ meeting, when we received a formal request from an individual private shareholder, holding approximately 1.3% of the Company's voting rights at that time, to add to the agenda of the meeting the proposed appointment of two new director candidates, both of whom were not recommended by management. This proposal was rejected by the shareholders at the meeting. Shareholder activism, including potential proxy contests, divert our management's and board of directors’ attention and resources from our business, could give rise to perceived uncertainties as to our future direction and could result in the loss of potential business opportunities and make it more difficult to attract and retain qualified personnel for positions in both management and on the board level. If nominees advanced by activist shareholders are elected or appointed to our board of directors with a specific agenda, it may adversely affect our ability to effectively and timely implement our strategic plans or to realize long-term value from our assets. Also, we may be required to incur significant expenses including legal fees related to activist shareholder matters. Further, our share price could be subject to significant fluctuations or otherwise be adversely affected by the events, risks and uncertainties of any shareholder activism.

ITEM 4. INFORMATION ON THE COMPANY

A. HISTORY AND DEVELOPMENT OF THE COMPANY

History

Our legal and commercial name is Compugen Ltd. We were incorporated on February 10, 1993 as an Israeli corporation and operate under the Israeli Companies Law, 5759-1999, as amended together with all regulations promulgated thereunder, or the Companies Law. Our principal offices are located at 26 Harokmim Street, Holon 5885849, Israel, and our telephone number is +972-3-765-8585. Our web address is *www.cgen.com*. Information contained on our website does not constitute a part of this annual report.

Our agent for service of process in the United States is Compugen USA, Inc., our wholly owned U.S. subsidiary located at 395 Oyster Point Blvd., Suite 307 South San Francisco, CA 94080, which was incorporated in Delaware in March 1997 and is qualified to do business in California. This subsidiary did not have any significant operations from 2008 to March 2012.

Principal Capital Expenditures

In the years ended December 31, 2020, 2019 and 2018, our capital expenditures were $0.1, $0.2 million and $0.2 million, respectively. As of December 31, 2020, we have no current significant commitments for capital expenditures.

B. BUSINESS OVERVIEW

Summary

Compugen is a clinical-stage therapeutic discovery and development company utilizing its broadly applicable, predictive computational discovery platforms to identify novel drug targets and new biological pathways to develop therapeutics in the field of cancer immunotherapy. Our innovative immuno-oncology pipeline consists of three clinical stage programs, targeting immune checkpoints we discovered computationally, COM701, COM902 and BAY 1905254. The Company's lead product candidate, COM701, a first-in-class anti-PVRIG antibody, for the treatment of solid tumors, is undergoing a Phase 1 clinical study and is under clinical collaboration with Bristol Myers Squibb. COM902 is a therapeutic antibody targeting TIGIT, developed internally and is undergoing a Phase 1 study to evaluate it in patients with advanced malignancies. BAY 1905254 is a first-in-class therapeutic antibody targeting ILDR2, licensed to Bayer under a research and discovery collaboration and license agreement and is also in Phase 1 studies in patients with advanced solid tumors. Compugen's therapeutic pipeline also includes early-stage immuno-oncology programs focused largely on myeloid targets. The innovative immuno-oncology pipeline, the strategic collaborations and the Company's computational discovery engine serves as the corporate three key building blocks. Compugen's business model is to selectively enter into collaborations for its novel targets and related drug product candidates at various stages of research and development under various revenue-sharing arrangements.

In 2018, we entered into two agreements with leading pharmaceutical companies - a clinical collaboration agreement with Bristol Myers Squibb in connection with our lead immuno-oncology program, COM701, and an exclusive license agreement with AstraZeneca for their development of bi-specific and multi-specific antibody products derived from one of our immuno-oncology programs. The first pipeline agreement we entered into was with Bayer in 2013 for the research, development, and commercialization of immuno-oncology therapeutics against novel targets identified by us. Under this agreement we collaborate with Bayer on BAY 1905254 targeting ILDR2. We are also engaged in collaboration with Johns Hopkins School of Medicine, a leading academic research center in the United States to advance research and development efforts relating to our pipeline programs.

The Company is headquartered in Holon, Israel. Our clinical development activities are headed from our U.S. site in South San Francisco, California.

Our Strategy

Compugen aims to transform patient lives by developing first-in-class therapeutics based on our computational target discovery platform. Our pipeline strategy for the development of first-in-class cancer immunotherapies is differentiated in the competitive landscape of immuno-oncology. It is based on novel targets and biological pathways discovered by our proprietary predictive computational discovery platforms and on robust scientific rationale guiding our drug development process. Our pipeline strategy consists of the following:

- Targeting novel pathways, identified internally, with potential to address the unmet need of patients non-responsive to cancer immunotherapies;
- Applying a science-driven approach to identify drug combinations, through deep understanding of the biology of these novel pathways; and
- Using the same scientific understanding of the new pathways to design a robust biomarker strategy for patient selection.

In our therapeutic pipeline, our most advanced programs are:

- **COM701** is our lead immuno-oncology pipeline program. COM701 is a humanized antibody that binds with high affinity to PVRIG, a novel immune checkpoint target candidate discovered by us that blocks the interaction with its ligand, PVRL2. Our data suggests that the PVRIG pathway is parallel and complementary to TIGIT, an immune checkpoint discovered computationally by us in 2009. These two pathways intersect with DNAM, a costimulatory receptor on T cells and NK cells. The PD-1 pathway also intersects with DNAM. In certain tumors, the blockade of both TIGIT and PVRIG may be required to sufficiently stimulate an antitumor immune response, with or without additional PD-1 pathway blockade. Phase 1 studies for COM701 were initiated in September 2018 to evaluate it as a monotherapy and in combination with a PD-1 inhibitor in patients with advanced solid tumors. In October 2018, we entered into MCTC with Bristol Myers Squibb, according to which, among other things, Bristol Myers Squibb will supply us with Opdivo®, its PD-1 immune checkpoint inhibitor, for the combination arm of the study.

In February 2020, the MCTC was amended to include a clinical trial, sponsored by us, to evaluate the safety, tolerability and antitumor activity of COM701 in combination with Opdivo® (nivolumab), and Bristol Myers Squibb's investigational antibody targeting TIGIT known as BMS-986207, in patients with advanced solid tumors and during 2020 we started conducting such clinical trial. According to the MCTC, as amended, Bristol Myers Squibb supplies us, at no cost, with Opdivo®, and with its antibody targeting TIGIT known as BMS-986207, for such clinical trial.

In February 2021, such MCTC was further amended to include an expansion of the Phase 1 combination study designed to evaluate the dual combination of COM701 and Opdivo® in patients with advanced solid tumors.

- **COM902** is a high affinity, fully human antibody developed by us, targeting TIGIT, an immune checkpoint. COM902 blocks the interaction of TIGIT with PVR, its ligand. Our preclinical data suggests that in certain tumor indications the blockage of both TIGIT and PVRIG, two coinhibitory arms of the DNAM axis, may be required to stimulate an anti-tumor immune response with or without the blockade of the PD-1 pathway. Phase 1 studies for COM902 were initiated in March 2020 to evaluate it as a monotherapy in patients with advanced malignancies who have exhausted all available standard therapies.

- **BAY 1905254** is a first-in-class antibody targeting ILDR2, a new immune checkpoint identified by us, that is being developed by Bayer pursuant to a research and discovery collaboration and license agreement signed in 2013. Bayer initiated its Phase 1 study in patients with solid tumors in September 2018, which triggered a milestone payment of $7.8 million.

  BAY 1905254 has exhibited anti-tumor activity as a monotherapy in various mouse models and was also shown to have additive anti-tumor effects in combination with other cancer therapy approaches in those models, indicating the possibility for multiple combination uses in cancer immunotherapy. Following joint preclinical research, this program was transferred to Bayer for further development.

Research Focus - Immuno-Oncology

Our research and development efforts focus on identifying novel drug targets and developing first-in-class therapeutics in the field of cancer immunotherapy.

Cancer immunotherapies represents a significant commercial market. Sales of therapies targeting immune checkpoints registered approximately $26 billion worldwide in 2020. Industry analysts estimate that the cancer immunotherapy market has a significant growth potential and annual sales' projections of some of these analysts range between $35 billion and $50 billion by 2025.

The immune system is naturally programmed to seek out and destroy abnormal cells. Cancer is believed to thrive, in part, because of a number of cellular mechanisms that aid in the evasion of immune response. Such mechanisms of immune system evasion include masking or reducing the expression of tumor antigens to avoid detection, recruiting T-cell suppressor cells or expressing inhibitory molecules that suppress immune activation, inducing conditions in the tumor microenvironment that promote tumor cell proliferation and survival, and a number of other factors. Immuno-oncology therapies that overcome immune suppression by stimulating responses directed to cancer cells are emerging as a powerful means of counteracting the cellular mechanisms that enable the growth and spread of tumors. Immuno-oncology agents are expanding as a potential path to durable and long-lasting responses in certain patients.

Compugen's initial discovery efforts in this field were directed at identifying novel T cell immune checkpoints that inhibit T cells in cancer patients and develop therapeutic mAbs that reverse this inhibition and cause T cell activation. Over the past four years our discovery efforts were focused on discovery of targets expressed on myeloid cells, addressing a range of mechanisms of action of myeloid biology. Targeting myeloid biology may offer a complimentary strategy to checkpoint inhibition, and consequently may provide treatment solutions for non-responsive or relapsing patients. In the last three years, we have further expanded our discovery capabilities to investigate mechanisms of immune resistance to currently available immunotherapies.

While immunotherapy revolutionized the landscape for oncology treatments by providing a new treatment option leading to lasting benefits for patients; the response rates to immunotherapy vary greatly across different cancer indications, averaging only 20 to 30% across all cancer patients thereby leaving a significant unmet medical need for many patients that may be addressed by the discovery of new biological pathways that could serve for the development of new cancer immunotherapies.

Therapeutic Pipeline

- ***COM701 - a therapeutic antibody targeting PVRIG***

Pathway expression and Preclinical data

COM701 is a first-in-class humanized antibody that binds with high affinity to PVRIG, a novel immune checkpoint target candidate discovered by Compugen, blocking the interaction with its ligand, PVRL2. Blockade of PVRIG by COM701 has demonstrated potent, reproducible enhancement of T cell activation, consistent with the desired mechanism of action of activating T cells in the tumor microenvironment to generate anti-tumor immune responses. In addition, COM701 combined with antagonist anti-PD-1 antibodies has demonstrated synergistic effects in enhancing human T cell stimulation and inhibiting tumor growth in murine models, indicating an intersection of the PVRIG and PD-1 inhibitory pathways and the potential of these combinations to further enhance immune response against tumors.

PVRIG and TIGIT constitute parallel immune checkpoint pathways that interact with DNAM, a costimulatory molecule on T cells and NK cells. Preclinical data for COM701 suggest that PVRIG may be a dominant checkpoint pathway in diverse patient populations with tumors that express elevated PVRL2, the ligand of PVRIG, as compared to expression of PVR, the ligand of TIGIT. This includes patients with breast, endometrial, and ovarian cancers. In addition, expression studies show that PVRIG, TIGIT, and their respective ligands, are expressed in a broad variety of tumor types, such as those noted above, as well as lung, kidney, and head & neck cancers. In these tumors the blockade of both TIGIT and PVRIG may be required to stimulate an anti-tumor immune response, with or without additional PD-1 pathway blockade. COM701 is in a Phase 1 clinical trial in patients with advanced solid tumors, to evaluate in monotherapy, combination therapy with a PD-1 inhibitor and combination therapy with PD-1 inhibitor and TIGIT inhibitor.

Clinical Development

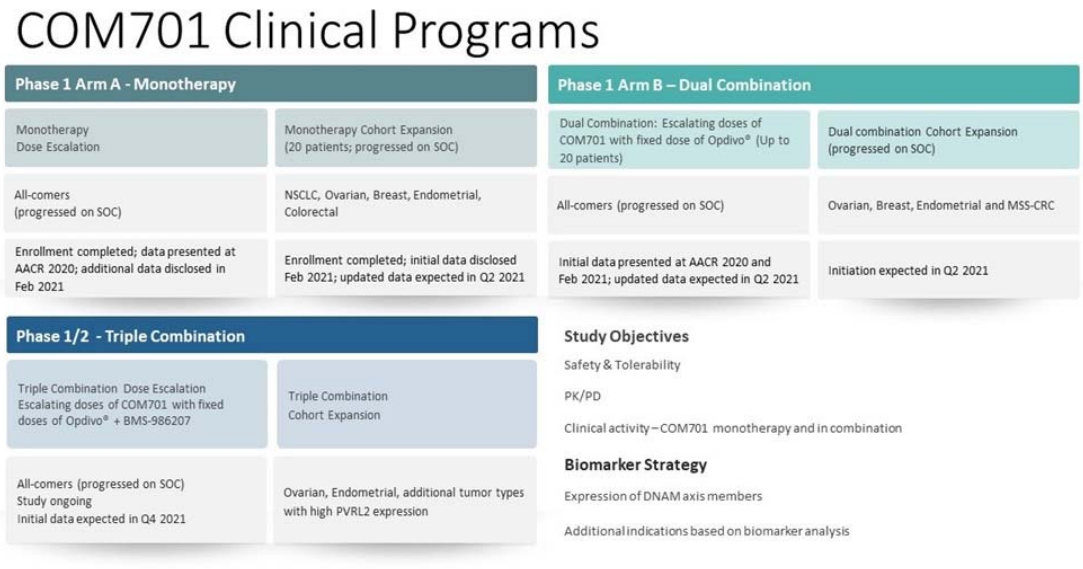
In September 2018, we dosed our first patient in the Phase 1 clinical study of COM701.

In October 2018, we entered into a master clinical trial collaboration agreement, or the MCTC, with Bristol Myers Squibb to evaluate the safety and tolerability of COM701 in combination with Bristol Myers Squibb's PD-1 immune checkpoint inhibitor Opdivo®. In February 2020, the MCTC was amended to include a phase ½ clinical trial, sponsored by Compugen, to evaluate the safety, tolerability and antitumor activity of COM701 in combination with Opdivo® (nivolumab), and Bristol Myers Squibb's investigational antibody targeting TIGIT known as BMS-986207, in patients with advanced solid tumors. In February 2021, the MCTC was further amended to include an expansion of the Phase 1 combination study designed to evaluate the dual combination of COM701 and Opdivo® in patients with advanced solid tumors. See "Business Strategy and Partnerships - Bristol Myers Squibb Collaboration" below. Bristol Meyers Squibb supplies Opdivo® for the dual combination portions of the studies in accordance with our collaboration through the completion of the dose escalation and expansion arms of the study, as specified below, and supplies both Opdivo® and its investigational antibody targeting TIGIT known as BMS-986207, for the triple combination study in accordance with our collaboration, at no cost.

A schema of the study, patient population, key study objectives and biomarker strategy are summarized in the chart below:

COM701 Clinical Programs

Phase 1 study was initiated September 2018.



Phase 1 Arm A of the study evaluated the safety and tolerability of COM701 monotherapy through sequential dose escalations. We completed the enrollment of the arm and have selected a recommended dose of COM701 that we used for the monotherapy cohort expansion.

The patient population enrolled in the dose escalation was all comers and includes patients who have failed prior therapies including other checkpoint inhibitors and have no other available approved therapies.

To evaluate the long-term safety and efficacy of COM701 monotherapy, following the completion of the COM701 monotherapy dose-escalation, we initiated a monotherapy expansion cohorts study with the enrollment of patients with relapsed or refractory disease and such tumor types that have been selected based on the preclinical data demonstrating a high expression of PVRIG and PVRL2 and based on emerging clinical data from the dose-escalation cohorts of the study. In addition, our biomarker strategy evaluates these clinically relevant endpoints (clinical activity and safety) in the expansion cohorts, including immune phenotyping, PVRIG pathway expression and receptor occupancy by COM701. Our biomarker analysis is a retrospective analysis, which if confirmed, will serve for patient selection at later stages of the trial.

In November 2019 we presented initial clinical data from the COM701 monotherapy dose escalation study at the 34th Annual Meeting of the Society for Immunotherapy of Cancer (SITC 2019), demonstrating that COM701 is well-tolerated through 10 mg/kg IV Q3 weeks with no dose-limiting toxicities observed. Furthermore, data showed preliminary signs of anti-tumor activity in heavily pretreated patient population (with a median of seven prior anticancer therapies (range of 2-15)), with best timepoint response of stable disease (SD)/disease control rate reported in 9 of 13 patients (69%).

Phase 1 Arm B of the study evaluates the safety and tolerability of COM701 in combination with a PD-1 inhibitor using a 3+3 study design. A similar patient population, as enrolled for the dose escalation cohorts in Arm A was enrolled for this part of the study and enrollment was completed during 2020.

In a poster (Abstract #TPS23) titled “A Phase 1 Study Evaluating COM701 Monotherapy and in Combination with Nivolumab in Patients With Advanced Solid Malignancies,” featured at the 2020 ASCO-SITC Clinical Immuno-Oncology Symposium in Orlando, FL, in February 2020, we reported the following: (i) enrollment in the eighth dose level patient cohort of 20mg/kg at Q4 weekly dosing schedule is ongoing in the monotherapy dose escalation study; (ii) enrollment in the fourth dose level patient cohort at Q4 weekly dosing schedule in the combination dose escalation study of COM701 with Opdivo® (nivolumab) has been completed with no dose-limiting toxicities reported; and (iii) no dose limiting toxicities have been reported in lower dose level patient cohorts in the monotherapy and combination dose escalation arms.

In April 2020 we presented updated results from our ongoing Phase 1 dose escalation study of COM701 at the 2020 American Association for Cancer Research (AACR) Virtual Annual Meeting I demonstrating that COM701 was well-tolerated through 20 mg/kg IV Q4 weeks as a monotherapy and 10 mg/kg IV Q4 weeks in combination with Opdivo® (480 mg IV Q4 weeks) with no dose-limiting toxicities reported. Furthermore, COM701 demonstrated encouraging signals of anti-tumor activity with high disease control rate in both the monotherapy and combination therapy arms (69% and 75%, respectively), including two confirmed partial responses and durable responses of over six months across cohorts, in the heavily pretreated patients enrolled in the study.

In February 2021 we presented updated results from our ongoing Phase 1 dose escalation study of COM701 as a monotherapy, and in combination with Opdivo® (nivolumab) and our monotherapy cohort expansion.

Data highlights from the Phase 1 dose escalation studies as of the data cutoff of December 14, 2020 include:

COM701 and Opdivo® combination dose escalation arm:

- In 15 patients with a median of five prior anticancer therapies (range of 2-10), COM701 in combination with Opdivo® was well-tolerated with no reported dose-limiting toxicities up to the fifth and final dose cohort of COM701 20 mg/kg and Opdivo® 480 mg, both IV Q4 weeks.
- The disease control rate (DCR) was 66.7% (N=10) with best responses of complete response (CR) 6.7% (N=1), partial response (PR) 6.7% (N=1) and stable disease (SD) 53.3% (N=8).
- A patient with anal squamous cell carcinoma with confirmed SD as reported at American Association for Cancer Research (AACR) 2020, now with confirmed CR and remains on treatment at 79 weeks. This patient progressed on Opdivo® prior to enrolling in our study.
- A patient with microsatellite stable (MSS)-colorectal cancer with durable confirmed partial response previously reported at AACR 2020 remained on study treatment at 44 weeks.
- Durable responses of confirmed SD of six months or more in three patients. One patient with renal cell carcinoma remains on treatment at 58 weeks, and one patient with non-small cell lung cancer (NSCLC) (squamous) who failed prior treatment with immune checkpoint inhibitors remained on treatment at 36 weeks, and one patient with endometrial cancer remained on treatment at 46 weeks.

COM701 monotherapy arm dose escalation update since AACR 2020:

- The patient with primary peritoneal cancer (platinum resistant, MSS) with durable confirmed partial response remains on study treatment at 62 weeks.
- The patient with pancreatic cancer, refractory to all three prior lines of standard of care (SOC) therapy with durable confirmed SD was on study treatment for 31 weeks.

Data highlights from the monotherapy expansion cohort as of the data cutoff of December 14, 2020 include:

- 20 patients enrolled in biomarker and data informed indications; four patients of each: endometrial cancer, NSCLC, ovarian cancer, breast cancer and colorectal cancer.
- Six of the 20 patients (30%) had best responses of SD, one patient with endometrial cancer, three patients with NSCLC and two patients with ovarian cancer.
- Two patients with SD remain on treatment as of the data cutoff date; one patient with NSCLC who had >3 prior lines of SOC therapy; including prior treatment with immune checkpoint inhibitors with treatment ongoing at 26 weeks, and one patient with ovarian cancer with treatment ongoing at 20 weeks.
- Two additional patients remain on treatment as of the data cutoff date.
- No new safety findings were observed.

Phase 1/2 study is designed to evaluate the safety, tolerability and antitumor activity of COM701 in combination with Opdivo® and BMS-986207. The study is designed to evaluate a safe and tolerable dose of the combination during dose escalation and antitumor activity in selected tumor types in the expansion cohorts (ovarian cancer, endometrial cancer and a biomarker-driven arm of tumor types with high expression of PVRL2). Dose levels for Opdivo® and BMS-986207 combinations have already been determined through prior testing by Bristol Myers Squibb, allowing for dose escalation of COM701 with fixed doses of Opdivo® and BMS-986207.

In September we announced that the first patient has been dosed in the Phase ½ study and we are currently enrolling patients to the dose escalation cohorts.

- ***COM902 - a therapeutic antibody targeting TIGIT***

Pathway expression and Preclinical data

COM902, a high affinity, fully human antibody targeting TIGIT, an immune checkpoint is developed by us. COM902 was shown to have superior binding affinity to T cells with similar and or greater in vitro function compared to several clinical anti-TIGIT antibodies. COM902 is a mouse-cross reactive Ab and inhibited tumor growth and increased survival when combined with anti-PVRIG or anti-PD-L1 antibodies in in-vivo studies. Preclinical data demonstrate that TIGIT inhibition, either alone or in combination with other checkpoint inhibitors, can enhance T cell activation and increase anti-tumor immune responses. In pre-clinical studies, parallel inhibition of TIGIT and PVRIG, two coinhibitory arms of the DNAM axis, results in

synergistic effects on effector T cell function and tumor growth inhibition in various model systems that can be further increased with the addition of PD-1 blockade. Based on preclinical data these combinations may be clinically important for enhancing anti-tumor immune response and expanding the patient population responsive to checkpoint inhibition.

We discovered TIGIT in 2009 with its immune checkpoint computational discovery platform through which PVRIG was also discovered. The TIGIT discovery was published by us in October 2009 in the Proceedings of the National Academy of Sciences (PNAS).

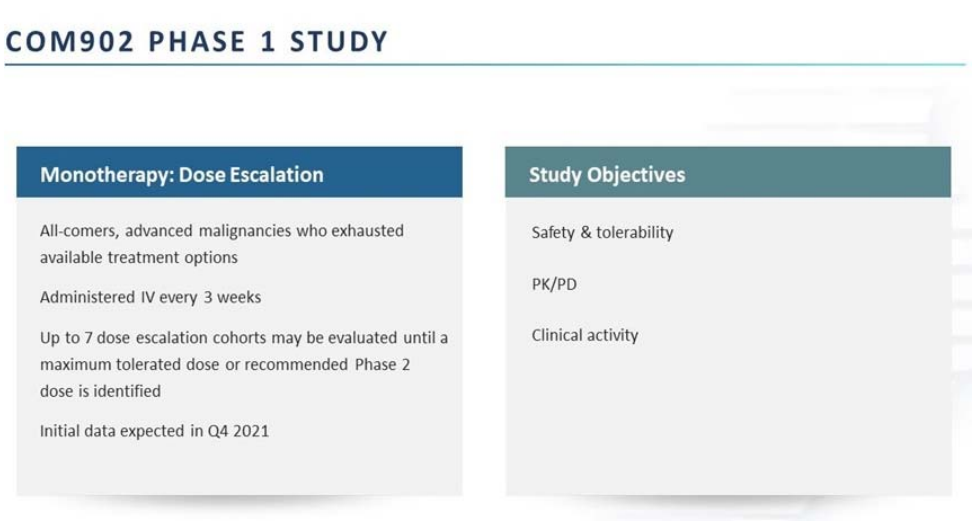
Expression studies show that PVRIG and TIGIT, and their respective ligands, are expressed in a broad variety of tumor types, such as breast, endometrial, ovarian, lung, kidney, and head & neck cancers. These results indicate that within the same tumor indications there are variations with respect to the possible dominance of the two pathways, and that in patient populations where the two pathways are operative, the blockade of both TIGIT and PVRIG may be required to sufficiently stimulate an anti-tumor immune response.

Clinical Development

In March 2020, we dosed our first patient in the Phase 1 clinical study of COM902.

A schema of the study, patient population and key study objectives are summarized in the chart below:

COM902 Clinical Programs



Phase 1 of the study evaluates the safety and tolerability of COM902 monotherapy in patients with advanced malignancies through sequential dose escalations. At the completion of the monotherapy dose escalation study, we expect to have a recommended phase 2 dose of COM902.

The patient population enrolled is all comers and includes patients who have failed prior therapies including other checkpoint inhibitors and have no other available approved therapies.

The Phase 1 study is currently enrolling at leading centers in the United States and is expected to include approximately 45 patients.

- ***BAY 1905254 – a therapeutic antibody targeting CGEN-15001T/ILDR2***

ILDR2, (formerly CGEN-15001T) a novel immune checkpoint target discovered by Compugen, was developed with Bayer pursuant to a research and discovery collaboration and license agreement signed in August 2013. See "Business Strategy and Partnerships - Bayer Collaboration" below. Studies testing the immune function of ILDR2 demonstrated inhibitory effects on T cells consistent with it being an immune checkpoint ligand. ILDR2 appears to have a unique mechanism of action relative to other immune checkpoints currently being targeted in clinical testing. ILDR2 is expressed in lymph nodes, suggesting that BAY 1905254 exerts its effects on immune cell priming rather than on directly enhancing immune cell killing effects in the tumor microenvironment.

In April 2018, Bayer disclosed BAY 1905254 a human/monkey/mouse cross-reactive antibody blocking the immunosuppressive activity of ILDR2. BAY 1905254 has exhibited anti-tumor activity as a monotherapy in various mouse models and was also shown to have additive anti-tumor effects in combination with other cancer therapy approaches, indicating the possibility for multiple combination uses in cancer immunotherapy.

BAY 1905254 is currently being evaluated in a Phase 1 study in patients with advanced solid tumors. The study, sponsored and conducted by Bayer, is an open-label, dose escalation study designed to evaluate the safety and tolerability of BAY 1905254. The study also evaluates BAY 1905452 in combination with Keytruda, with an expansion cohort in head and neck cancer to evaluate the combination treatment.

Biomarker driven strategy

We recognize that one of the major limitations of current immunotherapy approaches is the lack of tools to help predict patient responses. Through the use of informed biomarker driven strategies, based on the new biological pathways we discover, we aim to identify biomarkers that can help us predict which patients are most likely to respond to our novel therapies. This long-term approach also seeks to improve the probability of success of our clinical studies.

Our clinical trials are designed to advance our biomarker driven strategy. Not only are we utilizing the extensive preclinical data we have collected on biomarker expression in individual tumor types to inform the study of our drugs and the indications that we are evaluating, but we are also collecting tissue samples from some of our patients in order to assess potential biomarkers, such as DNAM axis related biomarkers and also intend to create data characterizing tumor physiology before and during treatment to be utilized in further target and biomarker discovery.

Early Stage Pipeline

Our early stage programs are focused largely on myeloid targets addressing a range of mechanisms of action of myeloid biology. The myeloid lineage of the immune system includes suppressive macrophages, immune cells that are highly immune suppressive in the tumor microenvironment, and that can affect the anti-tumor immune response via multiple mechanisms of action. As such, blocking myeloid targets may offer a complementary strategy to T cell checkpoint inhibition, providing new treatment solutions for non-responsive or relapsing patients and expanding the patient population responsive to immunotherapies. The Company's discovery platforms have been enhanced to identify new myeloid targets within the tumor microenvironment of multiple cancers and are pursued by the Company. More recently, we initiated a discovery platform and consequently validation of targets that address other mechanisms of immune resistance in the tumor microenvironment.

Our Predictive Computational Discovery Approach

While our predictive computational discovery platforms have potentially broad applicability and is not limited to a certain indication or therapeutic field, we focus our predictive computational discovery efforts on the discovery of novel drug targets and new biological pathways towards the development of new therapeutic antibodies for cancer immunotherapy, a significant unmet medical need for cancer patients. We have discovered three new targets through computational prediction which are being clinically evaluated, supporting the power and validity of our computational capabilities. COM701 targeting PVRIG, COM902 targeting TIGIT and BAY 1905254 targeting ILDR2. All these antibodies are being tested in Phase 1 studies.

Our target discovery is a predictive, proprietary computational process that we initiate based on a clinical need and which combines our expertise in the analysis of vast amount of publicly and proprietary data sets. Our multi-omics data analysis is designed to identify first-in-class drug target candidates, which are generally difficult to identify using traditional experimental approaches. We contend that biology, including target discovery, consists of complex scientific systems requiring an integrative approach relying on multiple tools to generate the best results, and should not be bound to a specific technology. The unmet clinical need and the therapeutic strategy dictate the target discovery approach, the appropriate tools and most relevant data to be employed, rather than fitting a specific tool or data type to all target discovery problems. Our target discovery process is a flexible process enabling tailor-made solutions designed to address a clinical need and consists of a toolbox of various-omics data, a suite of computational tools and purpose-built algorithms, with human expertise to optimize the output. Our computational approach is diverse and not limited to a certain data type or data technology, but rather is able to handle a wide variety of data types. We have demonstrated the applicability of our discovery approach in multiple therapeutic and diagnostic areas and have demonstrated advantages of our methodologies in identifying new drug targets. This long-term focused effort was the basis for most of our discoveries, specifically the immune checkpoint discovery in which we identified TIGIT, PVRIG and ILDR2.

To date, our discovery capabilities have resulted in the following achievements:

- An innovative immuno-oncology pipeline: three therapeutic programs addressing targets we discovered computationally and validated in-house, all of which (COM701, COM902 and BAY 1905254) underwent through successful preclinical studies and are currently in Phase 1 clinical trials, the first two sponsored by us and the third one by Bayer, respectively;
- Strategic collaborations with both leading pharmaceutical companies and academia; and
- Patents and publications: over 120 granted and pending patents and over 80 peer reviewed publications.

Predictive discovery of novel immune checkpoints:

A key Compugen accomplishment in this field is the discovery of novel protein members belonging to various known and clinically important protein families by our predictive discovery platforms. These platforms were developed for the identification of novel immune checkpoints, and more specifically, immunomodulators belonging to the B7/CD28 protein family of costimulators/coinhibitors. The platforms consist of specialized algorithms developed internally based on protein characteristics among known CD28 proteins, such as gene structure, protein domains, predicted cellular localization and expression pattern and was applied for the identification of new immune checkpoints. Applying these discovery platforms resulted in the identification of a number of putative immune checkpoint B7/CD28-like protein candidates, some of those we have disclosed are CGEN-15001T/ILDR2 (partnered to Bayer), PVRIG, and TIGIT.

Predictive discovery of myeloid targets:

In order to identify myeloid targets, we have used a combination of various of our discovery approaches, principally our expression platforms, which incorporate vast amounts of expression data from a wide variety of data sources, for the discovery of targets that are expressed within the suppressive myeloid lineages, such as tumor associated macrophages (TAMs). TAMs are an important component of the tumor microenvironment and play a major role in creating the immunosuppressive environment that enables tumor development. Proteins having the potential to modulate the tumor microenvironment may serve as potential targets for cancer immunotherapy.

Business Strategy and Partnerships

Our business strategy includes entering into various forms of revenue-sharing collaborations with pharmaceutical or biotechnology partners for our product candidates in our pipeline at both early and later stages of development. Through these collaborations we seek to create, further develop and commercialize therapeutic product candidates directed to our novel drug targets. Such collaborations or other types of partnering arrangements might include one or more of our therapeutic pipeline programs, including our novel early-stage candidates, as well as our clinical candidates COM701 and COM902. Potential revenue sources in line with this business model could include upfront fees, research funding, in-kind funding, milestones payments, license fees, royalties and other revenue sharing payments. We may also seek co-development arrangements pursuant to which we would further advance partnered programs under any such partnership in order to retain higher share from future sales revenues.

Additionally, our discovery capabilities are designed to allow for research and discovery collaborations aimed at harnessing our solutions and capabilities towards a potential partner's pipeline needs. In these arrangements, we would utilize our discovery approaches to identify novel proteins and/or targets addressing a specific unmet need of interest to our partner.

Bayer Collaboration

On August 5, 2013, we entered into a collaboration with Bayer, or the Bayer Collaboration, for the research, development, and commercialization of antibody-based therapeutics against two novel Compugen-discovered immune checkpoint regulators, BAY 1905254 (formerly CGEN 15001T/ILDR2)and CGEN 15022.

Under the terms of the Bayer Collaboration, we received an upfront payment of $10 million, and, following the return of the CGEN 15022 program to us, we are eligible to receive an aggregate of over $250 million in potential milestone payments for the BAY 1905254 program, not including aggregate milestone payments of approximately $23 million received to date. Additionally, we are eligible to receive mid-to-high single digit royalties on global net sales of any approved products under the collaboration.

In 2014, we achieved the first and second preclinical milestones and in 2015 we achieved the third preclinical milestone with respect to BAY 1905254. Pursuant to the terms of the Bayer Collaboration, this program was transferred to Bayer's full control for further preclinical and clinical development activities, and worldwide commercialization under milestone and royalty bearing licenses from us. In September 2018, the program achieved the fourth milestone, following the dosing of the first patient in the Phase 1 clinical trial of BAY 1905254.

The Bayer Collaboration continues until Bayer is no longer required to make payments under the Agreement or until otherwise terminated by either party in accordance with the terms of the Agreement. Bayer may also terminate the Bayer Collaboration, either in whole or only with respect to one of the programs, and in each case also on a product-by-product and/or country-by country basis, at any time without cause, upon prior written notice. Either party may also terminate the Bayer Collaboration, either in whole or with respect to only one of the programs, if the other party is in material breach and such breach has not been cured within the applicable cure period. Upon any termination of the Agreement, depending upon the circumstances, the parties have varying rights and obligations with respect to the continued development and commercialization of any products and certain payment and royalty obligations.

Bristol Myers Squibb Collaboration

On October 10, 2018, we entered into a master clinical trial collaboration agreement, or the MCTC, with Bristol Myers Squibb to evaluate the safety and tolerability of COM701 in combination with Bristol Myers Squibb's PD-1 immune checkpoint inhibitor Opdivo® (nivolumab), in patients with advanced solid tumors.

The collaboration was also designed to address potential future combinations, including trials to investigate combined inhibition of checkpoint mechanisms. The clinical combination of multiple immune checkpoint inhibition is designed to clinically test the synergistic activity demonstrated in preclinical models. The parties agreed that Bristol Myers Squibb and Compugen will each supply the other company with its own compound for the other party's study, and otherwise each party will be responsible for all costs associated with the study that it is conducting. Any combination trial performed under this agreement is referred to as a Combined Therapy Study.

On February 14, 2020, the MCTC was amended to include a triple combination clinical trial to evaluate the safety, tolerability and antitumor activity of COM701 in combination with Opdivo® (nivolumab), and Bristol Myers Squibb's investigational antibody targeting TIGIT known as BMS-986207, in patients with advanced solid tumors, instead of the planned expansion of the combined therapy study designed to evaluate the dual combination of COM701 and Opdivo®.

Pursuant to the MCTC, as amended, we sponsor the two-part Phase 1/2 trial, which evaluates the triple combination of COM701, Opdivo® and BMS-986207, in patients with advanced solid tumors where Bristol Myers Squibb provides Opdivo® and BMS-986207 at no cost to us.

As part of the amended MCTC, it was agreed that we will complete the dose escalation arm of the dual combination of COM701 with Opdivo® under the ongoing Phase 1 study and will not continue the expansion cohorts of the dual combination. However, on February 19, 2021, such MCTC was further amended to include an expansion of the Phase 1 combination study designed to evaluate the dual combination of COM701 and Opdivo® in patients with advanced solid tumors, where we will be responsible for and will sponsor the expansion cohort and Bristol Myers Squibb will provide Opdivo® at no cost to us for this study. The amendment also revises the exclusivity period granted to Bristol Myers Squibb to include a specific date for termination of the exclusivity period, so that it ends at the earlier of (i) six months after the study completion of the triple combination and the dual combination; or (ii) December 31, 2023.

Ownership of, and global commercial rights to, COM701 remain solely with us under the MCTC (subject to the rights granted to Bristol Myers Squibb). If we wish to license the right to commercialize COM701 in any territory during the time prior to the end of the exclusivity period specified above, we must first negotiate with Bristol Myers Squibb for a period of three months, or the Negotiation Period, to grant an exclusive license to develop and commercialize COM701 in that territory. If we and Bristol Myers Squibb do not reach an agreement for an exclusive license within the Negotiation Period, then Bristol Myers Squibb will have no further first negotiation rights, and we will be free to license COM701 (subject to all other rights afforded to Bristol Myers Squibb under the MCTC) to other parties, in such territory. After the expiration of the Exclusivity Period, we are free to license COM701 without any further obligation to Bristol Myers Squibb.

The MCTC also contains certain exclusivity provisions that run through the said exclusivity period. We agreed not to conduct any preclinical or clinical research with, or grant rights to, certain restricted third parties regarding the combination of an anti-PD-1 antagonist or anti-PD-L1 antagonist together with COM701. We remain free to conduct any preclinical or clinical research involving such restricted combination on our own or in collaboration with academic or other non-profit entities.

Subject to termination rights for breach, bankruptcy or a material safety issue or clinical hold, the term of the MCTC will continue in effect until completion by all centers or institutions participating in the Combined Therapy Studies, the delivery of study data to both parties and the completion of any then agreed upon protocol(s), statistical analysis and bioanalysis plan. In the event a third-party merges with or acquires us, we are free to assign or transfer the Agreement without the consent of Bristol Myers Squibb.

In conjunction with the signing of the MCTC, Bristol Myers Squibb made a $12 million investment in us, purchasing 2,424,243 of our ordinary shares at a purchase price of $4.95 per share. The share price represented a 33% premium over the average closing price of our ordinary shares for twenty (20) Nasdaq trading days prior to the execution of the securities purchase agreement. Please see “Item 5. Operating and Financial Review and Prospects Finance - B. Liquidity and Capital Resources.”

AstraZeneca License

In March 2018, we entered into an exclusive license agreement with AstraZeneca, to enable the development of bi-specific and multi-specific immuno-oncology antibody products.

Under the terms of the license agreement, we provide an exclusive license to AstraZeneca for the development of bi-specific and multi-specific antibody products derived from one of our pipeline programs. AstraZeneca has the right to create multiple products under this license and will be solely responsible for all research, development and commercial activities under the agreement. We received a $10 million upfront payment and are eligible to receive up to $200 million in development, regulatory and commercial milestones for the first product as well as tiered royalties on future product sales, out of which we accrued $2 million in 2020 as a preclinical milestone. If additional products are developed, additional milestones and royalties would be due to us for each product. We retained all other rights to our entire pipeline of programs as monotherapies and in combination with other products.

Subject to termination rights for material breach, bankruptcy or by us for patent challenge by AstraZeneca, the term of the license agreement continues until the expiration of the last Royalty Term in the Territory, each as defined in the license agreement. In addition, AstraZeneca may terminate the agreement for convenience upon prior written notice.

Main Academic Collaboration

We also advance our pipeline through academic collaborations with leading researchers and key opinion leaders in the field of immuno-oncology. Our current main academic collaboration is with Johns Hopkins School of Medicine.

The collaboration focuses on the evaluation of novel T cell and myeloid checkpoint targets identified by us for the potential treatment of cancer. The scope of the collaboration includes identifying differentiating features of our novel targets relative to known immuno-oncology targets, and the therapeutic potential of drugs modulating the activity of those novel drug targets. Research is conducted under the leadership of Drew Pardoll, M.D., Ph.D., Abeloff Professor of Oncology, Medicine, Pathology, and Molecular Biology and Genetics at Johns Hopkins University, School of Medicine, and Director of the Bloomberg~Kimmel Institute for Cancer Immunotherapy and Co-Director of the Cancer Immunology Program at the Sidney Kimmel Comprehensive Cancer Center, Johns Hopkins, and Chairman of our Scientific Advisory Board.

Competition

The biotechnology and pharmaceutical industries are highly competitive and characterized by the rapid evolution of new technologies and the adoption of new therapies. Additionally, the oncology therapeutic space, and in particular the immuno-oncology or cancer immunotherapy subsector, represents the therapeutic area with the highest industry focus and investment. In addition, in recent years, computational approaches and systems are being integrated into multiple life science aspects, including the formation of new companies focusing on computational drug target discovery. Our competitors include biotechnology and pharmaceutical companies both small and large, the research and discovery groups within pharmaceutical companies, computational discovery and development companies, academic and research institutions, newly founded companies and governmental and other publicly funded agencies.

Any product candidates that we successfully develop will compete with currently approved therapies and new therapies that may become available in the future. We face, and expect to continue to face, ongoing competition from entities that discover novel targets and develop novel products, and that have therapeutic product candidates or products that address the same drug targets or act by similar, or possibly identical, mechanism of action (MOA) as well as by different mechanisms, but address the same drug target or clinical unmet need. Our potential competitors are also comprised of companies that discover and develop monoclonal antibody therapies and/or therapeutic proteins to novel targets, and/or cell therapies for oncology diseases. Specifically, in the field of immune checkpoints and myeloid drug targets for cancer immunotherapy, there are several leading pharmaceutical and biotechnology companies as well as smaller biotechnology companies and academic institutions that are developing cancer immunotherapies to enhance immune response towards tumors, some of which may be based on the same targets we have discovered. If approved, such cancer immunotherapy products would compete with our product candidates for commercialization or approved products in the respective fields. If in development stage, such cancer immunotherapy products would compete with our product candidates for entering into strategic partnerships with pharmaceutical and biotechnology companies which form the basis of our business model.

Our discovery program depends, in large part, on our discovery platforms and other capabilities and our proprietary data to make inventions and establish intellectual property rights in protein-based products, including proteins and antibodies. There are additional companies exploring computational approaches and systems for drug target discovery and number of other means by which such inventions and intellectual property can be generated. We believe that our computational capabilities, and specifically our predictive computational discovery platforms, provide us with a competitive advantage in predicting new protein functions and linking proteins to specific diseases, and as a result, predicting new drug targets. We believe that this advantage is made possible by building an infrastructure for predictive discovery based on the integration of scientific understanding and predictive models as well as our unique team of multidisciplinary research scientists, who have vast experience in computational discovery, including developing and handling such data analysis approaches, and who over time discovered three drug targets that are now in clinical studies and have generated dozens of peer reviewed publications of certain of our findings and capabilities in scientific journals.

Many of our potential competitors, either alone or with their collaborative partners, have substantially greater financial, technical and human resources than we do and significantly greater experience in computational approaches and the discovery, development and manufacturing of therapeutics, obtaining FDA and other regulatory approvals, and commercialization of products. Accordingly, our competitors may be more successful than we may be in identifying new drug targets and product candidates, protecting them with patent applications, developing them, accelerating their development process, obtaining FDA and other regulatory approvals and achieving widespread market acceptance. We anticipate that we will face intense and increasing competition as advanced technologies or new therapy modalities become available.

Intellectual Property Rights

Our intellectual property assets are our principal assets. These assets include the intellectual property rights subsisting in our proprietary know-how and trade secrets underlying our predictive biology capabilities and discovery platforms, our patents and patent applications, particularly with respect to our discovered proteins, therapeutic and diagnostic product candidates. We seek to vigorously protect our rights and interests in our intellectual property. We expect that our commercial success will depend on, among other things, our ability to obtain commercially valuable patents, especially for our therapeutic and diagnostic product candidates, maintain the confidentiality of our proprietary know-how and trade secrets, and otherwise protect our intellectual property. We design our patent strategy to fit the business competitive landscape and continual legislative changes. In addition, we periodically analyze and examine our patent portfolio to align it with our pipeline strategy and business needs. We seek patent protection for certain promising inventions that relate to our therapeutic and diagnostic product candidates. As of February 15, 2021, we had a total of 42 issued and allowed patents, of which 16 are U.S. patents, 7 are European patents and additional 19 patents in other territories. Our issued and allowed patents expire between 2027 and 2037. As of February 15, 2021, we had over 120 pending patent applications that have been filed in the United States, Europe and in other territories as well as pending patent applications that have been filed under the Patent Cooperation Treaty for which we have not yet designated the countries of filing. The patents issued in the U.S. and Europe for COM701 and COM902 were issued between 2017 and 2020 and should expire no earlier than 2036. These patents include issued claims directed to, among others, the composition of these product candidates and/or methods of using the same to treat cancer by activating T cells and/or NK cells, and/or combinations of our product candidates with other checkpoint inhibitors. Our general policy is to continue patent filings and maintenance for our therapeutic and diagnostic product candidates, only with respect to candidates or programs that are being actively pursued internally or with partners, or that we believe to have future commercial value. We routinely abandon patent applications and may choose to abandon maintenance of patents supporting candidates or programs that do not meet these criteria.

We also seek protection for our proprietary know-how and trade secrets that are not protectable or protected by patents, by way of safeguarding them against unauthorized disclosure. This is done through the extensive use of confidentiality agreements and assignment agreements with our employees, consultants and third parties as well as by technological means. We use license agreements both to access third-party technologies and to grant licenses to third parties to exploit our intellectual property rights.

In October 2020, two parties filed oppositions in the EPO requesting revocation of our granted European patent relating to anti-PVRIG antibodies, that expires in 2036. We are expected to respond to this opposition in the first half of 2021.

Manufacturing

We currently rely on contract manufacturers or our collaborative partners to produce materials, drug substances and drug products required for our research and development activities. We do not currently own or operate manufacturing facilities for the production of clinical or commercial quantities of our therapeutic drug candidates. We do not have, and we do not currently plan to acquire or develop the facilities or capabilities to manufacture bulk drug substance or filled drug product for use in human clinical trials. We rely on CMOs, advisors and third-party contractors to generate formulations and produce small scale and larger scale amounts of GLP, cGMP clinical and commercial drug substance and the drug product required for our clinical trials for the foreseeable future. We also contract with CMOs and third-party contractors for the labeling, packaging, storage and distribution of investigational drug products.

We entered into agreements with certain CMOs for the manufacturing and respective analytics of COM701 and COM902. Our manufacturing strategy is currently structured to support the advancement of our therapeutic drug development into the clinic. Although we believe the general manufacturing strategy developed for the United States will be applicable in other geographies, specific strategies for other geographies will be developed as part of our clinical and commercial plans for such other geographies. See "Item 3. Key Information – D. Risk Factors – Risks Related to Our Dependence on Third Parties - We anticipate that we will rely completely on third parties to manufacture or supply certain preclinical and all clinical and commercial drug supplies. Our business could be harmed if those third parties fail to provide us with sufficient quantities of drug product or fail to do so at acceptable quality levels, timing or prices."

Government Regulation

Regulation of Therapeutic Product Candidates

In the United States, the FDA regulates pharmaceutical and biologic products under the Federal Food, Drug, and Cosmetic Act, or FDCA, the Public Health Service Act, other statutes and regulations and implementing regulations. We anticipate that our product candidates will be regulated as biologics. The process of obtaining regulatory approvals and the subsequent compliance with applicable federal, state and local statutes and regulations require the expenditure of substantial time and financial resources. Failure to comply with the applicable United States requirements at any time during the product development process, approval process or after approval, may subject an applicant to administrative or judicial sanctions. The process required by the FDA before a biologic may be marketed in the United States generally involves the following:

- completion of preclinical laboratory tests and animal studies in compliance with the FDA's GLP or other applicable regulations;
- submission to the FDA of an IND, which must become effective before human clinical trials may begin;
- performance of adequate and well-controlled human clinical trials in accordance with Good Clinical Practices, or GCPs, to establish the safety and efficacy of the product for its intended use;
- submission to the FDA of a biologics license application, or BLA;
- satisfactory completion of an FDA inspection of the manufacturing facility or facilities at which the drug or biologic is produced to assess compliance with current Good Manufacturing Practice, or cGMP, to assure that the facilities, methods and controls are adequate to preserve the product's identity, strength, quality and purity; and
- FDA review and approval of the BLA.

Once a pharmaceutical candidate is identified for development it enters the preclinical testing stage. Preclinical tests include laboratory evaluations of product chemistry, toxicity and formulation, as well as animal studies. An IND sponsor must submit the results of the preclinical tests, together with manufacturing information and analytical data, among other information, to the FDA as part of the IND. The sponsor will also include a clinical protocol detailing, among other things, the objectives of the first phase of the clinical trial, the parameters to be used in monitoring safety, and the effectiveness criteria to be evaluated, if the first phase lends itself to an efficacy evaluation. The IND automatically becomes effective 30 days after receipt by the FDA, unless the FDA, within the 30-day time period, places the clinical trial on a clinical hold. In such a case, the IND sponsor and the FDA must resolve any outstanding concerns before the clinical trial can begin. Clinical holds also may be imposed by the FDA at any time before or during a clinical trial due to, among other things, safety concerns or non-compliance with applicable requirements.

All clinical trials must be conducted under the supervision of one or more qualified investigators in accordance with GCPs. An IRB at each institution participating in the clinical trial must review and approve the study plan for any clinical trial before it commences at that institution. An IRB considers, among other things, whether the risks to individuals participating in the trials are minimized and are reasonable in relation to anticipated benefits. The IRB also reviews the information regarding the trial, participant recruiting materials and the informed consent form that must be provided to each trial subject or his or her legal representative before participating in the trial. In addition, the IRB will monitor the trial until completed.

Each new clinical protocol must be submitted to the FDA, and to the IRBs. Protocols detail, among other things, the objectives of the study, dosing procedures, subject selection and exclusion criteria, and the parameters to be used to monitor subject safety and determine efficacy.

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

- *Phase 1:* The product candidate is initially introduced into healthy human subjects and tested for safety, dosage tolerance, absorption, metabolism, distribution and excretion. In the case of some products, usually 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 may be conducted in patients.

- *Phase 2:* Involves studies 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 and optimal dosage.

- *Phase 3:* Involves studies undertaken to further evaluate dosage, clinical efficacy and safety in an expanded patient population at geographically dispersed clinical trial sites. These studies are intended to establish the overall risk-benefit ratio of the product and provide an adequate basis for product labeling and approval.

Progress reports detailing the results of the clinical trials must be submitted at least annually to the FDA and safety reports for serious and unexpected adverse events must be submitted to the FDA and the investigators more frequently. The FDA or the sponsor may suspend or terminate 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 applicable regulations or IRB requirements or if the drug has been associated with unexpected serious harm to patients.

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

United States Review and Approval Processes

The results of product development, nonclinical studies and clinical trials, along with descriptions of the manufacturing process, analytical tests, proposed labeling, and other relevant information are submitted to the FDA as part of a BLA requesting approval to market the product for one or more indications. The FDA initially reviews all BLAs submitted to ensure that they are sufficiently complete for substantive review before it accepts them for filing. The FDA may request additional information rather than accept a BLA for filing. Once the submission is accepted for filing, the FDA begins an in-depth substantive review. The FDA may refer the BLA to an advisory committee for review, evaluation and recommendation as to whether the application should be approved and under what conditions. The FDA is not bound by the recommendation of an advisory committee.

The review process is lengthy, and the FDA may issue a complete response letter rather than approve a BLA if the applicable regulatory criteria are not satisfied or may require the submission of additional clinical or other data and information. Even if such data and information are submitted, the FDA may ultimately decide that the BLA does not satisfy the criteria for approval.

If a product receives regulatory approval, the approval will be limited to specific diseases and dosages or the approved indications for use may otherwise be limited, which could restrict the commercial value of the product. In addition, the FDA may require a company to conduct post-approval testing and clinical trials, to further assess a product's safety and effectiveness after BLA approval, and may require testing and surveillance programs to monitor the safety of approved products which have been commercialized including Risk Evaluation and Mitigation Strategy (REMS) programs to ensure that the benefits of a product outweigh its risks.

Post-approval Requirements

Approved biologics are subject to extensive and continuing regulation by the FDA, including, among other things, cGMP compliance, record-keeping requirements, reporting of adverse experiences, providing the FDA with updated safety and efficacy information, and complying with FDA promotion and advertising requirements. After an approval is granted, the FDA may withdraw the approval if compliance with regulatory requirements is not maintained or if serious problems occur after the product reaches the market. Biologics may be promoted for use only for the approved indication or indications and in accordance with the provisions of the approved label. The FDA and other federal and state agencies actively enforce the laws and regulations prohibiting the promotion of off-label uses, and a company that is found to have improperly promoted off-label uses may be subject to criminal and civil penalties. However, physicians may, in their independent medical judgment, prescribe legally available products for off-label uses. The FDA does not regulate the behavior of physicians in their choice of treatments, but the FDA does restrict manufacturer's communications on the subject of off-label use of their products.

Other Healthcare Laws

Our current and future business operations, including, among other things, our clinical research activities and our business and financial arrangements and relationships with healthcare providers, physicians and other parties through which we may market, sell and distribute our products, once approved, may be subject to extensive U.S. federal, U.S. state and foreign healthcare fraud and abuse, transparency, and data privacy and security laws. For example, U.S. federal civil and criminal laws and regulations prohibit, among other things: knowingly and willfully soliciting, receiving, offering or providing remuneration, directly or indirectly, to induce or reward either the referral of an individual, or the furnishing, recommending or arranging for a good or service, for which payment may be made under a federal healthcare program, such as the Medicare and Medicaid programs; knowingly presenting or causing to be presented, a false or fraudulent claim for payment by a federal healthcare program; and knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program (including a private payor), 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. Many U.S. states and foreign countries have analogous prohibitions that may be broader in scope and apply regardless of payor. In addition, we may be subject to U.S. federal, U.S. state and foreign laws that require us to report information related to certain payments and other transfers of value to certain health care professionals, as well as ownership and investment interests in our company held by those health care professionals and their immediate family members, and data security and privacy laws that restrict our practices with respect to the use and storage of certain data.

Efforts to ensure that our current and future business arrangements with third parties comply with applicable healthcare laws and regulations may involve substantial costs. If we are found to be in violation of any of these laws, we could be subject to significant civil, criminal and administrative penalties, including damages, fines, disgorgement, imprisonment, exclusion from participation in government healthcare programs, additional integrity oversight and reporting obligations, contractual damages, reputational harm and the curtailment or restructuring of our operations.

Healthcare Policy and Reform

Our ability to commercialize our future therapeutic product candidates successfully, alone or with collaborators, will depend in part on the extent to which coverage and reimbursement for these product candidates will be available from government health programs, such as Medicare and Medicaid in the United States, private health insurers and other third-party payors. At present, significant changes in healthcare policy, in particular the continuing efforts of the U.S. and other governments, insurance companies, managed care organizations and other payors to contain or reduce health care costs are being discussed, considered and proposed. Drug prices in particular are under significant scrutiny and continue to be subject to intense political and societal pressures, which we anticipate will continue and escalate on a global basis.

For example, in the United States, there have been several initiatives implemented to achieve these aims. The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Affordability Reconciliation Act, collectively, the ACA, substantially changed the way healthcare is financed by both governmental and private insurers and significantly affects the pharmaceutical industry. With regard to biopharmaceutical products, the ACA has, among other things, expanded and increased industry rebates for products covered under Medicaid programs and changed the coverage requirements under the Medicare Part D program. The Tax Act included a provision which repealed, effective January 1, 2019, the tax-based shared responsibility payment imposed by the ACA on certain individuals who fail to maintain qualifying health coverage for all or part of a year that is commonly referred to as the "individual mandate". In addition, the 2020 federal spending package permanently eliminated, effective January 1, 2020, the ACA-mandated "Cadillac" tax on high-cost employer-sponsored health coverage and medical device tax and, effective January 1, 2021, also eliminated the health insurer tax. There remain judicial and Congressional challenges to certain aspects of the ACA. In January 2017, Congress voted to adopt a budget resolution for fiscal year 2017 that authorized the implementation of legislation that would repeal portions of the ACA. On December 14, 2018, a Texas U.S. District Court Judge ruled that the ACA is unconstitutional in its entirety because the "individual mandate" was repealed by Congress as part of the Tax Act. Additionally, on December 18, 2019, the U.S. Court of Appeals for the 5th Circuit upheld the District Court ruling that the individual mandate was unconstitutional and remanded the case back to the District Court to determine whether the remaining provisions of the ACA are invalid as well. The U.S. Supreme Court is currently reviewing this case, although it is unclear when a decision will be made.

In addition, other legislative changes have been proposed and adopted since the ACA was enacted. The Budget Control Act of 2011, triggered automatic reduction to several government programs, including reductions to Medicare payments to providers, which went into effect in April 2013 and will remain in effect through 2030, unless additional congressional action is taken. However, pursuant to COVID-19 pandemic relief legislation, these Medicare sequester reductions have been suspended from May 1, 2020 through March 31, 2021 due to the COVID-19 pandemic. Additionally, there has been increasing legislative and enforcement interest in the United States with respect to drug pricing practices. Specifically, there have been several recent U.S. Congressional inquiries and legislation designed to, among other things, bring more transparency to drug pricing, reduce the cost of prescription drugs under Medicare, review the relationship between pricing and manufacturer patient programs and reform government program reimbursement methodologies for drugs. For example, the Trump administration previously released a "Blueprint", to lower drug prices and reduce out of pocket costs of drugs that contains additional proposals to increase drug manufacturer competition, increase the negotiating power of certain federal healthcare programs, incentivize manufacturers to lower the list price of their products, and reduce the out of pocket costs of drug products paid by consumers. In the fall of 2020, several final rules have been finalized that seek to implement the Trump administration's proposals. However, it is unclear whether the Biden administration will work to reverse these measures or pursue similar policy initiatives. We cannot predict what healthcare reform initiatives may be adopted in the future. However, we anticipate that Congress, state legislatures, and third-party payors may continue to review and assess alternative healthcare delivery and payment systems and may in the future propose and adopt legislation or policy changes or implementations effecting additional fundamental changes in the healthcare delivery system. We also expect ongoing legislative and regulatory initiatives to increase pressure on drug pricing. Further, it is possible that additional government action is taken in response to the COVID-19 pandemic.

Coverage and Reimbursement

Market acceptance of products is dependent on the extent to which coverage and reimbursement is available from third-party payors. Significant uncertainty exists as to the coverage and reimbursement status of any products for which we may obtain regulatory approval. Coverage decisions may not favor new products when more established or lower cost therapeutic alternatives are already available. Even if we obtain coverage for a given product, the associated reimbursement rate may not be adequate to cover our costs, including research, development, intellectual property, manufacture, sale and distribution expenses, or may require co-payments that patients find unacceptably high. Coverage and reimbursement policies for products can differ significantly from payor to payor as there is no uniform policy of coverage and reimbursement for products among third party payors in the United States.

Non-U.S. Regulations

In addition to regulations in the United States, biologics are subject to a variety of foreign laws and regulations governing clinical trials and commercial sales and distribution before they may be sold outside the United States. Whether or not we obtain FDA approval for a product, we must obtain the necessary approvals from comparable regulatory authorities of foreign countries before we can commence clinical trials or marketing of the product in those countries. The approval process varies from country to country and the time may be longer or shorter than that required for FDA approval. In some countries, we will also have to get pricing approval.

Environmental Regulation

Some of our research and development activities involve the controlled use of biologic and chemical materials, a small amount of which could be considered to be hazardous. We are subject to laws and regulations in the U.S. and Israel governing the use, storage, handling and disposal of all these materials and resulting waste products. We store relatively small amounts of biologic and chemical materials. To our knowledge, we substantially comply with these laws and regulations. However, the risk of accidental contamination or injury from these materials cannot be entirely eliminated. In the event of an accident, we could be held liable for any resulting damages, and any liability could exceed our resources.

Regulation of Use of Human Tissue

We need to access and use various human or non-human tissue samples for the purpose of research, development and or validation of some of our product candidates. Our access and use of these samples are subject to government regulation, in the United States, Israel and elsewhere and may become subject to further regulation. The use of clinical data associated with human tissue samples is also heavily regulated in the United States, Israel and elsewhere. United States and other governmental agencies may also impose restrictions on the use of data derived from human or other tissue samples.

Regulations Concerning the Use of Animals in Research

We also are subject to various laws and regulations regarding laboratory practices and the use of animals in our research. In the United States, the FDA regulations describe good laboratory practices, or GLPs, for various types of nonclinical laboratory studies that support or are intended to support applications for research or marketing permits for products regulated by the FDA, including INDs. Nonclinical animal studies conducted by us or third parties on our behalf may be subject to the U.S. Animal Welfare Act, the U.S. Public Health Service Policy on Humane Animal Care and Use, U.S. Department of Agriculture regulations for certain animal species. In Israel, the Council on Animal Experimentation has regulatory and enforcement powers, including the ability to suspend, change or withdraw approvals, among other powers. To our knowledge, we and the third-party service providers we work with, as applicable, substantially comply with these regulatory requirements.

Regulation of Products Developed with the Support of Research and Development Grants

For a discussion of regulations governing products developed with research and development grants from the Government of Israel, see “Item 5. Operating and Financial Review and Prospects- C. - Research and Development, Patents and Licenses - The Israel Innovation Authority.”

C. ORGANIZATIONAL STRUCTURE

We were incorporated under the laws of the State of Israel on February 10, 1993 as Compugen Ltd., which is both our legal and commercial name. Compugen USA, Inc., our wholly owned subsidiary, was incorporated in Delaware in March 1997 and is qualified to do business in California.

D. PROPERTY, PLANTS AND EQUIPMENT

In December 2015, we moved to new facilities in Holon, Israel where we leased an aggregate of approximately 35,250 square feet of office, biology laboratory facilities and warehouse. Following the exercise of our first option, we lease 29,870 square feet under that lease that expires on March 14, 2026 (with an option to extend the lease for additional five-year period). In addition, Compugen USA, Inc. currently leases 3,360 square feet of office space in South San Francisco, California, under a lease that expires on September 30, 2022.

To our knowledge, there are no environmental issues that affect our use of the properties that we lease.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS FINANCE

The following discussion of our critical accounting policies and our financial condition and operating results should be read in conjunction with our consolidated financial statements and related notes, prepared in accordance with U.S. GAAP as of December 31, 2020, and with any other selected financial data included elsewhere in this annual report.

Background

Compugen is a clinical-stage therapeutic discovery and development company utilizing its broadly applicable, predictive computational discovery platforms to identify novel drug targets and new biological pathways to develop therapeutics in the field of cancer immunotherapy. Our innovative immuno-oncology pipeline consists of three clinical stage programs, targeting immune checkpoints we discovered computationally, COM701, COM902 and BAY 1905254. The Company's lead product candidate, COM701, a first-in-class anti-PVRIG antibody, for the treatment of solid tumors, is undergoing a Phase 1 clinical study and is under clinical collaboration with Bristol Myers Squibb. COM902 is a therapeutic antibody targeting TIGIT, developed internally and is undergoing a Phase 1 study to evaluate it in patients with advanced malignancies. BAY 1905254 is a first-in-class therapeutic antibody targeting ILDR2, licensed to Bayer under a research and discovery collaboration and license agreement and is also in Phase 1 studies in patients with advanced solid tumors. Compugen's therapeutic pipeline also includes early-stage immuno-oncology programs focused largely on myeloid targets. The innovative immuno-oncology pipeline, the strategic collaborations and the Company's computational discovery engine serves as the corporate three key building blocks. Compugen's business model is to selectively enter into collaborations for its novel targets and related drug product candidates at various stages of research and development under various revenue-sharing arrangements.

In 2018, we entered into two agreements with leading pharmaceutical companies - a clinical collaboration agreement with Bristol Myers Squibb in connection with our lead immuno-oncology program, COM701, and an exclusive license agreement with AstraZeneca for their development of bi-specific and multi-specific antibody products derived from one of our immuno-oncology programs. The first pipeline agreement we entered into was with Bayer in 2013 for the research, development, and commercialization of immuno-oncology therapeutics against novel targets identified by us. Under this agreement we collaborate with Bayer on BAY 1905254 targeting ILDR2. We are also engaged in collaboration with Johns Hopkins School of Medicine, a leading academic research center in the United States to advance research and development efforts relating to our pipeline programs.

The Company is headquartered in Holon, Israel. Our clinical development activities are headed from our U.S. site in South San Francisco, California.

A. OPERATING RESULTS

Overview

Since our inception, we have incurred significant losses and, as of December 31, 2020, we had an accumulated deficit of $387.9 million. We expect to continue to incur net losses for the foreseeable future.

While our predictive computational discovery platforms have potentially broad applicability and is not limited to a certain indication or therapeutic field, we focus our predictive computational discovery efforts on the discovery of novel drug targets and new biological pathways towards the development of new therapeutic antibodies for cancer immunotherapy, a significant unmet medical need for cancer patients. We have discovered three new targets through computational prediction which are being clinically evaluated, supporting the power and validity of our computational capabilities. COM701 targeting PVRIG, COM902 targeting TIGIT and BAY 1905254 targeting ILDR2. All these antibodies are being tested in Phase 1 studies.

In 2013 we entered into our first collaboration based on novel targets identified by us. Under the collaboration with Bayer, or the Bayer Collaboration, we jointly worked with Bayer on the preclinical development of BAY 1905254. Over the years, we have significantly increased our research activities in the field of immuno-oncology to identify novel drug targets and develop first-in-class therapeutics in the field of cancer immunotherapy. In 2018, we entered into two agreements with leading pharmaceutical companies - a clinical collaboration agreement with Bristol Myers Squibb in connection with our lead immuno-oncology program, COM701, and an exclusive license agreement with AstraZeneca for the development of bi-specific and multi-specific antibody products derived from one of Compugen's immuno-oncology programs. We also engage in collaborations with a leading academic research center in the United States to advance our research and development efforts. We incurred net losses of approximately $22.6 million in 2018, approximately $27.3 million in 2019 and approximately $29.7 million in 2020. We expect to continue to incur net losses for the foreseeable future due in part to the costs and expenses associated with our research, development and discovery activities. Our business model primarily involves establishing collaborations for our novel targets and related therapeutic product candidates at various stages of research and development providing us with potential milestone payments and royalties on product sales or other forms of revenue sharing payments.

Our research and development expenses are expected to continue to be our major operating expense in 2021, accounting for approximately 75% of our expected total 2021 operating expenses. Our research and development expenditures have always comprised a significant portion of our total cash expenditures, and they are budgeted to increase by approximately 50% in 2021 compared to 2020 reflecting the planned expansions of our clinical trials.

We believe that we have sufficient working capital in order to sustain our operations through 2023, at the current level of annual expenditures. For a detailed description of our cash and cash equivalents position, see "Item 5. Operating and Financial Review and Prospects - B. Liquidity and Capital Resources."

Critical Accounting Policies

The preparation of our consolidated financial statements and other financial information appearing in this annual report requires our management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We evaluate on an on-going basis these estimates, mainly related to share based payments, deferred participation in research and development expenses, revenue recognition, research and development expenses, and commitments and contingencies.

We base our estimates on our experience and on various assumptions that we believe are reasonable under the circumstances. The results of our estimates form the basis for our management's judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Share Based Payments

We account for stock-based compensation in accordance with ASC 718, "Compensation - Stock Compensation", or ASC 718, which requires companies to estimate the fair value of equity-based payment awards on the date of grant using an option-pricing model. we account for forfeitures as they occur. The value of the pro-rata portion of the award, assuming no forfeiture, is recognized in our consolidated statement of comprehensive loss as an expense over the requisite service periods. Upon forfeiture the expense is adjusted so that expense is recognized for the portion of the award that actually vested.

We selected the Black-Scholes-Merthon model, which is the most common model in use in evaluating stock options. This model evaluates the options as if there is a single exercise point, and thus considers expected option life (expected term). The input factored in this model is constant for the entire expected life of the option.

We recognize compensation expenses for the value of awards which have graded vesting based on the straight-line method over the requisite service period of each of the awards.

The computation of expected volatility is based on historical volatility of our stock. The risk-free interest rate assumption is the implied yield currently available on United States treasury zero-coupon issues with a remaining term equal to the expected life term of the options. We determined the expected life of the options based on historical experience, representing the period of time that options granted are expected to be outstanding.

Share-based compensation expense recognized under ASC 718 was approximately $2.2 million, $2.4 million and $2.8 million for the years ended December 31, 2018, 2019 and 2020, respectively.

Revenue recognition

Our revenues are generated mainly from collaborative and license agreements. The revenues were derived mainly from the upfront license payment and contingent payments related to milestone achievements.

The Company has adopted the revenue standard, Topic 606 - "Revenue from Contracts with Customers", as of January 1, 2018, or ASC 606, using a modified retrospective adoption transition to each prior reporting period presented. The adoption did not have an effect over the Consolidated Financial Statements on the adoption date and no adjustment to prior year consolidated financial statements was required.

The Company analyzes its collaboration arrangements to assess whether they are within the scope of ASC 606. In determining the appropriate amount of revenue to be recognized as the Company fulfills its obligations under each of its agreements, the Company performs the following steps:

- Identification of the contract, or contracts, with a customer.
- Identification of the performance obligations in the contract - At contract inception, the Company assesses the goods or services promised in a contract with a customer and identifies those distinct goods and services that represent a performance obligation. A promised good or service may not be identified as a performance obligation if it is immaterial in the context of the contract with the customer, if it is not separately identifiable from other promises in the contract (either because it is not capable of being separated or because it is not separable in the context of the contract), or if the performance obligation does not provide the customer with a material right.
- Determination of the transaction price - The Company considers the terms of the contract and its customary business practices to determine the transaction price. The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer. The consideration promised in a contract with a customer may include fixed amounts, variable amounts, or both. Variable consideration will only be included in the transaction price when it is not considered constrained, which is when it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur.
- Allocation of the transaction price to the performance obligations in the contract - If it is determined that multiple performance obligations exist, the transaction price is allocated at the inception of the agreement to all identified performance obligations based on the relative standalone selling prices. The relative selling price for each deliverable is estimated using objective evidence if it is available. If objective evidence is not available, the Company uses its best estimate of the selling price for the deliverable.
- Recognition of revenue when, or as, the Company satisfies a performance obligation - Revenue is recognized when, or as, the Company satisfies a performance obligation by transferring a promised good or service to a customer. An asset is transferred when, or as, the customer obtains control of that asset, which for a service is considered to be as the services are received and used.

After contract inception, the transaction price is reassessed at every period end and updated for changes such as resolution of uncertain events. Any change in the transaction price is allocated to the performance obligations on the same basis as at contract inception.

On September 20, 2018 the Company achieved the fourth milestone with respect to the remaining licensed program, under the Bayer Collaboration and in December 2020 the program under the exclusive license agreement with AstraZeneca achieved a preclinical milestone according to which the Company recognized revenues in total amount of $7.8 million and $2 million, respectively, in accordance with the criteria prescribed under ASC 606. See Note 2 to our 2020 consolidated financial statements.

Research and development expenses

Research and development costs are charged to the statement of comprehensive loss as incurred and are presented net of the amount of any grants the Company receives for research and development in the period in which the grant was received.

As part of the process of preparing the consolidated financial statements, the Company accrues costs for pre-clinical and clinical trial activities based upon estimates of the services received and related expenses incurred that have yet to be invoiced by the contract research organizations or other pre-clinical or clinical trial vendors that perform the activities. In certain circumstances, the Company is required to make nonrefundable advance payments to vendors for goods or services that will be received in the future for use in research and development activities. In such circumstances, the nonrefundable advance payments are deferred and capitalized, even when there is no alternative future use for the research and development, until related goods or services are provided. In circumstances where amounts have been paid in excess of costs incurred, the Company records a prepaid expense.

The portion of the Bristol Myers Squibb $12.0 million investment over the fair market value of the shares issued in the amount of $4.1 million was considered as deferred participation of Bristol Myers Squibb in research and development expenses which is amortized over the period of the clinical trial based on the progress in the research and development, in accordance with ASC 808 “Collaborative Arrangements”, see Note 1f and Note 8b.

Amortization of participation in research and development expenses for the years ended December 31, 2020 and 2019 were $0.8 million and $0.6 million, respectively.

Recent Accounting Pronouncements

See Note 2t to our 2020 consolidated financial statement.

Selected Financial Data

The following discussion and analysis is based on and should be read in conjunction with our audited consolidated financial statements, including the related notes, contained in “Item 18 - Financial Statements” and the other financial information appearing elsewhere in this annual report.

	Year ended December 31,		
	2018	2019	2020
	(US$ in thousands, except share and per share data)		
Consolidated Statements of Operations Data			
Revenues	$ 17,800	$ -	$ 2,000
Cost of revenues	1,034	-	60
Gross profit	16,766	-	1,940
Research and development expenses, net	30,318	19,816	22,760
Marketing and business development expenses	1,634	651	871
General and administrative expenses	8,041	8,412	9,805
Total operating expenses (*)	39,993	28,879	33,436
Operating loss	(23,227)	(28,879)	(31,496)
Financial and other income, net	628	820	1,798
Loss before taxes on income	(22,599)	(28,059)	(29,698)
Taxes on income	-	722	-
Net loss	$ (22,599)	$ (27,337)	$ (29,698)
Realized loss (gain) arising during the period from foreign currency derivative contracts	(17)	-	-
Total comprehensive loss	$ (22,616)	$ (27,337)	$ (29,698)
Basic net loss per share	(0.41)	(0.43)	(0.37)
Weighted average number of shares used in computing basic net loss per share	55,277,428	63,636,673	79,591,187
Diluted net loss per share	(0.41)	(0.43)	(0.37)
Weighted average number of shares used in computing diluted net loss per share	55,277,428	63,636,673	79,591,187

(*) Includes stock-based compensation - see Note 8 to our 2020 consolidated financial statements.

	As of December 31,		
	2018	2019	2020
		(US$ in thousands)	
Consolidated Balance Sheet Data			
Cash and cash equivalents, short-term bank deposits and restricted cash	$ 45,675	$ 43,879	$ 124,432
Total assets	53,180	53,763	138,316
Accumulated deficit	(330,841)	(358,178)	(387,876)
Total shareholders' equity	37,243	38,321	119,782

Years Ended December 31, 2020 and 2019

Revenues. Revenues for the year ended December 31, 2020 were $2.0 million, compared with $0 million in the comparable period of 2019. The revenues for 2020 reflect 2.0 million preclinical milestone from the license agreement with AstraZeneca.

Cost of Revenues. During the year ended December 31, 2020, the Company had $60 thousands in cost of revenues compared with no cost of revenues in the comparable period of 2019. Cost of Revenues for the year ended December 31, 2020 represents royalty expenses to the IIA in connection with our revenues.

Research and Development Expenses. Research and development expenses during 2020 increased by 15% and totaled $22.8 million compared with $19.8 million in 2019. The increase is mainly due to increase in expenses associated with our various Phase 1 clinical studies, COM701 and COM902 manufacturing, other CMC activities and IP expenses, offset by the cost reduction measures taken by the Company in 2019. Research and development expenses, as a percentage of total operating expenses, were 68% in 2020 compared to 69% in 2019.

Marketing and Business Development Expenses. Marketing and business development expenses were approximately $0.9 million in 2020 compared with $0.7 million in 2019. Marketing and business development expenses, as a percentage of total operating expenses, were 3% in 2020 compared to 2% in 2019.

General and Administrative Expenses. General and administrative expenses during 2020 increased by 17% and totaled $9.8 million in 2020 compared with $8.4 million in 2019. The increase during 2020 was attributed mostly to headcount related expenses and increased D&O insurance premium costs (that effected the overall industry). General and administrative expenses, as a percentage of total operating expenses, were 29% in 2020 and in 2019.

Financial Income (loss), Net. Financial and other income increased to approximately $1.8 million in 2020 from approximately $0.8 million in 2019. The increase is attributed mainly to increased interest income due to higher level of cash and deposits balances during 2020 following our public offering in March 2020.

Years Ended December 31, 2019 and 2018

Revenues. Revenues for the year ended December 31, 2019 were $0 million, compared with 17.8 million in the comparable period of 2018. The revenues for 2018 reflect the upfront payment of $10 million from the license agreement with AstraZeneca and the $7.8 million milestone payment from Bayer in connection with the dosing of the first patient in the Phase 1 study of BAY 1905254.

Cost of Revenues. During the year ended December 31, 2019, the Company had no cost of revenues compared with $1.0 million in cost of revenues in the comparable period of 2018. Cost of Revenues for the year ended December 31, 2018 represents milestone payment to third party and royalty expenses to the IIA in connection with our revenues.

Research and Development Expenses. Research and development expenses during 2019 decreased by 35% and totaled $19.8 million compared with $30.3 million in 2018. The decrease was primarily due to the decrease in preclinical activities related to COM902, most of which were done in 2018, and the cost reduction measures taken by the Company in 2019. These were offset by an increase in expenses associated with clinical-related activities for COM701 Phase 1 clinical trial, which began in the second half of 2018. Research and development expenses, as a percentage of total operating expenses, were 69% in 2019 compared to 76% in 2018.

Marketing and Business Development Expenses. Marketing and business development expenses were approximately $0.7 million in 2019 compared with $1.6 million in 2018. The decrease is attributed mainly to a temporary reduction in headcount in 2019 and to commissions associated with our revenues during 2018. Marketing and business development expenses, as a percentage of total operating expenses, were 2% in 2019 compared to 4% in 2018.

General and Administrative Expenses. General and administrative expenses during 2019 increased by 5% and totaled $8.4 million in 2019 compared with $8.0 million in 2018. The increase during 2019 was attributed mostly to headcount related expenses, increased D&O insurance premium costs (that effected the overall industry) and increased board expenses due to full year effect of change in fees payable to our directors as approved by the shareholders in the 2018 annual general meeting. General and administrative expenses, as a percentage of total operating expenses, were 29% in 2019 compared to 20% in 2018.

Financial Income (loss), Net. Financial and other income increased to approximately $0.8 million in 2019 from approximately $0.6 million in 2018. The increase is attributed mainly to increased interest income due to higher level of interest rate and higher level of cash and deposits balances during 2018 compared with 2017. The increase is attributed mainly to capital gain from sale of not required fixed assets due to the cost reduction measures taken in 2019 compared to capital loss in 2018.

Governmental Policies that Materially Affected or Could Materially Affect Our Operations

Our income tax obligations consist of those of Compugen Ltd. in Israel and of Compugen USA, Inc. in its taxing jurisdictions.

The corporate tax rate in Israel was 23% in 2020, 2019 and 2018.

In the future, if and when we generate taxable income, our effective tax rate may be influenced by, among others: (a) the split of taxable income between the various tax jurisdictions; (b) the availability of tax loss carry forwards and the extent to which valuation allowance has been recorded against deferred tax assets; (c) the portion of our income which is entitled to tax benefits pursuant to the Investment Law; (d) the changes in the exchange rate of the U.S. dollar to the NIS and (e) the Company's election to submit its tax returns for 2014 and onwards on a dollar basis, which may not be accepted by the Israeli Tax Authority. We may benefit from certain government programs and tax legislation, particularly as a result of the Benefiting Enterprise status that resulted from our eligibility for tax benefits under the Investment Law. To be eligible for these benefits, we need to meet certain conditions. Should we fail to meet such conditions, these benefits could be cancelled, and we might be required to refund the amount of the benefits previously received, if any, in whole or in part, together with interest and linkage differences to the Israeli CPI, or other monetary penalty. We also benefit from a Government of Israel program under which we received grants from the IIA. For more information, please see "Item 5 Operating and Financial Review and Prospects - C. Research and Development, Patents and Licenses -The Israel Innovation Authority." There can be no assurance that these programs and tax legislation will continue in the future or that the available benefits will not be reduced.

The termination or curtailment of these programs or the loss or reduction of benefits under the Investment Law could have a material adverse effect on our business, financial condition and results of operations.

Currently we have one Benefiting Enterprise program under the Investment Law. The tax benefits period with respect to this program has not yet begun as we have not yet generated any taxable income. These benefits should result in income recognized by us being tax exempt or taxed at a lower rate for a specified period of time after we begin to report taxable income and exhaust any net operating loss carry-forward. However, these benefits may not be applied to reduce the U.S. federal tax rate for any income that our U.S. subsidiary may generate.

In April 2005, substantive amendments to the Investment Law came into effect. Under these amendments, eligible investment programs of the type in which we participated prior to the amendment were eligible to qualify for substantially similar benefits as a 'Benefiting Enterprise', subject to meeting certain criteria. This replaced the previous terminology of 'Approved Enterprise', which required pre-approval from the Investment Center of the Ministry of the Economy of the State of Israel. As a result of these amendments, tax-exempt income generated from Benefiting Enterprises under the provisions of the amended law will, if distributed upon liquidation or if paid to a shareholder for the purchase of his or her shares, be deemed distributed as a dividend and will subject the Company to the applicable corporate tax that would otherwise have been payable on such income. Therefore, a company may be required to record deferred tax liability with respect to such tax-exempt income, which would have an adverse effect on its results of operations.

Additional amendments to the Investment Law became effective in January 2011 and were further amended in August 2013, or the 2011 Amendment. Under the 2011 Amendment, income derived by 'Preferred Companies' from 'Preferred Enterprises' (both as defined in the 2011 Amendment) would be subject to a uniform rate of corporate tax for an unlimited period as opposed to the incentives prior to the 2011 Amendment that were limited to income from Approved or Benefiting Enterprises during their benefits period. According to the 2011 Amendment, the uniform tax rate on such income, referred to as 'Preferred Income', would be 10% in areas in Israel that are designated as Development Zone A and 15% elsewhere in Israel during 2011-2012, 7% and 12.5%, respectively, in 2013, and 9% and 16%, respectively, thereafter. Income derived by a Preferred Company from a 'Special Preferred Enterprise' (as defined in the Investment Law) would enjoy further reduced tax rates for a period of ten years of 5% in Development Zone A and 8% elsewhere. As of January 1, 2014, dividends distributed from Preferred Income would subject the recipient to a 20% tax (or lower, if so provided under an applicable tax treaty), which would generally be withheld by the distributing company, provided however that dividends distributed from 'Preferred Income' from one Israeli corporation to another, would not be subject to tax. Under the transitional provisions of the 2011 Amendment, companies may elect to irrevocably implement the 2011 Amendment with respect to their existing Approved and Benefiting Enterprises while waiving benefits provided under the legislation prior to the 2011 Amendment or keep implementing the legislation prior to the 2011 Amendment. Should a company elect to implement the 2011 Amendment with respect to its existing Benefiting Enterprises prior to June 30, 2015 dividends distributed from taxable income derived from Benefiting Enterprises to another Israeli company would not be subject to tax. We have not elected to implement the 2011 Amendment and we do not currently have any Preferred Enterprises. While a company may incur additional tax liability in the event of distribution of dividends from tax exempt income generated from its Benefiting Enterprise, as previously described, no additional tax liability will be incurred by a company in the event of distribution of dividends from Preferred Income.

In December 2016, the Economic Efficiency Law (Legislative Amendments for Applying the Economic Policy for the 2017 and 2018 Budget Years), 2016 which includes Amendment 73 to the Law, or Amendment 73, was published. According to Amendment 73, a Preferred Enterprise located in development area A will be subject, under certain conditions, to a tax rate of 7.5% instead of 9% effective from January 1, 2017 and thereafter (the tax rate applicable to preferred enterprises located in other areas remains at 16%). Amendment 73 also prescribes special tax tracks for Technological Enterprises, which are subject to regulations issued by the Minister of Finance on May 16, 2017.

The new tax tracks under the Amendment are as follows:

Technological Preferred Enterprise - an enterprise for which total consolidated revenues of its parent company and all subsidiaries are less than NIS 10 billion. A Technological Preferred Enterprise, as defined in the Law, which is located in the center of Israel will be subject to tax at a rate of 12% on profits deriving from intellectual property (in development area A - a tax rate of 7.5%).

Special Technological Preferred Enterprise - an enterprise for which total consolidated revenues of its parent company and all subsidiaries exceed NIS 10 billion. Such enterprise will be subject to tax at a rate of 6% on profits deriving from intellectual property, regardless of the enterprise's geographical location.

Any dividends distributed to "foreign companies", as defined in the Law, deriving from income from the Technological Enterprises will be subject, under certain conditions, to tax at a rate of 4%.

As of December 31, 2020, our net operating loss carry-forward for Israeli tax purposes amounted to approximately $342.6 million. Under Israeli law, these net operating losses may generally be carried forward indefinitely and offset against certain future taxable income.

As of December 31, 2020, the net operating loss carry-forward of our U.S. subsidiary for federal income tax purposes amounted to approximately $6.1 million. Approximately $5.1 million of these losses are available to offset any future U.S. taxable income of our U.S. subsidiary and will expire between 2023 and 2032.

Use of our U.S. net operating losses may be subject to substantial annual limitation due to the "change in ownership" provisions of the Internal Revenue Code of 1986 and similar state provisions. The annual limitation may result in the expiration of net operating losses before utilization.

For a description of Israel government policies that affect our research and development expenses, and the financing of our research and development, see "Item 5. Operating and Financial Review and Prospects - C. Research and Development, Patents and Licenses - The Israel Innovation Authority."

B. LIQUIDITY AND CAPITAL RESOURCES

Public Offering of Ordinary Shares

Cantor Controlled Equity Offering^{SM} Sales Agreement

On May 25, 2018, we entered into a Controlled Equity Offering^{SM} Sales Agreement, or the ATM Sales Agreement, with Cantor Fitzgerald & Co., or Cantor, as sales agent, pursuant to which we could offer and sell, from time to time through Cantor, Compugen ordinary shares having an aggregate offering price of up to $25 million. As of December 31, 2019, the Company sold 7,245,268 ordinary shares through the ATM Sales Agreement for an aggregate purchase price of $23.7 million and the ATM Sales Agreement was terminated.

Registered Direct Offering

On June 14, 2018, we entered into a definitive securities purchase agreement with certain institutional investors and a placement agency agreement with JMP Securities LLC, in connection with a registered direct offering which resulted in the issuance of 5,316,457 of our ordinary shares at a purchase price of $3.95 per share. In connection with the issuance of the ordinary shares, we also issued warrants to purchase up to approximately 4.3 million additional ordinary shares. The warrants have an exercise price of $4.74 per share and have a term of five years from the date of issuance. Gross proceeds from the sale of the ordinary shares were approximately $21 million, before deducting underwriting discounts and commissions and offering expenses paid by us.

During 2020, the Company sold 3,866,139 ordinary shares underlying 3,866,139 warrants (with proceeds of approximately $18.3 million). As of December 31, 2020, 387,026 warrants remained outstanding.

JMP Securities LLC acted as the exclusive placement agent for the registered direct offering.

Securities Purchase Agreement

Bristol Myers Squibb Securities Purchase Agreement

On October 10, 2018, the Company and Bristol Myers Squibb entered into a securities purchase agreement pursuant to which Bristol Myers Squibb made a $12 million investment in Compugen comprised of the purchase of 2,424,243 ordinary shares of Compugen at $4.95 per share, which represented a 33% premium over the average closing price on the last 20 Nasdaq trading days prior to signing. The investment closed on October 12, 2018.

License Agreement

AstraZeneca License Agreement

On March 30, 2018, the Company and AstraZeneca, entered into an exclusive license agreement to enable the development of bi-specific and multi-specific immuno-oncology antibody products for one of the Company's pipeline programs pursuant to which the Company received an upfront payment of $10 million and is eligible to receive up to $200 million in development, regulatory and commercial milestones for the first product as well as tiered royalties on future product sales. In December 2020 the program achieved a preclinical milestone and accordingly we accrued additional $2 million out of the said $200 million.

Public Offering of Ordinary Shares

On March 11, 2020, we entered into an underwriting agreement with SVB Leerink LLC and Stifel, Nicolaus & Company, Incorporated, as representatives of the several underwriters named therein, for the issuance and sale in a public offering of 8,333,334 of our ordinary shares at a price to the public of $9.00 per share. In addition, we granted the underwriters a 30-day option to purchase up to 1,250,000 additional ordinary shares at the public offering price, less the underwriting discounts and commissions. In this underwritten public offering we issued a total of 8,816,339 ordinary shares (including the shares issued in upon exercise of the underwriters' option) at said $9.00 per share. Gross proceeds from the sale of the ordinary shares were approximately $79 million, before deducting underwriting discounts and commissions and offering expenses paid by us.

Cash resources

In 2020, our primary sources of cash were:

- proceeds from our public offering;
- warrants and options exercises; and
- prior cash at hand.

We used these funds primarily to finance our business operations.

We expect that our sources of cash for 2021 will include cash held in our bank accounts and may include proceeds generated from agreements with partners with respect to our novel targets and therapeutic drug candidates and proceeds from issuance of ordinary shares as a result of exercise of options, warrants and employee share purchase plan or from financing transactions.

Net Cash Used in Operating Activities

Net cash used in operating activities was approximately $13.3 million in 2018, approximately $27.9 million in 2019 and approximately $28.3 million in 2020. Increase in net cash used in 2020 compared to 2019 reflects an increase in 2020 in expenses associated with our Phase 1 studies, and related manufacturing cost of COM701 and COM902 offset by the cost reduction measures taken by the Company in 2019 (as announced in the first quarter of 2019).

Net Cash Provided by (used in) Investing Activities

Net cash used in investing activities was approximately $35.2 million in 2018 and $82.2 million in 2020, compared with net cash provided by investing activities of approximately $5.3 million in 2019. Changes in net cash during the years are affected by the level of cash in the Company over the years which are deposited or withdrawn from bank deposits based on the cash needs to fund our operating activities. During 2020 cash used in investing activities was higher as a result of higher cash balances from the public offering and options and warrants exercises.

Net Cash Provided by Financing Activities

Net cash provided by financing activities was approximately $28.4 million in 2018, approximately $25.9 million in 2019 and approximately $108.5 million in 2020. The principal source of cash provided by financing activities in 2020 were proceeds received from the public offering and options and warrants exercises and the principal source of cash provided by financing activities in 2019 were our funds received from our ATM facility and from options exercised.

Net Liquidity

Liquidity refers to the liquid financial assets available to fund our business operations and pay for near-term obligations. These liquid financial assets mostly consist of cash and cash equivalents as well as short-term bank deposits. As of December 31, 2020, we had cash and cash equivalents and short-term bank deposits of $123.8 million compared to $43.2 million on December 31, 2019. We believe that our existing cash and cash equivalents, and short-term bank deposits will be sufficient to fund our operations through 2023 in the event that the current level of annual expenditures will not significantly increase.

On July 30, 2020, we filed a shelf registration statement on Form F-3 with the SEC under which we may offer and sell from time to time in one or more offerings, our ordinary shares, debt securities, rights, warrants and units having an aggregate offering price of up to $350 million. Under this Form F-3 we also registered up to 749,104 ordinary shares underlying the warrants issued in our registered direct offering in June 2018. This registration statement was declared effective by the SEC on August 7, 2020. 362,078 ordinary shares underlying the warrants issued in such registered direct offering were sold in 2020. We may seek additional capital due to favorable market conditions or strategic considerations, even if we believe we have sufficient funds for our current or future operating plans.

C. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

We invest heavily in research and development. Research and development expenses were our major operating expenses representing approximately 70% of total operating expenses in 2020 and 2019 and approximately 75% of total operating expenses in 2018. Our research and development expenses, net, were approximately 22.8 million in 2020, compared to approximately $19.8 million in 2019 and approximately $30.3 million in 2018. As of December 31, 2020, 45 of our employees were engaged in research and development on a full-time basis. This represents approximately 66% of our entire work force.

We focus our efforts on the development of our discovery platforms and related technologies, and the discovery and validation of our drug targets and the preclinical and clinical development of the respective therapeutic product. Our pipeline programs continuously evaluate our computationally predicted drug target candidates and are advancing selected drug target programs into preclinical and clinical development of therapeutic products. We expect that in 2021 our research and development expenses will continue to be our major operating expense, representing approximately 75% of our total operating expenses.

We believe that our future success will depend, in large part, on our ability to discover promising drug target candidates and therapeutic product candidates and to successfully advance the research and development of certain of our product candidates under our internal pipeline towards preclinical and clinical studies and to successfully enter into revenue-sharing partnering agreements with pharmaceutical companies with respect to such product candidates. In addition, we expect to continue to expand our discovery infrastructure and platforms which provide us with the underlying engine for the discovery of promising drug targets for our pipeline as well as our clinical stage pipeline.

Research and Development Grants

We have participated in programs offered by the IIA that support research and development activities. See Note 7b to our 2020 consolidated financial statement. We did not apply for additional grants from the IIA for research and technological development since 2012.

The Israel Innovation Authority

The government of Israel encourages research and development projects in Israel through the IIA, pursuant to and subject to the provisions of the R&D Law. Under the R&D Law, research and development projects which are approved by the Research Committee of the IIA are eligible for grants, in exchange for payment of royalties from revenues generated by the products developed within the framework of such approved project and subject to compliance with certain requirements and restrictions under the R&D Law as detailed below, which must generally continue to be complied with even following full repayment of all IIA grants.

We received grants from the IIA for several projects and may receive additional grants in the future. Under the terms of the grants received, we are required to pay royalties ranging between 3% to 5% of the revenues we generate from our products which incorporate Financed Know-How, or IIA Products, until 100% of the dollar value of the grant is repaid (plus LIBOR interest applicable to grants received on or after January 1, 1999). As of December 31, 2020, we received grants from the IIA in the principal amount of $7.3 million. Therefore, our contingent obligation for royalties, net of royalties already paid or accrued in the sum of $1.6 million, along with the accumulated LIBOR interest to date of approximately $3.7 million, totaled to approximately $9.4 million as of December 31, 2020.

In addition, the Company participated in four MAGNET Consortium programs - Drugs and Diagnostic Kits (“DAAT”) Consortium, Tevel Biotechnology Consortium, Pharmalogica Consortium and Rimonim Consortium – for which it received from the IIA a total amount of approximately $2.1 million, and in two MAGNETON programs, for which it received from the IIA approximately $0.5 million. These grants do not bear any royalty obligations, but as the R&D Law applies to these programs, the restrictions on transfer of know-how or manufacturing outside of Israel, as detailed below, do apply. The R&D Law requires that the manufacture of IIA Products will be carried out in Israel, unless the IIA provides its approval to the contrary. This approval may be subject to various conditions, including the repayment of increased royalties equal to up to 300% of the total grant amount plus applicable interest and an increase of 1% in the royalty rate, depending on the extent of the manufacturing that is to be conducted outside of Israel. The R&D Law also provides that Financed Know-How and any right derived therefrom may not be transferred to third parties, unless such transfer was approved in accordance with the R&D Law. The Research Committee operating under the IIA may approve the transfer of Financed Know-How between Israeli entities, provided that the transferee undertakes all the obligations in connection with the grant as prescribed under the R&D Law. In certain cases, the research committee may also approve a transfer of the Financed Know-How outside of Israel, in both cases, subject to the receipt of certain payments calculated according to a formula set forth in the R&D Law. In the case of transfer outside of Israel, a payment of up to six (6) times the total amount of grants plus applicable interest; and in the case the R&D activity related to the know-how remains in Israel, a payment of up to three (3) times of such total amount. These approvals are not required for the sale or export of any products resulting from such R&D activity or based on such Financed Know-How.

At the end of 2021, the publication of the LIBOR is scheduled to cease and alternative interests will be applied on, among other things, the grants that the Company received from the IIA. While the effect that the replacement of the LIBOR interest will have on the Company remains uncertain as of the date of this annual report on Form 20-F, as the IIA has not yet published the alternative interest that will be applied by it, the Company assesses that such change will not have a material effect on its operations and financial condition in light of the common interests in the market.

For a discussion regarding the effects of the grants we received from the IIA on our business, see "Item 3. Key Information – D. Risk Factors - Risks Related to Operations in Israel - We received grants from the IIA that may expose us to payment of royalties and restrict the transfer of know-how that we develop."

D. TREND INFORMATION

Trend towards biologics and cell therapies

Biologics and monoclonal antibodies represent one of the fastest growing segments in the drug industry, making up 17% of recently approved drugs in 2020. The growth of this class has driven a large number of companies to invest in new technologies (e.g., bi-specific monoclonal antibodies, multi-specific antibodies, antibody fragments) and new approaches to fully exploit the potential of this class. In addition, the striking efficacy and recent approval of cell therapies for the treatment of cancer, such as CAR-T therapies, has also captured much attention in the pharma industry. The availability of such new technologies and approaches to address drug targets may increase the differentiation and attractiveness of our novel therapeutic candidates.

Trend towards consolidation

There is a trend towards consolidation in the pharmaceutical, diagnostic and biotechnology industries, which may negatively affect our ability to enter into agreements and may cause us to lose existing licensees or collaborators as a result of such consolidation. This trend often involves larger companies acquiring smaller companies, and this may result in the larger companies having technological capabilities and an enlarged portfolio of therapeutic products which may decrease their interest in our novel therapeutic candidates. This trend towards consolidation in the pharmaceutical, diagnostic and biotechnology industries may also result in there being fewer potential companies to license our products and services.

Trend towards reduction of in-house research and development programs within major pharmaceutical companies

Over the last few years, a number of major pharmaceutical companies have announced cutbacks in their in-house research and development programs. The effects of these cutbacks on our business opportunities could be positive or negative and are likely to vary on a company by company basis.

Trend towards reliance by major pharmaceutical companies on smaller companies' product candidates to support their pipelines

There appears to be a trend towards larger companies relying on smaller companies' product candidates to fill their pipelines.

If, consistent with our partnering strategy for our therapeutic product candidates, we are successful in partnering with respect to our drug target candidates and/or their respective future product candidates at an early stage, our licensees may propose terms that we may not consider commercially desirable and the consideration that we may receive for each individual product may be relatively low. The consideration that we would expect to receive for commercializing our product candidates increases commensurately with the number and development stage of such products.

Irrespective of this trend, we may be required to invest a substantial amount of money and other resources to advance each of our future product candidates to later stages prior to partnering, without assurance that any such product candidates will be partnered or commercialized, and limiting the number of product candidates that we are able to so advance, while reducing resources available for our discovery activities, due to resource constraints.

E. OFF-BALANCE SHEET ARRANGEMENTS

In prior years we entered into forward contracts to hedge against the risk of overall changes in future cash flow from payments of salaries and related expenses, as well as other expenses denominated in NIS. As of December 31, 2020, we did not have any outstanding forward contracts.

F. TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The table below summarizes our contractual obligations as of December 31, 2020 and should be read together with the accompanying comments that follow.

	Payments due by period (US$ in thousands)				
	Total	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Operating Lease Obligations[1]	3,597	798	1,454	1,220	125
Accrued Severance Pay, net[2]	653				653
Total	4,250	798	1,454	1,220	778

(1) Consists of operating leases for our facilities and for motor vehicles. Includes the first five-year option period of the lease of the Israeli facility. The first option was exercised during 2020.

(2) Severance pay obligations to our Israeli employees. For more information please see "Item 6. Directors, Senior Management and Employees – D. Employees."

The above table does not include royalties that we may be required to pay to the IIA. For more information, see "Item 5. Operating and Financial Review and Prospects - C. Research and Development, Patents and Licenses."

The above table also does not include contingent contractual obligations or commitments that may enter into effect in the future, such as contractual undertakings to pay royalties subject to certain conditions occurring.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. DIRECTORS AND SENIOR MANAGEMENT

The following table sets forth information with respect to Compugen's directors and senior management as of February 15, 2021:

Name	**Age**	**Positions**
Paul Sekhri[3]	62	Chairman of the Board of Directors (Chairman of the Nomination and Corporate Governance Committee)
Anat Cohen-Dayag, Ph.D.	54	President and Chief Executive Officer, Director
Jean-Pierre Bizzari, M.D.	66	Director
Gilead Halevy[2]	54	Director (Chairman of the Audit Committee)
Kinneret Livnat Savitzky, Ph.D.[1][3]	53	Director
Eran Perry[1][2]	50	Director
Sanford (Sandy) Zweifach[1][2][3]	64	Director (Chairman of the Compensation Committee)
Ari Krashin	48	Chief Financial and Operating Officer
Henry Adewoye, MD	56	Senior Vice President and Chief Medical Officer
Oliver Froescheis, Ph.D.	55	Senior Vice President, Corporate and Business Development
Zurit Levine, Ph.D.	53	Senior Vice President, Technology Innovation
Yaron Turpaz, Ph.D.	50	Senior Vice President and Senior Advisor, Computational Discovery

(1) Member of our Compensation Committee

(2) Member of our Audit Committee

(3) Member of our Nomination and Corporate Governance Committee

Paul Sekhri joined Compugen's board of directors as its Chairman in October 2017. Mr. Sekhri serves as the President and CEO of eGenesis, Inc. since January 2019. Prior to joining eGenesis, Inc., Mr. Sekhri served as President and CEO of Lycera Corp. from February 2015 through December 2018. From April 2014 through January 2015, Mr. Sekhri served as Senior Vice President, Integrated Care for Sanofi. From May 2013 through March 2014, Mr. Sekhri served as Group Executive Vice President, Global Business Development and Chief Strategy Officer for Teva Pharmaceutical Industries Ltd. Prior to joining Teva, Mr. Sekhri spent five years as Operating Partner and Head of the Biotechnology Operating Group at TPG Biotech, the life sciences venture capital arm of TPG Capital. From 2004 to 2009, Mr. Sekhri was Founder, President, and Chief Executive Officer of Cerimon Pharmaceuticals, Inc. Prior to founding Cerimon, Mr. Sekhri was President and Chief Business Officer of ARIAD Pharmaceuticals, Inc. Previously, Mr. Sekhri spent four years at Novartis, as Senior Vice President, and Head of Global Search and Evaluation, Business Development and Licensing for Novartis Pharma AG. Mr. Sekhri also developed the Disease Area Strategy for Novartis, identifying those specific therapeutic areas upon which the company would focus. Mr. Sekhri's first role at Novartis was as Global Head, Early Commercial Development. Mr. Sekhri completed graduate work in Neuroscience at the University of Maryland School of Medicine, where he also received his BS in Zoology. Mr. Sekhri is currently a member of the Board of Directors of Veeva Systems Inc., Ipsen S.A., BiomX Inc., Chairman of the Board of Supervisory Directors of Pharming N.V. and Chairman of the Board of Petra Pharma. Additionally, Mr. Sekhri is on the Board of Directors of the TB Alliance, and, as an avid classical music enthusiast, is on the Boards of The Metropolitan Opera, The Knights and the English Concert in America. Mr. Sekhri is also an active member of the Patrons Council of Carnegie Hall.

Anat Cohen-Dayag, Ph.D. joined Compugen's board of directors in February 2014. Dr. Cohen-Dayag joined Compugen in 2002 and held various positions. In November 2008, Dr. Cohen-Dayag was appointed as Vice President, Research and Development. In June 2009, Dr. Cohen-Dayag was appointed as co-Chief Executive Officer of Compugen and in March 2010 Dr. Cohen-Dayag was appointed as Compugen's President and CEO. Prior to joining Compugen, Dr. Cohen-Dayag was head of research and development and member of the Executive Management at Mindsense Biosystems Ltd. Prior to Mindsense Biosystems Ltd., Dr. Cohen-Dayag served as a scientist at the R&D department of Orgenics Ltd. Dr. Cohen-Dayag holds a B.Sc. in Biology from the Ben-Gurion University, Israel, and an M.Sc. in Chemical Immunology and a Ph.D. in Cellular Biology, both from the Weizmann Institute of Science, Israel. Additionally, Dr. Cohen-Dayag is a member of the Bio-Convergence Initiative of the Israel Academy of Sciences and Humanities.

Dr. Jean-Pierre Bizzari joined Compugen's board of directors in September 2018. Dr. Bizzari is a world-renowned oncology expert who brings to Compugen over 35 years of broad experience in oncology drug development. Dr. Bizzari served as Executive Vice President and Global Head of Oncology at Celgene Corporation, responsible for Celgene's clinical development and operations-statistics teams across the United States, Europe and Asia/Japan where he oversaw the development and approval of leading oncology products, including REVLIMID® (lenalidomide), VIDAZA® (azacitidine), ISTODAX® (romidepsin) and ABRAXANE® (nab-paclitaxel). In addition, he was chairman of Celgene's hematology oncology development committee and a member of the company's management committee. Prior to Celgene, Dr. Bizzari was the Vice President, Clinical Oncology Development for Sanofi-Aventis (formerly Rhône-Poulenc, Rhône-Poulenc Rorer and Aventis) where he oversaw the approval of Eloxatin® (oxaliplatin), Taxotere® (docetaxel) and Elitek® (rasburicase). Dr. Bizzari joined the pharmaceutical industry in 1983 as Head of Oncology at the Institut de Recherches Internationales SERVIER (France). Dr. Bizzari is a member of the Scientific Advisory Board of the French National Cancer Institute, and a member of the board of the European Organization for Research and Treatment of Cancer and Chairman of the New Drug Advisory Committee. He also serves on the boards of Halozyme Therapeutics, Onxeo, Oxford BioTherapeutics, Pieris Pharmaceuticals, Nordic Nanovector and Transgene. Dr. Bizzari received his medical degree from the Nice Medical School and has trained at the Pitié-Salpêtrière Hospital in Paris, The Ontario Institute for Cancer Research, and The McGill Rosalind and Morris Goodman Cancer Research Centre (formerly the McGill Cancer Center) in Montreal, Canada.

Gilead Halevy joined Compugen's board of directors in June 2018. Mr. Halevy serves as a general partner of Kedma Capital Partners, a leading Israeli private equity fund, of which he is also a founding member, since 2006. Prior to establishing Kedma, Mr. Halevy served as a Director at Giza Venture Capital from 2001 to 2006, where he led investments in communication and information technology companies and directed Giza's European business activities. From 1998 to 2001, Mr. Halevy practiced law at White & Case LLP. Mr. Halevy was also a founding member of the White & Case Israel practice group during that time. Mr. Halevy currently serves as chairman of Brand Industries Ltd. (TASE), Iskoor Finance Ltd., Carmel Wineries; Continuity Software Ltd. and a director of S. AL Holdings. Mr. Halevy holds a B.A. in Humanities (multidisciplinary program for exceptional students) and an LL.B. (Magna Cum Laude) both from the Hebrew University of Jerusalem.

Dr. Kinneret Livnat Savitzky joined Compugen's board of directors in June 2018. Dr. Livnat Savitzky currently serves as the CEO and a board member of FutuRx Ltd., an Israeli biotechnology accelerator established by OrbiMed Israel Partners, Johnson & Johnson Innovation and Takeda Ventures Inc. (the venture group of Takeda Pharmaceutical Company) and recently joined by LEAPS, the venture arm of Bayer. As part of her job at FutuRx she also serves as a chairperson or board member in several of the FutuRx portfolio companies. Dr. Livnat Savitzky also serves on the boards of the following biotechnology or healthcare companies: as an active chairperson in KAHR Medical Ramot (TTO of Tel-Aviv University), Nutritional Growth Solutions, and as a director in Hadasit Medical Research and Development, DreaMed Diabetes and Biomica. From 2010 to 2016, Dr. Livnat Savitzky served as CEO of BioLineRX Ltd., a Nasdaq-listed drug development company focused on oncology and immunology. During her tenure, BioLineRX signed a strategic collaboration with Novartis as well as licensing agreements with Merck (MSD), Genentech and others. Prior to being appointed CEO of BioLineRX, Dr. Livnat Savitzky held various R&D management positions at BioLineRX and Compugen. Dr. Livnat Savitzky holds a B.Sc. in Biology from The Hebrew University of Jerusalem, and an M.S.c and Ph.D with distinction in Human Genetics from Tel Aviv University.

Eran Perry joined Compugen's board of directors in July 2019. Eran Perry brings to Compugen over 20 years of diverse experience across various segments of the healthcare industry as an entrepreneur and venture capital investor as well as in general management and strategy. In 2018, Mr. Perry co-founded MII Fund & Labs, a dermatology-focused venture capital fund where he also serves as Managing Director and Chairman of the Investment Committee. Since 2017, Mr. Perry has been a co-founder and active board member of ICD Pharma, a developer of cannabis-based pharmaceuticals. Mr. Perry is also the co-founder and board member of several pharmaceutical companies including Musli Thyropeutics, Seanergy Dermatology, and Follicle Pharma. From 2006 to 2016, he served as Managing Director and Partner of Israel Healthcare Ventures (IHCV) and represented IHCV in numerous portfolio companies. Prior to IHCV, Mr. Perry was a consultant in McKinsey & Company, serving clients worldwide in the pharmaceutical industry, among others. Prior to that, he was a member of the Global Marketing group at Novartis Oncology. Before moving to the private sector, Mr. Perry served in the Israeli Ministry of Justice. Mr. Perry holds an MBA from Columbia University, and an LL.B. in Law and a B.Sc. in Mathematics and Computer Science, both from Tel Aviv University.

Sanford (Sandy) Zweifach joined Compugen's board of directors in June. Currently, Mr. Zweifach serves as a Venture Partner at Medicxi, an international investment firm focused on the life sciences sector. Mr. Zweifach is the Founder of Nuvelution Pharma, Inc. and since 2015 through 2019 was the Chief Executive Officer of Nuvelution Pharma, Inc. From 2010 to 2015, Mr. Zweifach served as CEO of Ascendancy Healthcare, Inc., which he also founded. He has also been a Partner at Reedland Capital Partners, a boutique investment bank, from 2005 to 2010, where he headed its life sciences M&A and advisory efforts. From 2003 to 2005, he was CEO of Pathways Diagnostics, a biomarker development company. Mr. Zweifach was a Managing Director/CFO of Bay City Capital, a venture capital/merchant banking firm, specializing in the biotech and the life science industry, where he was responsible for oversight of the firm's finance department, as well as President of the firm's M&A and financing division. Prior to this, he was President and CFO of Epoch Biosciences, which was acquired by Nanogen in 2004. Currently he is Chairman of the board of directors of Palladio Biosciences, an Executive Chairman of Janpix, Inc. and member of the board of directors of IMIDomics, S.L. Essa Pharma, Inc. and Sydnexis Inc. Earlier in his career, Mr. Zweifach was a Certified Public Accountant (US) for Coopers & Lybrand and held various investment banking positions focusing on biotech. He received his B.A. in Biology from UC San Diego and an M.S. in Human Physiology from UC Davis.

Ari Krashin was appointed Chief Financial Officer of Compugen in September 2014. Beginning March 1, 2016, Mr. Krashin also served as Chief Operating Officer, being additionally responsible for the Company's administrative, operational and IT activities. Mr. Krashin has over 20 years of experience in capital markets, finance and business development. He served as a chief financial officer for both public and private companies the most recent being AnyClip Media and Spacenet Inc. From 2000 to 2013, Mr. Krashin also served in various financial positions at Gilat Satellite Networks (Nasdaq: GILT), including his last position as chief financial officer, where he led the company's global finance and related operations, including business development, M&A activities, investor relations and administration. Mr. Krashin is a certified public accountant and began his professional career with Kesselman and Kesselman, PWC, Israel.

Dr. Henry Adewoye joined Compugen in March 2018 as Chief Medical Officer, bringing to Compugen over 20 years of extensive experience in leading multiple clinical trials in Oncology and Hematology in both the biopharmaceutical industry and academia. Before Compugen, Dr. Adewoye was with Gilead Sciences Inc., as Clinical Director in Oncology Clinical Research and was on the Oncology Leadership Team. He most recently served as Project Team and Clinical Lead for Idelalisib (first-in-class PI3K delta inhibitor approved for the treatment of relapsed CLL, FL/SLL) and Andecaliximab (MMP9 mAb inhibitor). Previously, he was Clinical Research Medical Director in Oncology at Amgen Inc. Dr. Adewoye was the Global Medical Monitor for the initial registrational trial of the bispecific antibody blinatumomab (Blincyto®) and several Phase 2 and 3 studies evaluating VEGF inhibitors (Motesanib, Trebananib) in patients with solid tumors. Dr. Adewoye completed his fellowship in Hematology/Oncology at Boston Medical Center and completed his residency in Internal Medicine at Meharry Medical College. Dr. Adewoye received his medical degree at the University of Jos, Nigeria and fellowship training in Hematology and Laboratory medicine at the University College Hospital Ibadan, Nigeria. Dr. Adewoye has initial board certifications by the American Board of Internal Medicine in Medical Oncology, Hematology and Internal Medicine.

Oliver Froescheis, Ph.D. joined Compugen in January 2020 as Senior Vice President, Corporate and Business Development. Dr. Froescheis has over 20 years of experience in the pharmaceutical industry during which he has held positions in research, project management, marketing and business development. Dr. Froescheis joined Compugen from Roche, where he spent the last 12 years in the Partnering organization, initially serving as Global Due Diligence Director for in-licensing and M&A projects, then acting as Director of Business Development & Licensing, responsible for oncology/immuno-oncology partnering projects and most recently leading R&D out-licensing across therapeutic areas. Dr. Froescheis holds a Diploma in Chemistry and a Ph.D. in Analytical Chemistry, both from the University of Ulm, Germany.

Zurit Levine, Ph.D. joined Compugen in 1999 and currently serves as Senior Vice President, Technology Innovation. Dr. Levine held several positions in Compugen's Research & Development department. In 2004, she was appointed Director of Therapeutic Selection & Validation, which position she held until 2007 when she was appointed Director of Therapeutic Discovery. In 2009, she was appointed Executive Director of Research & Development. From January 2010 to August 2011, she held the position of Vice President, Research and Development. In August 2011 she was appointed Vice President, Research and Discovery. Dr. Levine holds a B.Sc. in Biology, a M.Sc. in Biochemistry and a Ph.D. in Biochemistry, all from the Tel Aviv University, Israel.

Yaron Turpaz, Ph.D. joined Compugen in November 2019 as Senior Vice President and Senior Advisor, Computational Discovery. Dr. Turpaz has over 15 years of experience in the fields of research and development informatics, data sciences and technology in the biotech and pharma space with hands-on experience using cloud based high throughput computational, machine learning and genomics platforms for drug discovery and development applications in precision medicine. In his extensive pharma and biotech career, he held senior R&D Informatics roles at Human Longevity, AstraZeneca, Eli Lilly and Affymetrix. Dr. Turpaz continues to lead data science and technology at Global Gene Corp. serve as Chief Information Officer and Senior Advisor at Engine Biosciences. Dr. Turpaz received a B.Sc. in Biology from Tel Aviv University, a Ph.D. in Bioengineering from the University of Illinois and an MBA from the University of Chicago, Booth School of Business. He also held an Adjunct Assistant Professor position at the Centre for Quantitative Medicine of Duke-National University of Singapore, Graduate Medical School.

Arrangements Involving Directors and Senior Management

There are no arrangements or understandings of which we are aware relating to the election of our directors or the appointment of executive officers in our Company. In addition, there are no family relationships among any of the individuals listed in this Item 6.A.

B. COMPENSATION

Aggregate Executive Compensation

During 2020, the aggregate compensation paid or accrued by us to all persons listed in Item 6.A above (Directors and Senior Management) was approximately $5.0 million. This amount includes approximately $0.5 million set aside or accrued to provide pension, severance, retirement or similar benefits, but excludes expenses (including business travel, professional and business association dues and expenses) reimbursed to our executives and other fringe benefits commonly reimbursed or paid by companies in Israel.

During 2020, we granted to our Directors and Senior Management detailed in Section 6A a total of 630,000 options to purchase ordinary shares. These options are exercisable at an average exercise price of $12.48 per share, and generally expire ten years after their respective dates of grant. As of December 31, 2020, there were a total of 3,512,000 outstanding options to purchase ordinary shares that were held by our Directors and Senior Management detailed in Section 6.A.

Individual Compensation of Covered Office Holders

The table below outlines the compensation granted to our five most highly compensated Office Holders (as such term is defined in the Companies Law - see below under "Approvals Required for Office Holders Terms of Employment") with respect to the year ended December 31, 2020. All amounts reported in the table reflect the cost to the Company, as recognized in our financial statements for the year ended December 31, 2020. We refer to the five individuals for whom disclosure is provided herein as our "Covered Office Holders".

Information Regarding the Covered Office Holders	**Compensation for Services[2]**			
Name and Principal Position[1]	**Base Salary ($)**	**Benefits and Perquisites ($)[3]**	**Stock-Based Compensation ($)[4]**	**Total ($)**
Dr. Anat Cohen-Dayag President & Chief Executive Officer	453,070	536,801	313,015	1,302,886
Dr. Henry Adewoye Senior Vice President and Chief Medical Officer	391,667	197,421	220,373	809,461
Ari Krashin Chief Financial and Operating Officer	283,790	261,392	229,611	774,793
Dr. Oliver Froescheis Senior Vice President, Corporate and Business Development	370,000	83,250	143,931	597,181
Dr. Zurit Levine Senior VP, Technology Innovations	189,841	149,347	146,383	485,571

1) All Covered Office Holders listed in the table were full-time officers of the Company in 2020.

2) Cash compensation amounts denominated in currencies other than the U.S. dollar were converted into U.S. dollars at an exchange rate of NIS 3.4424 = $1.00, which reflects the average conversion rate for 2020, or the Representative Rate.

3) Amounts reported in this column include benefits and perquisites, including those mandated by applicable law. Such benefits and perquisites may include, to the extent applicable to the respective Covered Office Holder, bonuses, payments, contributions and/or allocations for savings funds, pension, severance, vacation, car or car allowance, medical insurances and benefits, risk insurance (e.g., life, disability, accident), phone, convalescence pay, payments for social security, tax gross-up payments and other benefits and perquisites consistent with the Company's policies.

4) Amounts reported in this column represent the expense recorded in our financial statements for the year ended December 31, 2020 with respect to options to purchase our ordinary shares granted to our Covered Office Holders. Assumptions and key variables used in the calculation of such amounts are discussed in Note 2m to our 2020 consolidated financial statements set forth elsewhere in this report.

Compensation Policy

Under the Companies Law we are required to adopt a compensation policy, which sets forth company's policy regarding the terms of office and employment of office holders, including compensation, equity awards, severance and other benefits, exemption from liability and indemnification. Such compensation policy should take into account, among other things, the provision of proper incentives to directors and officers, management of risks by the company, the officer's contribution to achieving corporate objectives and increasing profits, and the function of the officer or director.

Our compensation policy, or the Compensation Policy, is designed to balance between the importance of incentivizing office holders to reach personal targets and the need to assure that the overall compensation meets our Company's long-term strategic performance and financial objectives. The Compensation Policy provides our compensation committee and our board of directors with adequate measures and flexibility to tailor each of our office holder's compensation package based, among other matters, on geography, tasks, role, seniority and capability. Moreover, the Compensation Policy is intended to motivate our office holders to achieve ongoing targeted results in addition to high-level business performance in the long term, without encouraging excessive risk taking. The Company draws upon a pool of talent that is highly sought after by large and established global pharmaceutical and biotechnology companies, as well as by other development-stage life science companies which operate both within and outside of the Company's geographic areas. The Company believes that it therefore must offer compensation terms, both to its executives and to its directors that are competitive with the compensation standards that exist in the companies with whom it competes for such talents.

In accordance with the Companies Law, an Israeli public company's compensation policy and any amendments thereto must be approved by the board of directors, after considering the recommendations of the compensation committee, and by a special majority of our shareholders, or a Special Majority, which should include (i) at least a majority of the shareholders who are not controlling shareholders and who do not have a personal interest in the matter, present and voting (abstentions are disregarded), or (ii) the non-controlling shareholders and shareholders who do not have a personal interest in the matter who were present and voted against the matter hold two percent or less of the voting power of the company. The compensation policy must be reviewed from time to time by the board and must be re-approved or amended by the board of directors and the shareholders no less than every three years. If the compensation policy is not approved by the shareholders, the compensation committee and the board of directors may nonetheless approve the policy, following further discussion of the matter and for detailed reasons.

Our Compensation Policy for office holders was originally approved by our shareholders in September 2013, with the most recent amendment adopted at the 2020 Annual General Meeting of Shareholders.

Approvals Required for Office Holders Terms of Employment

The term "Office Holder" as defined in the Companies Law includes a director, the chief executive officer, chief business manager, deputy chief executive officer, vice chief executive officer, any other person fulfilling or assuming any of the foregoing positions without regard to such person's title, and any manager who is directly subordinated to the chief executive officer. In addition to each person listed in the table under "Item 6. Directors, Senior Management and Employees - A. Directors and Senior Management", two other individuals have been Office Holders as of December 31, 2020.

"Terms of Office and Employment" means the terms of office and employment of our Office Holders, including exemption and release of the Office Holder from liability for breach of his or her duty of care to the Company, an undertaking to indemnify the Office Holder, post factum indemnification or insurance; any grant, payment, remuneration, compensation, or other benefit provided in connection with termination of service and any benefit, other payment or undertaking to provide any payment as aforesaid.

Compensation for Office Holders subordinated to the Chief Executive Officer. The terms of office and employment of Office Holders (other than directors and the chief executive officer) require the approval of the compensation committee and the board of directors, provided such terms are in accordance with the company's compensation policy. Shareholder approval is also required if the compensation of such officer is not in accordance with such policy. However, in special circumstances the compensation committee and then the board of directors may nonetheless approve such compensation even if such compensation was not approved by the shareholders, following a further discussion and for detailed reasoning.

Compensation for Office Holders who are Directors or Chief Executive Officers. The Terms of Office and Employment of directors, other than directors who serve as chief executive officers and/or who possess a controlling interest in a company, require the approval of the compensation committee, board of directors and shareholders by a simple majority, as long as it complies with the compensation policy. With respect to our president and chief executive officer, who is also a director, or with respect to any chief executive officer who is not a director (to the extent applicable in the future), further approval of the shareholders by the Special Majority is required. However: (A) under certain circumstances, and to the extent that the proposed Terms of Office and Employment are in compliance with the compensation policy, a company may be exempt from receiving shareholder approval with respect to the Terms of Office and Employment of a candidate for the position of chief executive officer (provided that the candidate is not a director) (i) provided that the company's compensation committee and board of directors approved such terms and that such terms: (a) are not more beneficial than the terms of the former chief executive officer, or are essentially the same in their effect; (b) are in line with the compensation policy; and (c) are brought for shareholder approval at the next general meeting of shareholders; and (B) a company's compensation committee and board of directors are permitted to approve Terms of Office and Employment of a director, without convening a general meeting of shareholders, provided that such terms are only beneficial to the Company or that such terms are in compliance with the terms set forth in the Companies Regulations (Rules Regarding Compensation and Expenses of External Directors), 2000.

Variable Compensation and Annual Cash Bonuses of Office Holders. The Companies Law requires that all variable compensation of directors and chief executive officers be based on measurable criteria, with the exception of a non-substantial portion of up to 3 monthly salaries. With respect to Office Holders who are not directors or chief executive officers, the Companies law allows that 100% of the variable compensation be based on non-measurable criteria. Our Compensation Policy allows for a non-substantial portion of up to 20% of the bonus objectives for each year to be based on non-measurable criteria, provided, however, that with respect to (i) our Office Holders who are not directors or our chief executive officer, our compensation committee and board of directors may increase the portion of targets based on non-measurable criteria above the rate of 20%, up to 50%and with respect to our chief executive officer, our compensation committee and board of directors may increase the portion of targets based on non-measurable criteria for up to three (3) monthly base salaries. Further, the annual cash bonus of each of our Office Holders who is not a director is determined according to a formula that is consistent with the Compensation Policy and that links the bonus payment score to measurable and qualitative objectives relating to both the Company's performance and to the performance by each such Office Holder of his responsibilities. In the case of our Office Holders, other than the chief executive officer, assuming that the bonus terms conform to the Compensation Policy, the annual bonus objectives and subsequent payment scores are determined by the compensation committee and board of directors, while the bonus terms for our chief executive officer generally require the additional approval by our shareholders. For each fiscal year, our board of directors determines the maximum target bonus for each of our Office Holders, including our chief executive officer.

Compensation Paid to our Non-Executive Directors (other than Mr. Paul Sekhri)

On August 6, 2018, our shareholders approved, following previous resolutions made by our audit committee (then sitting as a compensation committee) and the board of directors, and consistent with our Compensation Policy, to compensate each of our non-executive directors whether currently in office or appointed in the future, excluding the Chairman of the Board (each a "non-executive director") as follows:

Cash Fee

(i) an annual fee of $45,000; and

(ii) an additional annual amount to be paid to non-executive directors for service as members on each of the Company's committees, as follows:

(a) Audit Committee - $2,500 for a member, or $5,000 for the chairman;
(b) Compensation Committee - $2,000 for a member, or $4,000 for the chairman; and
(c) Nomination and Governance Committee - $1,000 for a member, or $3,000 for the chairman.

No additional compensation shall be paid for attendance at a board or committee meeting.

VAT is added to the above compensation in accordance with applicable law.

Equity

In addition to the cash compensation detailed above, each non-executive director is entitled to a yearly grant of options to purchase the Company's ordinary shares, so that in the first year of service as a director, each non-executive director shall be entitled to a one-time grant of 35,000 options, or Initial Option Grant, and, in addition, to a yearly grant of 10,000 options in each of the following years of service, or the Annual Option Grant, as detailed below.

The grant date of each Initial Option Grant is the date of appointment for service as director, whether initially appointed by the Board or by the general meeting of shareholders, with an exercise price equal to the closing price of the Company's ordinary shares on the Nasdaq on the last trading day prior to the date of their initial appointment to serve on the Board. The grant date of each Annual Option Grant shall be such date in each year on which the Board approves the annual option grants to other management Office Holders (provided that the service as director continues at the time of each grant), with an exercise price equal to the closing price of the Company's ordinary shares on the Nasdaq on the last trading day prior to such Board approval.

Mr. Zweifach, a non-executive director, was granted 40,000 options to purchase the Company's ordinary Shares in February 2018 while serving as a consultant to the Company, which service was terminated upon his appointment as a director by the Board. Mr. Zweifach therefore waived his right to receive the Initial Option Grant in 2018 and is entitled only to Annual Option Grants.

Both the Initial and the Annual Option Grants are subject (other than as described herein) to the terms and conditions of the 2010 Plan, or any other equity-based incentive plan the Company may adopt in the future and pursuant to which these equity awards would be granted. All such grants vest over a four-year period as follows: twenty five percent (25%) of the options granted vest on the first day of the quarter one calendar year immediately following the quarter in which the options were granted; and an additional 6.25% of the options granted vest each quarter thereafter, for the next 36 months.

Notwithstanding the terms of the relevant plan, all options granted to non-executive directors become fully vested immediately upon the completion of one or more of the following events, whether by way of a consolidation, merger or reorganization of the Company or otherwise: (a) a sale of all or substantially all of Company's issued share capital or assets to any other company, entity, person or a group of persons, or (b) the acquisition of more than 50% of the Company's equity or voting power by any shareholder or group of shareholders. Further, notwithstanding the terms of the relevant plan, all options granted which shall be vested as of the date of final termination of office as a non-executive director of the Company may be exercised within one year following such termination of office. To the extent legally available and applicable, such options will be granted to the non-executive directors through a trustee under Section 102 of the Israel Income Tax Ordinance [New Version], 5721-1961, or the Tax Ordinance, under the capital gains route.

At the Company's Annual General Meeting of Shareholders for 2020, held on September 16, 2020, or the 2020 AGM, our shareholders approved, following previous resolutions made by our compensation committee and the board of directors, and consistent with our Compensation Policy, that instead of an Annual Option Grant, the compensation committee and the board may issue to all non-executive directors RSUs or other equity awards which are not options, or Other Equity, in which case the Annual Option Grant of 10,000 options shall be adjusted to 5,000 units of Other Equity awards, provided, that with respect to an annual equity grant that combines both types of equity awards (*i.e.*, options and Other Equity), such grant shall be adjusted, on a pro rata basis, to give effect to the relative portion of each type of equity awarded (for illustration purposes, if the compensation committee and board approve the grant of 4,000 RSUs to the non-executive directors, the relevant annual equity grant will be comprised of a total of 6,000 units, out of which 4,000 will be RSUs and 2,000 will be options).

The provisions relating to vesting, acceleration and exercise period applicable to options, as specified above, shall apply to Other Equity that may be granted, *mutatis mutandis*.

Compensation to the Company's Chairman of the Board of Directors, a Non-Executive Director

On October 19, 2017, our shareholders approved, following previous resolutions made by our audit committee (then sitting as a compensation committee) and the board of directors, and consistent with our Compensation Policy, the following compensation for our non-executive Chairman of the Board, Mr. Paul Sekhri:

Cash Fees: An annual cash fee in the amount of $150,000. No meeting fees will be paid in addition to such annual cash fee.

Grant of Options to Purchase Ordinary Shares: a one-time initial grant of options to purchase 500,000 ordinary shares. These options are subject to the terms and conditions applicable to options granted under the Company's 2010 Option Plan. Such grant vests over a four-year period as follows: twenty five percent (25%) vested on the first day of the quarter one calendar year immediately following the quarter in which the options were granted; and an additional 6.25% vest each quarter thereafter for the next 36 months. These options will expire ten years after the grant date, unless they expire earlier in accordance with the terms of the Company's 2010 Option Plan. The acceleration provisions applicable to options granted to other non-executive directors also apply to the options granted to Mr. Sekhri and all options granted which shall be vested as of the date of final termination of office as a director of the Company may be exercised within one year following such termination date.

At the 2020 AGM, our shareholders approved, following previous resolutions made by our compensation committee and the board of directors, and consistent with our Compensation Policy, that Mr. Sekhri, in his role as the non-executive chairman of the Board, shall be entitled to an annual option grant of 10,000 options to purchase Ordinary Shares each year, or Chairman's Annual Option Grant, starting from 2020 and for each of the following years of service, similar to the terms of the Annual Option Grant to the other non-executive directors as specified above,. The grant date for the 2020 Annual Option Grant was the day of the 2020 AGM (i.e., September 16, 2020) and the exercise price is the closing price of the Company's ordinary shares on the Nasdaq on the last trading day prior to such date.

As approved for the other non-executive directors, instead of Chairman's Annual Option Grant, the compensation committee and the board may issue to Mr. Sekhri Other Equity, in which case the Chairman's Annual Option Grant of 10,000 options shall be adjusted to 5,000 units of Other Equity awards, provided, that with respect to an annual equity grant that combines both types of equity awards, such grant shall be adjusted, on a pro rata basis, to give effect to the relative portion of each type of equity awarded as specified above with respect to other non-executive directors.

The provisions relating to vesting, acceleration and exercise period applicable to the options, as specified above, shall apply to Other Equity that may be granted as set forth above, *mutatis mutandis*.

Compensation to our President and Chief Executive Officer

Pursuant to Dr. Anat Cohen-Dayag's employment agreement (and in accordance with the approval of her updated compensation terms at the 2020 AGM), as the chief executive officer of the Company she is entitled to a gross monthly salary of NIS 134,125 (approximately $38,960 according to the Representative Rate). Dr. Cohen-Dayag is also entitled to certain benefits and perquisites customary in Israel, including those mandated by applicable law. In addition, Dr. Anat Cohen-Dayag is eligible for an annual grant of equity-based compensation and to an annual cash bonus based upon achievement of objectives determined by the Company, both subject to receipt of all approvals required by applicable law and to the terms of our Compensation Policy.

At the 2020 AGM, our shareholders approved that Dr. Cohen-Dayag shall be eligible to receive an annual cash bonus of up to nine monthly salaries for each of the calendar years 2021, 2022 and 2023, without the need for further shareholder approval, subject to meeting the specific performance criteria determined by the compensation committee and board with respect to each such year, in accordance with the objectives and terms thereof and the continuous employment of Dr. Cohen-Dayag as the Company's chief executive officer through the last day of the calendar year with respect to which the annual cash bonus is proposed to be paid. Additionally, on September 16, 2020, our shareholders approved an annual equity grant plan for Dr. Cohen-Dayag for each of the calendar years 2021, 2022 and 2023, according to which Dr. Cohen-Dayag shall be granted options to purchase up to 150,000 Ordinary Shares, or Equity Framework, in each of these years, as shall be determined by the compensation committee and board of directors with respect to each such year. In order to align such grants (including the exercise price and vesting period) with the annual grant of options to other executive Office Holders (for whom shareholder approval is not required), our shareholders resolved that the annual grant to Dr. Cohen-Dayag will be made on such date in 2021, 2022 and 2023 on which the board of directors approves the respective year's annual option grants to management Office Holders in such year.

The compensation committee and the board of directors may nevertheless determine that as part of an annual equity grant, they wish to issue Dr. Cohen-Dayag Other Equity. For the purpose of demining the applicability of the Equity Framework to Other Equity, Other Equity shall be given a "double weight" relative to options, so that each unit of Other Equity will be equal to two (2) option units. For illustration purposes, if the compensation committee and board of directors approve an annual equity grant to Dr. Cohen-Dayag of 40,000 options and 30,000 RSUs, then for the purpose of determining whether such grant is within the Equity Framework, the 30,000 RSUs will be given a weight of 60,000 units and the 40,000 options will be counted as 40,000 units, comprising an aggregate of 100,000 units which is within the Equity Framework. In any event, at least 30% of the value of any annual equity grant to Dr. Cohen-Dayag shall be based on either (i) options granted with fair market value exercise price; or (ii) Other Equity which vesting is based on both time and performance criteria, as shall be determined by the compensation committee and board of directors.

The options granted in each respective year shall be subject to the terms and conditions applicable to options granted under the 2010 Plan (or any other option plan adopted by the Company). Each annual option grant will vest over a four-year period as follows: twenty five percent (25%) will vest on the last day of the quarter one calendar year from the date of grant; and an additional 6.25% will vest each quarter thereafter for the next 36 months. These options will have an exercise price equal to the closing price of the Company's ordinary shares on Nasdaq on the last trading day prior to the approval of each year's grant by the board of directors. These options will expire ten years after the grant date, unless they expire earlier in accordance with the terms of the 2010 Plan or the terms of the option agreement to be entered into between the Company and Dr. Cohen-Dayag. If applicable, the options will be granted through a trustee under Section 102 of the Tax Ordinance and, in accordance with the Company's previous election in this regard, be subject to the capital gains route for tax purposes.

All vested options and Other Equity (to the extent applicable) granted to Dr. Cohen-Dayag under the Equity Framework shall have a one-year exercise period following the termination of her employment as the Company's chief executive officer, other than in the event of termination for "cause" (as defined in her employment agreement as shall be in effect from time to time).In addition to the foregoing, and not as part of the Equity Framework, Dr. Anat Cohen-Dayag will be entitled to participate in the ESPP or any other employee share purchase plan(s) that may be adopted by the Company from time to time until the end of 2023, as long as the fair market value of the benefit provided to her under such employee share purchase plan(s) (determined by the Company at the beginning of the respective offering period) in any given twelve (12) month period does not exceed ten percent (10%) of her annual base salary.

In 2020 Dr. Cohen-Dayag was granted with 150,000 options, with an exercise price of $14.40, pursuant to the terms of the CEO's three-year equity framework approved by our shareholders in 2018. As of December 31, 2020, Dr. Cohen-Dayag held options to purchase a total of 1,090,000 ordinary shares. Out of these outstanding options: (i) options to purchase 757,500 ordinary shares, with a weighted average exercise price of $5.42 per share, were exercisable as of December 31, 2020; and (ii) options to purchase 332,500 ordinary shares, with a weighted average exercise price of $8.36 per share, had not vested as of December 31, 2020. Of the unvested options on December 31, 2020, options to purchase 130,000 ordinary shares are expected to vest during 2021, options to purchase 105,000 ordinary shares are expected to vest during 2022 and options to purchase the remaining 97,500 ordinary shares are expected to vest during the period between January 1, 2023 and October 1, 2024. These unvested options were granted under the Company's 2010 Plan. For additional information on Dr. Cohen-Dayag's holdings see "Item 6. Directors, Senior Management and Employee – E. Share Ownership – Share Ownership by Directors and Other Executive Officers."

Dr. Cohen-Dayag's employment agreement may generally be terminated by either party by providing six (6) months advance written notice, provided that in the event of termination by the Company for "justifiable cause" (as such term is defined in her employment agreement as shall be in effect from time to time) the Company may terminate Dr. Cohen-Dayag's employment without advance notice and that Dr. Cohen-Dayag may resign with advance notice of only two (2) months in the event of resignation for "good reason" (as such term is defined in her employment agreement as shall be in effect from time to time). Upon termination, Dr. Anat Cohen-Dayag will be entitled to receive certain payments associated with termination.

In the event that Dr. Cohen-Dayag's employment is: (a) terminated by the Company, other than for "justifiable cause"; or (b) terminated by Dr. Cohen-Dayag for "good reason" (hereinafter, (a) and (b) shall be referred to together as "Dismissal"), Dr. Cohen-Dayag will also be entitled to an additional one-time payment equal to six (6) monthly salaries, or the Termination Payment, and upon Dismissal within one year following certain "change of control" events (as defined in her employment agreement as shall be in effect from time to time), Dr. Cohen-Dayag will be entitled to a special termination payment (in addition to the Termination Payment) in an amount equal to six (6) monthly salaries.

In addition, upon Dismissal, or in the event of a "change of control", all outstanding unvested options granted to Dr. Cohen-Dayag as of such time will be accelerated and become immediately exercisable as of the effective date of such Dismissal or change of control. Upon Dismissal, Dr. Cohen-Dayag will also be entitled to exercise all outstanding vested options (including those options vested as a result of such accelerated vesting) for a period of one (1) year from the date of such Dismissal, provided that such period does not extend beyond ten (10) years from the date of grant. Upon an event of change of control, following which Dr. Cohen-Dayag's employment is, within 12 months of the closing of such an event: (a) terminated by the Company, other than for "justifiable cause"; or (b) terminated by Dr. Cohen-Dayag for any reason, Dr. Cohen-Dayag will be entitled to exercise all outstanding vested options (including those vested as a result of such accelerated vesting) for a period of one (1) year from the date of termination of her employment, provided that such period does not extend beyond ten (10) years from the date of grant.

Dr. Cohen-Dayag is not entitled to any compensation (including in connection with her role as a director) in addition to that being paid to her as the chief executive officer of the Company. However, in the event of termination of Dr. Cohen-Dayag employment agreement, she will be entitled to receive such compensation to the extent and for as long as she will serve as a non-executive director of the Company.

Insurance, Indemnification and Exemption

Our Office Holder's Insurance. Our Articles provide that, subject to the provisions of the Companies Law, we may enter into contracts to insure the liabilities of our Office Holders for any liabilities or expenses incurred by or imposed upon them as a result of any act (or omission) carried out by them as our Office Holders, including with respect to any of the following:

- a breach of duty of care to us or to another person;
- a breach of duty of loyalty to us, provided that the Office Holder acted in good faith and had reasonable grounds to assume that such act would not prejudice our interests;

- monetary liabilities or obligations imposed upon him or her in favor of another person;

- A payment which the Office Holder is obligated to make to an injured party as set forth in Section 52(54)(a)(1)(a) of the Israel Securities Law, 5728-1968, or the Securities Law, and expenses that the Office Holder incurred in connection with a proceeding under Chapters H'3, H'4 or I'1 of the Securities Law, including reasonable litigation expenses, including attorney's fees, or in connection with Article D of Chapter Four of Part Nine of the Companies Law; and

- Expenses incurred by the Office Holder in connection with a proceeding under Chapter G'1, of the Israel Restrictive Trade Practices Law, 5748-1988, or Restrictive Trade Law, including reasonable litigation expenses, including attorney's fees.

Under the Companies Law, exemption and indemnification of, and procurement of insurance coverage for, our Office Holders, must be approved by our compensation committee and our board of directors and, with respect to an Office Holder who is the CEO or a director, also by our shareholders. However, according to regulations promulgated under the Companies Law, shareholders and board of directors approvals for the procurement of such insurance are not required if the insurance policy is approved by our compensation committee and: (i) the terms of such policy are within the framework for insurance coverage as approved by our shareholders and set forth in our Compensation Policy; (ii) the premium paid under the insurance policy is at fair market value; and (iii) the insurance policy does not and may not have a substantial effect on the Company's profitability, assets or obligations.

In accordance with our Compensation Policy, approved by our shareholders at the 2020 AGM, we are currently entitled to hold directors' and officers' liability insurance policy for the benefit of our Office Holders with insurance coverage of up to $100 million and with such annual premium reflecting market terms and not having a substantial effect on the our profitability, assets or obligations.

Our Office Holders' Indemnification. Our Articles provide that, subject to the provisions of the Companies Law, we may indemnify any of our Office Holders for all liabilities and expenses incurred by them arising from or as a result of any act (or omission) carried out by them as Office Holders of the Company, including as follows:

- For any monetary liabilities or obligations imposed on our Office Holder in favor of another person pursuant to a court judgment, including a compromise judgment or an arbitrator's decision approved by a court;

- For any payments which our Office Holder is obligated to make to an injured party as set forth in Section 52(54)(a)(1)(a) of the Securities Law and expenses the Office Holder incurred in connection with a proceeding under Chapters H'3, H'4 or I'1 of the Securities Law, including reasonable litigation expenses, including attorney's fees, or in connection with Article D of Chapter Four of Part Nine of the Companies Law;

- For reasonable litigation expenses, including attorney's fees, incurred by the Office Holder in consequence of an investigation or proceeding instituted against the Office Holder by an authority that is authorized to conduct such investigation or proceeding, and which was concluded without filing of an indictment against the Office Holder and without imposing on the Office Holder a financial obligation in lieu of criminal proceedings, or which was concluded without filing of an indictment against the Office Holder but with imposing on such Office Holder a financial obligation in lieu of criminal proceedings in respect of an offense that does not require proof of criminal intent or in connection with a financial sanction; For the purposes hereof: (i) "a proceeding that concluded without filing an indictment in a matter in respect of which an investigation was conducted"; and (ii) "financial obligation in lieu of a criminal proceeding", shall have the meanings specified in Section 260(a)(1A) of the Companies Law;

- For reasonable litigation expenses, including attorney's fees, incurred by the Office Holder or which the Office Holder is ordered to pay by a court, in a proceeding filed against the Office Holder by the Company or on its behalf or by another person, or in a criminal action of which the Office Holder is acquitted, or in a criminal action in which the Office Holder is convicted of an offense that does not require proof of criminal intent;

- For expenses incurred by our Office Holder in connection with a proceeding under Chapter G'1, of the Restrictive Trade Law, including reasonable litigation expenses, including attorney's fees; and

- For any other liability, obligation or expense indemnifiable or which our Officer Holders may from time to time be indemnifiable by law.

The Company may undertake to indemnify an office holder as mentioned above: (a) prospectively, provided that with respect of the first act (financial liability) the undertaking is limited to events which in the opinion of the board of directors are foreseeable in light of the Company's actual operations when the undertaking to indemnify is given, and to an amount or criteria set by the board of directors as reasonable under the circumstances, and further provided that such events and amount or criteria are set forth in the undertaking to indemnify, and (b) retroactively.

Indemnification letters, covering indemnification of those liabilities discussed above, were granted to each of our present Office Holders. Hence, we undertook to indemnify our Office Holders to the fullest extent permitted under the Companies Law.

Our Office Holder's Exemption. Our Articles provide that, subject to the provisions of the Companies Law, we may exempt and release our Office Holders, including in advance, from all or part of such Office Holder's liability for monetary or other damages due to a breach of their duty of care to the Company. Our directors are released and exempt from all liability as aforesaid to the fullest extent permitted by law with respect to any such breach, which has been or may be committed.

Limitations on Insurance, Indemnification and Exemption. The Companies Law provides that a company may not insure, exempt or indemnify an Office Holder for any breach of his or her liability arising from any of the following:

- a breach by the Office Holder of his or her duty of loyalty, except that the company may enter into an insurance contract or indemnify an Office Holder if the Office Holder acted in good faith and had a reasonable basis to believe that the act would not prejudice the company;
- a breach by the Office Holder of his or her duty of care if such breach was intentional or reckless, but unless such breach was solely negligent;
- any act or omission done with the intent to derive an illegal personal benefit; or
- any fine, civil fine, financial sanction or monetary settlement in lieu of criminal proceedings imposed on such Office Holder.

Administrative Enforcement

The Israeli Securities Law includes an administrative enforcement procedure that may be used by the Israeli Securities Authority, to enhance the efficacy of enforcement in the securities market in Israel. Pursuant to the Companies Law and the Israeli Securities Law, the Israeli Securities Authority is authorized to impose administrative sanctions, including monetary fines, against companies like ours and their officers and directors for certain violations of the Israeli Securities Law or the Companies Law (for further details see *"Administrative Enforcement"* below). Furthermore, the Israeli Securities Law requires that the CEO of a company supervise and take all reasonable measures to prevent the company or any of its employees from breaching the Israeli Securities Law. The CEO is presumed to have fulfilled such supervisory duty if the company adopts internal enforcement procedures designed to prevent such breaches, appoints a representative to supervise the implementation of such procedures and takes measures to correct the breach and prevent its reoccurrence.

Under the Israeli Securities Law, a company cannot obtain insurance against or indemnify a third-party (including its officers and/or employees) for any administrative procedure and/or monetary fine (other than for payment of damages to an injured party). The Israeli Securities Law permits insurance and/or indemnification for expenses related to an administrative procedure, such as reasonable legal fees, provided that it is permitted under the company's articles of association.

We have adopted and implemented an internal enforcement plan to reduce our exposure to potential breaches of sections in the Companies Law and the Israeli Securities Law, applicable to us. Our Articles and letters of indemnification permit, among others, insurance and/or indemnification as contemplated under the Israeli Securities Law (see "Insurance, Indemnification and Exemption" above).

C. BOARD PRACTICES

We are incorporated in Israel, and, therefore, are generally subject to various corporate governance practices under Israeli law such as with respect to external directors, independent directors, audit committee, compensation committee, an internal auditor and approvals of interested party transactions. These matters are in addition to the requirements of the Nasdaq Global Market and other relevant provisions of U.S. securities laws applicable to us. Under the Nasdaq Listing Rules, a foreign private issuer may generally follow its home country practices for corporate governance in lieu of the comparable Nasdaq Global Market requirements, except for certain matters such as composition and responsibilities of the audit committee and the SEC-mandated standards for the independence of its members. We currently comply with all the above-mentioned requirements. See "Item 3. Key Information - D. Risk Factors - Risks related to operations in Israel - Being a foreign private issuer exempts us from certain SEC requirements and Nasdaq rules, which may result in less protection that is afforded to investors under rules applicable to domestic issuers". For information regarding home country practices followed by us see "Item 16G - Corporate Governance".

Board of Directors

Our board of directors consists of seven members. Our directors are elected at the annual general meeting for a term of approximately one year, ending at the annual general meeting immediately following the annual general meeting at which they were elected or upon earlier termination in circumstanced referred to under the Companies Law or our Articles. Our Articles provide that we may have no less than five nor more than fourteen directors.

None of our directors is party to a service contract with us that provides for any severance or similar benefits upon termination of his or her service, other than our president and chief executive officer, Dr. Anat Cohen-Dayag, with whom we entered into an employment agreement. For additional information on the employment agreement entered into with Dr. Cohen-Dayag, please see "Item 6 - Directors, Senior Management and Employees - B. Compensation - Compensation to our Chief Executive Officer."

Directors under the Companies Law - General

A nominee for service as a director in a public company may not be elected without submitting a declaration to the company, prior to his or her election, specifying that he or she has the requisite qualifications to serve as a director, an external director or an independent director, as applicable, and the ability to devote the appropriate time to performing his or her duties as such.

A director, including an external director or an independent director, who ceases to meet the statutory requirements to serve as a director, external director or independent director, as applicable, must notify the company to that effect immediately and his or her service as a director will expire upon submission of such notice.

External Directors and Independent Directors under the Companies Law

Under the Companies Law, Israeli public companies are generally required to have on their board of directors at least two external directors meeting certain independence criteria, provided under Israeli law. We, as an Israeli public company with no controlling shareholder (within the meaning of the Companies Law), whose shares are listed on the Nasdaq Global Market, may exempt ourselves from the requirement of having external directors on our board of directors and related requirements concerning the composition of the audit and compensation committees of the board of directors, provided that we continue to comply with the U.S. securities laws and Nasdaq Listing Rules applicable to U.S. domestic issuers regarding the independence of the board of directors and the composition of the audit and compensation committee. On June 7, 2018, our board of directors determined to opt out of the requirement to elect and have external directors, since at that time (and since that time) we have not had a controlling shareholder and as we have been complying with the Nasdaq majority board independence requirement, and with the Nasdaq and SEC audit and compensation committee composition requirements. In accordance with this decision, we currently have no external directors on our board of directors.

The term controlling shareholder, as used in the Companies Law for purposes of all matters related to external directors and for certain other purposes, means a shareholder that has the ability to direct the activities of the company, other than by virtue of being an Office Holder. For purposes of all matters related to external directors, a shareholder is presumed to be a controlling shareholder if the shareholder holds 50% or more of the voting rights in the company or has the right to appoint the majority of the directors of the company or its chief executive officer.

Under the Companies Law, an 'independent director' is either an external director or a director appointed or classified as such who meets the same non-affiliation criteria as an external director, as determined by the company's audit committee, and who has not served as a director of the company for more than nine consecutive years. For these purposes, ceasing to serve as a director for a period of two years or less would not be deemed to sever the consecutive nature of such director's service. However, as our shares are listed on the Nasdaq Global Market, we may also classify directors who qualify as independent directors under the relevant non-Israeli rules, as 'independent directors' under the Companies Law. In addition, 'independent directors' may be elected for additional terms that do not exceed three years each, beyond the 9 consecutive years, provided that, if the director is being re-elected for an additional term or terms beyond the 9 consecutive years, the audit committee and board of directors must determine that, in light of the director's expertise and special contribution to the board of directors and its committees, the re-election for an additional term is to the company's benefit; (ii) the director must be re-elected by the required majority of shareholders and subject to the terms specified in the Companies Law. Each of our directors, other than Dr. Anat Cohen-Dayag, who also serves as our chief executive officer, meets the 'independent directors' criteria under the Companies Law.

Independent Directors under the Nasdaq Listing Rules

In addition to the requirements of the Companies Law as described above, since our shares are listed on the Nasdaq Global Market, pursuant to the Nasdaq Listing Rules, a majority of our directors must be independent (as defined under the Nasdaq Listing Rules). We comply with such Nasdaq independence requirement, as each of our directors, other than Dr. Anat Cohen-Dayag, who also serves as our president and chief executive officer, has been determined by our board of directors to meet the Nasdaq independence requirements.

Financial and Accounting Expertise under the Companies Law

Pursuant to the Companies Law, the board of directors of a publicly traded company is required to make a determination as to the minimum number of directors who must have financial and accounting expertise according to criteria set forth under the Companies Law and regulations promulgated there under and based, among other things, on the type of company, its size, the volume and complexity of the company's activities and the number of directors. Our board of directors has determined that the minimum number of directors with financial and accounting expertise is one. Currently, each of Mr. Gilead Halevy, Mr. Eran Perry and Mr. Sanford (Sandy) Zweifach qualifies as such.

Board Committees

Audit Committee

The Companies Law requires public companies such as ours to appoint an audit committee, the responsibilities of which include, among other things: (i) identifying flaws in the management of the company's business, among other things, in consultation with the company's internal auditor or external auditor, and making recommendations to the board of directors as to how to correct them, (ii) reviewing and considering certain related party transactions and certain actions involving conflicts of interest (as well as deciding whether certain actions specified in the Companies Law are considered material or non-material and whether certain transactions are considered exceptional or ordinary), (iii) establishing procedures to be followed with respect to related party transactions with a "controlling shareholder" (where such are not extraordinary transactions), which may include, where applicable, the establishment of a competitive process for such transaction, under the supervision of the audit committee, or individual, or other committee or body selected by the audit committee, in accordance with criteria determined by the audit committee, (iv) determining procedures for approving certain related party transactions with a "controlling shareholder", which were determined by the audit committee not to be extraordinary transactions, but which were also determined by the audit committee not to be negligible transactions, (v) reviewing the internal auditor's work program performance, examining the company's internal control structure and processes and determining whether the internal auditor has the requisite tools and resources required to perform his or her role, (vi) examining the external auditor's scope of work as well as the external auditor's fees and providing its recommendations to the appropriate corporate organ, (vii) overseeing the accounting and financial reporting processes of the Company, and (viii) providing arrangements regarding employee complaints with respect to flaws in the management of the Company's business.

Under the Nasdaq Listing Rules, we are required to maintain an audit committee that operates under a formal written charter and has certain responsibilities and authority, including being directly responsible for the appointment, compensation, retention and oversight of the work of our external auditor. However, under Israeli law and our Articles, the appointment of external auditor requires the approval of the shareholders and their compensation requires the approval of our board of directors. In addition, as described above, pursuant to the Companies Law, the audit committee is required to examine the external auditor's scope of work as well as the external auditor's fees and to provide its recommendations with respect thereto to the appropriate corporate organ. Accordingly, the appointment of our external auditor is approved by our shareholders at the audit committee's recommendation and its compensation for audit and non-audit services is approved by the board of directors following the audit committee's recommendation.

We have adopted a charter for the audit committee, which sets forth the purpose and responsibilities of such committee.

In carrying out its duties, the audit committee meets with management at least once in each fiscal quarter at which time, among other things, it reviews, and either approves or disapproves, the financial results of the Company for the immediately preceding fiscal quarter and conveys its conclusions in this regard to the board of directors. The audit committee also generally monitors the services provided by the Company's external auditor to ensure their independence and reviews all audit and non-audit services provided by them. The Company's external and internal auditors also report regularly to the audit committee and the audit committee discusses with our external auditor the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments and the clarity of disclosures in our financial statements, as and when it deems it appropriate to do so.

Under the Nasdaq Listing Rules, the audit committee is required to consist of at least three independent directors, each of whom is financially literate and at least one of whom has accounting or related financial management expertise.

We have an audit committee consisting of three directors, Mr. Gilead Halevy, who serves as the chairman of our audit committee, Mr. Eran Perry and Mr. Sanford (Sandy) Zweifach, all of whom are financially literate under the applicable rules and regulations of the SEC and Nasdaq Listing Rules and each of whom is an audit committee financial expert, as defined by the SEC rules, and has the requisite financial experience required under the Nasdaq Listing Rules. Additionally, each of the members of the audit committee is "independent" as such term is defined in Rule 10A-3(b)(1) under the Exchange Act, which is different from the general test for independence of board and committee members under the Nasdaq Listing Rules.

The audit committee composition requirements referred to under Section 115 of the Companies Law are not applicable to the Company as our board of directors, as part of its decision to opt out of the requirement to elect external directors, also adopted relief from such composition requirements on the basis that the Company complies, and will continue to comply, with the U.S. Securities Law and Nasdaq Listing Rules described above.

Compensation Committee

The Companies Law generally provides that public companies such as the Company must appoint a compensation committee, the responsibilities of which include, among others: (i) reviewing and making recommendations to the board of directors with respect to our Compensation Policy and with respect to any updates which may be required thereto from time to time, (ii) reviewing the implementation of the Compensation Policy by the Company, (iii) reviewing and considering arrangements with respect to the Terms of Office and Employment of Office Holders, (iv) exempting, under certain circumstances, a transaction relating to the Terms of Office and Employment of Office Holders from the requirement of approval of the shareholders, and (v) overseeing, subject to applicable law, the administration of the Company's various compensation plans and arrangements, including, incentive compensation and equity based plans. Under the Companies Law, the compensation committee may need to seek the approval of the board of directors and the shareholders for certain compensation-related decisions, (see "Item 6 - Directors, Senior Management and Employees - B. Compensation - Approvals Required for Office Holders Terms of Employment").

We have adopted a charter for the compensation committee, which sets forth the purpose and responsibilities of such committee.

Under the Nasdaq Listing Rules, we are required to maintain a compensation committee consisting of at least two independent directors (as defined under the Nasdaq Listing Rules). Each compensation committee member must also be deemed by our board of directors to meet the enhanced independence requirements for members of the compensation committee under the Nasdaq Listing Rules, which requires, among other things, that our board of directors considers the source of each such committee member's compensation in considering whether he or she is independent.

The compensation committee composition requirements referred to under Section 118A of the Companies Law are not applicable to the Company as our board of directors, as part of its decision to opt out of the requirement to elect external directors, also adopted relief from such composition requirements on the basis that the Company complies, and will continue to comply, with the Nasdaq majority board independence requirement and with US Securities Law and Nasdaq Listing Rules concerning the composition of the compensation committee.

We have a compensation committee consisting of three directors, Mr. Sanford (Sandy) Zweifach, who serves as the chairman of our compensation committee, Dr. Kinneret Livnat Savitzky and Eran Perry. Each member of our compensation committee is an 'independent director' in accordance with the Nasdaq listing standards.

Nomination and Corporate Governance Committee

The Nasdaq Listing Rules require that director nominees be selected or recommended for the board's selection either by a nomination committee composed solely of independent directors, or by a majority of independent directors, in a vote in which only independent directors participate, subject to certain exceptions. Mr. Paul Sekhri, who serves as the chairman of our nomination and corporate governance committee, Dr. Kinneret Livnat Savitzky and Mr. Sanford (Sandy) Zweifach, each an independent director, are the members of our nomination and corporate governance committee, which, among other responsibilities, recommends director nominees for our board's approval.

Internal Auditor

Under the Companies Law, the board of directors must appoint an internal auditor, recommended by the audit committee. The role of the internal auditor is to examine, among other matters, whether the company's actions comply with the law and orderly business procedures. Under the Companies Law, an interested party or an Office Holder of a company, or a relative of an interested party or of an Office Holder of a company, as well as the company's external auditor or any one on behalf of the external auditor may not serve as a company's internal auditor. The internal auditor's tenure cannot be terminated without his or her consent, nor can he or she be suspended from such position unless the board of directors has so resolved after hearing the opinion of the audit committee and after providing the internal auditor with the opportunity to present his or her position to the board of directors and to the audit committee. An interested party is defined in the Companies Law as a holder of 5% or more of the company's outstanding shares or voting rights, any person or entity who has the right to designate one or more directors or the chief executive officer of the company or any person who serves as a director or as a chief executive officer of the company.

Ms. Sharon Cohen of Brightman, Almagor, Zohar & Co., a member firm of Deloitte Touche Tohmatsu, has served as our internal auditor since 2019 (replacing a different partner at Brightman Almagor Zohar & Co., a member firm of Deloitte Touche Tohmatsu). Ms. Sharon Cohen is not an employee, affiliate or Office Holder of the Company, or affiliated with the Company's external auditor.

Fiduciary Duties and Approval of Related Party Transactions under Israeli Law

Fiduciary Duties of Office Holders

The Companies Law codifies the fiduciary duties that Office Holders owe to a company. All persons listed in the table under "Item 6. Directors, Senior Management and Employees -A. Directors and Senior Management" are Office Holders. In addition to those persons listed in the table under Item 6.A, there are two additional individuals who were Office Holders of the Company as of December 31, 2020.

An Office Holder's fiduciary duties consist of a duty of care and a duty of loyalty. The duty of care requires an Office Holder to act with the standard of skills with which a reasonable Office Holder in the same position would have acted under the same circumstances. The duty of care includes a duty to use reasonable means to obtain:

- information regarding the business advisability of a given action brought for the Office Holder's approval or performed by the Office Holder by virtue of his or her position; and
- all other information of importance pertaining to the aforesaid actions.

The duty of loyalty requires an Office Holder to act in good faith and for the benefit of the company and includes the duty to:

- refrain from any act involving a conflict of interest between the fulfillment of his or her position in the company and the fulfillment of any other position or his or her personal affairs;
- refrain from any act that is competitive with the business of the company;
- refrain from exploiting any business opportunity of the company with the aim of obtaining a personal gain for himself or herself or for others; and

- disclose to the company all relevant information and provide it with all documents relating to the company's affairs which the Office Holder obtained due to his or her position in the company.

Disclosure of Personal Interests of Office Holders and Approval of Certain Transactions

The Companies Law requires that an Office Holder promptly discloses to the company any personal interest that the Office Holder may have, and all related material information known to him or her, in connection with any existing or proposed transaction by the company. In addition, if the transaction is an extraordinary transaction, as defined under Israeli law, the Office Holder must also disclose any personal interest held by the Office Holder's spouse, siblings, parents, grandparents, descendants, spouse's descendants and the spouses of any of the foregoing, or a Relative. In addition, the Office Holder must also disclose any interest held by any corporation in which the Office Holder: (i) holds at least 5% of the company's outstanding share capital or voting rights; (ii) is a director or general manager; or (iii) has the right to appoint at least one director or the general manager. An extraordinary transaction is defined as a transaction which is either not in the ordinary course of business, not on market terms, or likely to have a material impact on the company's profitability, assets or liabilities.

Under the Companies Law, unless the articles of association of a company provide otherwise, a transaction in which an Office Holder has a personal interest and which is not an extraordinary transaction, requires board approval, after the Office Holder complies with the above disclosure requirement and provided the transaction is not adverse to the company's interest. Our Articles do not provide for a different method of approval. Furthermore, if the transaction is an extraordinary transaction, then, in addition to any approval stipulated by the articles of association, it also must be approved by the company's audit committee and then by the board of directors, and, under certain circumstances, by the shareholders of the company.

A person with a personal interest in any matter may not generally be present at any audit committee, compensation committee or board of directors meeting where such matter is being considered, and if he or she is a member of the committee or a director, he or she may not generally vote on such matter at the applicable meeting.

Disclosure of Personal Interest of Controlling Shareholders and Approval of certain Transactions

The Companies Law extends the disclosure requirements applicable to an Office Holder to a 'controlling shareholder' in a public company. For this purpose, a 'controlling shareholder' is a shareholder who has the ability to direct the activities of a company, including a shareholder or a group of shareholders who together own 25% or more of the voting rights if no other shareholder holds more than 50% of the voting rights.

Extraordinary transactions of a public company with a controlling shareholder or in which a controlling shareholder has a personal interest, as well as any engagement by a public company of a controlling shareholder or of such controlling shareholder's Relative, directly or indirectly, with respect to the provision of services to the company, and, if such person is also an Office Holder of such company, with respect to such person's Terms of Office and Employment as an Office Holder, and if such person is an employee of the company but not an Office Holder, with respect to such person's employment by the company, generally require the approval of each of the audit committee (or with respect to Terms of Office and Employment, the compensation committee), the board of directors and the shareholders of the company, in that order. The shareholder approval must fulfill one of the following requirements: (i) it received the positive vote of at least a majority of the voting rights in the company who are present and voting in the meeting and held by shareholders who do not have a personal interest in the transaction; (abstentions are disregarded) or (ii) the voting rights held by shareholders who have no personal interest in the transaction and who have voted against the transaction, do not exceed two percent of the voting rights in the company.

Any extraordinary transactions with a controlling shareholder or in which a controlling shareholder has a personal interest with a term of more than three years generally need to be brought for re-approval in accordance with the above procedure every three years, unless the audit committee determines that the duration of the transaction is reasonable given the circumstances related thereto and has been approved by the shareholders for such longer duration.

Pursuant to regulations promulgated under the Companies Law, certain transactions with a controlling shareholder or his or her Relative, or with directors, that would otherwise require approval of a company's shareholders may be exempt from shareholder approval upon certain determinations of the audit committee or the compensation committee and board of directors.

For information concerning the direct and indirect personal interests of certain of our Office Holders and principal shareholders in certain transactions with us, see “Item 7. Major Shareholders and Related Party Transactions - B. Related Party Transactions.”

Shareholders Duties

Pursuant to the Companies Law, a shareholder has a duty to: (i) act in good faith in fulfilling his obligations towards the company and the other shareholders; and (ii) refrain from abusing his or her power with respect to the company, including, when voting at a general meeting with respect to the following matters: (a) an amendment to the company’s articles of association; (b) an increase of the company’s authorized share capital; (c) a merger; or (d) approval of interested party transactions that require shareholders’ approval.

In addition, any controlling shareholder, any shareholder who knows that it possesses power to determine the outcome of a shareholder vote and any shareholder who, pursuant to the provisions of a company’s articles of association has the power to appoint or prevent the appointment of an office holder in the company, is under a duty of fairness towards the company. The Companies Law does not describe the substance of such duty of fairness but states that the remedies generally available upon a breach of contract will also apply in the event of a breach of the duty of fairness, taking into account such shareholder's position.

Approval of Significant Private Placement

Under the Companies Law, a significant private placement of securities requires approval by the board of directors and the shareholders by a simple majority. A private placement is considered a significant private placement if it results in a person becoming a controlling shareholder, or if all of the following conditions are met: the securities issued amount to 20% or more of the company’s outstanding voting rights before the issuance; some or all of the consideration is other than cash or listed securities or the transaction is not on market terms; and the transaction will increase the relative holdings of a shareholder who holds 5% or more of the company’s outstanding share capital or voting rights or will cause any person to become, as a result of the issuance, a holder of more than 5% of the company’s outstanding share capital or voting rights.

D. EMPLOYEES

The following table sets out the number of our full-time employees engaged in specified activities, at the end of the fiscal years 2020, 2019 and 2018 (the numbers include employees of our wholly owned U.S. subsidiary Compugen USA, Inc.):

	December 31, 2020	December 31, 2019	December 31, 2018
Research & Development	45	37	66
Administration, Accounting and Operations	21	23	21
Marketing and Business Development	2	1	2
Total	68	61	89

In addition to the headquarters in Holon, Israel, we maintain a subsidiary in South San Francisco, California. On December 31, 2018, 61 of our employees were located in Israel and 28 were located in the United States; on December 31, 2019, 54 of our employees were located in Israel and seven were located in the United States and on December 31, 2020, 58 of our employees were located in Israel, nine were located in the United States and 1 employee was located in Europe.

We consider our relations with our employees to be satisfactory and we have not experienced a significant labor dispute or strike. We are not a party to any collective bargaining agreement with respect to our Israeli employees. However, we are subject to certain labor related statutes and to certain provisions of expansion orders the Israeli Minister of the Economy has given to collective bargaining agreements between the Histadrut (General Federation of Labor in Israel) and the Coordinating Bureau of Economic Organizations and/or the Industrialists' Association, which are applicable to our Israeli employees. These statutes and provisions cover a wide range of subjects and provide certain minimum employment standards, including the length of the work day and work week, minimum wages, travel expenses, contributions to a pension fund, insurance for work-related accidents, determination of severance pay, annual and other vacations, sick pay and other conditions of employment. We generally provide our employees with benefits and working conditions beyond the required minimum. An additional provision applicable to all employees in Israel under collective bargaining agreements and expansion orders is the automatic adjustment of wages in relation to increases in the Israeli CPI. The amount and frequency of these adjustments are modified from time to time; however, no such adjustments have been made in recent years pursuant to expansion orders.

Our severance pay liability to our Israeli employees, based upon the number of years of service and the latest monthly salary, is in the large part covered by regular deposits with recognized pension funds, deposits with severance pay funds and purchases of insurance policies. Pursuant to Section 14 of the Israeli Severance Pay Law 5723-1963, certain of our liabilities for employee severance rights upon termination are covered by regular contributions to defined contribution plans, so that upon termination of employment of the relevant employees, we are only required to release the payments made by us to such funds on account of severance and by doing so are deemed to have complied with all of our severance payment obligations relating to the service of applicable employees with respect to the period during which the provisions of such section apply. For information concerning our liability for severance pay, see Note 2l to our 2020 consolidated financial statements.

Our employees are not represented by a labor union. We have written employment contracts (including signed offers of employment) with each of our employees.

E. SHARE OWNERSHIP

Share Ownership by Directors and Other Executive Officers

All of the persons listed above under the caption "Directors and Senior Management" own ordinary shares of the Company and/or options to purchase ordinary shares of the Company. Except as set forth in the table below, none of the directors or executive officers beneficially owns ordinary shares and/or ordinary shares underlying options amounting to 1% or more of the outstanding ordinary shares. The following table sets forth certain information as of February 15, 2021, regarding the beneficial ownership by our directors and senior management. All numbers quoted in the table are inclusive of options to purchase shares that are exercisable within 60 days after February 15, 2021. The shares that may be issued under these options are deemed to be outstanding for the purpose of computing the percentage of ownership of such individual or group but are not deemed to be outstanding for the purpose of computing the percentage of ownership of the other individual or group shown in the table. The information in this table is based on 83,677,419 ordinary shares outstanding as of February 15, 2021.

Beneficial Owner	Amount Owned	Percent of Class
Anat Cohen-Dayag[(1)]	859,872	1.02%
All directors and executive officers as a group (12 persons)[(2)]	2,335,245	2.72%

(1) Includes (i) 56,122 shares held by Dr. Cohen-Dayag, and (ii) 803,750 shares subject to options that are exercisable within 60 days after February 15, 2021 with a weighted average exercise price of $5.30 per share, and which expire between July 2021 and August 2029.

(2) Includes (i) a total of 78,894 ordinary shares held by directors and executive officers, and (ii) a total of 2,256,351 shares subject to options that are beneficially owned by directors and executive officers that are exercisable within 60 days after February 15, 2021 with a weighted average exercise price of $4.61 per share and which expire between July 2021 and August 2029.

Share Incentive Plan and Employee Share Purchase Plan

We currently maintain one active share incentive plan, which is our 2010 Share Incentive Plan, or the 2010 Plan. In addition to the discussion below, see Note 8 to our 2020 consolidated financial statements.

Compugen 2010 Share Incentive Plan

On July 25, 2010, our board of directors adopted the 2010 Plan which was also approved by our shareholders on May 12, 2011. In addition, the board of directors and shareholders resolved that the options available for grants under the 2000 Option Plan, at such time, as well as any options that may return to such pool in connection with terminated options, will be made available for future grants under the 2010 Plan. Subject to applicable law, our board of directors may amend the 2010 Plan, provided that any action by our board of directors which will alter or impair the rights or obligations of an option holder requires the prior consent of that option holder. Our board of directors last increased the number of shares available under the 2010 Plan in May 2020. At such time the board of directors also extended the term of the 2010 Plan by additional ten (10) years. See "Item 16G. Corporate Governance."

The compensation committee administers the 2010 Plan and has the authority to designate the terms of the options granted thereunder, including the identity of the grantees, exercise prices, grant dates, vesting schedules and expiration dates, which may be no more than ten years after the grant date. According to the 2010 Plan, options may not be granted with an exercise price of less than the fair market value of our ordinary shares on the date of grant, unless otherwise determined by our board of directors. The administration of the 2010 Plan by our compensation committee is subject to applicable law, including with respect to the approval procedure of compensation to Office Holders required under the Companies Law (for additional information on the approval procedure of compensation to Office Holders, see "Item 6. Directors, Senior Management and Employees - B. Approvals Required for Office Holders Terms of Employment").

If a grantee leaves his or her employment or other relationship with us, or if his or her relationship with us is terminated without cause (and other than by reason of death or disability, as defined in the 2010 Plan), the term of his or her unexercised options will generally expire in 90 days, unless determined otherwise by our board of directors.

As of December 31, 2020, options to purchase 5,960,256 ordinary shares at a weighted average exercise price of approximately $6.26 per share were outstanding (i.e., were granted but not canceled, expired or exercised) under the 2010 Plan and 2,366,351 ordinary shares remained available for future grant under the 2010 Plan (after our board of directors increased the number of shares available under the 2010 Plan in May 2020 as aforesaid). Options to purchase 4,068,545 ordinary shares under the 2010 Plan have previously been exercised through December 31, 2020 at a weighted average exercise price of approximately $4.97. As of December 31, 2020, outstanding options granted by the Company pursuant to the 2010 Plan expire between July 2021 and November 2030 (subject to terms of the plan).

Compugen 2021 Employee Share Purchase Plan

In November 2020, we adopted the Compugen Ltd. 2021 Employee Share Purchase Plan, or ESPP.

The ESPP currently applies to our employees and officers.

Pursuant to the ESPP, in each twelve (12) months period, there are two offering periods, comprised of six (6) months each (except for the first offering period under the ESPP which is five (5) months only). Each eligible participant, has the right to contribute up to 15% of his or her monthly Compensation (as defined in the ESPP), in order to buy ordinary shares from us at a price per share equal with respect to each offering period, to 85%of the Fair Market Value of a share on the Entry Date or the Purchase Date (as such terms are defined in the ESPP), whichever is lower, until changed by the committee of the board administering the ESPP prior to the commencement of the enrollment process for such offering period. The maximum number of ordinary shares a Participant may purchase during any calendar year shall be that whole number of ordinary shares determined by dividing $40,000 by the Purchase Price.

The maximum number of shares that may be issued under the ESPP in the aggregate is 600,000.

Taxation of Equity Granted under our 2010 Plan and ESPP to Israeli Grantees

Our board of directors elected the "Capital Gains Track" (as defined in Section 102(b) (2) of the Tax Ordinance) for the grant of equity under the 2010 Plan and ESPP to Israeli grantees who are eligible for grant under said Section 102 of the Tax Ordinance.

Pursuant to such election, and provided such eligible grantees comply with all the requirements of the "Capital Gains Track", gains derived by them, arising from the sale of shares acquired pursuant to the ESPP or the exercise of options granted to them, will generally be subject to a flat capital gains tax rate of 25%, although these gains, or part of them, may, under certain circumstances, also be considered part of a grantee's regular salary and subject to such grantee's regular tax rate applicable to such salary. As a result of the Company's election in the "Capital Gains Track" under Section 102, the Company is not allowed to claim as an expense for tax purposes in Israel the amounts credited to the grantee as capital gains, although it is generally entitled to do so in respect of the salary income component (if any) of such grant, if any, when the related tax is paid by the grantee as long as the grantee complies with all the requirements of the "Capital Gains Track".

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. MAJOR SHAREHOLDERS

The following table sets forth share ownership information as of February 15, 2021 (unless otherwise noted below) with respect to each person who is known by us to be the beneficial owner of more than 5% of our outstanding ordinary shares. The information contained in the table below has been obtained from the Company's records or from information furnished by an individual or entity to the Company or disclosed in public filings with the SEC. Except where otherwise indicated, and except pursuant to community property laws, we believe, based on information furnished by such owners, that the beneficial owners of the ordinary shares listed below have sole investment and voting power with respect to such shares. As of February 15, 2021, there were a total of 38 holders of record of our ordinary shares, of which 22 were registered with addresses in the United States. Such United States holders were, as of such date, the holders of record of approximately 99.97% of our outstanding ordinary shares. Our ordinary shares are traded on the Nasdaq Global Market in the United States and on the TASE in Israel. A significant portion of our shares are held in "street name", therefore we cannot determine who our shareholders are, their geographical location or how many shares a particular shareholder owns.

Total "Number of Ordinary Shares Beneficially Owned" in the table below include shares that may be acquired by any of the below entities upon the exercise of options or warrants known to us, that are either currently exercisable or will become exercisable within 60 days of February 15, 2021.

The shareholders listed below do not have any different voting rights from any of our other shareholders.

Beneficial Owner	Number of Ordinary Shares Beneficially Owned	Percent of Ordinary Shares Beneficially Owned[1]
ARK Investment Management LLC[2]	17,083,306	20.42%
Nikko Asset Management Co., Ltd.[3]	7,028,228	8.40%
Sumitomo Mitsui Trust Holdings, Inc.[4]	7,028,228	8.40%

- ARK Investment Management LLC's percentage of ownership has increased from 12.44% as of December 31, 2019 to 20.42% as stated above.
- Nikko Asset Management Co., Ltd.'s percentage of ownership has decreased from 13.15% as of December 31, 2019 to 8.40% as stated above.
- Sumitomo Mitsui Trust Holdings, Inc.'s percentage of ownership has decreased from 13.15% as of December 31, 2019 to 8.40% as stated above.

(1) Based upon 83,677,419 ordinary shares issued and outstanding as of February 15, 2021.

(2) Based upon information provided by the shareholder in its Form 13G/A filed with the SEC on February 16, 2021. With respect to the ordinary shares reported in its Schedule 13G/A, ARK Investment Management LLC, or ARK, indicated as having (i) sole voting power with respect to 16,714,552 ordinary shares, (ii) shared voting power with respect to 219,844 ordinary shares, (iii) sole dispositive power with respect to 17,083,306 ordinary shares, and (iv) no shared dispositive power with respect to ordinary shares. Furthermore, in such filing ARK indicated aggregate beneficial ownership of 17,083,306 ordinary shares. The address of the principal business office of ARK is 3 East 28th Street, 7th Floor, New York, NY 10016.

(3) Based upon information provided by the shareholder in its Schedule 13G/A filed with the SEC on February 11, 2021. With respect to the ordinary shares reported in the Schedule 13G/A, Nikko Asset Management Co., Ltd., or Nikko, indicated as having (i) no sole voting or dispositive power with respect to ordinary shares, (ii) shared voting power with respect to 5,943,463 ordinary shares, and (iii) shared dispositive power with respect to 7,028,228 ordinary shares. Furthermore, in such filing Nikko indicated aggregate beneficial ownership of 7,028,228 ordinary shares. The address of the principal business office of Nikko is 605 Third Avenue, 38th Floor, New York, NY 10158.

(4) Based upon information provided by the shareholder in its Schedule 13G/A filed with the SEC on February 5, 2021. With respect to the ordinary shares reported in the Schedule 13G/A, Sumitomo Mitsui Trust Holdings, Inc., or Sumitomo, indicated as having (i) no sole voting or dispositive power with respect to ordinary shares and (ii) shared voting power and dispositive power with respect to 7,028,228 ordinary shares. Furthermore, in such filing Sumitomo indicated aggregate beneficial ownership of 7,028,228 ordinary shares. The address of the principal business office of Sumitomo is 1-4-1 Marunouchi, Chiyoda-ku, Tokyo 100-8233, Japan.

B. RELATED PARTY TRANSACTIONS

Other than as set forth below and transactions related to compensation of our executive officers and directors as described under "Item 6. Directors, Senior Management and Employees - B. Compensation," since January 1, 2020, we have not entered into any related party transaction.

Indemnification and Exemption Agreements

Our Articles permit us to exculpate, indemnify and insure our Office Holders to the fullest extent permitted by the Companies Law. Accordingly, we release our Office Holders from liability and indemnify them to the fullest extent permitted by law and provide them with letters of indemnification and exemption and release for this purpose, in the form approved at a Special General Meeting of the shareholders which took place in September 2013. Under the letters of indemnification and exemption and release (i) our undertaking to indemnify each Office Holder for monetary liabilities or obligations imposed by a court judgment (including a settlement or an arbitrator's award approved by a court) is limited to matters that result from or are connected to those events or circumstances set forth therein, and (ii) the indemnification that we undertake towards all persons whom it resolved to indemnify for the matters and circumstances described therein, jointly and in the aggregate, do not exceed $5 million.

Our Office Holders are also covered by directors' and officers' liability insurance. For more information see "Item 6. Directors, Senior Management and Employees - B. Compensation - Insurance, Indemnification and Exemption."

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 included beginning on page F-1 of this annual report. See also "Item 18. Financial Statements."

Legal Proceedings

Currently, we are not a party to any legal or arbitration proceedings, including governmental proceedings, that are pending or known to be contemplated, that our management believes, individually or in the aggregate, may have, or have had in the recent past, a significant effect on our financial position or profitability, nor are we party to any material proceeding in which any director, member of our senior management or affiliate is a party adverse to us or our subsidiary or has a material interest adverse to us or our subsidiary.

Dividend Distribution Policy

We have never paid any cash dividends on our ordinary shares, and we do not intend to pay cash dividends on our ordinary shares in the foreseeable future. Our current policy is to retain any earnings we have (if any) for use in our business.

In the event that we decide to pay a cash dividend from income that is tax exempt under our Benefiting Enterprises program, we would be required to pay the applicable corporate tax that would otherwise have been payable on such income which would be in addition to the tax payable by the dividend payee. See Note 9 to our 2020 consolidated financial statements and "Item 10. Additional Information - E. Taxation."

B. SIGNIFICANT CHANGES

Not applicable.

ITEM 9. THE OFFER AND LISTING

A. OFFER AND LISTING DETAILS

Our ordinary shares were listed on The Nasdaq Global Market through June 16, 2009. On June 17, 2009, the listing of our ordinary shares was transferred from The Nasdaq Global Market to The Nasdaq Capital Market, and on January 27, 2014 the listing of our ordinary shares transferred back from The Nasdaq Capital Market to The Nasdaq Global Market. Our trading symbol on Nasdaq is CGEN. Our ordinary shares have been dually listed on the Tel Aviv Stock Exchange since January 2002. Our trading symbol on Tel Aviv Stock Exchange is קמפג.

B. PLAN OF DISTRIBUTION

Not applicable

C. MARKETS

Our ordinary shares are traded in the United States on The Nasdaq Global Market and in Israel on the Tel Aviv Stock Exchange (TASE).

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

Set forth below is a summary of certain provisions of our Memorandum of Association, or Memorandum, and our Articles. This description does not purport to be complete and is qualified in its entirety by reference to the full text of our Memorandum and Articles.

Objects and Purposes

We are incorporated under the Companies Law under the name Compugen Ltd. Our Memorandum was registered in 1993 and was amended by our shareholders at our 2014 Annual General Meeting. At our 2017 Annual General Meeting, the shareholders adopted and restated the Articles. The purpose of the Company as stated in our incorporation documents is to engage in any lawful act or activity for which companies may be organized under the Companies Law.

Rights Attached to Our Shares

Our authorized share capital is NIS 2,000,000 divided into 200,000,000 ordinary shares of nominal (par) value NIS 0.01 each.

Subject to our Articles, fully paid ordinary shares of the Company confer on the holders thereof rights to attend and to vote at general meetings of the shareholders. Subject to the rights of holders of shares with limited or preferred rights which may be issued in the future, the ordinary shares of the Company confer upon the holders thereof equal rights to receive dividends and to participate in the distribution of the assets of the Company upon its winding-up, in proportion to the amount paid up or credited as paid up on account of the nominal value of the shares held by them respectively and in respect of which such dividends are being paid or such distribution is being made, without regard to any premium paid in excess of the nominal value, if any. No preferred shares are currently authorized. All outstanding ordinary shares are validly issued and fully paid.

Voting Rights

Subject to the provisions of our Articles, holders of ordinary shares have one vote for each ordinary share held by such shareholder of record, on all matters submitted to a vote of shareholders. Shareholders may vote in person, by proxy or by proxy card. Alternatively, shareholders who hold shares through members of the Tel Aviv Stock Exchange may vote electronically via the electronic voting system of the Israel Securities Authority. These voting rights may be affected by the grant of any special voting rights to the holders of a class of shares with preferential rights that may be authorized in the future. As our ordinary shares do not have cumulative voting rights in the election of directors, the holders of the majority of the shares present and voting at a shareholders meeting generally have the power to elect all of our directors, except the external directors whose election requires a special majority.

Transfer of Shares

Our ordinary shares which have been fully paid-up are transferable by submission of a proper instrument of transfer together with the certificate of the shares to be transferred and such other evidence of title, as the board of directors may require, unless such transfer is prohibited by another instrument or by applicable securities laws.

Dividends

Under the Companies law, dividends may be distributed only out of profits available for dividends as determined by the Companies Law, provided that there is no reasonable concern that the distribution will prevent the Company from being able to meet its existing and anticipated obligations when they become due. If the company does not meet the profit requirement, a court may nevertheless allow the company to distribute a dividend, as long as the court is convinced that there is no reasonable concern that such distribution will prevent the company from being able to meet its existing and anticipated obligations when they become due. Pursuant to our Articles, no dividend shall be paid other than out of the profits of the Company. Generally, under the Companies Law, the decision to distribute dividends and the amount to be distributed is made by a company's board of directors.

Our Articles provide that our board of directors, may, subject to the Companies Law, from time to time, declare and cause the Company to pay such dividends as may appear to the board of directors to be justified by the profits of our Company. Subject to the rights of the holders of shares with preferential, special or deferred rights that may be authorized in the future, our profits which shall be declared as dividends shall be distributed according to the proportion of the nominal (par) value paid up or credited as paid up on account of the shares held at the date so appointed by the Company and in respect of which such dividend is being paid, without regard to the premium paid in excess of the nominal (par) value, if any. The declaration of dividends does not require shareholders' approval.

To date, we have not declared or distributed any dividend and we do not intend to pay cash dividends on our ordinary shares in the foreseeable future.

Liquidation Rights

In the event of our winding up on liquidation or dissolution, subject to applicable law, our assets available for distribution among the shareholders shall be distributed to the holders of ordinary shares in proportion to the amount paid up or credited as paid up on account of the nominal value of the shares held by them, respectively, and in respect of which such distribution is being made, without regard to any premium paid in excess of the nominal value, if any. This liquidation right may be affected by the grant of limited or preferential rights as to liquidation to the holders of a class of shares that may be authorized in the future.

Redemption Provisions

We may, subject to applicable law and to our Articles, issue redeemable shares and redeem the same upon such terms and conditions as determined by our board of directors.

Capital Calls

Under our Articles, the liability of each shareholder for the Company's obligations is limited to the unpaid sum, if any, owing to the Company in consideration for the issuance of the shares held by such shareholder.

Modification of Class Rights

Our Memorandum provides that we may amend the Memorandum in order to increase, consolidate or divide or otherwise amend our share capital by a simple majority of the voting power present at a shareholders meeting as currently provided in our Articles or by such other majority as shall be set forth in our Articles from time to time.

Pursuant to our Articles, if at any time our share capital is divided into different classes of shares, the rights attached to any class, unless otherwise provided by our Articles, may be modified or abrogated by the Company, subject to the consent in writing of, or sanction of a resolution passed by, the holders of a majority of the issued shares of such class at a separate general meeting of the holders of the shares of such class.

Limitations on the Rights to Own Securities

Our Articles and Israeli law do not restrict the ownership or voting of ordinary shares by non-residents or persons who are not citizens of Israel, except with respect to subjects of nations which are in a state of war with Israel.

Changes in Capital

Our Articles enable us to increase or reduce our share capital. Any such changes are subject to the provisions of the Companies Law and must be approved by a resolution duly passed by a simple majority of our shareholders at a general meeting by voting on such change in the capital.

Shareholders Meetings and Resolutions

Our Articles and the Companies Law provide that our annual general meeting shall be held once in every calendar year at such time (within a period of not more than fifteen months after the last preceding annual general meeting), and place determined by our board of directors. Our board of directors may, in its discretion, convene additional special shareholders meetings and, pursuant to the Companies Law, must convene a meeting upon the demand of: (a) two directors or one quarter of the directors in office; or (b) the holder or holders of (i) 5% or more of the Company's issued share capital and one percent or more of its voting rights; or (ii) 5% or more of the Company's voting rights. All demands for shareholders meetings must set forth the items to be considered at that meeting. If the board of directors does not convene a meeting upon a valid demand of any of the above, then the persons who made the demand, and in the case of shareholders, part of such demanding shareholders holding at least half of the voting rights of such demanding shareholders, may convene a meeting of the shareholders to be held within three months of the demand. Alternatively, upon petition by the individuals making the demand, a court may order that a meeting be convened.

The chairman of the board of directors, or any other director or office holder of the Company which may be designated for this purpose by the board of directors, shall preside as chairman at each of our general meetings. If there is no such chairman, or if the appointed chairman is unwilling to take the chair, or if he shall have indicated in advance that he will not be attending, or if at any meeting such chairman is not present within thirty (30) minutes after the time fixed for holding the meeting, then those present at the meeting shall choose someone present to be chairman of the meeting. The office of chairman shall not, by itself, entitle the holder thereof to vote at any general meeting nor shall it entitle a second or casting vote.

According to regulations promulgated pursuant to the Companies Law and governing the terms of notice and publication of shareholder meetings of public companies, or the General Meeting Regulations, holder(s) of one percent or more of a company's voting rights may propose any matter appropriate for deliberation at a shareholder meeting to be included on the agenda of a shareholder meeting, generally by submitting a proposal within seven days of publicizing the convening of a shareholder meeting, or within fourteen days, in case the company publishes at least 21 days prior to publicizing the proxy materials for a shareholder meeting, a preliminary notice stating its intention to convene such meeting, the agenda thereof, shareholder's right to propose a matter to be included on the agenda of such meeting and company's right not to examine such proposals received upon termination of such 14-day period from the publication of such notice. Any such proposal must further comply with the information requirements under applicable law and the Articles and in the event that such shareholders propose to appoint directors for service on the Company's board of directors, the proposal must include information regarding the director candidates as well as certain declarations of the director candidates, as required pursuant to the General Meeting Regulations. The agenda for a shareholder meeting is determined by the board of directors and must include matters in respect of which the convening of a shareholder meeting was demanded and any matter requested to be included by holder(s) of one percent of the Company's voting rights, as detailed above.

Pursuant to the Companies Law and the General Meeting Regulations, shareholder meetings generally require prior notice of not less than 21 days, and not less than 35 days in certain cases. Pursuant to the Articles, we are not required to deliver or serve notice of a general meeting or of any adjournments thereof to any shareholder. However, subject to applicable law and stock exchange rules and regulations, we will publicize the convening of a general meeting in any manner reasonably determined by us, and any such publication shall be deemed duly made, given and delivered to all shareholders on the date on which it is first made, posted, filed or published in the manner so determined by us in our sole discretion.

The function of the general meeting is to elect directors, receive and consider the profit and loss account, the balance sheet and the ordinary reports and accounts of the directors and auditors, appoint external auditor, approve certain interested party transactions requiring general meeting approval as provided in the Companies Law, approve the Company's merger, exercise of the powers of the board of directors if the board of directors is unable to exercise its powers and the exercise of any of its powers is vital for our proper management, approve amendments of the Articles and transact any other business which under our Articles or applicable law may be transacted by the shareholders of the Company in a general meeting.

Pursuant to our Articles, the quorum required for a meeting of shareholders consists of at least two shareholders, present in person, by proxy, by proxy card or by electronic voting, and holding shares conferring in the aggregate twenty-five percent (25%) or more of the voting power of the Company. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting, shall stand adjourned to the same day in the following week at the same time and place or to such other later day, time and place as the board of directors may determine. At the adjourned meeting, any number of participants will constitute a quorum present, in person, by proxy, by proxy card or by electronic voting; provided, however, that Special General Meeting which was convened by the board of directors upon the demand of shareholders or directors then in office, or directly by such shareholders or directors, in accordance the terms of the Companies Law, shall be cancelled.

Generally, under the Companies Law and our Articles, shareholder resolutions are deemed adopted if approved by the holders of a simple majority of the voting rights represented at the meeting, in person, by proxy, by proxy card or by electronic voting, and voting on the matter, unless a different majority is required by law or pursuant to the Articles, such as a resolution for the voluntary winding up of our Company which requires the approval of holders of 75% of the voting power presented and voting at the meeting, or resolutions concerning certain related party transactions as set forth in Sections 267 and 270-275 of the Companies Law.

Change of Control

Merger

Under the Companies Law, a merger is generally required to be approved by the shareholders and board of directors of each of the merging companies. If the share capital of the company that will not be the surviving company is divided into different classes of shares, the approval of each class is also required, unless determined otherwise by the court. Similarly, unless an Israeli court determines otherwise, a merger will not be approved if it is objected to by shareholders holding a majority of the voting rights participating and voting at the meeting (abstentions are disregarded), after excluding the shares held by the other party to the merger, by any person who holds 25% or more of the other party to the merger or by anyone on their behalf, including by the relatives of, or corporations controlled by, these persons.

In approving a merger, the board of directors of both merging companies must determine that there is no reasonable concern that, as a result of the merger, the surviving company will not be able to satisfy its obligations to its creditors. Similarly, upon the request of a creditor of either party to the proposed merger, an Israeli court may prevent or delay the merger if it concludes that there exists a reasonable concern that, as a result of the merger, the surviving company will not be able to satisfy the obligations of the merging parties. A court may also issue other instructions for the protection of the creditors' rights in connection with a merger. Further, a merger may not be completed unless at least (i) 50 days have passed from the time that the requisite proposals for the approval of the merger were filed with the Israeli registrar of companies; and (ii) 30 days have passed since the merger was approved by the shareholders of each party.

Special Tender Offer

The Companies Law provides that an acquisition of shares of an Israeli public company must be made by means of a special tender offer if as a result of the acquisition the purchaser would become a holder of 25% or more of the voting rights in the company. This rule does not apply if there is already another holder of 25% or more of the voting rights in the company. Similarly, the Companies Law provides that an acquisition of shares in a public company must be made by means of a tender offer if as a result of the acquisition the purchaser would become a holder of more than 45% of the voting rights in the company, if there is no other shareholder of the company who holds more than 45% of the voting rights in the company. These requirements do not apply if the acquisition (i) occurs in the context of a private placement by the company that received shareholder approval, (ii) was from a shareholder holding 25% or more of the voting rights in the company and resulted in the acquirer becoming a holder of 25% or more of the voting rights in the company, or (iii) was from a holder of more than 45% of the voting rights in the company and resulted in the acquirer becoming a holder of more than 45% of the voting rights in the company. A special tender offer may be consummated only if (i) at least 5% of the voting power attached to the company's outstanding shares will be acquired by the offeror and (ii) the number of shares tendered in the offer exceeds the number of shares whose holders objected to the offer (excluding controlling shareholders, holders of 25% or more of the voting rights in the company and any person having a personal interest in the acceptance of the tender offer).

In the event that a special tender offer is made, a company's board of directors is required to express its opinion on the advisability of the offer, or to abstain from expressing any opinion if it is unable to do so, provided that it gives the reasons for its abstention. An office holder in a target company who, in his or her capacity as an office holder, performs an action the purpose of which is to cause the failure of an existing or foreseeable special tender offer or is to impair the chances of its acceptance, is liable to the potential purchaser and shareholders for damages, unless such office holder acted in good faith and had reasonable grounds to believe he or she was acting for the benefit of the company. However, office holders of the target company may negotiate with the potential purchaser in order to improve the terms of the special tender offer and may further negotiate with third parties in order to obtain a competing offer. Shares purchased in contradiction to the tender offer rules under the Companies Law will have no rights and will become dormant shares.

If a special tender offer is accepted, then shareholders who did not respond to or that had objected the offer may accept the offer within four days of the last day set for the acceptance of the offer. In the event that a special tender offer is accepted, then the purchaser or any person or entity controlling it or under common control with the purchaser or such controlling person or entity may not make a subsequent tender offer for the purchase of shares of the target company and may not enter into a merger with the target company for a period of one year from the date of the offer, unless the purchaser or such person or entity undertook to effect such an offer or merger in the initial special tender offer.

Full Tender Offer

Under the Companies Law, a person may not acquire shares in a public company if, after the acquisition, the acquirer will hold more than 90% of the shares or more than 90% of any class of shares of that company, unless a tender offer is made to purchase all of the shares or all of the shares of the particular class. The Companies Law also generally provides that as long as a shareholder in a public company holds more than 90% of the company's shares or of a class of shares, that shareholder shall be precluded from purchasing any additional shares. In order for all of the shares that the purchaser offered to purchase be transferred to him by operation of law, one of the following needs to have occurred: (i) the shareholders who declined or do not respond to the tender offer hold less than 5% of the company's outstanding share capital or of the relevant class of shares and the majority of offerees who do not have a personal interest in accepting the tender offer accepted the offer, or (ii) the shareholders who declined or do not respond to the tender offer hold less than 2% of the company's outstanding share capital or of the relevant class of shares.

A shareholder that had his or her shares so transferred, whether he or she accepted the tender offer or not, has the right, within six months from the date of acceptance of the tender offer, to petition the court to determine that the tender offer was for less than fair value and that the fair value should be paid as determined by the court. However, the purchaser may provide in its offer that shareholders who accept the tender offer will not be entitled to such rights.

If the conditions set forth above are not met, the purchaser may not acquire additional shares of the company from shareholders who accepted the tender offer to the extent that following such acquisition, the purchaser would own more than 90% of the company's issued and outstanding share capital. The above restrictions apply, in addition to the acquisition of shares, to the acquisition of voting power.

C. MATERIAL CONTRACTS

Please see "Item 4. Information on the Company - B. Business Overview - Business Strategy and Partnerships - Bayer Collaboration, - Bristol Myers Squibb Collaboration, - AstraZeneca License" and "Item 5. Operating and Financial Review and Prospects Finance - B. Liquidity and Capital Resources" for a discussion of our material contracts.

D. EXCHANGE CONTROLS

There are currently no exchange controls in effect in Israel that restrict the repatriation by non-residents of Israel in non-Israeli currency of any dividends, if any are declared and paid, and liquidation distributions or the Company's ability to import and export capital.

E. TAXATION

The following is a brief summary of certain material tax consequences concerning the ownership and disposition of our ordinary shares by purchasers or holders of our ordinary shares. Because parts of this discussion are based on new or existing tax or other legislation that has not been subject to judicial or administrative interpretation, there can be no assurance that the views expressed herein will be accepted by the tax or other authorities in question. The summary below does not address all of the tax consequences that may be relevant to all purchasers or holders of our ordinary shares in light of each purchaser's or holder's particular circumstances and specific tax treatment. For example, the summary below does not address the tax treatment of residents of Israel and traders in securities who are subject to specific tax regimes. As individual circumstances may differ, holders of our ordinary shares should consult their own tax advisors as to United States, Israeli or other tax consequences of the purchase, ownership and disposition of our ordinary shares. This discussion is not intended, nor should it be construed, as legal or professional tax advice and it is not exhaustive of all possible tax considerations. Each individual should consult his or her own tax or legal advisor.

Israeli Taxation

Taxation of Capital Gains Applicable to Non-Israeli Shareholders

Israeli law generally imposes a capital gains tax on the sale of securities of an Israeli company traded on the TASE, on an authorized stock exchange outside Israel or on a regulated market (which includes a system through which securities are traded pursuant to rules prescribed by the competent authority in the relevant jurisdiction) in or outside Israel, or a "Recognized Exchange" (which includes Nasdaq). Pursuant to amendments to the Tax Ordinance, effective as of January 1, 2012, the capital gains tax rate applicable to individuals upon the sale of such securities is such individual's marginal tax rate but not more than 25%, or 30% with respect to an individual who meets the definition of a 'Substantial Shareholder' on the date of the sale of the securities or at any time during the 12 months preceding such date. A 'Substantial Shareholder' is defined as a person who, either alone or together with any other person, holds, directly or indirectly, at least 10% of any of the means of control of a company (including, among other things, the right to receive profits of the company, voting rights, the right to receive the company's liquidation proceeds and the right to appoint a director).

With respect to corporate investors, capital gain tax equal to the corporate tax rate (23% in 2020) will be imposed on the sale of our traded shares.

In addition, if our ordinary shares are traded on a Recognized Exchange gains on the sale of our ordinary shares held by non-Israeli tax resident investors will generally be, subject to certain conditions, exempt from Israeli capital gains tax so long as the shares were not held through a permanent establishment that the non-Israeli tax resident investor maintains in Israel. Furthermore, non-Israeli corporations will not be entitled to such exemption if Israeli residents, whether directly or indirectly, (i) hold more than 25% of the means of control in such non-Israeli corporation or (ii) are the beneficiaries of or are entitled to 25% or more of the revenues or profits of such corporation. Notwithstanding the foregoing, dealers in securities in Israel are taxed at regular tax rates applicable to business income.

In addition, persons paying consideration for shares, including purchasers of shares, Israeli securities dealers effecting a transaction, or a financial institution through which securities being sold are held, are required, subject to any applicable exemptions and the demonstration by the selling shareholder of its non-Israeli residency and other requirements, to withhold tax upon the sale of publicly traded securities at a rate of 25% for individuals and at the corporate tax rate (23% in 2020) for corporations.

Israeli law also generally exempts non-Israeli residents from capital gains tax on the sale of securities of Israeli companies that are not traded on stock exchange in Israel, provided that the securities were acquired on or after January 1, 2009 and that (i) such gains are not generated through a permanent establishment that the non- Israeli resident maintains in Israel; (ii) the shares were not purchased from a relative; (iii) the sale of shares is not subject to real estate tax.

Income Taxes on Dividend Distribution to Non-Israeli Shareholders

In principle, non-Israeli residents (whether individuals or corporations) are generally subject to Israeli income tax on the receipt of dividends paid by Israeli publicly traded companies at the rate of 25%, if the shares are registered with a Nominee Company, which is a company incorporated to be a holder of record and distribution agent of publicly traded or other securities in accordance with the Israeli Securities Law, and at the rate of 30% on dividends paid to Substantial Shareholders and to persons who were Substantial Shareholders at any time during the 12 months preceding the date of the distribution, whose shares are not registered with a Nominee Company, unless a lower rate is provided under an applicable tax treaty between Israel and the shareholder's country of residence (subject to the receipt, in advance, of a valid tax certificate from the Israeli tax authority allowing for a reduced tax rate). The distribution of dividends to non-Israeli residents (either individuals or corporations) from income derived from the Company's Benefiting Enterprise during the applicable benefits period is subject to withholding tax at a rate of 20%, unless a lower tax rate is provided under an applicable tax treaty.

A non-resident of Israel who has received dividend income derived from or accrued in Israel, from which the full amount of tax was withheld, is generally exempt from the duty to file tax returns in Israel in respect of such income, provided that: (i) such income was not derived from a business conducted in Israel by the taxpayer; and (ii) the taxpayer has no other taxable sources of income in Israel with respect to which a tax return is required to be filed.

Residents of the United States generally will have withholding tax in Israel deducted at source. As discussed below, they may be entitled to a credit or deduction for U.S. federal income tax purposes for all or part of the amount of the taxes withheld, subject to detailed rules contained in U.S. tax legislation.

U.S. Israel Tax Treaty

The Convention between the Government of the State of Israel and the Government of the United States of America with Respect to Taxes on Income, or the Treaty, is generally effective as of January 1, 1995. Under the Treaty, the maximum Israeli withholding tax on dividends paid to a holder of our ordinary shares who is a Treaty U.S. Resident (as defined below) is generally 25%. However, pursuant to the Investment Law, dividends distributed by an Israeli company and derived from income eligible for benefits under the Investment Law will generally be subject to a reduced dividend withholding tax rate, subject to the conditions specified in the Treaty. The Treaty further provides that a 15% or a 12.5% Israeli dividend withholding tax will apply to dividends paid to a U.S. corporation owning 10% or more of an Israeli company's voting shares during, in general, the current and preceding tax year of the Israeli company. The 15% rate applies to dividends distributed from income derived from an Approved Enterprise or, presumably, from a Benefiting Enterprise, in each case within the applicable period or, presumably, from a Preferred Enterprise, and the lower 12.5% rate applies to dividends distributed from income derived from other sources. However, these provisions do not apply if the company has certain amounts of passive income. The aforementioned rates under the Treaty will not apply if the dividend income was derived through a permanent establishment of the U.S resident in Israel.

Pursuant to the Treaty, the sale, exchange or disposition of our ordinary shares by a person who qualifies as a resident of the United States within the meaning of the Treaty and who is entitled to claim the benefits afforded to such residents under the Treaty, or a Treaty U.S. Resident, generally will not be subject to the Israeli capital gains tax, unless such Treaty U.S. Resident holds, directly or indirectly, shares representing 10% or more of the voting power of the Company during any part of the 12-month period preceding such sale, exchange or disposition subject to certain conditions. A sale, exchange or disposition of our ordinary shares by a Treaty U.S. Resident who holds, directly or indirectly, shares representing 10% or more of the voting power of the Company at any time during such preceding 12-month period would not be exempt under the Treaty from Israeli capital gain tax; however, under the Treaty, such Treaty U.S. Resident would be permitted to claim a credit for such taxes against U.S. federal income tax imposed on any gain from such sale, exchange or disposition, under the circumstances and subject to the limitations specified in the Treaty and U.S. domestic law. As mentioned above, gains on the sale of ordinary shares held by non-Israeli tax resident investors will generally be exempt from Israeli capital gains tax if the ordinary shares are traded on a Recognized Exchange. This exemption would generally apply notwithstanding the Treaty.

Surcharge Tax

Furthermore, beginning on January 1, 2013, an additional tax liability at the rate of 3% (as of 2017 and currently) was added to the applicable tax rate on the annual taxable income, including, but not limited to, income derived from dividends, interest and capital gains, of individuals who are subject to tax in Israel (whether any such individual is an Israeli resident or non-Israeli resident) exceeding NIS 649,560 in 2019, NIS 651,600 in 2020 and NIS 647,640 in 2021.

Israeli Transfer Pricing Regulations

On November 29, 2006, Income Tax Regulations (Determination of Market Terms), 2006, promulgated under Section 85A of the Tax Ordinance, came into effect, or the TP Regulations. Section 85A of the Tax Ordinance and the TP Regulations generally require that all cross-border transactions carried out between related parties be conducted on an arm's length principle basis and will be taxed accordingly. The TP Regulations have not had a material effect on the Company.

Certain Material U.S. Federal Income Tax Considerations

General

The following is a summary of certain material U.S. federal income tax considerations for U.S. holders (as defined below) of purchasing, owning, and disposing of our ordinary shares. For this purpose, a U.S. holder is, a holder, who for U.S. federal income tax purposes is a beneficial owner of ordinary shares and who is: (a) a citizen or individual resident of the United States; (b) a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia; (c) an estate the income of which is subject to U.S. federal income tax regardless of its source; or (d) a trust that is subject to the primary supervision of a court over its administration and one or more U.S. persons control all substantial decisions, or a trust that has validly elected to be treated as a domestic trust under applicable Treasury Regulations. This summary does not address any tax consequences to persons other than U.S. holders.

Except where noted, this summary deals only with ordinary shares held as capital assets (generally, property held for investment). It does not address any tax consequences to certain types of U.S. holders that are subject to special treatment under the U.S. federal income tax laws, such as banks, insurance companies, tax-exempt or governmental organizations, financial institutions, broker-dealers, dealers in securities or currencies, traders in securities that elect to use the mark-to-market method of accounting for their securities, partnerships or other pass-through entities (or arrangements treated as a partnership) for U.S. federal tax purposes, regulated investment companies, real estate investment trusts, expatriates, persons owning, directly, constructively or by attribution, 10% or more, by voting power or value, of our ordinary shares, persons whose "functional currency" is not the U.S. dollar, persons holding ordinary shares as part of a hedging, constructive sale or conversion, straddle, or other risk-reducing transaction, persons acquiring an interest in our ordinary shares through the exercise of an option or otherwise in exchange for services, or persons holding our ordinary shares in connection with a trade or business, permanent establishment or fixed base outside the United States.

This summary is a general summary and does not address all aspects of U.S. federal income taxation that may be relevant to particular U.S. holders based on their particular investment or tax circumstances.

This summary relates only to U.S. federal income taxes and does not address any other tax, including but not limited to, state, local, or non-U.S. taxes and does not describe all of the U.S. federal income tax consequences that may be relevant, including the special tax accounting rules under Section 451(b) of the Internal Revenue Code of 1986, as amended, or the Code, the Medicare contribution tax and the alternative minimum tax.

If a partnership (including an entity or arrangement classified as a partnership for U.S. federal income tax purposes) holds our ordinary shares, the tax treatment of a partner (including a person classified as a partner for U.S. federal income tax purposes) will generally depend upon the status of the partner and the activities of the partnership. A partner of a partnership holding our ordinary shares should consult its tax advisors.

The statements in this summary are based on the current U.S. federal income tax laws as contained in the Code, Treasury Regulations, and relevant judicial decisions and administrative guidance, all as of the date hereof, and such authorities may be replaced, revoked or modified so as to result in U.S. federal income tax consequences different from those discussed below. The U.S. federal tax laws are subject to change, and any such change may materially affect the U.S. federal income tax consequences of purchasing, owning, or disposing of our ordinary shares. We cannot assure you that new laws, interpretations of law or court decisions, any of which may take effect retroactively, will not cause any statement in this summary to be inaccurate. No ruling or opinions of counsel will be sought in connection with the matters discussed herein. There can be no assurance that the positions we take on our tax returns will be accepted by the U.S. Internal Revenue Service, or IRS.

This summary is not a substitute for careful tax planning. Prospective investors are urged to consult their own tax advisors regarding the specific U.S. federal, state, foreign and other tax consequences to them, in light of their own particular circumstances, of the purchase, ownership and disposition of our ordinary shares and the effect of potential changes in applicable tax laws.

Passive Foreign Investment Company Rules

For U.S. federal income tax purposes, we generally will be classified as a PFIC for any taxable year in which, after the application of certain lookthrough rules with respect to our subsidiaries

- at least 75% of our gross income is passive income, or
- at least 50% of the value (determined on the basis of a quarterly weighted average) of our total assets for the taxable year produce or are held for the production of passive income.

For this purpose, passive income generally includes dividends, interest, royalties and rents (other than royalties and rents derived in the active conduct of a trade or business and not derived from a related person). Assets that produce or are held for the production of passive income may include cash (unless held in a non-interest bearing account for short term working capital needs), marketable securities and other assets that may produce passive income. The 50% passive asset test described above is generally based on the fair market value of each asset, with the value of goodwill and going concern value determined in large part by reference to the market value of our ordinary shares, which may be volatile. If we own at least 25% (by value) of the stock of another corporation, we will be treated, for purposes of the PFIC tests, as owning our proportionate share of the other corporation's assets and receiving our proportionate share of the other corporation's income.

Based on our analysis of our estimated income, estimated assets, activities and market capitalization, we believe that we were not a PFIC for the taxable year ended December 31, 2020, but we may be a PFIC in one or more subsequent taxable years. The determination of whether or not we are a PFIC is a fact-intensive determination made on an annual basis and the applicable law is subject to varying interpretation. In particular, our status as a PFIC in the current or any future tax year is uncertain because, among other things, (i) we currently own a substantial amount of passive assets, including cash, (ii) we may not receive milestone payments under any of our collaboration agreements, in which case, our income may be exclusively passive, (iii) the valuation of our assets that generate non-passive income for PFIC purposes, including our intangible assets, is uncertain and may be determined in substantial part by our market capitalization, which may vary substantially over time, and (iv) the allocation of our goodwill between passive and non-passive for purposes of the PFIC asset test is subject to uncertainty. Furthermore, there can be no assurance that the IRS will agree with our conclusion and that the IRS would not successfully challenge our position. Accordingly, we cannot provide any assurances regarding our PFIC status for the current or future taxable years. Our U.S. counsel expresses no opinion with respect to our PFIC status for any taxable year.

If we are classified as a PFIC in any taxable year during a U.S. holder's holding period of our ordinary shares, such U.S. holder could be liable for additional taxes and interest charges upon (1) a distribution paid during a taxable year that is greater than 125% of the average annual distributions paid in the three preceding taxable years, or, if shorter, the U.S. holder's holding period for the ordinary shares, and (2) any gain recognized on a sale, exchange or other taxable disposition, including a pledge, of the ordinary shares, whether or not we continue to be a PFIC. In these circumstances, the tax will be determined by allocating such distribution or gain ratably over the U.S. holder's holding period for the ordinary shares. The amount allocated to the current taxable year (i.e., the year in which the distribution occurs, or the gain is recognized) and any year prior to the first taxable year in which we are a PFIC will be taxed as ordinary income earned in the current taxable year. The amount allocated to other taxable years will be taxed at the highest marginal rates in effect for individuals or corporations, as applicable, to ordinary income for each such taxable year, and an interest charge, generally applicable to underpayments of tax, will be added to the tax. If we are a PFIC for any year during which a U.S. holder holds the ordinary shares, we must generally continue to be treated as a PFIC by that holder for all succeeding years during which the U.S. holder holds the ordinary shares, unless we cease to meet the requirements for PFIC status and the U.S. holder makes a "deemed sale" election with respect to the ordinary shares. If such election is made, the U.S. holder will be deemed to have sold the ordinary shares it holds at their fair market value on the last day of the last taxable year in which we qualified as a PFIC, and any gain from such deemed sale would be subject to the consequences described above. After the deemed sale election, the U.S. holder's ordinary shares with respect to which the deemed sale election was made will not be treated as shares in a PFIC unless we subsequently again become a PFIC.

If a U.S. holder has made a qualified electing fund, or QEF, election covering all taxable years during which the holder holds ordinary shares and in which we are a PFIC, distributions and gains will not be taxed as described above. Instead, a U.S. holder that makes a QEF election is required for each taxable year to include in income the holder's pro rata share of the ordinary earnings of the QEF as ordinary income and a pro rata share of the net capital gain of the QEF as capital gain, regardless of whether such earnings or gain have in fact been distributed. A separate election may be made for undistributed income to defer payment of taxes. If deferred, the taxes will be subject to an interest charge. Where earnings and profits that were included in income under this rule are later distributed, the distribution is not a dividend. The basis of a U.S. shareholder's shares in a QEF is increased by amounts that are included in income and decreased by amounts distributed but not taxed as dividends. In addition, if a U.S. holder makes a timely QEF election, our ordinary shares will not be considered shares in a PFIC in years in which we are not a PFIC, even if the U.S. holder had held ordinary shares in prior years in which we were a PFIC.

In order to comply with the requirements of a QEF election, a U.S. holder must receive certain information from us. The QEF election is made on a shareholder-by-shareholder basis and can be revoked only with the consent of the IRS. A shareholder makes a QEF election by attaching a completed IRS Form 8621, including the information provided in the PFIC annual information statement, to a timely filed U.S. federal income tax return and by filing a copy of the form with the IRS. There is no assurance that we will provide the information required by the IRS in order to enable U.S. holders to make the QEF election. Moreover, there is no assurance that we will have timely knowledge of our status as a PFIC in the future. Accordingly, U.S. holders may be unable to make a timely QEF election with respect to our ordinary shares.

The tax consequences that would apply if we are a PFIC would also be different from those described above if a timely and valid "mark-to-market" election is made by a U.S. holder for the ordinary shares held by such U.S. holder. An electing U.S. holder would generally take into account as ordinary income or loss each year an amount equal to the difference between the U.S. holder's adjusted tax basis in such ordinary shares and their fair market value; however, losses would be allowed only to the extent of the excess of amounts previously included in income over ordinary losses deducted in prior years as a result of the mark-to-market election. The adjusted tax basis of a U.S. holder's ordinary shares is increased by the amount included in gross income under the mark-to-market regime, or is decreased by the amount of the deduction allowed under the regime. Any gain from a sale, exchange or other taxable disposition of the ordinary shares in any taxable year in which we are a PFIC would be treated as ordinary income and any loss from such sale, exchange or other taxable disposition would be treated first as ordinary loss (to the extent of any net mark-to-market gains previously included in income) and thereafter as capital loss. If a U.S. holder makes a mark-to-market election it will be effective for the taxable year for which the election is made and all subsequent taxable years unless the shares are no longer regularly traded on a qualified exchange or the IRS consents to the revocation of the election.

A mark-to-market election is available to a U.S. holder only for "marketable stock." Generally, stock will be considered marketable stock if it is "regularly traded" on a "qualified exchange" within the meaning of applicable Treasury Regulations. A class of stock is regularly traded during any calendar year during which such class of stock is traded, other than in de minimis quantities, on at least 15 days during each calendar quarter. The ordinary shares will be marketable stock as long as they remain listed on a qualified exchange, such as Nasdaq, and are regularly traded. However, we can provide no assurances that our ordinary shares will continue to be listed on a qualified exchange or will be regularly traded. A mark-to-market election will not apply to the ordinary shares for any taxable year during which we are not a PFIC but will remain in effect with respect to any subsequent taxable year in which we become a PFIC. U.S. holders are urged to consult their tax advisor about the availability of the mark-to-market election, and whether making the election would be advisable in such holder's particular circumstances.

If we are a PFIC and, at any time, have a non-U.S. subsidiary that is classified as a PFIC (a "lower-tier" PFIC), U.S. holders of our ordinary shares generally would be deemed to own, and also would be subject to the PFIC rules with respect to, their indirect ownership interests in that lower-tier PFIC. If we are a PFIC and a U.S. holder of our ordinary shares does not make a QEF election in respect of a lower-tier PFIC, the U.S. holder could incur liability for the deferred tax and interest charge described above if either (1) we receive a distribution from, or dispose of all or part of our interest in, the lower-tier PFIC or (2) the U.S. holder disposes of all or part of its ordinary shares. There is no assurance that any lower-tier PFIC will provide to a U.S. holder the information that may be required to make a QEF election with respect to the lower-tier PFIC. A mark-to-market election under the PFIC rules with respect to our ordinary shares would not apply to a lower-tier PFIC, and a U.S. holder would not be able to make such a mark-to-market election in respect of its indirect ownership interest in that lower-tier PFIC. Consequently, U.S. holders of our ordinary shares could be subject to the PFIC rules with respect to income of the lower-tier PFIC the value of which already had been taken into account indirectly via mark-to-market adjustments. U.S. holders are urged to consult their own tax advisors regarding the issues raised by lower-tier PFICs.

Each U.S. holder who is a shareholder of a PFIC must file an annual information report on IRS Form 8621 containing such information as the U.S. Treasury Department may require. The failure to file IRS Form 8621 could result in the imposition of penalties and the extension of the statute of limitations with respect to U.S. federal income tax.

THE RULES DEALING WITH PFICS AND WITH THE QEF AND MARK-TO-MARKET ELECTIONS ARE VERY COMPLEX AND ARE AFFECTED BY VARIOUS FACTORS IN ADDITION TO THOSE DESCRIBED ABOVE, INCLUDING OUR OWNERSHIP OF ANY NON-U.S. SUBSIDIARIES. AS A RESULT, U.S. HOLDERS OF ORDINARY SHARES ARE STRONGLY ENCOURAGED TO CONSULT THEIR TAX ADVISORS ABOUT THE PFIC RULES IN CONNECTION WITH THEIR PURCHASING, HOLDING OR DISPOSING OF ORDINARY SHARES.

Distributions

Subject to the discussion under "-Passive Foreign Investment Company Rules" above, the gross amount of any distributions with respect to our ordinary shares (including any amounts withheld to reflect Israeli withholding taxes) will be taxable as dividends, to the extent paid out of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Such income (including any withheld taxes) will be includable in a U.S. holder's gross income as ordinary income on the day actually or constructively received. The amount of any dividend paid by us will be treated as foreign-source dividend income to U.S. holders, and the dividends received deduction will not be available to a U.S. holder that is taxed as a corporation as a result.

With respect to non-corporate U.S. holders, certain dividends received from a "qualified foreign corporation" that is not a PFIC may be subject to reduced rates of taxation. A qualified foreign corporation includes a foreign corporation that is eligible for the benefits of a comprehensive income tax treaty with the United States which the United States Treasury Department determines to be satisfactory for these purposes and which includes an exchange of information provision. The United States Treasury Department has determined that the US-Israel Tax Treaty meets these requirements. A foreign corporation is also treated as a qualified foreign corporation with respect to dividends paid by that corporation on shares that are readily tradable on an established securities market in the United States. As discussed under “- Passive Foreign Investment Company Rules” above, there can be no assurance that our ordinary shares will be considered readily tradable on an established securities market in any year. If we are a qualified foreign corporation, and we are not classified as a PFIC for the taxable year in which a dividend is paid or in the preceding taxable year (as discussed above under “- Passive Foreign Investment Company Rules”), dividend income will generally qualify as “qualified dividend income” in the hands of individual U.S. holders, which is generally taxed at the lower applicable long term capital gains rates, provided certain holding period and other requirements for treatment of such dividends as “qualified dividend income” are satisfied. U.S. holders should consult their own tax advisors regarding the availability of the lower rate for dividends paid with respect to our ordinary shares.

Although, to the extent we pay dividends in the future, we intend to pay dividends to U.S. holders in U.S. dollars, the amount of any dividend paid in Israeli currency will equal its U.S. dollar value for U.S. federal income tax purposes, calculated by reference to the exchange rate in effect on the date the dividend is received by the U.S. holder, regardless of whether the Israeli currency is converted into U.S. dollars. If the Israeli currency received as a dividend are converted into United States dollars on the date they are received, the U.S. holder generally will not be required to recognize foreign currency gain or loss in respect of the dividend income. If the Israeli currency is not converted into U.S. dollars on the date of receipt, the U.S. holder will have a basis in the Israeli currency equal to its U.S. dollar value on the date of receipt. Any subsequent gain or loss upon the conversion or other disposition of the Israeli currency will be treated as ordinary income or loss, and generally will, for U.S. federal income tax purposes, be treated as income or loss from U.S. sources.

Certain U.S. holders generally may claim Israeli taxes withheld from distributions and paid over to the Israeli taxing authorities either as a deduction from gross income or as a credit against U.S. federal income tax liability. To the extent a refund of the tax withheld is available to a U.S. holder under Israeli law or under the Treaty, the amount of tax withheld that is refundable will not be eligible for credit against a U.S. holder’s United States federal income tax liability. The foreign tax credit is subject to numerous complex limitations that must be determined and applied on an individual basis. U.S. holders should consult their own tax advisors regarding the foreign tax credit rules.

To the extent that the amount of any distribution (including amounts withheld to reflect Israeli withholding taxes) exceeds our current and accumulated earnings and profits for a taxable year, as determined under U.S. federal income tax principles, the distribution will first be treated as a tax-free return of capital, causing a reduction in the U.S. holder’s adjusted basis of the shares, and the balance in excess of adjusted basis will be treated as capital gain from a taxable disposition of ordinary shares. We do not expect to determine earnings and profits in accordance with U.S. federal income tax principles. Therefore, U.S. holders should expect that a distribution will generally be treated as a dividend.

Disposition of Ordinary Shares

In general, subject to the discussion under “- Passive Foreign Investment Company Rules”, above, a U.S. holder will recognize U.S. source capital gain or loss upon a taxable disposition of an ordinary share equal to the difference between the sum of the fair market value of any property and the amount of cash received in such disposition (including the amount of any foreign taxes withheld therefrom) and the U.S. holder’s adjusted tax basis in such share. A U.S. holder’s adjusted tax basis generally will equal the U.S. holder’s acquisition cost less any distributions treated as a return of capital as described under “- Distributions” above. Such capital gain or loss will be long-term capital gain or loss if a U.S. holder’s holding period in the ordinary share is more than one year at the time of the taxable disposition. Subject to certain exceptions (including but not limited to those described under “- Passive Foreign Investment Company Rules” above), long-term capital gain realized by a non-corporate U.S. holder generally will be eligible for reduced rates of tax. The deduction of capital losses may be subject to limitation. U.S. holders should consult their own independent tax advisors regarding the foreign tax credit rules with respect to any foreign taxes withheld from a taxable disposition of ordinary shares, as well as regarding any foreign currency gain or loss in connection with such a disposition.

Backup Withholding and Information Reporting

In general, information reporting will apply to dividends in respect of our ordinary shares and the proceeds from the sale, exchange or redemption of our ordinary shares that are paid to a U.S. holder within the United States (and in certain cases, outside the United States), unless such holder is an exempt recipient. A backup withholding tax generally will apply to such payments if the U.S. holder fails to provide a taxpayer identification number or certification of other exempt status or, in the case of dividend payments, fails to report in full dividend and interest income.

Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against a U.S. holder's U.S. federal income tax liability provided the required information is furnished to the Internal Revenue Service in a timely manner.

Individuals who own "specified foreign financial assets" with an aggregate value in excess of $50,000 may be required to file an information report on IRS Form 8938, "Statement of Specified Foreign Financial Assets," with respect to such assets with their tax returns. "Specified foreign financial assets" include any financial accounts maintained by foreign financial institutions, as well as any of the following, but only if they are not held in accounts maintained by financial institutions: (i) stocks and securities issued by non-U.S. persons; (ii) financial instruments and contracts held for investment that have non-U.S. issuers or counterparties; and (iii) interests in foreign entities. U.S. holders that are individuals are urged to consult their tax advisors regarding the application of these rules to their ownership of our ordinary shares.

F. DIVIDENDS AND PAYING AGENTS

Not applicable.

G. STATEMENT BY EXPERTS

Not applicable.

H. DOCUMENTS ON DISPLAY

We are required to file reports and other information with the SEC under the Securities Exchange Act of 1934, or the Exchange Act, and the regulations thereunder applicable to foreign private issuers. As a "foreign private issuer" we are exempt from the rules and regulations under the Securities Exchange Act prescribing the furnishing and content of proxy statements, and our officers, directors and principal shareholders are exempt from the reporting and "short-swing" profit recovery provisions contained in Section 16 of the Securities Exchange Act, with respect to their purchase and sale of our shares. In addition, we are not required to file reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Securities Exchange Act. Nasdaq rules generally require that companies send an annual report to shareholders prior to the annual general meeting, however we rely upon an exception under the Nasdaq Listing Rules and follow the generally accepted business practice for companies in Israel. Specifically, we file annual reports on Form 20-F, which contain financial statements audited by an independent accounting firm, electronically with the SEC and post a copy on our website. We also furnish to the SEC reports on Form 6-K containing unaudited financial information after the end of each of the first three quarters.

You may review a copy of our filings with the SEC, including any exhibits and schedules, at the offices of the Israel Securities Authority at 22 Kanfei Nesharim St., Jerusalem, Israel. As a foreign private issuer, we were only required to file through the SEC's EDGAR system as of November 2002. Our periodic filings are therefore available on the SEC's Website www.sec.gov from that date. You may read and copy any reports, statements or other information that we file with the SEC, through the SEC's EDGAR system available on the SEC's website. These SEC filings are also available to the public on the Israel Securities Authority's website at www.isa.gov.il and from commercial document retrieval services.

Any statement in this annual report about any of our contracts or other documents is not necessarily complete. If the contract or document is filed as an exhibit to this annual report, the contract or document is deemed to modify the description contained in this annual report. We urge you to review the exhibits themselves for a complete description of the contract or document.

I. SUBSIDIARY INFORMATION

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to a variety of risks, including changes in interest rates and foreign currency exchange risk and inflation.

Interest Rate Risk

As of December 31, 2020, we had $124.4 million in cash, cash equivalents, restricted cash and short-term bank deposits. We mostly invest our cash surplus in bank deposits. Since these investments typically carry fixed interest rate, financial income over the holding period is not sensitive to changes in interest rates. For more information, see Note 2 to our 2020 consolidated financial statements.

Foreign Currency Exchange Risk and Inflation

The cost of our Israel operations, as expressed in U.S. dollars, is influenced by the extent to which any increase in the rate of inflation in Israel is not offset (or is offset on a lagging basis) by a devaluation of the NIS in relation to the U.S. dollar. The inflation rate in Israel was (0.7%), 0.6% and 0.8% in 2020, 2019 and 2018, respectively. The appreciation (devaluation) of the U.S. dollar against the NIS was (7.0%), (7.8%) and 8.1% in 2020, 2019 and 2018, respectively. For 2020, assuming a 10% devaluation of the U.S. dollar against the NIS, we would experience exchange rate losses of approximately $1.3 million, while assuming a 10% appreciation of the U.S. dollar against the NIS, we would experience an exchange rate gain of approximately $1.1 million. A significant portion of our expenditures is employee compensation-related. Salaries for Israel-based employees are paid in NIS and may be adjusted for changes in the Israeli consumer price index, or CPI, through salary increases or adjustments. These upward adjustments increase salary expenses in U.S. dollar terms. The devaluation/appreciation of the NIS against the U.S. dollar decreases/increases employee compensation expenditures as expressed in dollars proportionally. Some of our other NIS-based expenses are either currently adjusted to U.S. dollars or are adjusted to the CPI. We currently have no foreign currency derivative contracts to hedge against currency exchange risk fluctuation but may consider entering into such contracts in the future. For more information, see Note 2 of our 2020 consolidated financial statements.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

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

Not applicable.

ITEM 15. CONTROLS AND PROCEDURES

A. DISCLOSURE CONTROLS AND PROCEDURES

Our disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports we are required to file are recorded, processed, summarized and reported on a timely basis. Under the supervision of our chief executive officer and chief financial officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) and 15d-15(e) promulgated under the Exchange Act. Based on this evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this annual report.

B. MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management, with the involvement of our board of directors and audit committee, is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control system has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our consolidated financial statements for external purposes in accordance with generally accepted accounting principles.

Under the supervision of our chief executive officer and chief financial officer, our management conducted an evaluation of the effectiveness of our internal control over financial reporting, as such term is defined under Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act. In making this assessment, our management used the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, our chief executive officer and chief financial officer have concluded that our internal control over financial reporting was effective as of the end of the period covered by this annual report.

Notwithstanding the foregoing, all internal control systems no matter how well designed have inherent limitations. Therefore, even those systems determined to be effective may not prevent or detect misstatements and can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Kost Forer Gabbay & Kasierer, a member firm of Ernst & Young Global, an independent registered public accounting firm in Israel, which has audited our financial statements for the year ended December 31, 2020 that are included in this annual report, has issued an attestation report on our internal control over financial reporting as of December 31, 2020.

C. ATTESTATION REPORT OF THE REGISTERED PUBLIC ACCOUNTING FIRM

The attestation report of Kost Forer Gabbay & Kasierer, a member firm of Ernst & Young Global, an independent registered public accounting firm in Israel, on internal control over financial reporting as of December 31, 2020 is provided on page F-4, as included under Item 18 of this annual report.

D. CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

Based on the evaluation conducted by our management, with the participation of our chief executive officer and chief financial officer, pursuant to Rules 13a-15(d) and 15d-15(d) promulgated under the Exchange Act, our management (including such officers) have concluded that, there were no changes in our internal control over financial reporting that occurred during the period covered by this annual report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16. RESERVED

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our board of directors has determined that each of Mr. Gilead Halevy, Mr. Eran Perry and Mr. Sanford (Sandy) Zweifach, who serves on our audit committee and who meets the "independence" definition under the Nasdaq Listing Rules, qualifies as an "audit committee financial expert" as defined in the instructions to this Item 16A of Form 20-F.

ITEM 16B. CODE OF ETHICS

We have adopted a code of business conduct that applies to all of our employees, officers and directors as well as a code of ethics for senior financial officers that applies to our chief executive officer, chief financial officer, director of finance, controller, assistant controller and persons performing similar functions at our subsidiary.

The code of ethics for senior financial officers is available on our website, www.cgen.com. However, information contained on our website does not constitute a part of this annual report.

We intend to post on our website all disclosures that are required by law or by the Nasdaq Listing Rules concerning any amendments to, or waivers from, any provision of the code of business conduct or the code of ethics.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table presents the fees billed or accrued to us by our principal accountant for professional services rendered in the years ended December 31, 2019 and 2018:

	2020	2019
Audit Fees	$ 133,000	$ 133,000
Audit Related Fees	$ 75,000	$ 32,500
Tax Fees	$ 4,500	$ 8,077
All Other Fees	$ 2,500	$ 2,500
Total	$ **215,000**	$ **176,077**

“Audit Fees” are fees for professional services rendered by our principal accountant in connection with the integrated audit (including review of internal control over financial reporting) of our consolidated annual financial statements and review of our unaudited interim financial statements;

“Audit Related Fees” are fees for professional services rendered by our principal accountant in connection with the audit and other assignments, including consultancy and consents with respect to an underwritten public offering and related prospectus supplements filed with the SEC;

“Tax Fees” are fees for services rendered by our principal accountant in connection with tax compliance, tax advice and tax planning which in years 2020 and 2019 were consultancy relating to withholding tax on payments to foreign suppliers, annual Israeli tax reports and VAT related services; and

“All Other Fees” are fees for other consulting services rendered by our principal accountant to us.

Pre-Approval Policies for non-Audit Services

Our audit committee is in charge of a policy and procedures for approval of audit and non-audit services rendered by our external auditor. This policy generally provides that we will not engage our independent registered public accounting firm to render audit or non-audit services unless the service is specifically approved in advance by our audit committee or the engagement is entered into pursuant to the pre-approval procedure described below. Annually, our audit committee pre-approves specified types of services that are expected to be provided to us by our independent registered public accounting firm during the next 12 months. Any such pre-approval is detailed as to the particular service or type of services to be provided and is also generally subject to a maximum dollar amount. All of the fees listed in the table above were approved by our audit committee.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not Applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Not applicable.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

The Nasdaq Listing Rules require companies with securities listed thereon to comply with its corporate governance standards. As a foreign private issuer whose shares are listed on Nasdaq, we are permitted to follow certain home country corporate governance practices instead of those followed by U.S. companies under the Nasdaq Listing Rules, including:

Shareholder Approval. Pursuant to Israeli law, we seek shareholder approval for all corporate actions requiring such approval under the requirements of the Companies Law, which are different from the requirements for seeking shareholder approval under Nasdaq Listing Rule 5635. We seek shareholder approval in specified situations, including upon issuance of options to directors in their capacity as directors, as required by Israeli law.

Quorum at an Adjourned General Meeting of Shareholders. Consistent with Israeli law, generally, a quorum for an adjourned general meeting of shareholders of the Company is any two shareholders present in person, by proxy, by proxy card or by electronic vote at such meeting. As such, the Israeli quorum requirements for an adjourned meeting are different from the Nasdaq requirement that an issuer listed on Nasdaq have a quorum requirement that in no case be less than 33 1/3% of the outstanding shares of the company's common voting stock.

Distribution of Annual Reports. We have chosen to follow our home country practice in lieu of the requirements of Nasdaq Rule 5250(d)(1), relating to an issuer's furnishing of its annual report to shareholders. Specifically, we file annual reports on Form 20-F, which contain financial statements audited by an independent accounting firm, electronically with the SEC and post a copy on our website.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

See Item 18.

ITEM 18. FINANCIAL STATEMENTS

Our consolidated financial statements and related notes are included in this annual report beginning on page F-1.

ITEM 19. EXHIBITS

Index to Exhibits

Exhibit Number	Description
1.1	Articles of Association of Compugen, as amended (incorporated by reference to Annex A3 of Exhibit 99.4 to Compugen's report on Form 6-K filed with the SEC on August 5, 2019 (File No. 000-30902)).
1.2	Memorandum of Association of Compugen, as amended (incorporated by reference to Annex A2 of Exhibit 99.4 to Compugen's report on Form 6-K filed with the SEC on August 5, 2019 (File No. 000-30902)).
2.1	Description of Securities
4.1	Compugen Ltd. 2021 Employee Share Purchase Plan (incorporated by reference to Exhibit 10.1 to Compugen's Registration Statement on Form S-8 filed with the SEC on December 12, 2020 (File No. 333-251263)).
4.2	Compugen Ltd. 2010 Share Incentive Plan, as amended (incorporated by reference to Exhibit 4.1 to Compugen's Registration Statement on Form S-8, filed with the SEC on July 30, 2020 (File No.333-240182)).
4.3¥*	Research and Development Collaboration and License Agreement, dated August 5, 2013, by and betweenCompugen Ltd. and BayerPharma AG ("Bayer").
4.4¥*	First Amendment to the Research and Development Collaboration and License Agreement, by and betweenCompugen Ltd. and Bayer dated as of February 5, 2014.
4.5¥*	Second Amendment to the Research and Development Collaboration and License Agreement, by and betweenCompugen Ltd. and Bayer, dated as of July 27, 2015.
4.6¥*	Third Amendment to Research and Development Collaboration and License Agreement, by and betweenCompugen Ltd. and Bayer, dated as of April 17, 2016.
4.7	Lease dated December 12, 2013, by and between Britannia Pointe Grand Limited Partnership and Compugen USA, Inc. (incorporated by reference to Exhibit 4.8 to Compugen's annual report on Form 20-F for the year ended December 31, 2013, filed with the SEC on February 18, 2014 (File No. 000-30902)).
4.8	Form of Indemnification Undertaking and Exemption and Release between Compugen Ltd. and its directors and office holders (incorporated by reference to Exhibit C to Exhibit 99.3 to Compugen's Form 6-K filed with the SEC on August 2, 2013 (File No. 000-30902)).
4.9	Office Lease Agreement ("Holon Lease"), dated March 2015, by and between Kanit Hashalom Investments Ltd. and Compugen Ltd. (incorporated by reference to Exhibit 99.2 to Compugen's Form 6-K filed with the SEC on May 5, 2015 (File No. 000-30902)).

4.10	Amendment to Holon Lease made and entered into on November 26, 2015 by and between Kanit Hashalom Investments Ltd. and Compugen Ltd. (incorporated by reference to Exhibit 4.10 to Compugen's annual report on Form 20-F for the year ended December 31, 2015, filed with the SEC on March 7, 2016 (File No. 000-30902)).
4.11*	Addendum to Holon Lease made and entered into on October 14, 2020 by and between Kanit Hashalom Investments Ltd. and Compugen Ltd.
4.12@	License Agreement, between the Company and MedImmune Limited ("MedImmune"), entered into as of March 30, 2018 (incorporated by reference to Exhibit 10.1 to Compugen's Form 6-K, filed with the SEC on May 9, 2018 (File No. 000-30902)).
4.13@	Amendment No. 1 to the License Agreement, between the Company and MedImmune, dated May 9, 2018 (incorporated by reference to Exhibit 10.1 to Compugen's Form 6-K, filed with the SEC on August 1, 2018 (File No. 000-30902)).
4.14*	Amendment No. 2 to the License Agreement, between the Company and MedImmune, dated September 16, 2020.
4.15	Securities Purchase Agreement, dated as of June 14, 2018, by and among the Company and the purchasers named therein (incorporated by reference to Exhibit 1.1 to Compugen's Form 6-K, filed with the SEC on June 19, 2018 (File No. 000-30902)).
4.16	Form of Warrant to Purchase Ordinary Shares (incorporated by reference to Exhibit 4.1 to Compugen's Form 6-K, filed with the SEC on June 19, 2018 (File No. 000-30902)).
4.17@	Master Clinical Trial Collaboration Agreement, between the Company and Bristol Myers Squibb Company, dated October 10, 2018 (incorporated by reference to Exhibit 10.1 to Compugen's Form 6-K, filed with the SEC on November 7, 2018 (File No. 000-30902)).
4.18#	Amendment No. 1 to Master Clinical Trial Collaboration Agreement, between the Company and Bristol Myers Squibb Company, dated February 14, 2020 (incorporated by reference to Exhibit 10.1 to Compugen's Form 6-K, filed with the SEC on February 20, 2020 (File No. 000-30902)).
4.19#	Amendment No. 2 to Master Clinical Trial Collaboration Agreement, between the Company and Bristol Myers Squibb Company, dated February 19, 2021 (incorporated by reference to Exhibit 10.1 to Compugen's Form 6-K, filed with the SEC on February 22, 2021 (File No. 000-30902)).
8.1*	Subsidiaries.
12.1*	Certification by Principal Executive Officer pursuant to Rule 13a-14(a)/Rule 15d-14(a) under the Exchange Act and Section 302 of the Sarbanes-Oxley Act of 2002.
12.2*	Certification by Principal Financial and Accounting Officer pursuant to Rule 13a-14(a)/Rule 15d-14(a) under the Exchange Act and Section 302 of the Sarbanes-Oxley Act of 2002.
13.1*	Certification by Principal Executive Officer and Principal Financial and Accounting Officer pursuant to Rule 13a-14(b)/Rule 15d-14(b) under the Exchange Act and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
15.1*	Consent of Kost Forer Gabbay & Kasierer, a member firm of Ernst & Young Global.
101*	The following financial information from Compugen Ltd.'s Annual Report on Form 20-F for the year ended December 31, 2020, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Statements of Operations for the years ended December 31, 2020, 2019 and 2018; (ii) Consolidated Balance Sheets as of December 31, 2020 and 2019; (iii) Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2020, 2019 and 2018; (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2020, 2019 and 2018 ; and (v) Notes to Consolidated Financial Statements.

* Filed herewith.

@ Confidential treatment has been granted by the Securities and Exchange Commission as to certain portions.

¥ Confidential treatment is requested by the Securities and Exchange Commission, as to certain portions thereof.

Portions of this exhibit (indicated by asterisks therein) have been omitted pursuant to the provisions specified in the report on Form 6-K filed with the Securities and Exchange Commission.

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.

COMPUGEN LTD.

Signature: /s/ Dr. Anat Cohen-Dayag
Name: Dr. Anat Cohen-Dayag
Title: President and Chief Executive Officer, Director
Date: February 25, 2021

COMPUGEN LTD. AND ITS SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2020

U.S. DOLLARS IN THOUSANDS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of

COMPUGEN LTD.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Compugen Ltd. and its subsidiary (the "Company") as of December 31, 2020 and 2019, the related consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2020, and related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 25, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the 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 financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the 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 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 financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical audit matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

	Accrued clinical and pre-clinical trials expenses
Description of the matter	As discussed in Note 2(k) to the consolidated financial statements, the Company records costs for clinical and pre-clinical trial activities based upon estimates of costs incurred through the balance sheet date that have yet to be invoiced by the contract research organizations and other vendors. Auditing the Company's accruals for clinical and pre-clinical trials is challenging due to the fact that information necessary to estimate the accruals for the services that have been received during the reporting period is accumulated from multiple sources such as Company's operations personnel that oversee the clinical and pre-clinical trials, information from service providers and terms and conditions included in the contracts with the service providers. In addition, in certain circumstances, the determination of the nature and level of services that have been received during the reporting period requires judgment because the timing and pattern of vendor invoicing does not correspond to the level of services provided and there may be delays in invoicing from clinical and pre-clinical study sites and other vendors.
How we addressed the matter in our audit	We obtained an understanding of, evaluated the design and tested the operating effectiveness of internal controls that addressed the identified risks related to the Company's process for recording accrued clinical and pre-clinical expenses. To test the clinical and pre-clinical trial accruals, our audit procedures included, among others, reviewing a sample of agreements with the service providers to corroborate key terms and conditions and testing the accuracy and completeness of the underlying data used in the accrual computations. We also evaluated management's estimates of the progress of a sample of clinical and pre-clinical trials by making direct inquiries of the Company's operations personnel that oversee the clinical and pre-clinical trials and obtaining information directly from certain service providers which indicated the progress of clinical and pre-clinical trials completed through the balance sheet date and compared that to the Company's accrual computations. To evaluate the completeness of the accruals, we also examined subsequent invoices from the service providers and cash disbursements to the service providers, to the extent such invoices were received, or payments were made prior to the date that the consolidated financial statements were issued.

/s/KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

We have served as the Company's auditor since 2002
Tel-Aviv, Israel
February 25, 2021

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of

COMPUGEN LTD.

Opinion on Internal Control over Financial Reporting

We have audited Compugen Ltd. and its subsidiary's internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Compugen Ltd. and its subsidiary (the "Company") maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2020 and 2019 and the related consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes and our report dated February 25, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global
Tel-Aviv, Israel
February 25, 2021

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

	Note	December 31, 2020	December 31, 2019
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents		$ 7,143	$ 9,187
Restricted cash		667	652
Short-term bank deposits		116,622	34,040
Trade receivables		2,000	-
Other accounts receivable and prepaid expenses	3	2,658	1,121
Total current assets		129,090	45,000
NON-CURRENT ASSETS:			
Long-term prepaid expenses		1,880	693
Severance pay fund		2,863	2,485
Operating lease right of use asset	4	2,772	3,247
Property and equipment, net	5	1,711	2,338
Total non- current assets		9,226	8,763
Total assets		$ 138,316	$ 53,763

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

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands (except share and per share data)

	Note	December 31, 2020	December 31, 2019
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Trade payables		$ 1,413	$ 1,088
Short-term deferred participation in R&D expenses		668	774
Current maturity of operating lease liability	4	639	600
Other accounts payable and accrued expenses	6	7,803	4,357
Total current liabilities		10,523	6,819
NON- CURRENT LIABILITIES:			
Long- term deferred participation in R&D expenses		1,968	2,691
Long- term operating lease liability		2,527	2,978
Accrued severance pay		3,516	2,954
Total non-current liabilities		8,011	8,623
COMMITMENTS AND CONTINGENT LIABILITIES	7		
SHAREHOLDERS' EQUITY:	8		
Share capital:			
Ordinary shares of NIS 0.01 par value: 200,000,000 shares authorized at December 31, 2020 and 2019; 83,675,856 and 67,922,836 shares issued and outstanding at December 31, 2020 and 2019, respectively		231	187
Additional paid-in capital		507,427	396,312
Accumulated deficit		(387,876)	(358,178)
Total shareholders' equity		119,782	38,321
Total liabilities and shareholders' equity		$ 138,316	$ 53,763

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

U.S. dollars in thousands (except share and per share data)

	Note	Year ended December 31, 2020	2019	2018
Revenue		$ 2,000	$ -	$ 17,800
Cost of revenue		60	-	1,034
Gross profit		1,940	-	16,766
Operating expenses:				
Research and development expenses, net		22,760	19,816	30,318
Marketing and business development expenses		871	651	1,634
General and administrative expenses		9,805	8,412	8,041
Total operating expenses		33,436	28,879	39,993
Operating loss		(31,496)	(28,879)	(23,227)
Financial and other income, net	11	1,798	820	628
Loss before taxes on income		(29,698)	(28,059)	(22,599)
Taxes on income	9	-	722	-
Net loss		(29,698)	(27,337)	(22,599)
Basic net loss per share		$ (0.37)	$ (0.43)	$ (0.41)
Diluted net loss per share		$ (0.37)	$ (0.43)	$ (0.41)
Other comprehensive loss:				
Realized loss (gain) arising during the period from foreign currency derivative contracts		-	-	(17)
Total comprehensive loss		$ (29,698)	$ (27,337)	$ (22,616)
Weighted average number of ordinary shares used in computing basic net loss per share		79,591,187	63,636,673	55,277,428
Weighted average number of ordinary shares used in computing diluted net loss per share		79,591,187	63,636,673	55,277,428

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

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

U.S. dollars in thousands (except share data)

	Ordinary shares		Additional paid-in capital	Accumulated other comprehensive income	Accumulated deficit	Total shareholders' equity
	Number	Amount				
Balance as of January 1, 2018	51,293,070	$ 140	$ 337,382	$ 17	$ (308,242)	$ 29,297
Options exercised	765,420	2	683	-	-	685
Issuance of shares and warrants, net	7,791,294	22	27,689	-	-	27,711
Stock-based compensation relating to options issued to employees, directors and non-employees	-	-	2,166	-	-	2,166
Changes in other comprehensive income (loss) from foreign currency derivative contracts	-	-	-	(17)	-	(17)
Net loss	-	-	-	-	(22,599)	(22,599)
Balance as of December 31, 2018	59,849,784	164	367,920	-	(330,841)	37,243
Options exercised	878,378	3	3,246	-	-	3,249
Issuance of shares and warrants, net	7,194,674	20	22,738	-	-	22,758
Stock-based compensation relating to options issued to employees, directors and non-employees	-	-	2,408	-	-	2,408
Net loss	-	-	-	-	(27,337)	(27,337)
Balance as of December 31, 2019	67,922,836	187	396,312	-	(358,178)	38,321
Options exercised	3,070,542	9	15,906	-	-	15,915
Warrants exercised	3,866,139	11	18,314	-	-	18,325
Issuance of shares, net	8,816,339	24	74,123	-	-	74,147
Stock-based compensation relating to options issued to employees, directors and non-employees	-	-	2,772	-	-	2,772
Net loss	-	-	-	-	(29,698)	(29,698)
Balance as of December 31, 2020	83,675,856	$ 231	$ 507,427	$ -	$ (387,876)	$ 119,782

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Year ended December 31,		
	2020	**2019**	**2018**
Cash flows from operating activities:			
Net loss	$ (29,698)	$ (27,337)	$ (22,599)
Adjustments required to reconcile net loss to net cash used in operating activities:			
Stock-based compensation	2,772	2,408	2,166
Depreciation	715	989	1,394
Increase (decrease) in severance pay, net	184	(22)	46
Loss (gain) from property and equipment sales and disposals	(12)	(135)	52
Decrease (increase) in interest receivables from short-term bank deposits	(532)	66	(288)
Increase in trade receivables	(2,000)	-	-
Increase in other accounts receivable and prepaid expenses	(1,613)	(142)	(179)
Decrease (increase) in long-term prepaid expenses	(1,187)	83	(666)
Decrease in operating lease right of use asset	475	2,165	-
Increase (decrease) in trade payables and other accounts payable and accrued expenses	3,817	(3,502)	2,691
Increase (decrease) in deferred participation in R&D expenses	(829)	(627)	4,092
Decrease in operating lease liability	(412)	(1,834)	-
Net cash used in operating activities	(28,320)	(27,888)	(13,291)
Cash flows from investing activities:			
Proceeds from maturity of short-term bank deposits	70,300	59,403	27,400
Investment in short-term bank deposits	(152,350)	(54,300)	(62,403)
Purchase of property and equipment	(166)	(155)	(158)
Proceeds from sale of property and equipment	44	382	2
Net cash provided by (used in) investing activities	(82,172)	5,330	(35,159)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Year ended December 31,		
	2020	**2019**	**2018**
Cash flows from financing activities:			
Proceeds from issuance of ordinary shares, net	74,147	22,758	27,711
Proceeds from exercise of warrants	18,325	-	-
Proceeds from exercise of options	15,991	3,173	685
Net cash provided by financing activities	108,463	25,931	28,396
Increase (decrease) in cash, cash equivalents and restricted cash	(2,029)	3,373	(20,054)
Cash, cash equivalents and restricted cash at the beginning of the year	9,839	6,466	26,520
Cash and cash equivalents and restricted cash at the end of the year	$ 7,810	$ 9,839	$ 6,466
Supplemental disclosure of non-cash investing and financing activities:			
Change in receivables from foreign currency derivative contracts	$ -	$ -	$ 17
Purchase of property and equipment	$ 16	$ 47	$ 15
Receivables on account of shares	$ -	$ 76	$ -
Change in right of use asset and operating lease liability	$ (194)	$ 363	$ -
Cash paid (received) during the year for:			
Interest payments received from short-term bank deposits and cash equivalents	$ 1,232	$ 1,002	$ 355
Reconciliation of cash, cash equivalents and restricted cash:			
Cash and cash equivalents	$ 7,143	$ 9,187	$ 5,861
Restricted cash	667	652	605
Total cash, cash equivalents and restricted cash	$ 7,810	$ 9,839	$ 6,466

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

NOTE 1: - GENERAL

a. Compugen Ltd. (the **"Company"**) is a clinical-stage therapeutic discovery and development company utilizing its broadly applicable, predictive computational discovery platforms to identify novel drug targets and develop therapeutics in the field of cancer immunotherapy. The Company's innovative immuno-oncology pipeline consists of three clinical stage programs, targeting immune checkpoints the Company discovered computationally, COM701, COM902 and BAY1905254. Compugen's therapeutic pipeline also includes early-stage immuno-oncology programs focused largely on myeloid targets. The innovative immuno-oncology pipeline, the strategic collaborations and the Company's computational discovery engine serve as the corporate three key building blocks. Compugen's business model is to selectively enter into collaborations for its novel targets and related drug product candidates at various stages of research and development under various revenue-sharing arrangements.

b. The Company is headquartered in Holon, Israel. Its clinical development activities are headed from its United States subsidiary in South San Francisco, CA.

c. The Company has incurred losses in the amount of $ 29,698 during the year ended December 31, 2020, has an accumulated deficit of $ 387,876 as of December 31, 2020 and has an accumulated negative cash flow from operating activities in the amount of $ 28,320 for the year ended December 31, 2020. On February 26, 2019, the Company announced a corporate restructuring to reduce costs by consolidating and streamlining R&D operations. The restructuring included reducing its workforce by 35%, consolidating R&D activities in one location in Israel and outsourcing certain preclinical activities to third-party service providers. The Company believes that its existing capital resources will be adequate to satisfy its expected liquidity requirements at the current level of yearly expenditures through 2023.

d. On August 5, 2013, the Company entered into a Research and Development Collaboration and License Agreement ("Bayer Agreement") with Bayer Pharma AG ("Bayer") for the research, development, and commercialization of antibody-based therapeutics against two novel, Compugen-discovered immune checkpoint regulators.

Under the terms of the Bayer Agreement, the Company received an upfront payment of $ 10,000, and, following the return of the CGEN 15022 program in 2017, the Company is eligible to receive an aggregate of over $ 250,000 in potential milestone payments for the BAY1905254 program, not including aggregate milestone payments of approximately $ 23,000 received to date. Additionally, the Company is eligible to receive mid to high single digit royalties on global net sales of any approved products under the collaboration.

Pursuant to the terms of Bayer Agreement, BAY1905254 program (formerly CGEN-15001T) was transferred to Bayer's full control for further preclinical and clinical development activities, and worldwide commercialization under milestone and royalty bearing license from Compugen.

NOTE 1: - GENERAL (Cont.)

e. Effective March 30, 2018, the Company entered into an exclusive license agreement with MedImmune Limited. the global biologics research and development arm of AstraZeneca ("AstraZeneca") to enable the development of bi-specific and multi-specific immuno-oncology antibody products. Under the terms of the agreement, Compugen provided an exclusive license to AstraZeneca for the development of bi-specific and multi-specific antibody products derived from a Compugen pipeline program. AstraZeneca has the right to create multiple products under this license and will be solely responsible for all research, development, and commercial activities under the agreement. Compugen received a $10,000 upfront payment, and accrued $2,000 milestone payment out of up to $ 200,000 the Company is eligible to receive in development, regulatory and commercial milestones for the first product in addition to tiered royalties on future product sales. If additional products are developed, additional milestones and royalties would be due to Compugen for each product.

f. On October 10, 2018, the Company entered into a Master Clinical Trial Collaboration Agreement (the "Agreement") with Bristol-Myers Squibb Company ("Bristol-Myers Squibb") to evaluate the safety and tolerability of Compugen's COM701 in combination with Bristol-Myers Squibbs' PD-1 immune checkpoint inhibitor Opdivo® (nivolumab), in patients with advanced solid tumors.

Pursuant to the Agreement, Compugen is responsible for and will continue sponsoring the ongoing two-part Phase 1 trial, which includes the evaluation of the combination of COM701 and Opdivo®. The collaboration was also designed to address potential future combinations, including trials sponsored by Bristol-Myers Squibb to investigate combined inhibition of checkpoint mechanisms, such as PVRIG and TIGIT. Bristol-Myers Squibb and Compugen each supplies the other company with its own compound for the other party's study, and otherwise each party is responsible for all costs associated with the study that it is conducting.

In conjunction with the signing of the Agreement, Bristol-Myers Squibb made a $ 12,000 investment in Compugen, see Note 8b.

On February 14, 2020, the Agreement with Bristol-Myers Squibb was amended to include a triple combination clinical trial to evaluate the safety, tolerability and antitumor activity of COM701 in combination with Opdivo® (nivolumab), and Bristol-Myers Squibb's investigational antibody targeting TIGIT known as BMS-986207, in patients with advanced solid tumors, instead of the planned expansion of the combined therapy study designed to evaluate the dual combination of COM701 and Opdivo®.

Pursuant to the Agreement, as amended, the Company sponsors the two-part Phase 1/2 trial, which evaluates of the triple combination of COM701, Opdivo® and BMS-986207, in patients with advanced solid tumors where Bristol-Myers Squibb provides Opdivo® and BMS-986207 at no cost to the Company.

As part of the amended Agreement, it was agreed that the Company will complete the dose escalation arm of the dual combination of COM701 with Opdivo® under the ongoing Phase 1 study and will not continue the expansion cohorts of the dual combination.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States ("U.S. GAAP").

a. Use of estimates:

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates, judgments and assumptions. The Company's management believes that the estimates, judgments and assumptions used are reasonable based upon information available at the time they are made. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

b. Financial statements in U.S. dollars:

The reporting and functional currency of the Company is the U.S. dollar, as the Company's management believes that the U.S. dollar is the primary currency of the economic environment in which the Company and Compugen USA, Inc. have operated and expect to continue to operate in the foreseeable future.

Transactions and balances denominated in U.S. dollars are presented at their original amounts. Monetary accounts denominated in currencies other than the dollar are re-measured into dollars in accordance with ASC No. 830, "Foreign Currency Matters". All transaction gains and losses from the re-measurement of monetary balance sheet items are reflected in the consolidated statement of comprehensive loss as financial income or expenses, as appropriate.

c. Basis of consolidation:

The consolidated financial statements include the accounts of the Company and Compugen USA, Inc. Intercompany transactions and balances have been eliminated upon consolidation.

d. Cash equivalents:

Cash equivalents are short-term highly liquid investments that are readily convertible to cash with original maturities of three months or less at acquisition.

e. Restricted cash:

Restricted cash is held in interest bearing saving accounts which are used as a security for the Company's Israeli facility leasehold bank guarantee and credit card security for Compugen USA Inc.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

f. Short-term bank deposits:

Bank deposits with maturities of more than three months but less than one year are included in short-term bank deposits. Such short-term bank deposits are stated at cost which approximates market values.

The short-term bank deposits as of December 31, 2020 and 2019 are in U.S. dollars and bear an annual weighted average interest rate of 1.01% and 2.37%, respectively.

g. Property and equipment, net:

Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets at the following annual rates:

	%
Computers, software and related equipment	33
Laboratory equipment and office furniture	6 - 20 (mainly 20)
Leasehold improvements	Shorter of the term of the lease or useful life

h. Impairment of long-lived assets:

The long-lived assets of the Company and Compugen USA, Inc. are reviewed for impairment in accordance with ASC 360, "Property, Plant, and Equipment," whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset with the future undiscounted cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. During the years 2020, 2019 and 2018, no impairment losses have been identified.

i. Revenue recognition:

The Company generates revenues mainly from its collaborative and license agreements. The revenues are derived mainly from upfront license payments, research and development services and contingent payments related to milestone achievements.

The Company has adopted the new revenue standard, Topic 606 – “Revenue from Contracts with Customers”, as of January 1, 2018, using a modified retrospective adoption transition to each prior reporting period presented. The adoption did not have an effect over the Consolidated Financial Statements on the adoption date and no adjustment to prior year consolidated financial statements was required.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

i. Revenue recognition (Cont.):

The Company analyzes its collaboration arrangements to assess whether they are within the scope of ASC 606. In determining the appropriate amount of revenue to be recognized as the Company fulfills its obligations under each of its agreements, the Company performs the following steps:

- *Identification of the contract, or contracts, with a customer*
- *Identification of the performance obligations in the contract* - At contract inception, the Company assesses the goods or services promised in a contract with a customer and identifies those distinct goods and services that represent a performance obligation. A promised good or service may not be identified as a performance obligation if it is immaterial in the context of the contract with the customer, if it is not separately identifiable from other promises in the contract (either because it is not capable of being separated or because it is not separable in the context of the contract), or if the performance obligation does not provide the customer with a material right.
- *Determination of the transaction price* - The Company considers the terms of the contract and its customary business practices to determine the transaction price. The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer. The consideration promised in a contract with a customer may include fixed amounts, variable amounts, or both. Variable consideration will only be included in the transaction price when it is not considered constrained, which is when it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur.
- *Allocation of the transaction price to the performance obligations in the contract* - If it is determined that multiple performance obligations exist, the transaction price is allocated at the inception of the agreement to all identified performance obligations based on the relative standalone selling prices. The relative selling price for each deliverable is estimated using observable objective evidence if it is available. If observable objective evidence is not available, the Company uses its best estimate of the selling price for the deliverable.
- *Recognition of revenue when, or as, the Company satisfies a performance obligation* - Revenue is recognized when, or as, the Company satisfies a performance obligation by transferring a promised good or service to a customer. An asset is transferred when, or as, the customer obtains control of that asset, which for a service is considered to be as the services are received and used.

  After contract inception, the transaction price is reassessed at every period end and updated for changes such as resolution of uncertain events. Any change in the transaction price is allocated to the performance obligations on the same basis as at contract inception.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

i. Revenue recognition (Cont.):

The Company entered into an exclusive license agreement with AstraZeneca. Under the terms of the agreement, Compugen provided AstraZeneca with an exclusive license to intellectual property ("IP") rights of the Company for the development of bi-specific and multi-specific antibody products derived from a Compugen pipeline program. Compugen received a $ 10,000 upfront nonrefundable payment and is eligible to receive up to $ 200,000 in development, regulatory and commercial milestones for the first product, including $2,000 accrued to date as well as tiered royalties on future product sales.

Under ASC 606, the Company determined the license to the IP to be a functional IP that has significant standalone functionality. The Company is not required to continue to support, develop or maintain the intellectual property transferred and will not undertake any activities to change the standalone functionality of the IP. Therefore, the license to the IP is a distinct performance obligation and as such revenue is recognized at the point in time that control of the license is transferred to the customer.

Future milestone payments are considered variable consideration and are subject to the variable consideration constraint (i.e. will be recognized once concluded that it is “probable” that a significant reversal of the cumulative revenues recognized under the contract will not occur in future periods when the uncertainty related to the variable consideration is resolved). Therefore, as the milestone payments are not probable, revenue was not recognized in respect to such milestone payments prior to achievement of such milestone.

Sales- or usage-based royalties to be received in exchange for licenses of IP are recognized at the later of when (1) the subsequent sale or usage occurs or (2) the performance obligation to which some or all of the sales- or usage-based royalty has been allocated is satisfied (in whole or in part). As royalties are payable based on future Commercial Sales, as defined in the agreement, which did not occur as of the financial statements date, the Company did not recognize any revenues from royalties.

On September 20, 2018 the fourth milestone with respect to the remaining licensed program, under the Bayer Agreement was achieved and the Company recognized revenues in total amount of $ 7,800 in accordance with the criteria prescribed under ASC 606. See also Note 1d.

On December 18, 2020 the first development milestone with respect to the first licensed product, under the AstraZeneca License Agreement was achieved and the Company recognized revenues in total amount of $ 2,000 in accordance with the criteria prescribed under ASC 606.

For information regarding disaggregated revenues, please refer to Note 10 below.

j. Cost of revenues:

Cost of revenues consist of certain royalties and milestones paid or accrued.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

k. Research and development expenses, net:

Research and development costs are charged to the statement of comprehensive loss as incurred and are presented net of the amount of any grants the Company receives for research and development in the period in which the grant was received.

As part of the process of preparing the consolidated financial statements, the Company accrues costs for pre-clinical and clinical trial activities based upon estimates of the services received and related expenses incurred that have yet to be invoiced by the contract research organizations or other pre-clinical or clinical trial vendors that perform the activities. In certain circumstances, the Company is required to make nonrefundable advance payments to vendors for goods or services that will be received in the future for use in research and development activities. In such circumstances, the nonrefundable advance payments are deferred and capitalized, even when there is no alternative future use for the research and development, until related goods or services are provided. In circumstances where amounts have been paid in excess of costs incurred, the Company records a prepaid expense.

The portion of the Bristol-Myers Squibb $ 12,000 investment over the fair market value of the shares issued in the amount of $ 4,121 was considered as deferred participation of Bristol-Myers Squibb in R&D expenses which is amortized over the period of the clinical trial based on the progress in the R&D, in accordance with ASC 808 “Collaborative Arrangements”, see Note 1f and Note 8b.

Amortization of participation in R&D expenses for the years ended December 31, 2020, 2019 and 2018 were $ 829, $ 627 and $ 29, respectively.

l. Severance pay:

The Company's liability for severance pay for its Israeli employees is calculated pursuant to Israeli Severance Pay Law based on the most recent salary of the employees multiplied by the number of years of employment as of the balance sheet date, and is in large part covered by regular deposits with recognized pension funds, deposits with severance pay funds and purchases of insurance policies. The value of these deposits and policies is recorded as an asset in the Company's balance sheet. Pursuant to Section 14 of the Israeli Severance Pay Law, for Israeli employees under this section, the Company's contributions for severance pay have replaced its severance obligation. Upon contribution of the full amount of the employee's monthly salary for each year of service, no additional calculations are conducted between the parties regarding the matter of severance pay and no additional payments are made by the Company to the employee. Further, the related obligation and amounts deposited on behalf of the employee for such obligation are not stated on the balance sheet, as the Company is legally released from the obligation to employees once the deposit amounts have been paid.

Severance expenses for the years ended December 31, 2020, 2019 and 2018 amounted to approximately $ 572, $ 366 and $ 556, respectively.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

m. Stock-based compensation:

The Company accounts for stock-based compensation to employees and non-employees in accordance with ASC 718, "Compensation - Stock Compensation", ("ASC 718"), which requires companies to estimate the fair value of equity-based payment awards on the date of grant using an option-pricing model. The Company accounts for forfeitures as they occur. The value of the pro-rata portion of the award, assuming no forfeiture, is recognized in the Company's consolidated statement of comprehensive loss as an expense over the requisite service periods. Upon forfeiture the expense is adjusted so that expense is recognized for the portion of the award that actually vested.

The Company recognizes compensation expenses for the value of its awards granted based on the straight-line method over the requisite service period of each of the awards.

The Company selected the Black-Scholes-Merton ("Black-Scholes") option-pricing model as the most appropriate fair value method for its share-options awards. The option-pricing model requires a number of assumptions, of which the most significant are the expected share price volatility and the expected option term. Expected volatility was calculated based on actual historical share price movements over a term that is equivalent to the expected term of granted options. The expected term of options granted is based on historical experience and represents the period of time that options granted are expected to be outstanding.

The risk-free interest rate is based on the yield from U.S. treasury bonds with an equivalent term. The Company has historically not paid dividends and has no foreseeable plans to pay dividends.

The Company used the following weighted-average assumptions for options granted to employees, directors and non-employees:

	Year ended December 31,		
	2020	2019	2018
Volatility	63.17%	54.59%	53.30%
Risk-free interest rate	0.45%	1.92%	2.89%
Dividend yield	0%	0%	0%
Expected life (years)	5.16	5.15	4.97

n. Concentration of credit risks:

Financial instruments that potentially subject the Company and Compugen USA, Inc. to concentration of credit risk consist principally of cash and cash equivalents, restricted cash, short-term bank deposits and foreign currency derivative contracts.

Cash, cash equivalents, restricted cash and short-term bank deposits are invested in major banks in Israel and in the U.S. Generally, these deposits may be redeemed upon demand and bear minimal risk.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

n. Concentration of credit risks (cont.):

In the past the Company entered into forward contracts to hedge against the risk of overall changes in future cash flow from payments of payroll and related expenses as well as other expenses denominated in NIS. The derivative instruments hedge a portion of the Company's non-dollar currency exposure. Counterparty to the Company's derivative instruments is major financial institution. As of December 31, 2020 and 2019 there were no such contracts.

o. Basic and diluted loss per share:

Basic loss per share is calculated based on the weighted average number of ordinary shares outstanding during each year. Diluted net loss per share is calculated based on the weighted average number of ordinary shares outstanding during each year, plus dilutive potential in accordance with ASC 260, "Earnings per Share."

All outstanding share options and warrants for the years ended December 31, 2020, 2019 and 2018 have been excluded from the calculation of the diluted net loss per share, because all such securities are anti-dilutive for all periods presented. As of December 31, 2020, 2019 and 2018 the average number of shares related to outstanding options and warrants excluded from the calculations of diluted net loss per share were 7,150,648, 12,754,803 and 11,035,644, respectively.

p. Income taxes:

The Company accounts for income taxes in accordance with ASC No. 740, "Income Taxes", ("ASC 740") which prescribes the use of the liability method whereby deferred tax asset and liability account balances are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company provides a valuation allowance, if necessary, to reduce deferred tax assets to their estimated realizable value. As of December 31, 2020 and 2019, a full valuation allowance was provided by the Company.

ASC 740 contains a two-step approach to recognizing and measuring a liability for uncertain tax positions. The first step is to evaluate the tax position taken or expected to be taken in a tax return by determining if the weight of available evidence indicates that it is more likely than not that, on an evaluation of the technical merits, the tax position will be sustained on audit, including resolution of any related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. The Company believes that its income tax filing positions and deductions will be sustained on audit and does not anticipate any adjustments that will result in a material change to its financial position. Therefore, no reserves for uncertain income tax positions have been recorded pursuant to ASC 740-10.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

q. Fair value of financial instruments:

The Company applies ASC 820, "Fair Value Measurements and Disclosures" ("ASC 820"), pursuant to which fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Company uses various valuation approaches. ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputting that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company.

Unobservable inputs are inputs that reflect the Company's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The hierarchy is broken down into three levels based on the inputs as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

Level 2 - Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The carrying amounts of cash and cash equivalents, restricted cash, short-term bank deposits, other accounts receivable and prepaid expenses, trade payable and other accounts payable and accrued expenses approximate their fair values due to the short-term maturities of such instruments.

The Company measures its investment in foreign currency derivative contracts at fair value.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

r. Derivative instruments:

The Company accounts for derivatives and hedging based on ASC 815, "Derivatives and Hedging". ASC 815 requires the Company to recognize all derivatives on the balance sheet at fair value. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and on the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, the Company must designate the hedging instrument, based upon the exposure being hedged, as a fair value hedge, cash flow hedge, or a hedge of a net investment in a foreign operation.

If the derivatives meet the definition of a hedge and are so designated, depending on the nature of the hedge, changes in the fair value of such derivatives will either be offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings, or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value is recognized in earnings.

The Company entered into forward contracts to hedge against the risk of overall changes in future cash flow from payments of payroll and related expenses as well as other expenses denominated in NIS. As of December 31, 2020 and 2019, the Company had no outstanding forward contracts. The Company measured the fair value of the contracts in accordance with ASC 820 (classified as level 2).

These contracts met the requirement for cash flow hedge accounting and as such during 2020, 2019 and 2018 total gains in the amounts of $ 0, $ 0 and $ 20, respectively, were recognized and were classified to operating expenses as effective hedge. For the years ended 2020, 2019 and 2018 an unrealized gain in the amount of $ 0, $ 0 and $ 17, respectively, were recognized under other comprehensive income (loss).

s. Comprehensive income (loss):

The Company accounts for comprehensive income (loss) in accordance with ASC 220, "Comprehensive Income". This statement establishes standards for the reporting and display of comprehensive income (loss) and its components in a full set of general-purpose financial statements. Comprehensive income (loss) generally represents all changes in shareholders' equity during the period except those resulting from investments by, or distributions to, shareholders. The Company elected to present the comprehensive income (loss) in a single continuous statement.

The Company determined that its items of other comprehensive income (loss) relate to realized gains (losses) on foreign currency derivative contracts.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

t. Recently adopted Accounting Standards:

In June 2016, FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. ASU 2016-13 amends the impairment model to utilize an expected loss methodology in place of the currently used incurred loss methodology, which will result in the more timely recognition of losses. Topic 326 was adopted by the Company on January 1, 2020. The adoption did not have a material impact on the Company's consolidated financial statements.

In August 2020, the FASB issued ASU No. 2020-06, Accounting for Convertible Instruments and Contracts in an Entity's Own Equity (ASU 2020-06), which simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts in an entity's own equity. Among other changes, ASU 2020-06 removes from GAAP the liability and equity separation model for convertible instruments with a cash conversion feature and a beneficial conversion feature, and as a result, after adoption, entities will no longer separately present in equity an embedded conversion feature for such debt. Similarly, the embedded conversion feature will no longer be amortized into income as interest expense over the life of the instrument. Instead, entities will account for a convertible debt instrument wholly as debt unless (1) a convertible instrument contains features that require bifurcation as a derivative under ASC Topic 815, Derivatives and Hedging, or (2) a convertible debt instrument was issued at a substantial premium. Additionally, ASU 2020-06 requires the application of the if-converted method to calculate the impact of convertible instruments on diluted earnings per share (EPS). ASU 2020-06 is effective for fiscal years beginning after December 15, 2021, with early adoption permitted for fiscal years beginning after December 15, 2020 and can be adopted on either a fully retrospective or modified retrospective basis. The adoption of this standard is not expected to result in a material impact to the Company's financial statements.

NOTE 3: - OTHER ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

	December 31,	
	2020	2019
Prepaid expenses	$ 2,482	$ 780
Government authorities	54	35
Other	122	306
	$ 2,658	$ 1,121

NOTE 4: - LEASES

The Company leases all its real estate, storage area and cars under various operating lease agreements that expire on various dates.

The Company's operating leases have original lease periods expiring between 2021 and 2023. The offices in Israel lease include two options to renew. The Company does not assume renewals in its determination of the lease term unless the renewals are deemed to be reasonably certain.

In October 2020 the Company’s lease of its offices in Israel was amended. The amendment was not accounted for as a new lease. As a result of the amendment the operating lease right of use asset increased by $43, the operating lease liability decreased by $ 194 and the Company recorded foreign currency translation income of $ 237.

Lease payments included in the measurement of the lease liability comprise the following: the fixed non-cancelable lease payments and payments for optional renewal periods where it is reasonably certain the renewal period will be exercised.

Under ASC 842, all leases, including non-cancelable operating leases, are now recognized on the balance sheet. The aggregated present value of lease agreements is recorded as a long-term asset titled Operating lease right of use asset. The corresponding lease liabilities are split between current maturity of operating lease liability within current liabilities and long-term operating lease liability within long-term liabilities. The Company's leases do not provide an implicit rate, therefore the Company uses its incremental borrowing rate based on information available on the commencement date in determining the present value of lease payments.

The Company subleases small part of its leased premises. Sublease income in the year ended December 31, 2020, amounted to $ 56.

The following table represents the weighted-average remaining lease term and discount rate:

	Twelve months ended December 31, 2020
Weighted average remaining lease term	4.80
Weighted average discount (annual) rate	5.63%

NOTE 4: - LEASES (Cont.)

Operating lease expenses for the Company and Compugen USA, Inc. were approximately $ 944, $ 1,586 and $ 1,680 in the years ended December 31, 2020, 2019 and 2018, respectively.

Cash paid for amounts included in the measurement of lease liabilities was approximately $ 927, $ 1,577 and $ 0 in the years ended December 31, 2020, 2019 and 2018, respectively.

Maturities of operating lease liabilities were as follows:

	December 31, 2020
2021	$ 798
2022	805
2023	649
2024	610
2025 and after	735
Total operating lease payments	3,597
Less: imputed interest	431
Present value of lease liabilities	3,166
Lease liabilities, current	639
Lease liabilities, non- current	2,527
Present value of lease liabilities	$ 3,166

The above annual minimum future rental commitments include the first exercised option to extend the lease of the Company facility for additional five-year period and exclude the second option to extend the lease of the Company facility for additional five-year period following expiration of the current lease period.

NOTE 5: - PROPERTY AND EQUIPMENT, NET

	December 31,	
	2020	2019
Cost:		
Computers, software and related equipment	$ 1,431	$ 1,365
Laboratory equipment and office furniture	3,367	3,538
Leasehold improvements	2,321	2,316
	7,119	7,219
Accumulated depreciation:		
Computers, software and related equipment	1,264	1,152
Laboratory equipment and office furniture	3,001	2,821
Leasehold improvements	1,143	908
	5,408	4,881
Depreciated cost	$ 1,711	$ 2,338

NOTE 5: - PROPERTY AND EQUIPMENT, NET (Cont.)

During 2020 and 2019 total cost of $ 220 and $ 2,698, respectively and total accumulated depreciation of $ 188 and $ 2,451, respectively were disposed from the consolidated balance sheets.

For the years ended December 31, 2020, 2019 and 2018, depreciation expenses were approximately $ 715, $ 989 and $ 1,394, respectively.

NOTE 6: - OTHER ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	December 31,	
	2020	2019
Employees and related accruals	$ 2,881	$ 2,646
Accrued expenses	4,922	1,711
	$ 7,803	$ 4,357

NOTE 7: - COMMITMENTS AND CONTINGENCIES

a. The Company provided bank guarantees in the amount of $ 681 related to its offices in Israel, car leases in Israel, foreign currency derivative contracts and credit card security for its U.S. subsidiary. The Company also provided guarantee for the benefit of the landlord of its subsidiary's old premises, to secure obligations of its sublessee toward its landlord. The subsidiary's old lease term ends on May 31, 2021.

b. Under the Office of the Israel Innovation Authority of the Israeli Ministry of Industry, Trade and Labor, formerly known as the Office of the Chief Scientist, (the "IIA"), the Company is not obligated to repay any amounts received from the IIA if it does not generate any income from the results of the funded research program(s). If income is generated from a funded research program, the Company is committed to pay royalties at a rate of between 3% to 5% of future revenue arising from such research program(s), and up to a maximum of 100% of the amount received, linked to the U.S. dollar (for grants received under programs approved subsequent to January 1, 1999, the maximum to be repaid is 100% plus interest at LIBOR). For the years ended December 31, 2020, 2019 and 2018, the Company had an aggregate of paid or accrued royalties to the IIA, recorded as cost of revenue in the consolidated statements of comprehensive loss in the amount of $ 60, $ 0 and $ 534, respectively.

As of December 31, 2020, the Company's aggregate contingent obligations for payments to IIA, based on royalty-bearing participation received or accrued, net of royalties paid or accrued, totaled approximately to $ 9,398.

NOTE 7: - COMMITMENTS AND CONTINGENCIES (Cont.)

c. On June 25, 2012 the Company entered into an Antibodies Discovery Collaboration Agreement (the "Antibodies Discovery Agreement") with a U.S. antibody technology company ("mAb Technology Company"), providing an established source for fully human mAbs. Under the Antibodies Discovery Agreement, the mAb Technology Company will be entitled to certain royalties that could be eliminated, upon payment of certain one-time fees (all payments referred together as "Contingent Fees"). For the years ended December 31, 2020, 2019 and 2018, the Company incurred such Contingent Fees in the amounts of $ 500, $ 0 and $ 500.

d. On May 9, 2012, the Company entered into agreement (the "May 2012 Agreement") with a U.S. Business Development Strategic Advisor ("Advisor") for the purpose of entering into transactions with Pharma companies related to selected Pipeline Program Candidates.

Under the agreement the Advisor was entitled to 4% of the cash considerations that may be received under such transactions. In 2014, the May 2012 Agreement was terminated except for certain payments arising from the Bayer Agreement which survive termination until August 5, 2025.

For the years ended December 31, 2020, 2019 and 2018, the Company had an aggregate of paid and accrued payments recorded as marketing and business development expenses in the consolidated statement of comprehensive loss in the amount of $ 0, $ 0 and $ 312, respectively.

e. Effective as of January 5, 2018, the Company entered into a Commercial License Agreement (CLA) with a European cell line development company. Under the agreement the Company is required to pay an annual maintenance fee, certain amounts upon the occurrence of specified milestones events, and 1% royalties on annual net sales with respect to each commercialized product manufactured using the company’s cell line. Royalties due under the CLA are creditable against the annual maintenance fee. In addition, the Company may at any time prior to the occurrence of a specific milestone event buy-out the royalty payment obligations in a single fixed amount. For the years ended December 31, 2020, 2019 and 2018, the Company incurred in the research and development expenses such milestone payment in the amounts of $52, $ 0 and $ 50.

f. Effective as of October 28, 2020, the Company entered into a collaboration agreement with a U.S. antibody discovery and optimization company for generation and optimization of therapeutic antibodies for the Company. Under the agreement the Company is required to pay service fees per services performed and certain amounts upon the occurrence of specified milestones events, and single-digit percent royalties on annual net sales with respect to each product sold that comprises or contains one or more antibodies so generated or optimized. The royalty rate is dependent upon the product type and any third-party contribution.

NOTE 8: - SHAREHOLDERS' EQUITY

a. Ordinary shares:

The ordinary shares confer upon their holders the right to attend and vote at general meetings of the shareholders. Subject to the rights of holders of shares with limited or preferred rights which may be issued in the future, the ordinary shares of the Company confer upon the holders thereof equal rights to receive dividends, and to participate in the distribution of the assets of the Company upon its winding-up, in proportion to the amount paid up or credited as paid up on account of the nominal value of the shares held by them respectively and in respect of which such dividends are being paid or such distribution is being made, without regard to any premium paid in excess of the nominal value, if any.

b. Issuance of shares:

On May 25, 2018, the Company entered into a Controlled Equity OfferingSM sales agreement with Cantor Fitzgerald & Co. (“Cantor”), as sales agent, pursuant to which the Company may offer and sell, from time to time through Cantor, ordinary shares, par value NIS 0.01 per share, of the Company (the “Ordinary Shares”), under an “at-the-market” ("ATM") offering, having an aggregate offering price of up to $ 25,000 (the “ATM Shares”). As of December 31, 2019, 7,245,268 shares were issued and sold under the ATM, with proceeds of approximately $ 22,914 (net of $ 781 issuance expenses). The program was terminated in 2019.

On June 14, 2018, the Company entered into securities purchase agreement with certain institutional investors and a placement agency agreement with JMP Securities LLC in connection with a registered direct offering (the “Offering”) of an aggregate of 5,316,457 Ordinary Shares (the “RD Shares”) of the Company at a purchase price of $ 3.95 per RD Share. In connection with the issuance of the RD Shares, the Company also issued warrants to purchase an aggregate of up to 4,253,165 additional ordinary shares. The Warrants are exercisable at a price of $ 4.74 per Ordinary Share and have a term of five years from the date of issuance. The Offering was made pursuant to the Company’s Registration Statement. Proceeds from the Offering were $ 19,767 (net of $ 1,233 issuance expenses).

During the year ended December 31, 2020, warrants to purchase an aggregate of 3,866,139 Ordinary Shares were exercised with proceeds of approximately $18,325 and warrants to purchase up to 387,026 Ordinary Shares remain outstanding.

On October 10, 2018, the Company entered into a Master Clinical Trial Collaboration Agreement (the “Master Clinical Agreement”) with Bristol-Myers Squibb to evaluate the safety and tolerability of the Company’s COM701 in combination with Bristol-Myers Squibb’s PD-1 immune checkpoint inhibitor Opdivo® (nivolumab), in patients with advanced solid tumors. In conjunction with the Master Clinical Agreement, Bristol-Myers Squibb made a $ 12,000 equity investment in the Company. Under the terms of the securities purchase agreement, Bristol-Myers Squibb purchased 2,424,243 ordinary shares of the Company at a purchase price of $ 4.95 per share. The share price represents a 33% premium over the average closing price of Compugen’s ordinary shares for twenty (20) Nasdaq trading days prior to the execution of the securities purchase agreement. The investment closed on October 12, 2018.

NOTE 8: - SHAREHOLDERS' EQUITY (Cont.)

b. Issuance of shares (Cont.):

The premium over the fair market value in the amount of $ 4,121 represents the relative fair value of deferred participation of Bristol-Myers Squibb in R&D expenses (which are amortized over the period of the clinical trial, based on the progress in the R&D, in accordance with ASC 808 “Collaborative Arrangements”) and $ 7,788 (net of $ 91 issuance expenses) were considered equity investment.

In March 2020, the Company entered into an underwriting agreement with SVB Leerink LLC and Stifel, Nicolaus & Company, Incorporated, as representatives of several underwriters relating to the issuance and sale in a public offering of 8,333,334 of the Company's ordinary shares at a price to the public of $9.00 per share (and a price of $8.46 per share to the underwriters). Such shares were issued on March 16, 2020. In addition, the Company granted the underwriters a 30-day option to purchase additional ordinary shares at the price set forth above. On April 14, 2020, the Company issued and sold, pursuant to that underwriting agreement additional 483,005 ordinary shares pursuant to the underwriters’ option specified above. The Company sold a total of 8,816,339 ordinary shares in the offering with proceeds of $74,147 (net of $5,200 issuance expenses).

c. Share option plan:

Under the Company's 2010 Share Option Plan as amended (the "Plan"), options may be granted to employees, directors and non-employees of the Company and Compugen USA Inc.

Under the 2010 Share Option Plan the Company reserved for issuance up to an aggregate of 12,395,152 ordinary shares. The Company's Board of Directors last amended the Plan in May 2020, to increase the number of shares available under the 2010 Plan and extend the plan term by additional 10 years. As of December 31, 2020, an aggregate of 2,366,351 options under the 2010 Share Option Plan of the Company are still available for future grants.

In general, options granted under the Plan vest over a four-year period and expire 10 years from the date of grant and are granted at an exercise price of not less than the fair market value of the Company's ordinary shares on the date of grant, unless otherwise determined by the Company's board of directors. The exercise price of the options granted under the Plan may not be less than the nominal value of the shares into which such options are exercised and the expiration date may not be later than 10 years from the date of grant. If a grantee leaves his or her employment or other relationship with the Company, or if his or her relationship with the Company is terminated without cause (and other than by reason of death or disability, as defined in the Plan), the term of his or her unexercised options will generally expire in 90 days, unless determined otherwise by the Company.

Any options that are cancelled, forfeited or expired become available for future grants.

NOTE 8: - SHAREHOLDERS' EQUITY (Cont.)

c. Share option plan (Cont.):

Transactions related to the grant of options to employees, directors and non-employees under the above Plan during the year ended December 31, 2020, were as follows:

	Number of options	Weighted average exercise price	Weighted average remaining contractual life	Aggregate intrinsic value
		$	Years	$
Options outstanding at beginning of year	8,102,345	4.52	5.67	13,942
Options granted	1,358,500	13.34		
Options exercised	(3,070,542)	5.18		
Options forfeited	(430,047)	3.49		
Options expired	-			
Options outstanding at end of year	5,960,256	6.26	6.94	37,587
Exercisable at end of year	2,721,869	4.73	5.38	20,098

Weighted average fair value of options granted to employees, directors and non-employees during the years 2020, 2019 and 2018 was $ 7.15, $ 1.73 and $ 1.56 per share, respectively.

Aggregate intrinsic value of exercised options by employees, directors and non-employees during the years 2020, 2019 and 2018 was $ 21,610, $ 979 and $ 1,521, respectively. The aggregate intrinsic value of the exercised options represents the total intrinsic value (the difference between the sale price of the Company's share at the date of exercise, and the exercise price) multiplied by the number of options exercised.

The aggregate intrinsic value in the table above represents the total intrinsic value (the difference between the Company's closing share price on the last trading day of calendar 2020 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on December 31, 2020. This amount is impacted by the changes in the fair market value of the Company's shares.

d. Employee Stock Purchase Plan:

The Company adopted an ESPP in November 2020, with the first offering period starting at January 1, 2021. As of December 31, 2020, total of 600,000 ordinary shares were reserved for issuance under this plan.

NOTE 8: - SHAREHOLDERS' EQUITY (Cont.)

d. Employee Stock Purchase Plan (Cont.):

The ESPP is implemented through six-month offering periods (except for the first offering period that will be five months). According to the ESPP, eligible employees and non-employees may use up to 15% of their base salaries to purchase ordinary shares up to an aggregate limit of $40 per participant for every calendar year. The price of an ordinary share purchased under the ESPP is equal to 85% of the lower of the fair market value of the ordinary share on the first day of each offering period or on the last day of such period.

As of December 31, 2020, no ordinary shares had been purchased under the ESPP and 600,000 ordinary shares were available for issuance under the ESPP.

e. As of December 31, 2020, the total unrecognized estimated compensation cost related to non-vested share options granted prior to that date was $11,236 which is expected to be recognized over a weighted average period of approximately 3.40 years.

The stock-based compensation expenses are included as follows in the expense categories:

	Year ended December 31,		
	2020	2019	2018
Research and development expenses	$ 1,123	$ 1,151	$ 948
Marketing and business development expenses	172	46	215
General and administrative expenses	1,477	1,211	1,003
	$ 2,772	$ 2,408	$ 2,166

NOTE 9: - INCOME TAXES

a. Israeli taxation:

1. Tax rates applicable to the income of the Company.

Taxable income of the Company is subject to a corporate tax rate of 23% in 2018, 2019 and 2020.

2. Measurement of taxable income in US dollars:

The Company has elected to measure its taxable income and file its tax return under the Israeli Income Tax Regulations (Principles Regarding the Management of Books of Account of Foreign Invested Companies and Certain Partnerships and the Determination of Their Taxable Income), 1986. Accordingly, results for tax purposes are measured in terms of earnings in dollars.

NOTE 9: - INCOME TAXES (Cont.)

a. Israeli taxation (Cont.):

3. Tax benefits under the Israeli Law for the Encouragement of Capital Investments, 1959 (the "Investment Law"):

On April 1, 2005, an amendment to the Investment Law came into effect (the "Amendment 60") that significantly changed the provisions of the Investment Law. The Amendment 60 limits the scope of enterprises that may be approved by the Investment Center by setting criteria for the approval of a facility as a "Beneficiary Enterprise" including a provision generally requiring that at least 25% of the Beneficiary Enterprise's income will be derived from export.

Another condition for receiving the benefits under the alternative track in respect of expansion programs pursuant to Amendment 60 is a minimum qualifying investment. The Company was eligible under the terms of minimum qualifying investment and elected 2012 as its "year of election".

Additionally, the Amendment 60 enacted major changes in the manner in which tax benefits are awarded under the Investment Law so that companies no longer require Investment Center approval in order to qualify for tax benefits. However, the Investment Law provides that terms and benefits included in any certificate of approval already granted will remain subject to the provisions of the Investment Law as they were on the date of such approval.

As of December 31, 2020, there was no taxable income attributable to the Beneficiary Enterprise.

In January 2011, another amendment to the Investment Law came into effect ("the 2011 Amendment"). According to the 2011 Amendment, the benefit tracks in the Investment Law were modified and a flat tax rate applies to the Company's entire income subject to this amendment (the "Preferred Income").

Once an election is made, the Company's income will be subject to the amended tax rate of 16% from 2015 and thereafter (or 9% for a preferred enterprise located in development area A).

Commencing 2011 tax year, the Company can elect (without possibility of reversal) to apply the Amendment in a certain tax year and from that year and thereafter, it will be subject to the amended tax rates.

The Company does not currently intend to adopt the 2011 Amendment and intends to continue to comply with the Investment Law as in effect prior to enactment of the 2011 Amendment. Accordingly, the Company did not adjust its deferred tax balances as of December 31, 2020. The Company's position may change in the future.

NOTE 9: - INCOME TAXES (Cont.)

a. Israeli taxation (Cont.):

3. Tax benefits under the Israeli Law for the Encouragement of Capital Investments, 1959 (the "Investment Law"): (Cont.)

In December 2016, the Economic Efficiency Law (Legislative Amendments for Applying the Economic Policy for the 2016 and 2017 Budget Years), 2016, which includes Amendment 73 to the Law ("Amendment 73") was published. According to Amendment 73, a preferred enterprise located in development area A will be subject to a tax rate of 7.5% instead of 9% effective from January 1, 2016 and thereafter (the tax rate applicable to preferred enterprises located in other areas remains at 16%).

Amendment 73 also prescribes special tax tracks for technological enterprises, which are subject to rules that were issued by the Minister of Finance in May 2017. The new tax tracks under the Amendment are as follows:

Preferred Technological Enterprise ("PTE") - an enterprise for which total consolidated revenues of its parent company and all subsidiaries are less than NIS 10 billion in a tax year. A PTE, as defined in the Law, which is located in the center of Israel will be subject to tax at a rate of 12% on profits deriving from intellectual property (in development area A - a tax rate of 7.5%).

The above changes in the tax rates relating to PTE tax track were not taken into account in the computation of deferred taxes as of December 31, 2020 and 2019, since the Company estimates that it will not implement the PTE tax track.

4. Tax benefits under the law for the Encouragement of Industry (Taxes), 1969 (the "Encouragement Law"):

The Encouragement Law provides several tax benefits for industrial companies. An industrial company is defined as a company resident in Israel, at least 90% of the income of which in a given tax year exclusive of income from specified Government loans, capital gains, interest and dividends, is derived from an industrial enterprise owned by it. An industrial enterprise is defined as an enterprise whose major activity in a given tax year is industrial production activity.

Management believes that the Company is currently qualified as an "industrial company" under the Encouragement Law and, as such, is entitled to tax benefits, including: (1) deduction of purchase of know-how and patents and/or right to use a patent over an eight-year period; (2) the right to elect, under specified conditions, to file a consolidated tax return with additional related Israeli industrial companies and an industrial holding company; (3) accelerated depreciation rates on equipment and buildings; and (4) expenses related to a public offering on the Tel-Aviv Stock exchange and on recognized stock markets outside of Israel, are deductible in equal amounts over three years.

Eligibility for benefits under the Encouragement Law is not subject to receipt of prior approval from any Governmental authority. No assurance can be given that the Israeli tax authorities will agree that the Company qualifies, or, that the Company will continue to qualify as an industrial company or that the benefits described above will be available to the Company in the future

NOTE 9: - INCOME TAXES (Cont.)

5. Net operating losses carryforward and capital loss:

As of December 31, 2020, Compugen Ltd.'s net operating losses carryforward for tax purposes in Israel amounted to approximately $ 342,600. These net operating losses may be carried forward indefinitely and may be offset against future taxable income.

b. Non-Israeli subsidiary, Compugen USA, Inc.:

On December 22, 2017, the United States enacted the Tax Cuts and Jobs Act (the "U.S. Tax Reform" or "TCJA"); a comprehensive tax legislation that includes significant changes to the taxation of business entities. These changes include several key tax provisions that might impact the Company, among others: (i) a permanent reduction to the statutory federal corporate income tax rate from 35% to 21% effective for tax years beginning after December 31, 2017; (ii) a shift of the U.S. taxation of multinational corporations from a tax on worldwide income to a territorial system (along with certain new rules designed to prevent erosion of the U.S. income tax base - “BEAT”); (iii) establishing immediate deductions for certain new investments instead of deductions for depreciation expense over time, and modifying or repealing many business deductions and credits; and (iv) providing a permanent deduction to corporations generating revenues from non-US markets (known as a deduction for foreign derived intangible income - “FDII”).

As of December 31, 2020, Compugen USA, Inc. has net operating loss carryforwards for federal income tax purposes of approximately $ 6,100, approximately $5,100 of which expires in the years 2023 to 2032. Utilization of the U.S. net operating losses may be subject to substantial annual limitation due to the "change in ownership" provisions of the Internal Revenue Code of 1986 and similar state provisions. The annual limitation may result in the expiration of net operating losses before utilization.

Neither Israeli income taxes, foreign withholding taxes nor deferred income taxes were provided in relation to undistributed earnings of the Company's foreign subsidiary. This is because the Company has the intent and ability to reinvest these earnings indefinitely in the foreign subsidiary and therefore those earnings are continually redeployed in those jurisdictions.

c. Loss (income) before taxes is comprised as follows:

	Year ended December 31,		
	2020	2019	2018
Domestic (Israel)	$ 30,010	$ 28,799	$ 23,588
Foreign	(312)	(740)	(989)
	$ 29,698	$ 28,059	$ 22,599

NOTE 9: - INCOME TAXES (Cont.)

d. Taxes on income for the year ended December 31, 2019 is comprised from refund of withholding tax payments, which were deducted from milestone payments by the German tax authorities. There were no withholding tax payments for the years ended December 31, 2020, 2019 and 2018.

e. Deferred taxes:

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company and Compugen USA, Inc.'s deferred tax assets are comprised of operating loss carryforward and other temporary differences. Significant components of the Company and Compugen USA, Inc. deferred tax assets are as follows:

	December 31,	
	2020	2019
Operating loss carryforward	$ 80,134	$ 65,267
Research and development	9,001	9,377
Accrued social benefits and other	2,389	863
Right of use assets	(651)	(763)
Lease liabilities	742	840
Property and equipment	2	1
Deferred tax asset before valuation allowance	91,617	75,585
Valuation allowance	(91,617)	(75,585)
Net deferred tax asset	$ -	$ -

The Company and Compugen USA, Inc. have provided full valuation allowances in respect of deferred tax assets resulting from operating loss carryforward and other temporary differences. Management currently believes that since the Company has a history of losses, it is more likely than not that the deferred tax regarding the operating loss carryforward and other temporary differences will not be realized in the foreseeable future.

f. Reconciliation of the theoretical tax expense (benefit) to the actual tax expense (benefit):

The main reconciling items between the statutory tax rate of the Company and the effective tax rate are the non-recognition of tax benefits from accumulated net operating loss carryforward among the Company and Compugen USA, Inc. due to the uncertainty of the realization of such tax benefits.

g. Tax assessments:

The Company has tax assessments through 2015 that are deemed to be final.

NOTE 10: - GEOGRAPHIC INFORMATION AND MAJOR CUSTOMERS

The Company's business is currently comprised of one operating segment, the research, development and commercialization of therapeutic and product candidates. The nature of the products and services provided by the Company and the type of customers for these products and services are similar. Operations in Israel and the United States include research and development, clinical operations, marketing and business development. The Company follows ASC 280, "Segment Reporting." Total revenues are attributed to geographic areas based on the location of the end customer.

The following represents the total revenue for the years ended December 31, 2020, 2019 and 2018 and long-lived assets as of December 31, 2020 and 2019:

	Year ended December 31,		
	2020	2019	2018
Revenue from sales to customers:			
Europe	$ 2,000	$ -	$ 17,800
Total revenue	$ 2,000	$ -	$ 17,800

	December 31,	
	2020	2019
Long-lived assets:		
Israel	$ 1,689	$ 2,312
United States	22	26
Total long-lived assets	$ 1,711	$ 2,338

	Year ended December 31,		
	2020	2019	2018
Sales to a single customer exceeding 10%:			
Customer A	-	-	44%
Customer B	100%	-	56%

NOTE 11: - FINANCIAL AND OTHER INCOME, NET

	Year ended December 31,		
	2020	2019	2018
Interest income	$ 1,765	$ 935	$ 643
Bank fees and other finance expenses	(42)	(32)	(23)
Foreign currency translation adjustments	63	(218)	60
Gain (loss) from sales and disposals of fixed assets	12	135	(52)
Financial and other income, net	$ 1,798	$ 820	$ 628

NOTE 12: - RELATED PARTY BALANCES AND TRANSACTIONS

	December 31,	
	2020	2019
Trade payables and accrued expenses	$ 83	$ 104

	Year ended December 31,		
	2020	2019	2018
Amounts charged to:			
Research and development expenses	$ 294	$ 241	$ 314

For the years ended December 31, 2020, 2019 and 2018 the Company received research and development services related with cancer studies in animal models, and breeding and maintenance of animals (mice) to support such studies. The transaction was at arm’s length.

NOTE 13: - LOSSES PER SHARE

The following table sets forth the computation of basic and diluted losses per share:

	Year ended December 31,		
	2020	2019	2018
Numerator:			
Net loss for basic loss per share	$ (29,698)	$ (27,337)	$ (22,599)
Net loss for basic loss per share	$ (29,698)	$ (27,337)	$ (22,599)
Denominator:			
Weighted average number of ordinary shares used in computing basic net loss per share	79,591,187	63,636,673	55,277,428
Basic and diluted earnings per ordinary share	$ (0.37)	$ (0.43)	$ (0.41)

NOTE 14: - SUBSEQUENT EVENTS

On February 19, 2021, the Master Clinical Agreement was further amended to include an expansion of the Phase 1 combination study designed to evaluate the dual combination of COM701 and Opdivo® in patients with advanced solid tumors, where we will be responsible for and will sponsor the expansion cohort and Bristol Myers Squibb will provide Opdivo® at no cost to us for this study. The amendment also revises the exclusivity period granted to Bristol Myers Squibb to include a specific date for termination of the exclusivity period, so that it ends at the earlier of (i) six months after the study completion of the triple combination and the dual combination; or (ii) December 31, 2023.

Exhibit 2.1

DESCRIPTION OF SECURITIES

The descriptions of the securities contained herein summarize the material terms and provisions of the ordinary shares of Compugen Ltd. (the "Company"), registered under Section 12 of the Securities Exchange Act of 1934.

ORDINARY SHARES

Our authorized share capital is NIS 2,000,000 divided into 200,000,000 ordinary shares, nominal (par) value NIS 0.01 per share. Subject to our amended and restated articles of association, or our Articles, fully paid ordinary shares of the Company confer on the holders thereof rights to attend and to vote at general meetings of the shareholders. Subject to the rights of holders of shares with limited or preferred rights which may be issued in the future, the ordinary shares of the Company confer upon the holders thereof equal rights to vote, to receive dividends and to participate in the distribution of the assets of the Company upon its winding-up, in proportion to the amount paid up or credited as paid up on account of the nominal value of the shares held by them respectively and in respect of which such dividends are being paid or such distribution is being made, without regard to any premium paid in excess of the nominal value, if any. All outstanding ordinary shares are validly issued and fully paid.

The Nasdaq Global Market and the Tel Aviv Stock Exchange

Our ordinary shares are listed on The Nasdaq Global Market under the symbol "CGEN" and on the Tel Aviv Stock Exchange under the symbol קמפג.

Rights Attached to Our Shares

Subject to our Articles, fully paid ordinary shares confer on the holders thereof rights to attend and to vote at general meetings of the shareholders. Subject to the rights of holders of shares with limited or preferred rights which may be issued in the future, our ordinary shares confer upon the holders thereof equal rights to receive dividends and to participate in the distribution of our assets upon our winding-up, in proportion to the amount paid up or credited as paid up on account of the nominal value of the shares held by them respectively and in respect of which such dividends are being paid or such distribution is being made, without regard to any premium paid in excess of the nominal value, if any. No preferred shares are currently authorized. All outstanding ordinary shares are validly issued and fully paid.

Voting Rights

Subject to the provisions of our Articles, holders of ordinary shares have one vote for each ordinary share held by such shareholder of record, on all matters submitted to a vote of shareholders. Shareholders may vote in person, by proxy or by proxy card. Alternatively, shareholders who hold shares through members of the Tel Aviv Stock Exchange may vote electronically via the electronic voting system of the Israel Securities Authority, or Electronic Vote. These voting rights may be affected by the grant of any special voting rights to the holders of a class of shares with preferential rights that may be authorized in the future. As our ordinary shares do not have cumulative voting rights in the election of directors, the holders of the majority of the shares present and voting at a shareholders meeting have the power to elect all of our directors.

Transfer of Shares

Our ordinary shares which have been fully paid-up are transferable by submission of a proper instrument of transfer together with the certificate of the shares to be transferred and such other evidence of title, as our board of directors may require, unless such transfer is prohibited by another instrument or by applicable securities laws.

Dividends

Under the Companies Law, dividends may be distributed only out of profits available for dividends as determined by the Companies Law, provided that there is no reasonable concern that the distribution will prevent the Company from being able to meet its existing and anticipated obligations when they become due. If the company does not meet the profit requirement, a court may nevertheless allow the company to distribute a dividend, as long as the court is convinced that there is no reasonable concern that such distribution will prevent the company from being able to meet its existing and anticipated obligations when they become due. Pursuant to our Articles, no dividend shall be paid other than out of the profits of the Company. Generally, under the Companies Law, the decision to distribute dividends and the amount to be distributed is made by a company's board of directors.

Our Articles provide that our board of directors, may, subject to the Companies Law, from time to time, declare and cause the Company to pay such dividends as may appear to the board of directors to be justified by the profits of our Company. Subject to the rights of the holders of shares with preferential, special or deferred rights that may be authorized in the future, our profits which shall be declared as dividends shall be distributed according to the proportion of the nominal (par) value paid up or credited as paid up on account of the shares held at the date so appointed by the Company and in respect of which such dividend is being paid, without regard to the premium paid in excess of the nominal (par) value, if any. The declaration of dividends does not require shareholders' approval.

To date, we have not declared or distributed any dividend and we do not intend to pay cash dividends on our ordinary shares in the foreseeable future.

Liquidation Rights

In the event of our winding up on liquidation or dissolution, subject to applicable law and after satisfaction of liabilities to creditors, our assets available for distribution among the shareholders shall be distributed to the holders of ordinary shares in proportion to the amount paid up or credited as paid up on account of the nominal value of the shares held by them respectively and in respect of which such distribution is being made, without regard to any premium paid in excess of the nominal value, if any. This liquidation right may be affected by the grant of limited or preferential rights as to liquidation to the holders of a class of shares that may be authorized in the future.

Redemption Provisions

We may, subject to applicable law and to our Articles, issue redeemable shares and redeem the same upon such terms and conditions as determined by our board of directors.

Limitation of Liability

Under our Articles, the liability of each shareholder for the Company's obligations is limited to the unpaid sum, if any, owing to the Company in consideration for the issuance of the shares held by such shareholder.

Modification of Class Rights

Our amended and restated Memorandum of Association, or Memorandum, provides that we may amend the Memorandum in order to increase, consolidate or divide or otherwise amend our share capital by a simple majority of the voting power present at a shareholders meeting as currently provided in our Articles or by such other majority as shall be set forth in our Articles from time to time.

Pursuant to our Articles, if at any time our share capital is divided into different classes of shares, the rights attached to any class, unless otherwise provided by our Articles, may be modified or abrogated by the Company, subject to the consent in writing of, or sanction of a resolution passed by, the holders of a majority of the issued shares of such class at a separate general meeting of the holders of the shares of such class.

Limitations on the Rights to Own Securities

Our Articles and Israeli law do not restrict the ownership or voting of ordinary shares by non-residents or persons who are not citizens of Israel, though such ownership is prohibited under applicable law with respect to subjects of nations which are in a state of war with Israel.

Changes in Authorized Share Capital

Our Articles enable us, among others, to increase or reduce our authorized share capital. Any such changes are subject to the provisions of the Companies Law and our Articles and must be approved by a resolution duly passed by a simple majority of our shareholders at a general meeting by voting on such change in capital.

Shareholders' Meetings and Resolutions

Our Articles provide that our annual general meeting shall be held once in every calendar year at such time (within a period of not more than fifteen months after the last preceding annual general meeting), and place determined by our board of directors. Our board of directors may, in its discretion, convene additional special shareholders meetings and, pursuant to the Companies Law, must convene a meeting upon the demand of: (a) two directors or one quarter of the directors in office; or (b) the holder or holders of (i) 5% or more of our issued share capital and one percent or more of our voting rights; or (ii) 5% or more of our voting rights. All demands for shareholders meetings must set forth the items to be considered at that meeting.

The chairman of the board of directors, or any other director or office holder of the Company which may be designated for this purpose by the board of directors, shall preside as chairman at each of our general meetings. If there is no such chairman, or if the appointed chairman is unwilling to take the chair, or if he shall have indicated in advance that he will not be attending, or if at any meeting such chairman is not present within thirty (30) minutes after the time fixed for holding the meeting, then those present at the meeting shall choose someone present to be chairman of the meeting. The office of chairman shall not, by itself, entitle the holder thereof to vote at any general meeting nor shall it entitle a second or casting vote.

According to regulations promulgated pursuant to the Companies Law and governing the terms of notice and publication of shareholder meetings of public companies, or the General Meeting Regulations, holder(s) of one percent or more of the Company's voting rights may propose any matter appropriate for deliberation at a shareholder meeting to be included on the agenda of a shareholder meeting, generally by submitting a proposal within seven days of publicizing the convening of a shareholder meeting, or within fourteen days, if the Company publishes at least 21 days prior to publicizing the proxy materials for a shareholder meeting, a preliminary notice stating its intention to convene such meeting, the agenda thereof, shareholder's right to propose a matter to be included on the agenda of such meeting and company's right not to examine such proposals received upon termination of 14 day period from the publication of such notice. Any such proposal must further comply with the information requirements under applicable law and our Articles. The agenda for a shareholder meeting is determined by the board of directors and must include matters in respect of which the convening of a shareholder meeting was demanded and any matter requested to be included by holder(s) of one percent of the Company's voting rights, as detailed above.

Pursuant to the Companies Law and the General Meeting Regulations shareholder meetings generally require prior notice of not less than 21 days, and not less than 35 days in certain cases. Pursuant to our Articles, we are not required to deliver or serve notice of a general meeting or of any adjournments thereof to any shareholder. However, subject to applicable law and stock exchange rules and regulations, we will publicize the convening of a general meeting in any manner reasonably determined by us, and any such publication shall be deemed duly made, given and delivered to all shareholders on the date on which it is first made, posted, filed or published in the manner so determined by us in our sole discretion.

The function of the annual general meeting is to elect directors, receive and consider the profit and loss account, the balance sheet and the ordinary reports and accounts of the directors and auditors, appoint auditors and transact any other business which under our Articles or applicable law may be transacted by the shareholders of the Company in a general meeting.

Pursuant to our Articles, the quorum required for a meeting of shareholders consists of at least two shareholders, present in person, by proxy, by proxy card or by Electronic Vote and holding shares conferring in the aggregate twenty-five percent (25%) or more of the voting power of the Company. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting shall stand adjourned to the same day in the following week at the same time and place or to such other later day, time and place as the board of directors may determine and specify in the publication with respect to the Meeting. At the adjourned meeting, any number of participants will constitute a quorum present, in person, by proxy, by proxy card or by Electronic Vote; provided, however, that special general meeting which was convened by the Board upon the demand of shareholders or directors then in office, as detailed above, or directly by such shareholders or directors, in accordance the terms of the Companies Law, shall be cancelled.

Generally, under the Companies Law and our Articles, shareholder resolutions are deemed adopted if approved by the holders of a simple majority of the voting rights represented at the meeting, in person, by proxy, by proxy card or by Electronic Vote, and voting on the matter, unless a different majority is required by law or pursuant to our Articles such as a resolution for the voluntary winding up of our Company which requires the approval of holders of 75% of the voting power presented and voting at the meeting, or resolutions concerting certain related party transactions as set forth in Sections 267 and 270-275 of the Companies Law.

Change of Control

Merger

Under the Companies Law, a merger is generally required to be approved by the shareholders and board of directors of each of the merging companies. If the share capital of the company that will not be the surviving company is divided into different classes of shares, the approval of each class is also required, unless determined otherwise by the court. Similarly, unless an Israeli court determines otherwise, a merger will not be approved if it is objected to by shareholders holding a majority of the voting rights participating and voting at the meeting (abstentions are disregarded), after excluding the shares held by the other party to the merger, by any person who holds 25% or more of the other party to the merger or by anyone on their behalf, including by the relatives of, or corporations controlled by, these persons. In approving a merger, the board of directors of both merging companies must determine that there is no reasonable concern that, as a result of the merger, the surviving company will not be able to satisfy its obligations to its creditors. Similarly, upon the request of a creditor of either party to the proposed merger, an Israeli court may prevent or delay the merger if it concludes that there exists a reasonable concern that, as a result of the merger, the surviving company will not be able to satisfy the obligations of the merging parties. A court may also issue other instructions for the protection of the creditors' rights in connection with a merger. Further, a merger may not be completed unless at least (i) 50 days have passed from the time that the requisite proposals for the approval of the merger were filed with the Israeli registrar of companies; and (ii) 30 days have passed since the merger was approved by the shareholders of each party.

Special Tender Offer

The Companies Law provides that an acquisition of shares of an Israeli public company must be made by means of a special tender offer if as a result of the acquisition the purchaser would become a holder of 25% or more of the voting rights in the company. This rule does not apply if there is already another holder of 25% or more of the voting rights in the company. Similarly, the Companies Law provides that an acquisition of shares in a public company must be made by means of a special tender offer if as a result of the acquisition the purchaser would become a holder of more than 45% of the voting rights in the company, if there is no other shareholder of the company who holds more than 45% of the voting rights in the company. These requirements do not apply if the acquisition (i) occurs in the context of a private placement by the company that received shareholder approval for the purpose of allowing the purchaser to hold more than 25% of 45% of the voting rights in the company, as the case may be, (ii) was from a shareholder holding 25% or more of the voting rights in the company and resulted in the acquirer becoming a holder of 25% or more of the voting rights in the company, or (iii) was from a holder of more than 45% of the voting rights in the company and resulted in the acquirer becoming a holder of more than 45% of the voting rights in the company. A special tender offer may be consummated only if (i) at least 5% of the voting power attached to the company's outstanding shares will be acquired by the offeror and (ii) the number of shares tendered in the offer exceeds the number of shares whose holders objected to the offer (excluding controlling shareholders, holders of 25% or more of the voting rights in the company and any person having a personal interest in the acceptance of the tender offer).

In the event that a special tender offer is made, a company's board of directors is required to express its opinion on the advisability of the offer, or shall abstain from expressing any opinion if it is unable to do so, provided that it gives the reasons for its abstention. An office holder in a target company who, in his or her capacity as an office holder, performs an action the purpose of which is to cause the failure of an existing or foreseeable special tender offer or is to impair the chances of its acceptance, is liable to the potential purchaser and shareholders for damages, unless such office holder acted in good faith and had reasonable grounds to believe he or she was acting for the benefit of the company. However, office holders of the target company may negotiate with the potential purchaser in order to improve the terms of the special tender offer and may further negotiate with third parties in order to obtain a competing offer. Shares purchased in contradiction to the tender offer rules under the Companies Law will have no rights and will become dormant shares.

If a special tender offer is accepted, then shareholders who did not respond to or that had objected the offer may accept the offer within four days of the last day set for the acceptance of the offer. In the event that a special tender offer is accepted, then the purchaser or any person or entity controlling it or under common control with the purchaser or such controlling person or entity may not make a subsequent tender offer for the purchase of shares of the target company and may not enter into a merger with the target company for a period of one year from the date of the offer, unless the purchaser or such person or entity undertook to effect such an offer or merger in the initial special tender offer.

Full Tender Offer

Under the Companies Law, a person may not acquire shares in a public company if, after the acquisition, the acquirer will hold more than 90% of the shares or more than 90% of any class of shares of that company, unless a tender offer is made to purchase all of the shares or all of the shares of the particular class. The Companies Law also generally provides that as long as a shareholder in a public company holds more than 90% of the company's shares or of a class of shares, that shareholder shall be precluded from purchasing any additional shares. In order for all of the shares that the purchaser offered to purchase be transferred to him by operation of law, one of the following needs to have occurred: (i) the shareholders who declined or do not respond to the tender offer hold less than 5% of the company's outstanding share capital or of the relevant class of shares and the majority of offerees who do not have a personal interest in accepting the tender offer accepted the offer, or (ii) the shareholders who declined or do not respond to the tender offer hold less than 2% of the company's outstanding share capital or of the relevant class of shares.

A shareholder that had his or her shares so transferred, whether he or she accepted the tender offer or not, has the right, within six months from the date of acceptance of the tender offer, to petition the court to determine that the tender offer was for less than fair value and that the fair value should be paid as determined by the court. However, the purchaser may provide in its offer that shareholders who accept the tender offer will not be entitled to such rights.

If the conditions set forth above are not met, the purchaser may not acquire additional shares of the company from shareholders who accepted the tender offer to the extent that following such acquisition, the purchaser would own more than 90% of the company's issued and outstanding share capital. The above restrictions apply, in addition to the acquisition of shares, to the acquisition of voting power.

CONFIDENTIAL TREATMENT REQUESTED

Research and Development Collaboration and License Agreement

This Research and Development Collaboration and License Agreement (the "**Agreement**"), effective as of 5 August, 2013 (the "**Effective Date**"), is entered into by and between Bayer Pharma AG, a company formed under the laws of Germany, having a place of business at Muellerstrasse 178, 13353 Berlin, Germany ("**Bayer**") and Compugen Ltd a company formed under the laws of Israel, having a place of business at 72 Pinchas Rosen Street, Tel Aviv 69512, Israel ("**Compugen**"). Bayer and Compugen each shall be referred to herein as a "Party" and they shall be referred to together as the "Parties."

WHEREAS, Bayer is a global leader in the development, manufacture, marketing and sale of healthcare products; and

WHEREAS, Compugen is a leading drug discovery company, with a focus on the discovery of protein and antibody therapeutic candidates for the fields of oncology and immunology; and

WHEREAS, the Parties wish to enter into a collaboration for the research, development and commercialization of antibody-based therapeutics against certain targets with respect to which Compugen has intellectual property rights; and

WHEREAS, the Parties further desire that Bayer develop, obtain regulatory approval for and commercialize such products, all subject to and in accordance with the terms herein.

NOW, THEREFORE, in consideration of the promises and mutual covenants set forth herein, Bayer and Compugen agree as follows:

1. Definitions.

Whenever used in this Agreement with an initial capital letter, the terms defined in this Section 1, whether used in the singular or the plural, shall have the meanings specified below.

1.1. **"Affiliate"** means, with respect to a person, organization or other entity, any person, organization or other entity controlling, controlled by or under common control with, such person, organization or entity. For purposes of this definition, an entity shall be deemed to "control" another entity if it (i) owns directly or indirectly fifty percent (50%) or more of the outstanding voting securities, capital stock or other comparable equity or ownership interest of such entity having the power to vote on or direct the affairs of such entity, as applicable (or such lesser percentage which is the maximum allowed to be owned by a foreign corporation in a particular jurisdiction), or (ii) possesses, directly or indirectly, the power to direct or cause the direction of the policies and management of such entity, as applicable, whether by the ownership of stock, by contract or otherwise.

1.2. **"Bayer Competitor"** means any person, organization or other entity that is active in the field of clinical development and/or commercialization of prescription pharmaceuticals for indications in the area of oncology.

1.3. **"Bayer Development Process"** means Bayer's [***] internal process for the research and development of therapeutic candidates described in **Exhibit 1.3**, or any similar internal process implemented by Bayer for its therapeutic development activities in general (i.e. not just for a Target Program) that succeeds or amends the process described in Exhibit 1.3.

Certain information in this document, marked by [***], has been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K under the Securities Act of 1933, as amended, because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.

1.4. **"Bayer Intellectual Property"** means (a) any Bayer Know-How, (b) any Bayer Product Patent Rights and (c) any other Program Know-How and/or Program Inventions owned by Bayer in accordance with Section 8.1.2.1.

1.5. **"Bayer Know-How"** means any and all Know How with respect to [***], Products and/or [***]developed or generated by Bayer or an Affiliate of Bayer in the performance of a [***] and, [***] or [***] for the [***] of the licenses granted by Bayer to Compugen under Section 3, including but not limited to [***]_information relating to [***], Products and/or Product Companion Diagnostics, but for clarity specifically excluding any [***] and/or [***] not specific to [***] or [***]. For the avoidance of doubt, the Bayer Know-How includes Program Know-How owned by Bayer to the extent that such Program Know-How relates to [***], Products and/or [***].

1.6. **"Bayer Product Patent Rights"** means any Patents with respect to an invention developed or generated by Bayer or an Affiliate of Bayer in the performance of a [***] and that claim, in each case solely to the extent they claim, (a) a Product or [***]Product(s) or (b) a [***] or [***]. For clarity, "Bayer Product Patent Rights" do not include Patents that claim [***] that [***] Product(s) nor [***] (e.g. [***]), except to the extent they include claims that are [***] Product(s) or [***].

1.7. **"Biologic"** means any [***] or a [***].

1.8. **"Biomarker"** means a distinctive biological or biologically derived indicator (including, without limitation, DNA, RNA, protein, peptide, antibodies and cells) by which particular normal biologic processes, pathogenic processes or pharmacologic responses to therapeutic intervention can be identified, quantified or predicted.

1.9. **"BLA"** means (a) an FDA Biologics License Application, Product License Application or similar application filed with the United States FDA for approval to market a Product for use in the Field and (b) any comparable application filed with a Regulatory Authority in any other country or jurisdiction.

1.10. **"Business Day(s)"** shall mean a day other than a Friday, Saturday, Sunday and any day on which commercial banks located in Berlin, Germany or in Tel Aviv, Israel, are authorized or obligated by law to be closed.

1.11. **"Calendar Quarter"** means each of the periods of three (3) consecutive calendar months ending on March 31, June 30, September 30 and December 31, for so long as this Agreement is in effect.

1.12. **"CGEN-15001T Research Program"** means the research and preclinical development program to be performed by the Parties until the end of the Research Period, i.e. until [***] or such other date as may be agreed in any amendment or change to the CGEN-15001T Workplan.

1.13. **"CGEN-15001T Target"** means any protein encoded by the gene locus on [***] with the official gene symbol [***] as provided by HGNC consortium, and any [***]. For purposes of this definition "[***]" means all [***] from that [***] (including any [***]) with an [***] of at least [***], in which overlap there is a [***] of at least [***].

1.14. **"CGEN-15001T Target Biologic"** means any Target Biologic [***] a CGEN-15001T Target.

Certain information in this document, marked by [***], has been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K under the Securities Act of 1933, as amended, because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.

1.15. **"CGEN-15001T Target Program"** means the program for the research, development and commercialization of Products containing CGEN-15001T Target Biologics and Product Companion Diagnostics for such Products as contemplated by this Agreement.

1.16. **"CGEN-15001T Workplan"** means the workplan attached hereto as **Exhibit 1.16**, which sets forth the research and preclinical development work to be performed by each of the Parties with respect to the CGEN-15001T Target Program during the relevant Research Period, as such workplan may be amended by Bayer and Compugen in accordance with Section 2.4.

1.17. **"CGEN-15022 Research Program"** means the research and preclinical development program to be performed by the Parties until the end of the Research Period, i.e. until [***] or such other date as may be agreed in any amendment or change to the CGEN-15022 Workplan.

1.18. **"CGEN-15022 Target"** means any protein encoded by the gene locus on [***] with the official gene symbol [***] as provided by HGNC consortium, and any [***] For purposes of this definition, "[***]" means all proteins derived from that [***] (including any [***]) with an [***] of at least [***] amino acids, in which overlap there is a [***] of at least [***].

1.19. **"CGEN-15022 Target Biologic"** means any Target Biologic [***] a CGEN-15022 Target.

1.20. **"CGEN-15022 Target Program"** means the program for the research, development and commercialization of Products containing CGEN-15022 Target Biologics and Product Companion Diagnostics for such Products as contemplated by this Agreement.

1.21. **"CGEN-15022 Workplan"** means the workplan attached hereto as **Exhibit 1.21**, which sets forth the research and preclinical development work to be performed by each of the Parties with respect to the CGEN-15022 Target Program during the relevant Research Period, as such workplan may be amended by Bayer and Compugen in accordance with Section 2.4.

1.22. **"Commercially Reasonable Efforts"** means efforts and resources, with respect to a particular Party, that are [***] by that Party (together with its Affiliates) in the exercise of its [***] with respect to programs it is [***] on relating to other [***] or [***] by it (and/or its Affiliates) or to which it (together with its Affiliates) has [***], which have a [***] and are at a [***] or [***], as appropriate, taking into account issues of [***] of the [***] and [***], the [***] or [***] of the product, and other relevant factors, including without limitation, [***], and/or [***], where such level of efforts and resources, in any event, shall be [***] than [***] with [***] of a [***]. For clarity, in the event Bayer grants a Sublicense, the efforts exerted by Bayer and/or its Sublicensee to develop and commercialize Products will continue to be compared to those efforts generally exerted by a [***] of a [***] in active programs relating to other [***] or [***] by it (and/or its Affiliates) or to which it (together with its Affiliates) has [***] for purposes of this definition.

1.23. **"Companion Diagnostic"** means any Product Companion Diagnostic and any Other Companion Diagnostic.

1.24. **"Composition Of Matter Claim"** means a Valid Claim that covers one or more Target Biologic(s) and/or Target Biomarker(s) as composition of matter, regardless of whether the [***] of such Target Biologic(s) or Target Biomarker(s) is claimed. For clarity, "Composition of Matter Claims" includes, without limitation, Valid Claims covering [***] Target Biologics against a Target, a [***] of a Target or [***] of a Target.

Certain information in this document, marked by [***], has been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K under the Securities Act of 1933, as amended, because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.

1.25. **"Composition Of Matter Patent Rights"** means any Compugen Patent Rights or Joint Patent Rights that include one or more Composition Of Matter Claim(s).

1.26. **"Compugen Intellectual Property"** means (a) any Compugen Know-How, (b) any Compugen Patent Rights and (c) any other Program Know-How and/or Program Inventions owned by Compugen in accordance with Section 8.1.2.2 (other than [***], which are specifically excluded from this definition).

1.27. **"Compugen Know-How"** means any and all Know How with respect to [***] (alone or together with another composition, e.g. conjugate), [***] or [***] that is [***] and is, in Compugen's [***] or [***] for the [***] of the licenses granted by Compugen to Bayer under Section 3, including but not limited to [***] and [***] information relating to [***] or [***] but for clarity specifically excluding: (i) any and all [***] and [***] and (ii) other [***] and/or [***] to [***] or [***]. For the avoidance of doubt, the Compugen Know-How includes Program Know-How owned by Compugen to the extent that such Program Know-How relates to [***] and/or [***]. Notwithstanding the foregoing, "Compugen Know-How" does not include Know How with respect to [***] and/or [***] that was [***] before the date of [***], but (a) was [***] before such date by the [***] or the [***], as applicable or (b) is/was developed by such [***] in independent activities without the use of or reference to [***] by persons who were [***], provided that those independent activities are/were made within a project that was started by [***] with respect to [***][***] and/or [***] in connection with the evaluation of the [***]. The Parties agree that in case of dispute, Compugen will have the burden of proof to demonstrate that all requirements of lit. (a) or lit. (b) are fulfilled.

1.28. **"Compugen Patent Rights"** means any Patents Controlled by Compugen or any of its Affiliates [***] or [***] that claim, in each case solely to the extent they claim, [***], Products (but excluding, if and to the extent that such Patents claim Products, any composition of matter that is [***] and [***]) and/or [***], or their use, or a manufacturing process [***] and/or one or more [***] including without limitation the Patents set forth in **Exhibit 1.28**. For clarity, "Compugen Product Patent Rights" do not include patents or patent applications that claim [***] that [***] to [***] (e.g. [***]), except to the extent they include claims that are [***]or [***]. Notwithstanding the foregoing, "Compugen Patent Rights" does not include Patents to the extent they claim [***] and/or [***], or a manufacturing process specific to one or more [***] and/or one or more [***], that were not Controlled by Compugen before the date of [***] or [***], but (a) were Controlled before such date by the [***] or the [***], as applicable or (b) claim inventions conceived and reduced to practice by such [***] after such [***] in independent activities without the use of or reference to [***] by persons who were [***], provided that those independent activities are/were made within a project that was started by the [***] with respect to [***] and/or [***] in connection with the evaluation of the [***]. The Parties agree that in case of dispute, Compugen will have the burden of proof to demonstrate that all requirements of lit. (a) or lit. (b) are fulfilled.

1.29. **"Control"** means, with respect to intellectual property or intellectual property rights that is/are owned or in-licensed by a Party and/or its Affiliate(s), the right, whether directly or indirectly, and whether by ownership, license or otherwise, to assign or to grant a license or sublicense as provided for herein without violating the terms of any agreement or other arrangement with any Third Party (including the terms of any such in-license agreement) or any applicable law and without the need for any consent (or further consent) from such Third Party.

Certain information in this document, marked by [***], has been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K under the Securities Act of 1933, as amended, because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.

1.30. **[***]** means [***] as set forth in [***].

1.31. **[***]** means [***] and a [***]. [***] will entail [***] of [***], together with [***].

1.32. **[***]** means [***] of a [***] and a [***] of the [***], in accordance with [***].

1.33. **"Diagnostic"** means any Companion Diagnostic and any General Diagnostic that (a) is covered by a claim of a Compugen Patent Right or Joint Patent Right and/or (b) is/was [***] and/or [***] through the use ([***]) of [***] or [***]. The Parties agree that in case of dispute, Bayer will have [***] that [***] has been [***] without the use of [***] and without the use of [***].

1.34. **"Field"** means the treatment or prevention of any [***] and/or [***], [***] in [***].

1.35. **"First Commercial Sale"** means, on a [***] basis with respect to each Product and each Diagnostic, the date of the first sale for [***] in an arm's length transaction by a Related Party of such Product or Diagnostic, as applicable, to an Unrelated Third Party for [***] of such Product or Diagnostic, as applicable, following receipt of all [***] required to [***] such Product or Diagnostic, as applicable, in such [***] to the [***]. For clarity, sales or other distribution for (a) use in [***], use in [***] or [***] programs or use in similar instances in which products may be provided to patients prior to [***] or (b) provision of [***] for [***] or similar purposes shall not be deemed "First Commercial Sale".

1.36. **"Fusion Protein"** means a protein created by the fusion of the extracellular domain of a protein, or fragment thereof, to any heterologous sequence (such as an Fc fragment of an Immunoglobulin G).

1.37. **"General Diagnostic"** means any diagnostic product that contains and/or detects a Target Biomarker, other than Companion Diagnostics, including without limitation standalone diagnostics.

1.38. **"Indication"** means: (a) for oncological diseases characterized by [***] from [***], whereby [***] from [***] shall constitute a [***] (e.g. by way of illustration: [***]. [***], whereas, [***] that [***]; and (b) for other oncological diseases and non-oncological diseases, Indications shall be classified as defined in [***]. By way of illustration, [***] would list nine different Indications.

1.39. **"**Infringed Claim" means a claim of a Patent of a Third Party which would be infringed by [***] of, or the [***] of, [***] included in the relevant Product (at the date and in the country of such activity). Notwithstanding the foregoing, "Infringed Claim" does not include claims with respect to [***] or [***] that are [***] to a [***]. Any risk of infringement of such Third Party rights will be reasonably considered in the selection of the [***] to be further developed, to the extent that such a risk is already recognizable at the time of selection of the [***].

1.40. **"Joint Intellectual Property"** means any Joint Patent Rights and/or Joint Know-How.

1.41. **"Joint Invention"** means any Program Invention for which (a) one or more inventors is an employee or contractor of Bayer or its Affiliate and (b) one or more inventors is an employee or contractor of Compugen or its Affiliate.

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1.42. **"Joint Know-How"** means Program Know-How developed jointly by (a) one or more employees or contractors of Bayer or its Affiliate and (b) one or more employees or contractors of Compugen or its Affiliate. For the avoidance of doubt, "Joint Know-How" also includes Joint Inventions.

1.43. **"Joint Patent Rights"** means any patent or patent application that claims a Joint Invention.

1.44. **"Know-How"** means any proprietary tangible and intangible: methods, inventions, techniques, processes, specifications, materials, recipes, formulae, preparations, designs, plans, drawings, data, trade secrets or other technical or scientific information.

1.45. "**Marketing Authorization**" means, with respect to a Product or Diagnostic in a given country, all approvals from the relevant Regulatory Authority (e.g. a BLA in the case of a Product) necessary to market and sell such Product or Diagnostic, as applicable, in such country to the relevant patient population in general.

1.46. **"Net Sales"** means the [***] amount [***] or (if not [***])[***] by a Related Party for sales of a Product or Diagnostic to [***] less the following deductions to the extent specifically applicable to such sales of Products or Diagnostics, as applicable, and not previously deducted from such [***] amount [***]:

- [***] of gross amount for [***];
- [***] and [***] or [***] included in such [***] invoiced and paid by a [***] or any other [***] imposed upon the sale of the relevant Product or Diagnostic and paid by a [***], but specifically excluding [***];
- [***] and [***] granted or allowed in the ordinary course of business by a Related Party in connection with such sale of a Product or Diagnostic;
- [***] or [***] granted by a Related Party to customers on account of governmental requirements, rejection, outdating, returns, billing errors or recalls of a Product or Diagnostic;
- [***] and [***] or [***] (as described below) granted by a Related Party in the ordinary course of business with respect to the sale of a Product or Diagnostic; and
- [***] of [***] for [***].

For the purpose of calculating Net Sales, the Parties recognize that: (a) customers may include persons in the chain of commerce who enter into agreements with a Related Party as to price even though title to the Product does not pass directly from the Related Party to such customers and even though payment for such Product is not made by such customers directly to a Related Party; and (b) in such cases, chargebacks paid by a Related Party to or through an Unrelated Third Party (such as a wholesaler) with respect to the gross amount invoiced on such sales can be deducted by a Related Party from gross revenue in order to calculate Net Sales.

In the event a Product is sold in the form of a combination product containing one or more active ingredients in addition to the Product, Net Sales for such combination product will be adjusted by multiplying actual Net Sales of such combination product by the fraction A / (A+B) where A is the invoice price of the Product, if sold separately, and B is the invoice price of any other active ingredient(s) in the combination, if sold separately. If, on a country-by-country basis, the other active ingredient(s) in the combination product are not sold separately in that country, Net Sales will be calculated by multiplying actual Net Sales of such combination product by the fraction A / C where A is the invoice price of the Product, if sold separately, and C is the invoice price of the combination product. If, on a country-by-country basis, the Product is not sold separately in such country, then the value of the active ingredient(s) for the purpose of determining Net Sales shall be determined between the Parties in good faith.

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For clarity, sales of Products or Diagnostics by a Related Party to another Related Party for resale by such other Related Party will not be deemed Net Sales. Instead, Net Sales will be determined based on the [***] invoiced by such other Related Party upon resale of such Products or Diagnostics to an Unrelated Third Party purchaser.

In the event that a Related Party receives non-cash consideration for any Products or Diagnostics, Net Sales will be calculated based on the fair market value of such consideration, assuming an arm's length transaction made in the ordinary course of business.

In the event of a planned Sublicense, Compugen will on request of Bayer [***] with Bayer [***] of this definition of Net Sales, if this is [***] to reach an [***] of this term both in the relationship between Compugen and Bayer and in the relationship between Bayer and the Sublicensee, provided that such change does not, [***] Compugen's rights.

Notwithstanding the foregoing, the following shall not be included in Net Sales: (i) sales or other transfers of Products and/or Diagnostics by a Related Party for administration to patients enrolled in clinical trials, provided that the Related Party receives no consideration from such clinical trials nor for such sales or other transfers and (ii) Products and Diagnostics used as samples to promote additional Net Sales, in amounts consistent with normal business practices of the Related Party, provided that the Related Party receives no consideration for such samples.

1.47. **"Non-Royalty Sublicense Income"** means any payments or other consideration that Bayer or any of its Affiliates receives in connection with a Sublicense, other than royalties (including percentage payments and fixed per unit amounts) on account of Net Sales by a Sublicensee or an Affiliate of a Sublicensee. If Bayer or its Affiliate receives non-cash consideration (e.g. equity, other non-cash assets) in connection with a Sublicense, Non-Royalty Sublicense Income will be calculated based on the [***]. For the avoidance of doubt, Bayer is in no way obliged or expected to receive any payments or other consideration from Sublicensees in connection with Companion Diagnostics and that enabling or facilitating the approval and commercialization of Products shall not be deemed a non-cash consideration.

1.48. **"Other Companion Diagnostics"** means any diagnostic product that contains and/or detects a Target Biomarker and is developed specifically for use in conjunction with a [***] that is [***] to inform the selection, initiation, dosing, monitoring, and/or avoidance of treatment with such product with the objective that such diagnostic be approved by the relevant Regulatory Authority in the label of such product, regardless of whether such approval is ultimately granted.

1.49. **"Patents"** means national, regional and international patents and patent applications, including provisional applications, continuations, continuations-in-part, continued prosecution applications, divisionals, substitutions, reissues, additions, renewals, re-examinations, extensions, term restorations, confirmations, registrations, revalidations, revisions, priority rights, converted provisionals, requests for continued examination and supplementary protection certificates and pediatric drug exclusivity periods granted in relation thereto, as well as utility models, innovation patents, design patents, petty patents, patents of addition, inventor's certificates, and equivalents in any country or jurisdiction and any similar rights, including pipeline protection, or any importation, or introduction patent to any such foregoing patent applications and patents and any and all patents that have issued or in future issue from the foregoing patent applications.

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1.50. "**Phase 1 Clinical Trial**" means a human clinical trial conducted on a limited number of study subjects for the purpose of gaining evidence of the safety and tolerability of, and information regarding, pharmacokinetics and potential pharmacological activity for a product or compound, as described in 21 C.F.R. § 312.21(a) (including any such clinical study in any country other than the United States).

1.51. **"Phase 2 Clinical Trial"** means a human clinical trial conducted on study subjects with the disease or condition being studied for the principal purpose of achieving a preliminary determination of efficacy or appropriate dosage ranges, as further described in 21 C.F.R. §312.21(b) (including any such clinical study in any country other than the United States).

1.52. **"Phase 3 Clinical Trial"** means a pivotal clinical trial in humans performed to gain evidence with statistical significance of the efficacy of a product in a target population, and to obtain expanded evidence of safety for such product that is needed to evaluate the overall benefit-risk relationship of such product, to form the basis for the filing for approval of a BLA by a Regulatory Authority and to provide an adequate basis for physician labeling, as described in 21 C.F.R. § 312.21(c) or the corresponding regulation in jurisdictions other than the United States, regardless of whether such trial is labeled by the relevant Related Entity as Phase 3 Clinical Trial.

1.53. **"Product"** means any therapeutic or prophylactic product containing or comprising a Target Biologic, in any and all forms, presentations, formulations and dosage forms that (a) is covered by a claim of a [***] and/or (b) is/was identified, developed and/or generated [***] of [***]. The Parties agree that in case of dispute, Bayer will have the burden of proof to demonstrate that [***] containing or comprising a Target [***] has been [***] without the use of [***]. For the avoidance of doubt, the definition of "Products" shall not include Product Companion Diagnostics.

One Product, as opposed to another Product, shall be defined by the [***] and [***] of the [***] the [***] included in the Product. Two products in which such [***] have different [***] and/or different [***] (other than incidental, unintended differences caused, for instance, from the [***]) from each other shall be two different Products. For example, a [***] and an [***] are two different [***], and therefore a Product containing or comprising the [***] and a Product [***] would be considered [***] Products.

1.54. **"Product Companion Diagnostic"** means any diagnostic product that contains and/or detects a Target Biomarker and is developed specifically for use in conjunction with a Product to inform the selection, initiation, dosing, monitoring, and/or avoidance of treatment with such Product with the objective that such diagnostic be approved by the relevant Regulatory Authority in the label of such Product, regardless of whether such approval is ultimately granted.

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1.55. **"Program Know-How"** means any Know-How developed or generated in the performance of the Research Programs and Controlled by Bayer, an Affiliate of Bayer, Compugen or an Affiliate of Compugen (including but not limited to [***], and [***] and (to the extent applicable) [***] and [***]).

1.56. **"Program Invention"** means any patentable Know-How Controlled by Bayer, an Affiliate of Bayer, Compugen or an Affiliate of Compugen that is [***] and/or [***] in the performance of a Research Program.

1.57. **"Regulatory Authority"** means the FDA or any other supranational, national or local agency, authority, department, inspectorate, ministry official, parliament or public or statutory person of any government of any country having jurisdiction over any of the activities contemplated by the Agreement or the Parties, or any successor bodies thereto.

1.58. **"Related Party"** means any of the following: (a) Bayer; (b) an Affiliate of Bayer; (c) a Sublicensee; or (d) an Affiliate of a Sublicensee.

1.59. **"Research Period"** means, with respect to each Research Program, the period until completion of all obligations under the Research Program as set forth in the Workplan for such Research Program.

1.60. **"Research Program"** means either the CGEN-15001T Research Program or the CGEN-15022 Research Program.

1.61. **"Sublicense"** means: (a) any license given (including without limitation licenses with respect to Bayer Product Patent Rights and Bayer Know-How) by Bayer or an Affiliate of Bayer to any Third Party (or by a Sublicensee to a further Sublicensee) to develop, manufacture, market and/or sell Products and/or Diagnostics and/or any other licenses granted by Bayer or an Affiliate under any of the rights granted to Bayer under this Agreement; and (b) any [***] by [***] to any other person or entity (or by a Sublicensee to a further Sublicensee) [***] for or [***]; in each case regardless of whether such license given is referred to or is described as a license, sublicense or otherwise. For clarity, "Sublicense" does not include (i) any agreements or other grants of rights that fulfill the requirements of Section 3.1.2 or (ii) the engagement of a Third Party wholesale distributors who (1) purchase Products from a Related Party in arm's length transaction and who have no sales, marketing or reporting obligation to a Related Party and (2) do not pay Related Parties any consideration on account of such engagement other than the sales price of the Products and/or Companion Diagnostics sold by the Related Party to such Third Party. For clarity, such wholesale distributors do not include those distributors whose obligations to a Related Party include responsibility for sales and/or marketing efforts in a country or sharing of costs and expenses with respect to sales and/or marketing on behalf of a Related Party or who pay other consideration on account of such engagement, which distributors shall be deemed to be Sublicensees for purposes of this definition.

1.62. **"Sublicensee"** means any person or entity granted a Sublicense.

1.63. **"Sublicense Diagnostic Sales Income"** means any payments or other consideration that Bayer or any of its Affiliates receives on account of sales of Diagnostics by a Sublicensee. If Bayer or any of its Affiliates receives non-cash consideration (e.g. equity, other non-cash assets) on account of sales of Diagnostics by a Sublicensee, Sublicense Diagnostic Sales Income will be calculated based on [***], at the time of [***], [***]. Bayer informs and Compugen understands and acknowledges that the [***] of [***] to the [***] of [***] is to [***] or [***] of [***], and that [***] may [***] or [***] from Sublicensees on account of Sublicensing of [***], in which case Compugen would [***] or [***] from Bayer in relation to the [***] and [***] of [***].

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1.64. **"Target"** means any CGEN-15001T Target and/or any CGEN-15022 Target.

1.65. **"Target Biologic"** means any Biologic, including but not limited to any [***], or [***], that is [***], except that "Target Biologic" specifically excludes [***]. The Parties (a) acknowledge that in [***] not [***] any of [***], a Party or its Affiliate may [***] and/or [***] a Biologic directed [***] another [***] which [***] inadvertently [***] to [***] and (b) agree that such [***] will not be deemed [***] for purposes of this Agreement.

1.66. **"Target Biomarker"** means (a) any Target**,** (b) any [***] and (c) any [***], or of such [***], that is derived from the [***] of such [***]. For purposes of this definition, [***] means (i) with respect to a [***], a consecutive portion of the [***] or more [***], and (ii) with respect to [***], a consecutive portion of the [***] or more [***].

1.67. **"Target Fusion Protein"** means a protein created by the fusion of the extracellular domain of a Target, or fragment thereof, to any heterologous sequence (such as an Fc fragment of an Immunoglobulin G).

1.68. **"Target Program"** means either the CGEN-15001T Target Program or the CGEN-15022 Target Program.

1.69. **"Third Party"** means any person or entity other than Bayer, Bayer's Affiliates, Compugen and Compugen's Affiliates.

1.70. **"Third Party [***] Payments"** means amounts paid by Bayer to a Third Party as a result of a [***] or [***] for [***] due to [***] were [***] in the performance of [***] (for the avoidance of doubt, including [***] of this Agreement).

1.71. **"Unrelated Third Party"** means any person or entity that is not a Related Party.

1.72. **"Use Patent Rights"** means Compugen Patent Rights or Joint Patent Rights that are not Composition Of Matter Patent Rights.

1.73. **"Valid Claim"** means a claim of an issued and unexpired patent within the Compugen Patent Rights, Joint Patent Rights or Bayer Product Patent Rights that has not been (a) held permanently revoked, unenforceable, unpatentable or invalid by a decision of a court or governmental body of competent jurisdiction, unappealable or unappealed within the time allowed for appeal, (b) rendered unenforceable through disclaimer or otherwise, (c) abandoned or (d) permanently lost through an interference or opposition proceeding without any right of appeal or review.

1.74. **"Workplan"** means either the CGEN-15001T Workplan or the CGEN-15022 Workplan.

2. Research Program.

2.1. **Purpose and Scope of Work.** The Parties are entering into a research and development collaboration for the Research Period, with the intent of developing CGEN-15001T Target Biologics and CGEN 15022 Target Biologics that will be candidates for the development of Products and of discovering and developing Target Biomarkers that can be used as research tools for the development of Products and/or for the development of Product Companion Diagnostics. Each Workplan sets forth certain activities to be performed by each of the Parties, details regarding each of the Parties' deliverables and timetables for delivery of such deliverables. Each Workplan may be amended by the Joint Steering Committee (as defined below in Section 2.2.1) in accordance with Section 2.2, provided that no such amendment may increase Compugen's or Bayer's obligations under such Workplan unless the Parties have agreed to such increase in writing, including with respect to funding to be provided by Bayer to Compugen to support additional work. To the extent any terms in a Workplan shall at any time conflict with the terms of this Agreement, the terms of this Agreement shall prevail.

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2.2. Management.

2.2.1. Establishment of Joint Steering Committee. The Parties hereby establish a Research Program steering committee (the "**Joint Steering Committee**" or "**JSC**") that will be responsible for overall supervision and direction of, and for making decisions related to, the Parties' activities under the Workplans.

2.2.2. Membership. The Joint Steering Committee will be comprised of [***] members, with [***] members appointed by each Party, all of whom shall be employees of the appointing Party and shall have appropriate authority to make the decisions assigned to the Joint Steering Committee hereunder. In addition, each Party will appoint one associate member (having no voting power in the JSC) with the tasks to (i) prepare and manage the JSC meetings, (ii) ensure proper communication and exchange of information between the Parties, (iii) oversee the budget and resources in the Research Programs, (iv) attempt to resolve conflicts, and (v) act as a point of contact for external communications (e.g. press releases) and publications taking into account company specific regulations for external communications and publications (the "**Alliance Manager**"). Each of Bayer and Compugen may replace its Alliance Manager or one or more of its Joint Steering Committee representatives at any time, upon written notice to the other Party. From time to time, the Joint Steering Committee may establish subcommittees, comprised of an equal number of representatives from each Party (who may be persons other than Joint Steering Committee members), to oversee particular activities.

2.2.3. Responsibilities. The Joint Steering Committee will be responsible for:

(a) overseeing the overall progress achieved in each Research Program and directing the Research Program;

(b) informing each other on strategic aspects;

(c) making and approving go/no-go decisions regarding the attainment of Research Program's milestones based on proposals made by the Project Managers (as defined below in Section 2.3.2);

(d) deciding on amendments to or changes of the Workplan(s) (including changes to timelines and actions to be taken), from time to time, as proposed by the Project Managers (as defined below);

(e) agreeing upon contractors to be used by the Parties in performing work under a Workplan in the event that the Project Managers are not able to agree upon such contractors;

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(f) proposing amendments to this Agreement; and

(g) such other matters as the Parties may assign to the Joint Steering Committee from time to time.

2.2.4. **Meetings.** The Joint Steering Committee shall meet [***], whether in-person or by telephone or video conference as the Joint Steering Committee agrees, provided that at least [***] ([***] in Israel or San Francisco, CA and [***] in Germany) shall be held in each calendar year. Members of the Joint Steering Committee may participate in and vote at meetings, in person, by telephone or by video-conference, and may vote at meetings by proxy; in addition, the Joint Steering Committee may agree from time to time with unanimous consent to take decisions in writing. Additional employees or consultants of either Party may be permitted to attend meetings of the Joint Steering Committee and/or of its sub-committees' meetings with the consent of the other Party's members of the Joint Steering Committee, such consent not to be unreasonably withheld. For each such Joint Steering Committee meeting (or sub-committee meeting), whether an in-person meeting or otherwise, either of the Alliance Managers (as agreed prior to the meeting) shall prepare an agenda and written minutes which shall document all Joint Steering Committee discussions and decisions in such meeting. Draft minutes shall be distributed to the Joint Steering Committee members [***] following the particular Joint Steering Committee meeting, revised as necessary, and promptly approved in writing by all Joint Steering Committee members. Thereafter, the approved minutes of each Joint Steering Committee meeting shall be distributed to each member. Each Party is responsible for the travelling costs of its Alliance Manager and its members of the Joint Steering Committee.

2.2.5. **Decision-Making.** All decisions of the Joint Steering Committee shall be made by unanimous consent. In the event the Joint Steering Committee is unable to reach agreement on a matter relating to the activities under a Workplan (a "**Deadlock**"), then either Party may notify the other of the Deadlock in writing, such notice to describe the subject of the Deadlock in reasonable detail. In such case, the following shall apply:

2.2.5.1. Subject to the limitations set forth in Section 2.2.5.2, [***] shall [***] over the Deadlocked matter, such authority to be exercised by [***] and notified to [***] within [***] days after delivery of the applicable Deadlock notice. If [***] fails to notify [***] how [***] has elected to [***] on the Deadlocked matter, [***] may take such action with respect to the Deadlocked matter as [***] deems appropriate [***]. With respect to matters described in Section 2.2.5.2, for which [***] is not entitled to [***] with respect to any Deadlock, such Deadlock shall be resolved pursuant to the provisions of Section 2.2.5.3.

2.2.5.2. [***] will not have the authority under Section 2.2.5.1 or 2.2.5.4 to [***] make any decision that: (a) [***] or otherwise is [***] any term or provision of this Agreement; (b) [***] or its ability to meet its obligations under this Agreement; (c) [***] under a Workplan or [***] the achievability of such [***] in each case in a manner [***]; (d) [***]; (e) would require [***], in a manner material to [***], in the [***] or the use of [***] or [***] not currently contemplated in the relevant Workplan; (f) would [***] for which [***] is entitled to make use of [***] Protein Controls (as defined in [***]); (g) would [***] of the [***]; or (h) [***] either Party's [***] obligations under [***].

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2.2.5.3. With respect to matters described in Section 2.2.5.2 with respect to which [***] does not have authority under Section 2.2.5.1 to [***] make decisions ("**Specific Deadlocked Matters**"), the Parties shall first try to resolve such Specific Deadlocked Matter in a second JSC meeting to be held within [***] Business Days from the meeting in which the Specific Deadlocked Matter has remained unsolved. In the event that the JSC is again unable to resolve the Specific Deadlocked Matter, such matter shall be promptly referred to the [***] of Compugen and the [***] of Bayer. If said officers cannot resolve such Specific Deadlocked Matter through [***] and [***] within [***] calendar days after the date on which the matter is referred to the Parties' executive officers listed above, the Parties will attempt in [***] to settle the Specific Deadlocked Matter by mediation in accordance with the [***] by a [***] mediator with [***] Program. If the Parties [***] on a [***] mediator, the mediator will be appointed by the [***]. The place of the mediation proceedings shall be [***], [***], and the language to be used shall be [***]. If the Parties decide to submit the Specific Deadlocked Matter to mediation, [***] shall bear [***] expenses and [***] of all costs and fees of the mediator. If the Parties can also not resolve the Specific Deadlocked Matter by mediation in accordance with the [***], the Parties will continue the performance of the Research Program in accordance with the relevant Workplan without any change with respect to the Specific Deadlocked Matter for which no agreement was reached.

2.2.5.4. Notwithstanding the above, [***] may, at any time upon one (1) month prior written notice to [***], disband the Joint Steering Committee. If [***] provides such notice of disbandment to [***], the Parties' obligations under this Section 2.2 will terminate, unless and until [***] provides written notice to [***] that it wishes to reinstate the Joint Steering Committee, in which case the Parties' obligations under this Section 2.2 will be reinstated for the period following such notice by [***]. In the event of such disbandment and unless and until the Joint Steering Committee is reinstated, subject to [***], all activities and decisions assigned to the Joint Steering Committee as set forth above shall be performed and decided upon by [***] such authority to be exercised by [***] (taking into consideration concerns raised by [***] and the goals of the relevant Research Program). During the period of disbandment, [***] shall inform Compugen with written notice about proposed decisions [***]. If [***] provides such written notice, each Party will promptly appoint authorized representatives with the same competencies as the members of the Joint Steering Committee to discuss such proposed decisions [***]. If such representatives are unable to agree on such matter within [***] days of [***]'s notice to [***], such matter shall be promptly referred to the [***] and the [***]. If said [***] cannot resolve such matter through [***] negotiations within [***] days after the date on which the matter is referred to the Parties' [***] listed above, the Parties will attempt to resolve the matter in accordance with the mediation process described in [***].

2.2.5.5. Unless earlier disbanded in accordance with [***] or agreed by the Parties otherwise in writing, the Joint Steering Committee will disband within [***] months following the end of the later to expire [***]. After such disbandment the Joint Steering Committee may reconvene on an ad-hoc basis solely to discuss [***]. A request by a Party for a Joint Steering Committee meeting shall be given in written form to the other Party with [***] notice and shall contain sufficiently detailed information about the requested topic and the required decision by the Joint Steering Committee.

2.3. Performance of Work.

2.3.1. Performance. Each of the Parties shall use Commercially Reasonable Efforts to perform the activities designated as its responsibility under each Workplan, including delivering deliverables and reports set forth in each Workplan, in accordance with the timetables set forth in such Workplan. Each Party will provide the [***] needed to perform the activities designated as its responsibility under each Workplan.

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2.3.2. **Project Manager.** The Parties acknowledge that effective communications between Parties is an essential ingredient to the success of the Research Programs. In order to facilitate such communications, each Party will designate a person to serve as the project manager on its behalf for purposes of each Research Program (each, a "**Project Manager**"). A Party may designate the same person to serve as its Project Manager of both Research Programs or designate two persons to serve as Project Managers, one for each Research Program. Each Party may appoint and replace its Project Manager(s) by written notice to the other Party. The Project Managers for each Research Program will meet (in person, teleconference or video conference) on a monthly basis, or more often as needed, to give each other an update on the results in the Research Program, review the progress of such Research Program and scientific issues relating to such Research Program. The Project Managers may with mutual agreement include members of their scientific teams in such meetings. The Project Managers will prepare and propose decisions on activities under and amendments of the Workplans, promote the performance of the work under the Research Programs and ensure that such work is done as agreed under the Workplans.

2.3.3. **Reports.** Each Party's Project Manager for the relevant Research Program shall provide the members of the Joint Steering Committee with written updates regarding its Party's activities under the Workplan, including summary results and analyses thereof, prior to each JSC meeting. In addition, within [***] days after the end of each year of the relevant Research Period and at the end of such Research Period, each Party's Project Manager will provide the Joint Steering Committee with a written report regarding its Party's activities under the Workplan, including protocols, experimental procedures, results, analyses thereof and conclusions for the previous [***] month period (or in the case of the report at the end of the Research Period, for the period since the previous written report) in the format and containing the level of detail described in **Exhibit 2.3.3**. At the request of a Project Manager, the Project Managers for the relevant Research Program and members of the relevant scientific teams will discuss any questions raised by either Party regarding the contents of such reports.

2.3.4. **Use of Contractors.** Each Party may use contractors (including Affiliates) to perform, on its behalf and for its benefit (on a work-for-hire basis), [***] (unless agreed otherwise by the Parties) activities designated as such Party's task under the relevant Workplan, provided that any such contractor (except for Affiliates of Bayer used as contractor of Bayer or Affiliates of Compugen used as contractor of Compugen) has been approved in advance by both Project Managers or, if the Project Managers do not reach agreement on the choice of contractors, by the Joint Steering Committee and enters or has entered into an agreement with such Party obligating such contractor to all confidentiality, publication and intellectual property-related provisions of this Agreement, applicable to such Party (subject to exceptions with respect to the publication limitations which may be approved by the Joint Steering Committee on a case-by-case basis). Each Party shall be solely responsible for the supervision and direction of contractors performing activities designated as such Party's task under such Workplan and shall be solely liable for any damage, injury or harm caused by such contractors. Without limiting the foregoing, the Parties agree that for purposes of the work to be performed by [***], a [***] of [***] in accordance with the stage entitled [***] of the CGEN-15001T Workplan and the stage entitled [***] of the CGEN-15022 Workplan, [***] will be a contractor of Compugen or its Affiliate, regardless of the fact that [***].

2.3.5. **Compliance.** Each Party agrees to comply with all laws, governmental regulations and guidelines applicable to the performance of the activities that it is responsible for under the relevant Workplan.

Certain information in this document, marked by [***], has been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K under the Securities Act of 1933, as amended, because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.

2.3.6. Records. Each Party shall prepare and maintain, or cause to be prepared and maintained, complete and accurate written records pertaining to its respective activities within each Research Program in sufficient detail and in good scientific manner, which shall be complete and accurate and shall fully and properly reflect the work done and results achieved in the performance of its respective activities under the Research Program, and which shall be retained by such Party for at least [***] years after the expiration or termination of this Agreement, or for such longer period as may be required by any applicable law. Each Party shall make such records available for inspection by the other Party at all reasonable times, and deliver copies of such records to the other Party at the other Party's reasonable request and cost.

2.3.7. Material Transfer.

2.3.7.1. General. From time to time, each of Bayer (or any of its Affiliates) and Compugen (or any of its Affiliates) may transfer biological materials to the other for purposes of the Research Programs and the development of Products and Product Companion Diagnostics. Each Party understands that biological materials transferred by the other Party or its Affiliates are experimental in nature and neither Party makes any representation or warranty, express or implied, as to the identity, ownership, purity, utility, safety or activity of such biological materials. Neither Party shall be liable for any loss, harm, illness or other damage or injury arising from the other Party's or its Affiliate's receipt, handling, use or disposal of any such biological materials, except to the extent attributable to the transferring Party's or its Affiliate's own gross negligence or willful misconduct. Further, neither Party makes any representation or warranty that the use of the biological materials transferred by it or its Affiliate will not infringe any Third Party intellectual property rights. Each Party and its Affiliates shall use the other Party's biological materials only for the purposes of performing its obligations or exercising its rights under this Agreement. Neither Party shall transfer the other Party's material to any Third Party, except to contractors or collaborators of such Party for the purposes authorized by this Agreement. For the avoidance of doubt, after the Research Program, unless Compugen notifies Bayer of limitations on the transfer of any biological materials (other than Target Biologics and/or Target Biomarkers) provided by Compugen that are imposed by agreements Compugen is party to, Bayer is free to share biological materials provided by Compugen to Bayer (including, inter alia, Target Biologics), other than ***[***]***, with Third Parties solely for the purpose of the research and development of Products and/or Product Companion Diagnostics without any reporting obligation to, or requirement of authorization by, Compugen and provided that Bayer remains liable to Compugen with respect to any such use. Each Party will use the other Party's biological materials in accordance with all applicable laws, regulations and governmental guidelines.

2.3.7.2. [***] **Protein Controls.** The Parties agree that the CGEN-15001T Research Program may benefit from the use, as research reagents, of certain Compugen proprietary material [***] ("[***] **Protein Controls**") and that the CGEN-15022 Research Program may benefit from the use, as research reagents, of certain Compugen proprietary material [***] ("[***] **Protein Controls**"). Bayer understands that [***] Protein Controls and [***] Protein Controls are part of Compugen therapeutic development programs that are not subject to this Agreement (the "[***] **Protein Program**" and the "[***] **Protein Program**", respectively). The [***] Protein Program and the [***] Protein Program will each be referred to as a "[***] **Protein Program**". The Parties contemplate that Compugen will provide Bayer (a) certain [***] Protein Controls for [***] specifically set forth in the CGEN-15001T Workplan or [***] otherwise specifically agreed to by [***]; and (b) certain [***] Protein Controls for use in certain activities specifically set forth in the CGEN-15022 Workplan or [***] otherwise specifically agreed to by [***]. The [***] Protein Controls and [***] Protein Controls provided by Compugen or its Affiliate to Bayer or its Affiliate shall be referred to as **"**[***] **Protein Controls"**. [***] Protein Controls provided by Compugen for purposes of the Workplans, as existing on the Effective Date, will be [***] along with information regarding the [***] and/or other [***] of the [***] Protein Controls. Compugen shall provide the [***] Protein Controls [***] in the [***] described in the Workplans; such [***] Protein Controls will be [***] form and quality [***]. In addition to the provisions of Section 2.3.7.1, the following provisions will apply to use of such [***] Protein Controls provided by Compugen to Bayer:

Certain information in this document, marked by [***], has been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K under the Securities Act of 1933, as amended, because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.

(a) Notwithstanding [***], Bayer shall not be entitled to [***] Protein Controls to any [***], other than [***] of Bayer who are [***] (as described in the next sentence) on behalf of Bayer. Bayer and its [***] may use such [***] Protein Controls solely for performance of the [***] or otherwise specifically [***] as tasks involving the use of such [***] Protein Controls.

(b) Bayer shall not, and shall ensure that its Affiliates, contractors and collaborators shall [***] the [***] or use [***] Confidential Information regarding the [***] and/or other [***] of the [***] nor any other [***] regarding the [***] provided by Compugen on a [***] any other [***] incorporating the [***] of a [***], without the prior express written consent of Compugen in each case;

(c) Bayer shall not, and shall ensure that its Affiliates, contractors and collaborators shall not, [***] to any Third Party results of their use of the [***] Protein Controls, without Compugen's prior written consent; and

(d) Bayer shall within reasonable time, but in any case within [***] days, after becoming aware thereof, [***] to Compugen [***] with respect to Target [***] Proteins, their use or their production (in each case including, without limitation, [***] thereof), that are conceived and/or reduced to practice by Bayer, its Affiliates, contractors and/or collaborators, [***] Compugen or its Affiliates in the performance of work using a [***] Protein Control ("[***] **Protein Invention**"). Any such [***] Protein Invention, whether made by Bayer, any of its Affiliates or any of its contractors or collaborators, solely by Compugen or an Affiliate of Compugen, or jointly by any of the above, shall be [***]. Bayer and its Affiliates [***], and Bayer shall cause its contractors and collaborators [***], any and all of their [***] in and to any and all [***] to Compugen. Upon Compugen's request and at Compugen's expense, Bayer shall [***] and [***] that any relevant Affiliate, contractor and collaborator [***] as Compugen deems [***], in its [***], to enable Compugen to [***] with respect to any of the foregoing. Bayer will, and shall ensure that its Affiliates, contractors and collaborators will, at Compugen's request, provide [***] and [***], as [***] to [***]. Bayer is [***] that its Affiliates, contractors and collaborators [***], and [***] by its Affiliates of, the provisions of this Section 2.3.7.2(d). Bayer shall ensure that its contractors and collaborators are [***] of this Section 2.3.7.2(d) by [***] to which Compugen is [***], prior to [***] to [***] Protein Controls or any Compugen Confidential Information related to Target [***] Proteins.

Certain information in this document, marked by [***], has been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K under the Securities Act of 1933, as amended, because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.

For the avoidance of doubt, this clause does not limit in any way Bayer's and its Affiliates' right to conduct independent activities that an unaffiliated third party would also be allowed to perform using Target [***] Proteins (e.g. based on publications) without the use of or reference to Compugen Confidential Information; for the avoidance of doubt, (a) Compugen [***] with respect to the results of any such independent activities and (b) [***] is granted by Compugen by implication, estoppel or otherwise with respect to [***] Proteins under any Patents Controlled by Compugen or any of its Affiliates (both except for the right to use [***] Protein Controls pursuant to the terms of the previous paragraph).

2.3.7.3. **Use of Target Biologics in Compugen's** [***] **Protein Programs.** The Parties agree that Compugen's [***] as part of its [***] may benefit from the use, as research reagents, of certain CGEN-15001T Target Biologics [***] and that Compugen's [***] as part of its [***] may benefit from the use, as research reagents, of certain CGEN-15022 Target Biologics [***]. The Parties further agree that uses by Compugen of such Target Biologics must be restricted to prevent any adverse effect of such uses on the [***] of [***] and/or [***] and, in particular, the intellectual property rights in relation thereto. As a result, the Parties agree that [***], in accordance with the procedure set forth in Section 2.3.7.3.3, certain of such Target Biologics [***] of the Research Programs which Compugen will be entitled to use subject to [***]. The CGEN-15001T Target Biologics and the CGEN-15022 Target Biologics that are [***] in accordance with Section 2.3.7.3.3 will be referred to as [***].

2.3.7.3.1. **Allowed uses of Target Biologics [***]:** Compugen may use Target Biologics Controls only for [***]. No [***] shall be allowed to be performed by Compugen using Target Biologic [***], unless [***] agrees on any [***] in advance.

2.3.7.3.2. **Transfer to third parties:** Subject to sentence 2 of this Section 2.3.7.3.2, Compugen is entitled to provide Target Biologic [***] and data relating to such Target Biologic [***] to its Affiliates, contractors and collaborators, solely to [***] within the [***] Protein Programs and with no right of such Affiliates, contractors and collaborators [***] the Target Biologic [***] or [***] to any further third parties; provided that Compugen ensures that any [***] relating to [***] and that Compugen imposes on such third parties obligations with regard to [***] than those agreed between Bayer and Compugen, including, without limitation that third parties [***] relating to such Target Biologic [***] – other than [***] specified in **Exhibit 2.3.7.3.2**– prior to the [***] with respect to such Target Biologic [***] by the Parties (i.e. [***] months after filing date), without Compugen first obtaining the [***]. In any event (including in connection with any publication of the data specified in Exhibit 2.3.7.3.2) Compugen will not make, and will ensure that third parties to which Compugen discloses data relating to Target Biologic [***] will not make, [***], with the exceptions that Compugen does not have to prevent such third parties from making [***] (i) solely vis-à-vis Compugen within the relevant [***] Protein Program on a [***] basis or (ii) solely based on data that is [***], or data relating to Target Biologic Controls, provided by Compugen to such third party pursuant to sentence 1 of this Section 2.3.7.3.2. Compugen may only provide Target Biologic [***] to its Third Party contractors and/or collaborators if (a) such [***] have been [***] not to have [***] or (b) such [***] have been [***] to have [***], but a [***] such [***]. Compugen shall be liable for any non-compliance of its contractors and collaborators with the obligations under this Section 2.3.7.3.2. Compugen shall ensure that its contractors and collaborators are bound by the provisions of this Section 2.3.7.3.2 by agreements pursuant to which Bayer is named as a third party beneficiary, [***] to Target Biologic [***] or any Bayer Confidential Information related to Target Biologic [***].

Certain information in this document, marked by [***], has been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K under the Securities Act of 1933, as amended, because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.

2.3.7.3.3. Selection of Target Biologic [***]: **Exhibit 2.3.7.3.3** sets forth the criteria that a particular Target Biologic developed in the performance of a [***] needs to fulfill in order to be chosen as a [***] and the timing and procedure for such selection by [***]. The Parties, through the [***], shall [***] suitable CGEN-15001T Target Biologics or CGEN-15022 Target Biologics to serve as Target Biologic [***]. Both Parties agree that for the selection of appropriate Target Biologics [***] for Compugen's [***] Protein Programs [***] for the Target Biologics to [***] for the [***] as determined by the [***] It is understood that in no instance shall any CGEN-15001T Target Biologic or CGEN-15021 Target Biologic that is a [***] or that has, in [***], the [***] as a [***]; provided however, that [***] as a [***], such [***] shall remain a [***] unless [***]. Once any Target Biologics are chosen as Target Biologic [***], Compugen will be entitled to use the [***] such [***] in order to [***] such [***] for [***] in accordance with the provisions of [***].

2.3.7.3.4. Additional provisions on Target Biologic [***]: In addition to the provisions of Section 2.3.7.1, the following provisions will apply to use of Target Biologic [***]:

(a) Compugen shall only be allowed to [***] Target Biologic [***] and TBC Producing Cells [***] according to this Section 2.3.7.3 during the duration of [***]. For clarity, Compugen will be [***] Target Biologic [***] and TBC Producing Cells in accordance with the provisions of Section 2.3.7.3, and to [***] Target Biologic [***] for such use, after [***].

(b) Compugen shall not, and shall ensure that its Affiliates, contractors and collaborators shall not, [***] the Target Biologic [***] and TBC Producing Cells, except that Compugen and its Affiliates, contractors and collaborators may [***] for the purpose of [***] (e.g. [***] with [***] to allow [***] in certain [***]). For clarity, any such modifications shall be deemed [***] and will be subject to the terms of this Section 2.3.7.3;

(c) Compugen shall within reasonable time, but in any case within [***] days after becoming aware thereof, [***] to Bayer any and all [***] with respect to Target Biologics, their [***] or their [***] (in each case including, without limitation, [***] thereof), that are [***] by Compugen, its Affiliates, contractors and/or collaborators, alone or jointly with one another or with Bayer or its Affiliate in the performance of the work using a Target Biologic Control [***]. Any such [***], whether made solely by Compugen or any of its Affiliates or contractors or collaborators, solely by Bayer or a Related Party, or jointly by any of the above, shall be [***] and be [***] in Section [***] and [***] to [***]. In the case of a [***] by a [***] or [***], Compugen shall ensure that such inventions are [***] to Compugen such that they will also be [***]. Compugen will, at Bayer's request, provide all necessary [***] and cooperate with Bayer, as reasonably required to [***]. Compugen is responsible for ensuring that its Affiliates, contractors and collaborators [***], and shall [***] by its Affiliates of, the provisions of this Section 2.3.7.3.4(c). Compugen shall ensure that its contractors and collaborators are bound by the provisions of this Section 2.3.7.3.4 by agreements pursuant to which Bayer is named as a third party beneficiary, prior to obtaining access to Target Biologics [***] or any Bayer Confidential Information related to Target Biologics [***].

Certain information in this document, marked by [***], has been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K under the Securities Act of 1933, as amended, because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.

2.3.8. **Data Transfer.** The Parties agree that (a) the Research Programs may benefit from Know-How with respect to the [***] of Targets that Compugen has [***] in the [***] with respect to its [***] Protein Programs ("**[***] Program Target Know-How**") and (b) Compugen's [***] respect to the [***] Protein Programs [***] from Program Know-How relating to the [***] of Targets ("**Research Program Target Know-How**"). The Parties agree (i) that Bayer may use the [***] Program Target Know-How [***] and (ii) that, other than for purposes of the Target Programs, Compugen may use such Research Program Target Know-How [***] its [***] Protein Programs.

2.3.9. **Funding.** Subject to Section 2.4, each Party shall bear its own costs and expenses incurred in the performance of the activities to be performed by it under the Workplans.

2.4. **Revisions or Expansions to Workplans.**

2.4.1. Any revision or expansion to a Workplan that may be requested by either of the Parties during the relevant Research Period shall be discussed by the Joint Steering Committee. This includes, without limitation, discussions regarding the effect any such requested revision or expansion will have on the deliverables (including timing) to be provided under the relevant Workplan, the allocation of [***] resources for performance of [***] under the relevant Research Program, and appropriate funding to be provided by [***] to support additional work to be performed by [***] and not contemplated under the then actual Workplan.

2.4.2. If the Joint Steering Committee determines that a Party's request refers to matters that do not materially change the relevant Workplan (such as [***]) and such changes do not impact the [***] to such activity, the Joint Steering Committee shall have the authority to amend the relevant Workplan per such Party's request, and such amendment shall be incorporated into the relevant Workplan by reference.

2.4.3. If the [***] determines that the request refers to matters that materially change the relevant Workplan, or that such changes impact the [***] to such activity, the Steering Committee shall prepare and present to the Parties' authorized personnel a detailed written proposal for such revision or expansion to the relevant Workplan. If such proposal is approved by authorized personnel of each of the Parties, it shall be incorporated into an amendment to this Agreement and an amendment to the relevant Workplan, and will be signed by the Parties.

2.5. **Target** [***]**.** If, with respect to a Research Program, the Parties [***], as set forth in the Workplan for such Research Program (despite also Bayer using [***] to perform its part of the Research Program for such Workplan), and Bayer terminates this Agreement with respect to the relevant Target Program in accordance with Section 14.3, at the request of either Party, the Parties will discuss in good faith the [***] of such [***] to be [***] (including a [***] and [***]); provided that there may be [***] for each [***]. Any such other [***] would be [***] from [***]. If the Parties agree on such a [***], including a [***] and [***] to be provided by [***] to support such [***], this Agreement will be amended accordingly and (a) if the [***] is the [***], to [***] the [***] with such [***], to [***] the [***] and [***] with references to the [***] in such [***] or (b) if the [***] is the [***], to [***] the [***] with such [***], to [***] the definitions of [***] and [***] with [***] to the [***] in such [***] Compugen [***].

Certain information in this document, marked by [***], has been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K under the Securities Act of 1933, as amended, because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.

3. Licenses.

3.1. By Compugen to Bayer.

3.1.1. Exclusive Licenses.

3.1.1.1 Target Biologics. Subject to the terms and conditions set forth in this Agreement, Compugen hereby grants to Bayer an exclusive (even as to Compugen, except as set forth in Section 3.1.1.4), worldwide, royalty-bearing license, with the right to grant sublicenses (subject to Section 3.1.3), under the Compugen Intellectual Property and Compugen's interest in Joint Intellectual Property, solely to do or have done further research on and or with Target Biologics in the Field.

3.1.1.2 Products. Subject to the terms and conditions set forth in this Agreement, Compugen hereby grants to Bayer an exclusive (even as to Compugen, except as set forth in Section 3.1.1.4), worldwide, royalty-bearing license, with the right to grant sublicenses (subject to Section 3.1.3), under the Compugen Intellectual Property and Compugen's interest in Joint Intellectual Property, solely to develop, have developed, make, have made and use and have used Target Biologics solely in order to do or have done research on, develop, have developed, make, have made, use, have used, sell, have sold, offer for sale, have offered for sale and import and have imported Products for use in the Field. For clarity, no rights are granted by Compugen with respect to Target Biologics for any other uses.

3.1.1.3 Target Biomarkers. Subject to the terms and conditions set forth in this Agreement, Compugen hereby grants to Bayer an exclusive (even as to Compugen, except as set forth in Sections 3.1.1.4 and 3.3), worldwide, royalty-bearing license, with the right to grant sublicenses (subject to Section 3.1.3), under the Compugen Intellectual Property and Compugen's interest in Joint Intellectual Property solely to do or have done further research on, develop, have developed, make, have made, use, have used Target Biomarkers solely:

(a) for therapeutics research and development purposes; and

(b) subject to Section 3.1.1.4, to do or have done research on, develop, have developed, make, have made, use, have used, sell, have sold, offer for sale, have offered for sale and import and have imported Diagnostics.

3.1.1.4 Exceptions. Notwithstanding the licenses set forth above, Compugen reserves the following rights:

(i) on behalf of itself, its Affiliates and its contractors approved in accordance with Section 2.3.4 the right to use and practice the Compugen Intellectual Property and Joint Intellectual Property within the scope of the license granted in Sections 3.1.1.1, 3.1.1.2 and 3.1.1.3 to perform its activities under the Research Programs (for clarity, including the right to license such Affiliates and contractors approved in accordance with Section 2.3.4 under Joint Intellectual Property to do the same);

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(ii) on behalf of itself and its Affiliates, contractors and collaborators, the right to use and practice the Compugen Intellectual Property and Joint Intellectual Property to [***] solely to [***] with [***], including without limitation for the [***] (for clarity, including the right to [***]), *provided that* Compugen will [***] on [***] and thereafter up until the earlier of (1) [***] with respect to a [***] from the [***] and (2) [***] years following the Effective Date, [***] provide Bayer with the following information: (x) whether [***] for [***], (y) [***] of [***], and (z) to the extent that the [***] of the [***] to [***] of [***] and/or that the [***] have [***], [***], (for example: based on [***], and [***]) as a [***] of the [***] of such [***] and, upon request of Bayer, further [***] including [***] of [***]; and

(iii) on behalf of itself and its Affiliates, contractors and collaborators, the right to use and practice the Compugen Intellectual Property and Joint Intellectual Property to [***] or have [***] for [***] purposes solely to support [***] and [***] of [***] (for clarity, including the right to [***]), *provided that* if and to the extent that those studies [***] that the [***] have [***] (in Compugen's [***]) as a [***], Compugen will [***] on [***] and thereafter up until the earlier of (1) [***] and (2) [***] years following the Effective Date, [***] provide Bayer with a detailed description of the [***] of the [***] that [***] and, upon request of Bayer, with further [***] including [***].

In addition, Bayer undertakes that it shall not, and to ensure that its Affiliates will not, [***] to use [***] to [***].

3.1.1.5 For the avoidance of doubt, the licenses granted above do not limit in any way the Parties' and their Affiliates' right to conduct independent activities that a Third Party would also be allowed to perform (e.g. based on publications or Target Biologics obtained from a Third Party who did not make use of Compugen Intellectual Property nor of Joint Intellectual Property in developing or making such Target Biologics).

3.1.2 **Affiliates and Contractors.** The licenses granted to Bayer under Section 3.1.1 include the right to have some or all of Bayer's rights under Section 3.1.1 exercised or performed by one or more of Bayer's Affiliates on Bayer's behalf and/or by one or more contractors on Bayer's behalf or on behalf of an Affiliate of Bayer without such right being deemed a Sublicense; provided however that:

3.1.2.1 with respect to contractors of Bayer or of an Affiliate of Bayer, no such contractor or Affiliate shall be entitled to grant, directly or indirectly, to any Third Party any right of whatever nature under, or with respect to, or permitting any use or exploitation of, any of the Compugen Intellectual Property or Joint Intellectual Property, including any right to develop, manufacture, market or sell Products or Diagnostics; and

3.1.2.2 any act or omission taken or made by an Affiliate or contractor of Bayer or by a contractor of an Affiliate of Bayer under this Agreement will be deemed an act or omission by Bayer under this Agreement.

3.1.3 **Sublicenses.**

3.1.3.1 **Sublicense Grant.** Bayer will be entitled to grant Sublicenses to third parties subject to the terms of this Section 3.1.3; provided that with respect to the development of Products under a Target Program, Bayer may only grant a Sublicense to a [***] that (a) in Bayer's [***] has the [***] to [***] in accordance with the [***], and (b) is, in Bayer's [***] and [***] all [***] obligations of Bayer under this Agreement. Any such Sublicense shall be on terms and conditions in compliance with and not inconsistent with the terms of this Agreement. Bayer may grant Sublicenses only pursuant to written agreements, which will be subject and subordinate to the terms and conditions of this Agreement. Such Sublicense agreements will contain, among other things, the following:

Certain information in this document, marked by [***], has been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K under the Securities Act of 1933, as amended, because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.

(a) all [***] to [***] to [***] under this Agreement;

(b) if the [***], a provision stating that [***]with, and [***], including without limitation those relating to the [***].

In addition, in negotiating Sublicense agreements, Bayer will use good faith efforts to include in such Sublicense agreement a provision enabling Bayer to terminate such Sublicense agreement if the Sublicensee or an Affiliate of the Sublicensee commences an action in which it challenges the validity, enforceability or scope of any of the Compugen Patent Rights, provided that (in light of possible changes in applicable [***] law) Bayer will be [***] if and to the extent, in Bayer's [***], there is a risk that such a [***] would [***] then applicable [***] law.

3.1.3.2 Delivery of Sublicense Agreement. Bayer shall furnish Compugen with a fully executed copy of any Sublicense agreement and any amendment to a Sublicense agreement, promptly after its execution. Bayer may redact such copies to the extent necessary to preserve the confidentiality of proprietary information that is not relevant to Compugen's rights or Bayer's obligations under this Agreement, provided that sufficient information remains unredacted to allow Compugen to assess whether Bayer is in compliance with its obligations under this Agreement and to verify amounts owed to Compugen in connection with such Sublicense. Compugen shall keep all such copies of such agreements in its confidential files and shall use them solely for the purpose of monitoring Bayer's and Sublicensees' compliance with their obligations hereunder and enforcing Compugen's rights under this Agreement.

3.1.3.3 Breach by Sublicensee. In the case of any act or omission by any Sublicensee of Bayer that would have constituted a material breach of this Agreement by Bayer entitling Compugen to terminate this Agreement in accordance with Section 14.3.3 had it been the act or omission of Bayer hereunder, (a) Bayer will take reasonable steps to cause such material breach to be cured (if curable) in a timely manner or (b) if such material breach cannot be cured in a timely manner, Bayer will notify Compugen of such material breach promptly after Bayer, cumulatively, becomes aware of the relevant act or omission of the Sublicensee and understands both that such act or omission constitutes a material breach and that such material breach is not curable, and [***] will [***] the appropriate measures to be taken, which may include termination of the Sublicense. Compugen will not have the right to terminate this Agreement on account of such material breach by such Sublicensee, if (i) such breach is cured in a reasonable time period or (ii) Bayer discusses with Compugen possible courses of action, and terminates such Sublicense agreement based on a right to terminate the Sublicense agreement (which Bayer undertakes to include in the Sublicense agreement) if such material breach is not cured within [***] days and Compugen requests Bayer to terminate the Sublicense agreement due to such failure to cure the material breach.

Certain information in this document, marked by [***], has been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K under the Securities Act of 1933, as amended, because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.

3.1.4 Technology Transfer.

3.1.4.1 Within [***] weeks of the Effective Date, Compugen shall, [***], deliver to Bayer or its designated Affiliate or Sublicensee, in whatever form Bayer may reasonably request, true and complete copies of all written, graphic or electronic embodiments of the Compugen Intellectual Property. Thereafter, on a continuing basis during the term of the Agreement, Compugen shall, without [***], and shall cause its Affiliates to, [***] after Compugen both (a) becomes aware of any additional Compugen Intellectual Property and (b) understands that the relevant Know How is Compugen Intellectual Property, disclose and deliver to Bayer or its designated Affiliate or Sublicensee, in whatever form Bayer may reasonably request, true and complete copies of all written, graphic or electronic embodiments of all additional Compugen Intellectual Property which comes into existence from time to time. For clarity, the transfer obligation under this Section 3.1.4 excludes information specifically relating [***] and/or [***] Proteins (other than the information provided under [***]).

3.1.4.2 Without prejudice to the generality of Section 3.1.4.1, during the term of the Agreement, Compugen shall, without [***], provide Bayer or its designated Affiliate or Sublicensee with reasonable technical assistance relating to the use of the Compugen Intellectual Property for the purposes of Related Party's acquisition of expertise on the practical application of the Compugen Intellectual Property or for the provision of assistance to the applicable Related Party on issues arising during exploitation of the Compugen Intellectual Property. If visits of Compugen representatives to the facilities of the applicable Related Party are reasonably requested, Compugen shall send appropriate representatives to such facilities, provided that Bayer shall [***] for its [***] and [***] for such [***].

3.2 By Bayer to Compugen.

Subject to the terms and conditions set forth in this Agreement, Bayer hereby grants Compugen a worldwide, fully-paid up, royalty-free, non-exclusive, not sub-licensable (other than to Compugen Affiliates and contractors approved in accordance with Section 2.3.4) license under (i) Program Know-How and Program Inventions owned by Bayer in accordance with Section 8.1.2.1, (ii) Bayer's interest in Joint Intellectual Property and (iii) under other Know How provided by Bayer to Compugen for purposes of performance of the Research Programs, limited to the Research Period, solely for the purpose of performing Compugen's activities under the Workplans.

3.3 Availability for Compugen.

(a) Bayer hereby undertakes to use good faith efforts to ensure that with respect to Companion Diagnostics, Compugen and its Affiliates, collaborators and licensees will have access, under terms [***] (or in the event [***]), to the [***] (i.e. [***]). If Bayer is [***] Compugen, its Affiliates, collaborators and/or licensees, [***]. In such case, Compugen, its Affiliates, collaborators and/or licensees (as the case may be) may [***] an Affiliate, collaborator or licensee [***] and will perform [***] under which Compugen, its Affiliates, collaborators and/or licensees (as the case may be) [***], under terms [***]. If, cumulatively, (i) [***] between [***] (as the case may be) and [***] developing [***] do not [***] within [***] of the date Compugen, its Affiliates, collaborators and/or licensees (as the case may be) [***] and (ii) Compugen, its Affiliates, collaborators and/or licensees (as the case may be) and [***] are [***] with respect to a [***], notwithstanding the [***], Compugen and its Affiliates will have the [***] and [***] and [***] (including the right to [***]) solely to do or have done [***] on, [***], have [***], have [***] (i.e. a [***]).

Certain information in this document, marked by [***], has been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K under the Securities Act of 1933, as amended, because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.

(b) If Compugen or its Affiliate wishes to [***] (for the avoidance of doubt, on [***] basis) as a commercial product (for Compugen and/or for a licensee of Compugen) a Target Biomarker for [***] (e.g. [***]) than the one [***] (or if [***]), the procedure will be as follows: [***] of its interest [***], and shall [***] of such a product [***]. Bayer may [***] or [***], at that time, [***] or [***] the [***]. If, following a [***] of [***], [***] does not (i) enter into [***] in relation to [***] refers to within [***] after this [***] (or, if [***] after [***]), or (ii) [***] with its [***] in relation to the [***] that the [***], which period will be extended by an additional [***] month period if Bayer and its [***]), Bayer will be [***]. If, from the date when [***], neither [***] (i) [***] with a [***] within [***] or (ii) [***] with [***] in relation to the [***] of a [***] within a period of [***] which will be extended by an additional [***] period if [***] (or its licensee, as applicable) and [***] are still in [***], [***] of the [***] of a [***] will be [***]. For the avoidance of doubt, if, after [***], Compugen again becomes [***], the process described in this Section 3.3 (b) will [***]. If, following [***], [***], its Affiliate or its licensee thereafter [***] with a [***] use [***] to ensure that [***] to such assay [***] than those agreed upon between [***] (or its Affiliate or licensee) and its contract partner (or in the event [***] its Affiliate or licensee develops such an assay, on reasonable terms).

3.4 **No Other License or Grant of Rights.** Except as expressly provided in this Agreement, nothing in this Agreement shall be construed to confer any ownership interest, license or other rights upon a Party by implication, estoppel or otherwise as to any technology, intellectual property rights, products or biological materials of another Party or any other entity.

4. Exclusivity

During the Research Period of each Research Program, neither Party shall use a Target of such Research Program to [***] relating to Target Biologics directed against such Target, other than under such Research Program or as otherwise permitted under this Agreement (including without any limitations Sections 2.3.7.3 and 3.1.1.4). If either Party becomes aware that as a result of [***] in [***] that are not [***] that are directed at the [***], using [***], result in the [***], such Party, unless it is prohibited from doing so due to an obligation of confidentiality to a licensee of such Biologic(s), will promptly inform the other Party and both Parties will [***] to keep the Research Program and the project under which such [***] separate.

5. Development and Commercialization Diligence.

5.1. **General**. With respect to each Target Program, Bayer shall use Commercially Reasonable Efforts [***] to develop and obtain Marketing Authorization for [***] Product from such Target Program and to commercialize such Product in each of the following major markets: [***] the [***] at least [***] of the [***] in the [***]; and [***] of [***] and [***].

5.2. **Bayer Development Process**. With respect to each Target Program, Bayer will at [***] inform Compugen about the [***] to r[***], made by the [***] in a manner consistent with [***] to [***], to enable [***] of the [***] comply with [***] to [***] to [***]. Bayer will also [***] provide Compugen with [***] and about any [***] and/or [***]. Bayer will [***] to meet the [***] of the next decision point set by the relevant committee. For the avoidance of doubt, any failure of Bayer to reach a new decision point within a specific timeline (including any timelines set by the relevant Bayer internal committee) does not in itself give rise to any right of Compugen to terminate the relevant Target Program, unless Bayer did not [***] to [***]. The effects of any termination of the relevant Target Program by Compugen against Bayer due to violation of diligence obligations will be limited to a right to terminate the relevant Target Program with the effects specified in Section 14.4 and with any other rights specifically on account of such violation of diligence obligations (such as damages, specific performance etc.) being excluded.

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5.3. **[***] Report**. Within [***] days after the end of each [***] period ending June 30th or December 31st, as applicable, during the term from completion of the relevant Research Program until termination or expiration of the relevant Target Program, Bayer shall furnish Compugen with a written report setting forth for each Target Program, its and other Related Parties' efforts during the prior [***] period to develop and commercialize Products for such Target Program, including without limitation: (a) [***] (including without limitation [***] described in Section [***]); (b) [***]; and (c) [***]. The report shall also contain a discussion [***] for the then current [***] period. In addition, if Bayer has made changes or foresees changes to the [***] and [***] pursuant to Section 5.2, Bayer shall include in such a report the revised or contemplated [***] and a [***]. Each report shall be broken down by [***] within each Target Program and must contain a sufficient level of detail for Compugen to assess whether Bayer is in compliance with its obligations under Section 5.1 with respect to the relevant Target Program, however, it being understood that the [***] of Bayer's reporting obligation to Compugen shall not [***]. Within [***] days after the delivery of each such report, the Joint Review Committee (as defined below) will meet to review with Bayer the contents of such report and the progress of Bayer's efforts to meet its obligations under this Section 5.

5.4. **Joint Review Committee**. After the end of the first Research Program, the Parties will establish a joint review committee ("**Joint Review Committee**") comprised of an equal number of representatives from each Party. Each Party may change its representatives to the Joint Review Committee from time to time, in its sole discretion, effective upon notice to the other Party of such change. The representatives shall have appropriate technical credentials, experience and knowledge relevant to the development and commercialization of Products. The Joint Review Committee will [***] in [***] under the other provisions of [***]. Additional representatives of a Party may be invited, from time to time by mutual consent of the Parties, to attend Joint Review Committee meetings. [***] with the Joint Review Committee; however, Bayer will [***] to the Joint Review Committee by Compugen. The Joint Review Committee will meet at least [***] (following the receipt of reports as set forth in Section 5.3) at such dates, times and locations as may be determined by the Joint Review Committee with unanimous consent. Alternatively, the Joint Review Committee may meet by means of teleconference, videoconference or other similar communications equipment. [***] will [***][***] associated with [***] participation on the Joint Review Committee. [***] may, at any time upon written notice to [***] disband the Joint Review Committee. If [***] provides such notice of disbandment to [***], the Parties' obligations under this Section 5.4 will terminate, unless and until [***] provides written notice to Bayer that it wishes to reinstate the Joint Review Committee, in which case the Parties' obligations under this Section 5.4 will be reinstated for the period following such notice by [***].

6. **Consideration.**

6.1. **Upfront License Issuance Fee.** For the licenses granted to Bayer under Section 3.1.1, Bayer shall pay Compugen a non-refundable license issuance fee of ten Million US Dollar ($10,000,000), which Compugen is entitled to invoice upon the Effective Date.

Certain information in this document, marked by [***], has been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K under the Securities Act of 1933, as amended, because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.

6.2. Milestone Payments.CONFIDENTIAL TREATMENT REQUESTED

6.2.1 **First Product Milestones.** With respect to each Target Program, Bayer shall pay Compugen the following milestone payments with respect to [***] Product [***] a Target Biologic from such Target Program (i.e. a CGEN-15001T Target Biologic in the case of the CGEN-15001T Target Program and a CGEN-15022 Target Biologic in the case of the CGEN-15022 Target Program) to reach such milestone, regardless of whether such milestone is achieved by Bayer or another Related Party:

6.2.1.1 [***] US Dollars ($[***]) upon the achievement of [***];

6.2.1.2 [***], US Dollars ($[***]) upon the [***] of [***] as a [***]);

6.2.1.3 [***] US Dollars ($[***]) upon [***] such a Product [***];

6.2.1.4 [***] Thousand US Dollars ($[***]) upon the [***] with such a Product in a [***];

6.2.1.5 [***] US Dollars ($[***]) upon the [***] with such a Product in a [***];

6.2.1.6 [***] US Dollars ($[***]) upon the [***] with such a Product [***] for a [***] with such a Product;

6.2.1.7 [***] US Dollars ($[***]) upon the [***] with such a Product [***] with such a Product;

6.2.1.8 [***] US Dollars ($[***]) upon the [***] with respect to such a Product with a [***], [***] or [***]; for the avoidance of doubt, this milestone, [***];

6.2.1.9 [***] US Dollars ($[***]) upon the [***] in the [***] with respect to the [***] for such a Product;

6.2.1.10 [***] US Dollars ($[***]) upon the [***] in the [***] with respect to the [***] for such a Product;

6.2.1.11 [***] US Dollars ($[***]) upon the [***] in [***] with respect to the [***] for such a Product;

6.2.1.12 [***] US Dollars ($[***]) upon [***] in the [***] with respect to the [***] for such a Product;

6.2.1.13 [***] US Dollars ($[***]) upon the [***] in the [***] with respect to the [***] for such a Product;

6.2.1.14 [***] US Dollars ($[***]) upon the [***] in [***] with respect to the [***] for such a Product;

6.2.1.15 [***] US Dollars ($[***]) upon the [***] in the [***] with respect to the [***] for such a Product;

6.2.1.16 [***] US Dollars ($[***]) upon the [***] in the [***] with respect to the [***] for such a Product;

6.2.1.17 [***] US Dollars ($[***]) upon the [***] in [***] with respect to the [***] for such a Product;

Certain information in this document, marked by [***], has been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K under the Securities Act of 1933, as amended, because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.

6.2.1.18 [***] US Dollars ($[***]) in the [***] in which [***] for such a Product within such [***] reach [***] US Dollars ($[***]); such amount will be due [***] for the Calendar Quarter in which [***] for such Product in such [***];

6.2.1.19 [***] US Dollars ($[***]) in the [***] in which [***] for such a Product within such [***] reach [***] US Dollars ($[***]); such amount will be due [***] for the Calendar Quarter in which [***] for such Product in such [***]; and

6.2.1.20 [***] US Dollars ($[***]) in the [***] in which [***] for such a Product within such calendar year reach [***] US Dollars ($[***]); such amount will be due together with the payments on royalties in accordance with Section 7.1 for the Calendar Quarter in which [***] for such Product in such [***] reach such milestone.

6.2.2 [***] **Product Milestones.** With respect to each Target Program, Bayer shall pay Compugen the following milestone payments with respect to the [***] Product containing a Target Biologic from such Target Program to reach such milestone, regardless of whether such milestone is achieved by Bayer or another Related Party, provided that such [***] milestone payments shall not be paid if (a) [***], all [***] ("[***] Product") and (b) such [***] did not [***] US Dollars ($[***]) [***] prior to [***]), it being understood that if a milestone payment is not paid with respect to a [***] Product due to the [***] Product becoming [***] Product, Compugen shall be entitled to such milestone payment upon the achievement of such milestone by a [***] Product containing a Target Biologic from such Target Program to reach such milestone.

6.2.2.1 [***] US Dollars ($[***]) upon the [***] with such a Product in [***] for a [***] with respect to such a Product;

6.2.2.2 [***] US Dollars ($[***]) upon the [***] with such a Product in a [***] for a [***] with respect to such a Product;

6.2.2.3 [***] US Dollars ($[***]) upon the [***] with respect to such a Product with a [***] [***], [***] and/or [***]; for the avoidance of doubt, this milestone, [***] with respect to the [***] with all [***];

6.2.2.4 [***] US Dollars ($[***]) upon the [***] in the [***] with respect to the [***] for such a Product;

6.2.2.5 [***] US Dollars ($[***]) upon the [***] in the [***] with respect to the [***] for such a Product;

6.2.2.6 [***] US Dollars ($[***]) upon the [***] in [***] with respect to the [***] for such a Product;

6.2.2.7 [***] US Dollars ($[***]) upon the [***] in the [***] with respect to the [***] for such a Product;

6.2.2.8 [***] US Dollars ($[***]) upon the [***] in the [***] with respect to the [***] for such a Product;

6.2.2.9 [***] US Dollars ($[***]) upon the [***] in [***] with respect to the [***] for such a Product;

6.2.2.10 [***] US Dollars ($[***]) upon the [***] in the [***] with respect to the [***] for such a Product;

Certain information in this document, marked by [***], has been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K under the Securities Act of 1933, as amended, because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.

6.2.2.11 [***] US Dollars ($[***]) upon the [***] in the [***] with respect to the [***] for such a Product;

6.2.2.12 [***] US Dollars ($[***]) upon the [***] in [***] with respect to the [***] for such a Product;

6.2.2.13 [***] US Dollars ($[***]) in the [***] in which [***] for such a Product within such calendar year reach [***] US Dollar ($[***]); such amount will be due [***] in accordance with [***] for the Calendar Quarter in which [***] such [***] in such [***];

6.2.2.14 [***] US Dollars ($[***]) in the [***] in which [***] for such a Product within such [***] reach [***] US Dollar ($[***]); such amount will be due [***] in accordance with [***] for the Calendar Quarter in which [***] for such [***] in such [***]; and

6.2.2.15 [***] US Dollars ($[***]) in the first [***] in which [***] for such a Product within such [***] reach [***] US Dollar ($[***]); such amount will be due [***] in accordance with [***] for the Calendar Quarter in which [***] for such [***] in such [***].

6.2.3 The milestones set forth in Sections 6.2.1 and 6.2.2 are intended to be [***]. In the event that Bayer [***] any of such milestones for a Product ("**[***]**"), Bayer shall be deemed to have achieved such [***] Milestone when it achieves the [***] milestone for the relevant Product ("**Achieved Milestone**"). Payment for any [***] Milestone that is owed in accordance with the provisions of this Section 6.2.3 shall be reported and paid together with the reporting and payment of the Achieved Milestone, according to Sections 7.1.2.

6.2.4 For the avoidance of doubt, Bayer does not have to pay (a) with respect to either Target Program, any of the milestone payments set forth in Section 6.2.2 [***], or (b) in relation to a specific Product, for any [***].

6.3 Royalties on Net Sales of Products.

6.3.1 Royalties. Bayer shall pay Compugen royalties on [***] Net Sales of each Product in each calendar year, as follows:

6.3.1.1 An amount [***]% of Net Sales of such Product on the [***] US Dollars ($[***]) in [***] Net Sales of such Product in such calendar year;

6.3.1.2 An amount [***]% on the portion of Net Sales of such Product [***] US Dollars ($[***]) in [***] Net Sales of such Product in such [***] up to [***] Net Sales of such Product of [***] US Dollars ($[***]) in such [***];

6.3.1.3 An amount [***]% on the portion of Net Sales of such Product [***] US Dollars ($[***]) in [***] Net Sales of such Product in such [***] up to [***] Net Sales of such Product of [***] US Dollars ($[***]) in such [***];

6.3.1.4 An amount [***]% on the portion of Net Sales of such Product [***] US Dollars ($[***]) in [***] Net Sales of such Product in such [***] up to total Net Sales of such Product of [***] US Dollars ($[***]) in such [***]; and

Certain information in this document, marked by [***], has been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K under the Securities Act of 1933, as amended, because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.

6.3.1.5 An amount equal to [***]% on the portion of Net Sales of such Product exceeding [***] US Dollars ($[***]) in [***] Net Sales of such Product in such [***].

6.3.2 **Third Party Royalty Set-Off.** If [***] is required (a) in its reasonable judgment to obtain a license from a Third Party to an Infringed Claim that would be infringed by [***] research on, making or using of [***] in the research on, making, using, selling, offering for sale or importing of a [***] in a certain country, and [***] obtains such a license after good faith, arm's length negotiations and consultation with [***], or (b) to make any [***] with respect to the research, making, using, selling, offering for sale or importing of a [***] in any country, [***] may offset an amount of [***] percent ([***]%) of any [***] due as consideration for such license (in the case of (a)) or all such [***] (in the case of (b)) with respect [***] in such country against [***] with respect to [***] on such [***] in such country; provided that in no event shall [***] with respect to any [***] fall below [***] percent ([***]%).

6.3.3 **Payments to Compugen Licensors.** For clarity, nothing herein shall be deemed to impose on Bayer any obligation towards licensors of Compugen (including [***]) on any amounts, if any, due by Compugen to any such licensor on account of consideration received by Compugen under this Agreement.

6.4 **Royalties on Net Sales of Diagnostics.**

6.4.1 Bayer shall pay Compugen an amount [***] percent ([***]%) of all Net Sales of Diagnostics by Bayer and/or its Affiliates.

6.4.2 Bayer shall pay Compugen an amount [***] percent ([***]%) of all Sublicense Diagnostic Sales Income.

6.5 **Non-Royalty Sublicense Income.** Bayer shall pay Compugen the following amounts on Non-Royalty Sublicense Income:

6.5.1 **Products.** If the relevant Sublicense agreement includes rights with respect to one or more Products, Bayer shall pay Compugen the following percentages of Shared Non-Royalty Sublicense Income received for the respective Product(s) and, if applicable, Diagnostics Sublicensed with such Product(s). "**Shared Non-Royalty Sublicense Income**" means all [***], less the sum of, cumulatively, (a) [***] under [***] prior to the date of [***] and (b) an amount equal to [***] under [***] with respect to [***] after the date of [***] and up to and including [***]e is received (for clarity, [***]):

6.5.1.1 An amount equal to [***] percent ([***]%) of all [***] if the [***];

6.5.1.2 An amount equal to [***] percent ([***]%) of all [***], if the [***], but prior to [***];

6.5.1.3 An amount equal to [***] percent ([***]%) of all [***], but prior to the [***]; and

6.5.1.4 An amount equal to [***] percent ([***]%) of all [***], in connection with [***].

For clarity, in the event [***] upon [***] of a [***] (meaning that the [***], without [***], regardless of whether [***]) under a [***], the effective date of such Sublicense agreement for purposes of determining [***] will be deemed to be [***]. For example, if [***] ([***]%) [***].

6.5.2 **Diagnostics Only.** If the Sublicense agreement includes no rights with respect to the making, using and/or sale of Products (i.e. the Sublicense is solely with respect to the making, using and/or selling of Diagnostics), Bayer shall pay Compugen an amount [***] percent ([***]%) of all Non-Royalty Sublicense Income with respect to such Sublicense.

Certain information in this document, marked by [***], has been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K under the Securities Act of 1933, as amended, because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.

6.6 **Royalty Term.** Royalties under Sections 6.3 and 6.4 will be payable on a Product-by-Product, Diagnostic-by-Diagnostic and country-by-country basis until the latest of:

(a) the [***], as the case may be, [***]; provided that if [***], as the case may be[***], [***], such [***] for purposes of this [***] if and when (a) [***] for such [***] or (b) [***] the [***] in accordance with [***]

(b) the [***] of [***] with respect to [***], as the case may be, [***]; and

(c) [***], as the case may be, [***].

6.7 **Blended Royalty Rate.** The Parties acknowledge and agree that [***] justify royalties of differing amounts [***], which royalties could be applied separately to [***], and/or [***] on the one hand and [***] and/or [***] on the other hand, and that if such royalties were calculated separately, royalties [***] would last for different terms. The Parties further acknowledge and agree that the royalty rate [***] would be [***] in the absence of the Parties' agreement to adopt a blended royalty rate as set forth herein and that the terms and structure set forth in this Section 6 were agreed upon for convenience purposes and represent the fair market value of the rights granted hereunder as determined and agreed upon by the Parties.

6.8 **Other Third Party Payments.** For clarity, subject to [***], [***] will be responsible for paying [***] all royalties and other payments owed by [***] in performing work under this Agreement, including [***] any payments due to Third Parties under agreements [***] (e.g. [***]).

7 Reports; Payments; Records.

7.1 Reports and Payments.

7.1.1 **Quarterly Reports.** Within [***] days after the conclusion of each Calendar Quarter commencing with the first Calendar Quarter in which Net Sales are generated or Non Royalty Sublicense Income or Sublicense Diagnostic Sales Income is received, Bayer shall deliver to Compugen a report containing the following information (in each instance, with a Product-by-Product or Diagnostic-by- Diagnostic, as applicable, and country-by-country breakdown):

7.1.1.1 [***];

7.1.1.2 [***];

7.1.1.3 the total amount of Net Sales with respect to Products for the applicable Calendar Quarter;

7.1.1.4 [***];

7.1.1.5 [***];

7.1.1.6 the total amount of Net Sales with respect to Diagnostics sold, leased or otherwise transferred by Bayer and/or its Affiliates for the applicable Calendar Quarter;

Certain information in this document, marked by [***], has been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K under the Securities Act of 1933, as amended, because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.

7.1.1.7 a detailed accounting of all Sublicense Diagnostic Sales Income received during the applicable Calendar Quarter;

7.1.1.8 a detailed accounting of all Non-Royalty Sublicense Income received during the applicable Calendar Quarter; and

7.1.1.9 [***].

Each such report shall be confirmed on behalf of Bayer by an authorized officer as true, correct and complete in all material respects. If no amounts are due to Compugen for a particular Calendar Quarter, the report shall so state.

7.1.2 **Reports on Milestone Achievement.** Bayer shall provide written notice to Compugen of any occurrence of any of the milestones set forth in Section 6.2 of this Agreement no later than [***] days following the occurrence of the relevant milestone.

7.1.3 **Invoices.** Compugen shall be entitled to invoice all amounts to be paid based on the reports provided by Bayer according to Section 7.1.1 and 7.1.2 directly after receipt of the relevant report.

7.1.4 **Payments.**

7.1.4.1 Subject to the last sentence of this Section 7.1.4.1, payment will be only made upon receipt of an invoice complying with requirements provided by Bayer to Compugen in writing in advance of the date Compugen is entitled to issue an invoice and according to the following rule: (a) if invoices are received by Bayer at the below address until the [***], then payments shall be made until the [***] in which the invoice was received; and (b) if invoices are received by Bayer at the below address after the [***] of [***], then payments shall be made until the [***] in which the invoice was received. Notwithstanding the sentences above, the upfront license issue fee according to Section 6.1 shall be paid within [***] days upon receipt of the invoice.

7.1.4.2 **Payment Address.** All invoices shall be sent to the following address:

Bayer Pharma AG
Attn: [***]
c/o Rechnungseingangsstelle
D - 51368 Leverkusen
Germany

7.1.4.3 **Payments made by Wire Transfer.** All payments made to Compugen under the Agreement shall be made by wire transfer to the following bank account of Compugen, or such other bank account as notified by Compugen to Bayer from time to time:

Account Holder:	Compugen Ltd.
Account Number:	[***]
Bank Code:	[***]
SWIFT (BIC):	[***]
IBAN:	[***]

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7.2 Payment Currency.

All payments made under this Agreement will be payable in USD regardless of the countries in which Net Sales are made. Net Sales made in currencies other than USD shall be converted into USD using the average exchange reference rates of the European Central Bank Frankfurt/Main, Germany for the applicable Calendar Quarter as published, in the absence of manifest error, by the European Central Bank on its website (http://www.ecb.int), being currently available under the following link http://sdw.ecb.europa.eu /browse.do?node=2018794. If no USD foreign exchange reference rate is determined by the ECB for the relevant currency, the quarterly average exchange rate based upon the currency exchange rate as published by "FT Guide to World Currencies" of the Financial Times shall be used, the current link of which can be found here:

http://markets.ft.com/ft/markets/researchArchive.asp?report=WORL.

7.3 Records. Bayer shall maintain, and shall cause other Related Parties to maintain, complete and accurate records of Products and Diagnostics that are made, used, sold, leased or transferred under this Agreement, any amounts payable to Compugen in relation to such Products and Diagnostics, and all Sublicense Diagnostic Sales Income and Non Royalty Sublicense Income received by Bayer and its Affiliates, which records shall contain sufficient information to permit Compugen to confirm the accuracy of any reports or notifications delivered to Compugen under Section 7.1. Each Related Party shall retain such records relating to a given Calendar Quarter for [***] years after the conclusion of that Calendar Quarter, during which time Compugen will have the right, at its expense, to cause an independent, certified public accountant to inspect such records during normal business hours for the purposes of verifying the accuracy of any reports and payments delivered under this Agreement and Bayer's compliance with the terms hereof. Such accountant will be entitled to use the services of independent experts (e.g. patent lawyer), as may be needed to properly perform the audit and determine amounts due to Compugen under this Agreement. Such accountant and experts shall not disclose to Compugen any information other than information relating to the accuracy of reports and payments delivered under this Agreement. The Parties shall reconcile any underpayment or overpayment within [***] days after the accountant delivers the results of the audit. If any audit performed under this Section 7.3 reveals an underpayment in excess of [***] percent ([***]%) in any calendar year, [***]. Compugen may exercise its rights under this Section 7.3 only once per year per audited entity and only with reasonable prior notice to the audited entity. The accounts, records and reports related to any particular period of time may only be audited one time under this Section 7.3.

7.4 Late Payments. Any payments due under this Agreement shall be due on such date as specified in this Agreement. Any failure by Bayer to make a payment within [***] days after the date when due shall obligate Bayer to pay interest on the due payment to Compugen. The interest period shall commence on the due date (inclusive) and end on the payment date (exclusive). Interest shall be calculated based on the actual number of days in the interest period divided by [***]. The interest rate per annum shall be equal to the [***] rate calculated by the [***], currently published on [***], fixed [***] Days prior to the due date and reset to the prevailing [***] rate in [***] intervals thereafter, plus a premium of [***] percent ([***]%), or shall be equal to the [***] rate allowed by local legal law provisions, whatever is [***].

Certain information in this document, marked by [***], has been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K under the Securities Act of 1933, as amended, because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.

7.5 VAT; Withholding and Similar Taxes.

7.5.1 All agreed remunerations are considered to be net of VAT. VAT applies additionally as legally owed, payable after receipt of a proper invoice, which meets all legal requirements according to the applicable VAT law.

7.5.2 Bayer shall be entitled to deduct and withhold from the amount payable the tax which Bayer is liable under any provisions of tax law to withhold. If the withholding tax rate is reduced according to the regulations in the Double Tax Treaty, no deduction shall be made or a reduced amount shall be deducted only if Bayer is timely furnished with necessary documents (Freistellungsbescheid) by Compugen issued by the German Tax Authority (Bundeszentralamt für Steuern), certifying that the payment is exempt from tax or subject to a reduced tax rate. Bayer shall inform Compugen promptly regarding any documentation it requires from Compugen for obtaining such exemption or reduction. Any withheld tax shall be treated as having been paid by Bayer to Compugen for all purposes of this Agreement. Bayer shall timely forward the tax receipts certifying the payments of withholding tax on behalf of Compugen. In case Bayer cannot deduct the withholding tax due to fulfillment of payment obligation by settlement or set-off with respect to taxes that should have been withheld, Compugen will pay the withholding tax to Bayer separately. If Bayer missed to deduct withholding tax but based on an audit performed by the relevant tax authorities during the period permitted for such audit according to applicable law, is still required by tax law to pay withholding tax on account of Compugen to the tax authorities and (a) promptly informs Compugen of such to enable the Parties sufficient time to appeal such decision within the time period allowed for such appeal and (b) actually pays such tax on account of Compugen, Compugen shall assist Bayer with regard to all procedures required in order to obtain reimbursement by tax authorities for amounts so paid or, in case tax authorities will not reimburse Bayer for such withholding tax paid by Bayer, Compugen will immediately refund the tax amount.

8 Intellectual Property.

8.1 Ownership.

8.1.1 Determination of Inventorship. Inventorship of inventions shall be determined in accordance with United States patent law.

8.1.2 Ownership.

8.1.2.1 Bayer shall own all rights, title and interest in and to all Program Inventions and Program Know-How (other than Fusion Protein Inventions) for which each inventor or creator, as applicable, is an employee of Bayer, its Affiliate or a contractor performing a task assigned to Bayer under the Workplan [***].

8.1.2.2 Compugen or its designee shall own all rights, title and interest in and to all (a) Program Inventions and Program Know-How for which each inventor or creator, as applicable, is an employee of Compugen, its Affiliate or a contractor performing a task assigned to Compugen under the Workplan [***] and (b) all Fusion Protein Inventions.

8.1.2.3 The Parties will jointly own all rights, title and interest in and to all Joint Know-How, other than Fusion Protein Inventions. Subject to the exclusive licenses specifically granted under this Agreement, [***] shall have the [***] to [***] and [***] without [***] or to [***].

8.2 Disclosure. Each Party shall notify the other, promptly and in writing, of any Program Invention relating to Targets, Target Biologics, Products and/or Target Biomarkers of which it becomes aware.

Certain information in this document, marked by [***], has been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K under the Securities Act of 1933, as amended, because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.

8.3 Patent Filing, Prosecution and Maintenance.

8.3.1 Intellectual Property Committee.

8.3.1.1 The Parties hereby establish an "**Intellectual Property Committee**" that will be responsible for discussing intellectual property rights relating to Program Inventions. The Intellectual Property Committee will be comprised of [***] appointed by each Party, both of whom shall be full or part time employees of the appointing Party and shall have appropriate authority to make the decisions assigned to the Intellectual Property Committee hereunder. Each of Bayer and Compugen may replace its Intellectual Property Committee representative at any time, upon written notice to the other Party.

8.3.1.2 Responsibilities. The Intellectual Property Committee responsibilities will include:

(a) In consultation with patent counsel, discussing, determining and coordinating patent filing and prosecution activities with respect to Joint Inventions, including timing and content of patent applications, country filings and abandonment decisions in various countries, and choosing counsel for preparation and prosecution of Joint Patent Rights; and

(b) Discussing and advising Bayer with respect to patent filing and prosecution activities with respect to Program Inventions solely-owned by Bayer ("**Bayer Program Inventions**") and discussing and advising the Parties with respect to patent filing and prosecution activities with respect to Program Inventions solely owned by Compugen ("**Compugen Program Inventions**") and other Compugen Patent Rights.

8.3.1.3 Decision Making. The Intellectual Property Committee will [***] with respect to Bayer Program Inventions, Compugen Program Inventions or other Compugen Patent Rights. With respect to Joint Inventions, the Intellectual Property Committee will [***]. If the Intellectual Property Committee cannot reach [***], the Parties shall try to [***] through [***] between the [***] and the [***]. If said [***] cannot reach such a decision within [***] calendar days after the date on which the matter is referred to the Parties' [***] listed above, the Parties will [***] by the [***] who will be charged with the duty to [***] of [***], taking into account (a) [***] under this Agreement and [***] in a manner that will [***] and [***] and (b) the [***]. For clarity, if one of the Parties [***], while the other Party [***].

8.3.2 Bayer Program Inventions. Bayer shall have sole control, at its expense and discretion, over the preparation, filing, prosecution and maintenance of Patents covering the Bayer Program Inventions.

8.3.3 Compugen Patent Rights.

Certain information in this document, marked by [***], has been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K under the Securities Act of 1933, as amended, because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.

8.3.3.1 **Control.** [***] shall be responsible for the preparation, filing, prosecution, defense (e.g. opposition and other stand-alone invalidity/unenforceability proceedings in accordance with Section 9.7) and maintenance of all Compugen Patent Rights not solely related to [***]. [***] shall be responsible for the preparation, filing, prosecution and maintenance of all Compugen Patent Rights solely related to [***]. The Party responsible for preparation, filing, prosecution and maintenance of certain Compugen Patent Rights as set forth above (the "**Responsible Party**") shall use independent patent counsel reasonably acceptable to the other Party and shall file, prosecute and maintain such Compugen Patent Rights in a country scope as defined in **Exhibit 8.3.3.1**; provided however, that [***] understands that with respect to some of the Compugen Patent Rights, the [***] for [***] and that [***] such Compugen Patent Rights in all of the countries listed in Exhibit 8.3.3.1. In addition, if [***] instructs [***] to prepare, file, prosecute, protect and maintain Patents for which [***] is the Responsible Party in a country not included in Exhibit 8.3.3.1, [***] will do so provided that such instructions are provided sufficiently in advance of the relevant filing deadline. In case such country scope is at the date of the relevant filing, prosecution, defense or maintenance no longer possible, [***] shall prepare, file, prosecute, defend and maintain such Patents in as many countries of the country scope as possible. With respect to Compugen Patent Rights, the Responsible Party shall: (a) [***] and [***], as well as [***]; (b) [***]; (c) [***]; (d) [***] with [***], together with [***] and [***]; and (e) [***]. The Responsible Party shall give the other Party the opportunity to provide comments on and make requests of the Responsible Party concerning the preparation, filing, prosecution, protection and maintenance of the Compugen Patent Rights, and shall consider such comments and requests in good faith. In no event shall [***] abandon any claim within the Compugen Patent Rights covering a [***] without the written consent of [***]. With respect to Compugen Patent rights not solely related to [***] the Parties shall agree on separation of subject matter to the extent possible which shall be further prepared, filed, prosecuted, protected or maintained in separate divisional or continuation applications. [***] shall have full control and decision making authority on such applications not related to [***]. The Parties will reasonably inform and consult with each other and, to the extent possible, will undertake the filing, prosecution and defense of any Patents in a way that will not be detrimental to the prosecution, issuance and validity of Patents that are part of Compugen Patent Rights, or the development or commercialization of the Product. The Party that is not the Responsible Party will cooperate with the Responsible Party and will, on reasonable request of the Responsible Party within [***], provide all requested declarations and other support to enable the Responsible Party to prepare, file, prosecute and maintain the relevant Compugen Patent Rights in accordance with this Section 8.3.3.1.

8.3.3.2 **Expenses.**

8.3.3.2.1 The Parties acknowledge that the Compugen Patent Rights listed in **Exhibit 8.3.3.2.1** also claim targets and antibodies other than [***] will [***] prosecution and maintenance expenses with respect to such applications up to national phase (including national phase entry). However, with respect to any divisional patent applications filed with respect to such Compugen Patent Rights that claim [***] and do not claim targets that are not [***] shall reimburse [***], subject to Section 8.3.3.3 below, for [***] expenses incurred in connection with the [***] ("**Patent Expenses**") of such Compugen Patent Rights incurred by [***] after the Effective Date in the countries listed in Exhibit 8.3.3.1 and in any country not listed in Exhibit 8.3.3.1 requested by Bayer in accordance with Section 8.3.3.1, as follows: (a) if the [***] or [***] and/or [***] shall [***] for [***] such [***]; and (b) if such [***] or [***] subject matter other than [***] that is [***] according to [***], [***] shall [***] for [***] such [***].

8.3.3.2.2 With respect to all Compugen Patent Rights, other than those described in Section 8.3.3.2.1, [***] shall ***reimburse[***]***, subject to Section 8.3.3.3 below, for [***] Patent Expenses incurred by [***] following the Effective Date or, if [***] is the Responsible Party, [***] shall [***] for patent expenses with respect to the preparation, filing, prosecution, defense and maintenance of such Compugen Patent Rights in the countries listed in Exhibit 8.3.3.1 and in any country not listed in Exhibit 8.3.3.1 requested by [***] in accordance with Section 8.3.3.1 or in which [***] otherwise decides to file applications.

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8.3.3.2.3 Patent Expenses to be reimbursed under this Section 8.3.3.2 shall be paid in accordance with Section 7.1.4, 7.2 and 7.4, provided that the invoice of Compugen shall be accompanied by supporting documentation from Compugen in relation to such expenses.

8.3.3.3 Abandonment.

8.3.3.3.1 Should Bayer decide that it does not wish to pay for or does not wish to continue the preparation, filing, prosecution, protection or maintenance of any patent application or patent within Compugen Patent Rights that is a [***] Patent Right in any country listed in Exhibit 8.3.3.1 or in any country not listed in Exhibit 8.3.3.1 in which Bayer previously requested Compugen to file such Compugen Patent Rights in accordance with Section 8.3.3.1 or in which Bayer otherwise filed Compugen Patent Rights, Bayer shall provide Compugen with prompt written notice of such election. Upon receipt of such notice by [***] shall be released from any obligation to reimburse [***] for the expenses incurred thereafter as to such [***] Patent Rights; provided that expenses authorized prior to the receipt by [***] of such notice shall be deemed incurred prior to the notice. In the event of any such abandonment, [***], in its sole discretion, may choose to continue the preparation, filing, prosecution, protection or maintenance of such [***] Patent Right [***]. If a patent is thereafter granted with respect to such [***] Patent Rights, [***] shall promptly inform [***] in writing along with documentation of the relevant decision and [***] shall inform [***] in writing within [***] upon receipt of such notice (including documentation of the relevant decision) whether it wishes to keep or to abandon such [***] Patent Right (if abandoned, each then an "**Abandoned** [***] **Patent Right**"). If [***] wishes to keep such [***] Patent Right, [***] will pay to [***] to [***] costs in connection with such preparation, filing, prosecution, protection or maintenance of such [***] Patent Right [***]. If [***] decides not to pay such amount or fails to pay such amount when due, [***] may choose [***]. In such event, the license [***] will terminate, [***]. [***] shall then [***]without [***], to [***] and to [***].

8.3.3.3.2 [***] is free in its sole discretion to abandon Bayer Product Patent Rights without any obligation to offer such Bayer Product Patent Rights to [***] provided that in the case of a termination of this Agreement in whole or of a Partial Termination by [***] in accordance with Section 14.3.3 or Section 14.3.4 or by [***] in accordance with Section 14.3.1 (without cause), [***] will not abandon those Bayer Product Patent Rights that would, in the case of a Transfer Notice from [***], be covered by any of the licenses granted within such Program Transfer without first allowing [***] to elect to have [***] continue prosecution, maintenance and/or protection of such Bayer Product Patent Rights at [***]'s cost until the [***]-day-period for provision of a Transfer Notice according to Section 14.4.2.1 has expired without receipt of any Transfer Notice by [***]. Should [***] after a Program Transfer decide that it does not wish to continue the prosecution of any [***] that is covered by any of the licenses granted within such Program Transfer, [***] shall provide [***] with written notice of such election. Upon receipt of such notice by [***], [***] shall be released from any obligation to prosecute the relevant Bayer Product Patent Right. In the event of any such abandonment, [***], in its sole discretion, may choose to continue the prosecution of such Bayer Product Patent Right at [***] expense. [***] will cooperate with [***] and will, on reasonable request of [***] within three months after receipt of such request, provide all requested declarations and other support to enable [***] to prepare, file, prosecute and maintain the relevant Bayer Product Patent Rights. For the avoidance of doubt, [***] retains full ownership of such Bayer Product Patent Rights.

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8.3.3.3.3 Should Bayer decide that it does not wish to pay for or does not wish to continue the preparation, filing, prosecution, protection or maintenance of any patent or patent application within Compugen Patent Rights that is a [***] Patent Right in any country listed in Exhibit 8.3.3.1 or in any country not listed in Exhibit 8.3.3.1 in which Bayer previously requested Compugen to file such Compugen Patent Rights in accordance with Section 8.3.3.1 or in which Bayer otherwise filed Compugen Patent Rights (each, an "**Abandoned** [***] **Patent Right**"), Bayer shall provide Compugen with prompt written notice of such election. Upon receipt of such notice by [***], [***] shall [***] thereafter as to such [***]; provided that [***] shall be [***]. In the event of any such abandonment, [***] may [***] of such Abandoned [***] Patent Rights [***]. In such event, the [***] by [***] with respect to such [***] will [***], but [***] will [***] under Section [***] such [***] and [***] shall have the [***] and [***].

8.3.4 Joint Patent Rights.

8.3.4.1 Control. All Joint Patent Rights shall be filed, prosecuted, defended (e.g. opposition and other stand-alone invalidity/unenforceability proceedings in accordance with Section 9.7) and maintained by the Parties through patent counsel to be agreed upon by the Intellectual Property Committee. Such counsel shall confer with the members of the Intellectual Property Committee and attempt to achieve a consensus in all decisions made relative to the content of applications, the prosecution of the Joint Patent Rights and the content of communications with the relevant patent agencies, prior to any communications with such agencies.

8.3.4.2 Expenses. Subject to Section 8.3.4.3 below, Bayer shall [***] with respect to the activities described Section 8.3.4.1.

8.3.4.3 Abandonment. Should Bayer decide that it does not wish to pay for or does not wish to continue the preparation, filing, prosecution, protection or maintenance of any patent application or patent within Joint Patent Rights that is a [***] Patent Right (each a "[***] **Joint Patent Right**") in any country listed in Exhibit 8.3.3.1 or in any country not listed in Exhibit 8.3.3.1 in which the Parties filed such Joint Patent Rights in accordance with Section 8.3.4.1, Bayer shall provide Compugen with prompt written notice of such election. Upon receipt of such notice by [***], [***] shall b[***]hereafter as to such [***]; provided that [***] shall be [***]. In the event of any such abandonment, [***], may [***] of such [***]. If a patent is [***], [***] shall promptly [***] and [***] shall [***] within [***] (including [***] of the [***]) whether it wishes to [***] such [***] Patent Right (if [***]"). If [***] wishes to [***] such [***], [***] will pay [***] costs in connection with [***] which [***] is [***] after receipt of [***] request to keep the relevant [***]. If [***] decides [***] or [***] such amount when due, [***], may [***] to [***] hereunder with respect to [***]. If [***] exercises its right to [***] and continues to [***], (a) [***] thereafter shall have the [***] and [***] under such [***] without any duty to a[***] for such [***] and [***] and (b) [***] shall [***] without [***] to [***], and [***] shall then be [***] (except as set forth below in [***]) [***] to [***] (through [***] of [***]) in and to such [***]. In such event, [***] shall have [***] to [***] such [***] in the relevant country(ies) except as shall be [***] to [***] the [***] in such country of any Product for which Bayer is otherwise [***] and [***].

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8.3.4.4 Should Bayer decide that it does not wish to pay for or does not wish to continue the preparation, filing, prosecution, protection or maintenance of any patent or patent application within Joint Patent Rights that is a [***] Patent Right in any country listed in Exhibit 8.3.3.1 or in any country not listed in Exhibit 8.3.3.1 in which the Parties filed such Joint Patent Rights in accordance with Section 8.3.4.1 (each, an "**Abandoned Joint** [***] **Patent Right**"), Bayer shall provide Compugen with prompt written notice of such election. Upon receipt of such notice by [***], [***] shall [***] thereafter as to such [***]; provided that [***] shall be deemed [***]. In the event of any such abandonment, [***], may choose to continue the [***] at its or a Third Party's [***]. In such event, the [***] with respect to such [***], but [***] will [***] under [***] to enforce such [***] and [***] shall have the [***] to enforce such [***] and [***].

8.3.5. **Compugen Program Invention.** Compugen shall have control, at its expense and discretion, over the preparation, filing, prosecution and maintenance of patents and patent applications covering Compugen solely-owned Program Inventions that are not Compugen Patent Rights.

8.4. **Patent Challenge.** If a Related Party commences an action in which it challenges the validity, enforceability or scope of any of the Compugen Patent Rights (a "**Challenge Proceeding**") and the outcome of such Challenge Proceeding is a determination in favor of Compugen, then in addition to any other rights Compugen may have under this Agreement or under applicable law, Bayer shall [***] for all [***]with [***].

9 Enforcement of Patent Rights.

9.1 **Notice.** If Bayer or Compugen becomes aware of any possible or actual infringement of any Compugen Patent Rights, Joint Patent Rights or Bayer Product Patent Rights with respect to the making, use or sale of Products and/or Diagnostics (an "**Infringement**"), that Party shall promptly, and in any event not later than one week after becoming aware of the Infringement, notify the other Party and provide it with details of its knowledge regarding such Infringement.

9.2 **Compugen Patent Rights and Joint Patent Rights**

Certain information in this document, marked by [***], has been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K under the Securities Act of 1933, as amended, because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.

9.2.1 **Suit by Bayer**. Bayer shall have the first right (with the right to grant such right to Sublicensees), but not the obligation, to file a lawsuit for patent infringement or otherwise take action in the prosecution, prevention, or termination of any Infringement, including enforcement of Compugen Patent Rights or Joint Patent Rights with respect to an Infringement. Before Bayer commences an action with respect to any such Infringement, Bayer shall consider in good faith the views of Compugen in making its decision whether to sue. Should Bayer elect to bring suit against such an infringer, Bayer shall keep Compugen reasonably informed of the progress of the action and shall give Compugen a reasonable opportunity in advance to consult with Bayer and offer its views about major decisions affecting the litigation. Bayer shall give careful consideration to those views, but shall have the right to control the action. Bayer agrees to vigorously defend the validity and enforceability of each patent subject to Compugen Patent Rights or to Joint Patent Rights on which it files suit. As to a particular patent that is subject to Joint Patent Rights, Bayer at any time may assign all of its right, title and interest in that patent to Compugen and offer Compugen the opportunity to take over the lawsuit, and after such offer all obligations of Bayer under this paragraph with respect to such patent shall cease. Likewise, with respect to a particular patent that is subject to Compugen Patent Rights, Bayer at any time may offer Compugen the opportunity to take over the lawsuit, and after such offer all rights and obligations of Bayer under this paragraph with respect to such patent shall cease. Should Bayer elect to bring suit against such an infringer Compugen agrees to join as party plaintiff in any such suit upon request by Bayer. [***] Bayer agrees to [***] the final decision as to the selection of counsel shall be made by Bayer. Compugen agrees to execute any retainer agreement reasonably requested by such counsel that provides that counsel shall take instructions regarding the lawsuit from Bayer and that waives any actual or potential conflicts of interest between Compugen and Bayer. Except as set forth in the next sentence, the expenses of such suit or suits that Bayer elects to bring, including any reasonable out-of-pocket expenses of Compugen, other than expenses for the time of its employees involved and disbursement involved in connection therewith, incurred in conjunction with the prosecution of such suits or the settlement thereof, [***] and [***] shall hold [***]. Bayer shall be responsible for [***] incurred [***] only to the extent that [***]. Should Compugen desire its own separate counsel, as set forth in Section 9.5, fees incurred by such counsel would be at Compugen's expense. Bayer shall not settle such litigation in a manner that would adversely affect the validity or enforceability of the Compugen Patent Rights or Joint Patent Rights or that would admit fault or wrongdoing by, or impose liability on, Compugen without the prior written consent of Compugen, such consent not be unreasonably withheld or delayed. If Bayer exercises its right to sue pursuant to this Section 9.2.1, it shall first reimburse itself out of any sums recovered in such suit or in settlement thereof for all costs and expenses of every kind and character other than expenses for the time of its employees involved and disbursement involved in connection therewith, including reasonable attorneys' fees, incurred in the prosecution of any such suit. If, after such reimbursement, any funds shall remain from said recovery, then Compugen shall receive an amount equal to [***] percent ([***]%) of such funds and the remaining [***] percent ([***]%) of such funds shall be retained by Bayer.

9.3 **Bayer Product Patent Rights.** Bayer shall have the sole right (with the right to grant such right to Sublicensees), at its discretion, to file a lawsuit for patent infringement or otherwise take action in the prosecution, prevention, or termination of any Infringement or enforcement of patent rights relating the Bayer Product Patent Rights. If Bayer exercises such right with respect to an Infringement occurring during a period in which royalties were due to Compugen on sales of Products covered by such Bayer Product Patent Rights in the country of the Infringement, it shall first reimburse itself out of any sums recovered in such suit or in settlement thereof for all costs and expenses of every kind and character, including reasonable attorneys' fees, incurred in the prosecution of any such suit and if, after such reimbursement, any funds shall remain from said recovery, then Compugen shall receive an amount equal to [***] percent ([***]%) of such funds and the remaining [***]-percent ([***]%) of such funds shall be retained by Bayer.

9.4 **Compugen Program Invention.** Compugen shall have control, at its expense and discretion, over the preparation, filing, prosecution and maintenance of Patents covering Compugen Program Inventions that are not Compugen Patent Rights (i.e. do not cover the Targets, Target Biologics nor Target Biomarkers).

9.5 **Own Counsel.** Each of Bayer and Compugen shall always have the right to be represented by counsel of its own selection and at its own expense in any suit instituted under this Section 9 by the other Party for Infringement.

Certain information in this document, marked by [***], has been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K under the Securities Act of 1933, as amended, because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.

9.6 **Cooperation.** Each of Bayer and Compugen agrees to cooperate fully in any action under this Section 9 that is controlled by the other Party, provided that the controlling Party reimburses the cooperating Party promptly for any costs and expenses, other than expenses for the time of its employees involved and disbursement involved in connection therewith, incurred by the cooperating Party in connection with providing such assistance.

9.7 **Declaratory Judgment.** If a declaratory judgment action is brought naming Bayer and/or any of its Affiliates or Sublicensees as a defendant and alleging invalidity or unenforceability of any claims within the Compugen Patent Rights, Bayer shall promptly notify Compugen in writing and Compugen may elect, upon written notice to Bayer within [***] days after Compugen receives notice of the commencement of such action, to take over the sole defense of the invalidity and/or unenforceability aspect of the action at its own expense, unless or until Bayer decides to take action according to Section 9.2.1. Should Compugen elect to take over such defense, Bayer shall have the right to approve the counsel selected by Compugen to represent Compugen and Bayer, such approval not to be unreasonably withheld or delayed.

10 Confidential Information.

10.1 **Definition.** "**Confidential Information**" means information received by one Party or any of its Affiliates (the "**Receiving Party**") from the other Party or any of its Affiliates (the "**Disclosing Party**") that is visibly marked or otherwise indicated as confidential or proprietary or that – without such information being marked or otherwise indicated as confidential or proprietary – the Receiving Party should reasonably understand is confidential to the Disclosing Party, and except that Confidential Information does not include information that: (i) was known to the Receiving Party (or an Affiliate of the Receiving Party) at the time it was disclosed, other than by previous disclosure by or on behalf of the Disclosing Party, as evidenced by written records at the time of disclosure; (ii) is at the time of disclosure publicly known, or later becomes publicly known under circumstances involving no breach of this Agreement by the Receiving Party or by any person or entity to whom Receiving Party discloses such information under Section 10.2; (iii) is lawfully and in good faith made available to the Receiving Party (or an Affiliate of the Receiving Party) by a Third Party who is not subject to obligations of confidentiality to the Disclosing Party with respect to such information; or (iv) is independently developed by the Receiving Party (or an Affiliate of the Receiving Party) without the use of or reference to Confidential Information of the Disclosing Party, as demonstrated by documentary evidence. The terms and conditions of this Agreement and the relationship between Parties shall be considered Confidential Information of each of the Parties for purposes of this Section 10.

For clarity, specific aspects or details of Confidential Information shall not be deemed to be within the public domain or in the possession of the Receiving Party merely because such Confidential Information is embraced by more general information in the public domain or in the possession of the Receiving Party. Further, any combination of individual elements of Confidential Information shall be considered Confidential Information and shall not be considered in the public domain or in the possession of the Receiving Party merely because one or more individual elements of such combination are in the public domain or in the possession of the Receiving Party; rather, such combination shall be considered in the public domain or in the possession of the Receiving Party only if the combination of the individual elements of the combination is in the public domain or in the possession of the Receiving Party.

10.2 **Restrictions.** Receiving Party agrees to maintain Confidential Information of the Disclosing Party in confidence and not disclose such Confidential Information without the prior written approval of the Disclosing Party, or make any use of such Confidential Information, except as required in order for such Party to perform its obligations and exercise its rights under this Agreement. Each Party may disclose the other Party's Confidential Information to those employees or consultants of the Receiving Party and to contractors and (in the case of Bayer) Sublicensees who have a need to know such information for purposes of exercising rights and fulfilling obligations under this Agreement, and are bound by confidentiality and non-use obligations equivalent to those set forth herein. In addition, each Party may disclose the other Party's Confidential Information to Affiliates who have a need to know such information for purposes of exercising rights and fulfilling obligations under this Agreement, provided that the Receiving Party is liable for any non-compliance of its Affiliates with the confidentiality and non-use obligations set forth herein. Receiving Party shall protect Confidential Information of the Disclosing Party by using the same degree of care, but not less than a reasonable degree of care, as it uses to protect its own confidential information of like nature to prevent the unauthorized disclosure of such Confidential Information.

10.3 **Compugen Undertakings with Respect to Certain Compugen Confidential Information.**

10.3.1 Subject to the exceptions set forth in this Section 10.3.1 below, with respect to any Confidential Information within Compugen Know How so long as the exclusive license granted to Bayer under Section 3.1.1 with respect to such [***] is in effect, Compugen shall not disclose such [***] to Third Parties (other than consultants of Compugen who are subject to confidentiality and non-use obligations at least as restrictive as those set forth herein) without, cumulatively, (i) having [***] and (ii) [***] such [***]the [***] and [***] such [***] under [***]. Notwithstanding sentence 1 of this Section 10.3.1 (for the avoidance of doubt, without this sentence 2 of Section 10.3.1 in any way limiting the [***]), Compugen is entitled (a) to disclose such Confidential Information as permitted under Section 2.3.7.3.2; (b) to disclose such Confidential Information under obligations of confidentiality [***] to [***] and to [***] in order to enable Compugen to [***] under [***] and to publicly disclose information described in Exhibit 2.3.7.3.2; (c) unrestrictedly disclose information [***]with respect to or with [***]of [***] and [***]for [***] to [***]; (d) unrestrictedly disclose information specifically with respect to [***] of Targets; and (e) to disclose Confidential Information with respect to [***] and the [***] under obligations of confidentiality on [***] to [***] and to [***] in support of the [***]; provided that in the case of each of (a) through (e), (x) Compugen will not disclose any such Confidential Information with respect to a [***] to a [***], without [***] (y) any agreement pursuant to which Compugen authorizes a Third Party to make use of any such [***] or with respect to [***]of such [***]and [***]unless [***]; and (z) [***]

10.3.2 Notwithstanding Section 10.3.1, Compugen may disclose [***] to Regulatory Authorities in order to (i) obtain, maintain or defend Compugen Patent Rights for which it is a Responsible Party or any Patents specifically relating to [***] or (ii) seek or obtain approval to conduct clinical trials or gain Marketing Authorisation with respect to [***] In addition, the exceptions in Section 10.4.2 and Section 10.4.3 shall apply mutatis mutandis. Compugen will, to the extent possible, undertake the filing, prosecution and defense of any Patents disclosing [***] pursuant to Section 10.3.2 (i) in a way that will [***]with respect to [***]

Certain information in this document, marked by [***], has been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K under the Securities Act of 1933, as amended, because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.

10.4 Exceptions. Notwithstanding the above:

10.4.1 The Receiving Party may disclose Confidential Information of the Disclosing Party to Regulatory Authorities in order to obtain, maintain or defend Patents or seek or obtain approval to conduct clinical trials or gain Marketing Authorisation with respect to Products or Diagnostics or to otherwise develop, manufacture or commercialize a Product or Diagnostic.

10.4.2 The Receiving Party may disclose Confidential Information of the Disclosing Party and this Agreement as required to comply with any order of a court or any applicable rule, regulation, or law of any jurisdiction or securities exchange, provided that to the extent reasonably possible it (a) shall promptly notify the Disclosing Party and allow the Disclosing Party a reasonable time to oppose such disclosure, (b) shall use reasonable efforts to obtain an appropriate protective order or confidential treatment authorization that preserves the confidentiality of the information to the greatest extent practical and (c) shall limit the scope of such disclosure only to such portion of such Confidential Information that is legally required to be disclosed.

10.4.3 The Receiving Party may disclose a summary report describing the current status and next steps of the Target Program(s) in a general manner without any sensitive information (e.g. information relating to competitive, regulatory, commercial, clinical or scientific topics) and financial terms of this Agreement, which the Disclosing Party will deliver within reasonable time upon a request of the Receiving Party, as follows: (a) [***] and/or (b) [***]who are [***]of (i) [***]or (ii) [***]of this Agreement; provided that in the case of each of (a) and (b), [***] has entered into a written confidentiality and non-use agreement no less restrictive than the terms set forth herein. Such disclosure shall in any event be strictly limited to what is required by [***] for purposes of [***], or [***], and any use by [***] shall be limited to such purpose. Notwithstanding the above, if, in the event of a planned disclosure by Compugen, [***] is a Bayer Competitor, then a disclosure as set forth in this Section 10.4.3 shall be made to an independent attorney and/or accountant (and/or independent third party expert contracted by them) solely for the purpose of allowing such attorney and/or accountant to advise the Receiving Party regarding [***]this Agreement [***] or of [***] without disclosing any Bayer Confidential Information to the Bayer Competitor. The Receiving Party making such disclosure shall remain liable towards the Disclosing Party for compliance of [***] with the terms of confidentiality and non-use as set forth in this Agreement with respect to such Confidential Information.

10.4.4 Each Party (a) shall have the right to disclose this Agreement as required by any securities laws, regulations or stock exchanges, provided, however, that the Party which discloses this Agreement shall give reasonable advance notice, as legally permissible, to the other Party and, at the other Party's request, shall involve the other Party in discussions with the relevant government agency with respect to the items that may be redacted from such disclosure (it being understood that the Parties have a common interest that Confidential Information that does not have to be disclosed, including any details relating to financial terms, will be redacted from the version of the Agreement provided for publications), and (b) may disclose the existence of the relationship created by this Agreement; provided that the other Party shall have the right to review and approve any press release or other public disclosure of such information, such approval not to be unreasonably withheld. For clarity, each Party will be entitled to freely refer to any details disclosed in the press releases to be issued pursuant to Section 10.5 or in any other press release issued by a Party.

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10.5 **Press Releases.** Promptly after the execution of this Agreement, each Party will issue a press release substantially in the form attached hereto (for each Party separately) as **Exhibit 10.5** and will coordinate press releases and other public disclosures regarding the execution of this Agreement and the completion of the Research Programs. Any press release or other public disclosure with respect to this Agreement or the Research Programs is subject to review and approval by the other Party (except as set forth in Section 10.4), such approval not to be unreasonably withheld.

10.6 **Publications.** The Parties acknowledge that publications or presentations relating to the Research Programs must be monitored to prevent any adverse effect from premature publication of results of the Research Programs. Accordingly, all abstracts, manuscripts or presentations containing data related to the activities within the Research Program or results generated in the performance of such Research Program, which have not been previously published, must be provided at least [***] days prior to [***] for publication or presentation in scientific journals and/or at scientific conferences by the submitting Party to the other Party via [***] for its review and comment. The receiving Party will provide any comments to the submitting Party within [***] days of receipt of such proposed abstract, manuscript or presentation, and the submitting Party will [***] as applicable. Without limiting a Party's right under Section 10, a Party may use presentation materials that have been previously approved by a Party for a presentation by the other Party in subsequent presentations having a similar context without additional approvals under this Section 10.6. Notwithstanding the foregoing, Bayer may, in its sole discretion, [***]If Bayer so objects, [***]shall [***]and [***] For the avoidance of doubt, Bayer is free to submit any abstract, manuscript or presentation related to its activities under a Target Program after completion of the Research Program, to the extent that such publication does not contain any Confidential Information of Compugen.

10.7 **Duration.** The foregoing obligations shall remain in force for a period of [***] years following the date of the disclosure of the relevant Confidential Information.

11 **Warranties; Disclaimers.**

11.1 **Representations and Warranties by the Parties.** Each Party hereby represents, warrants and covenants to the other as of the Effective Date, as follows:

11.1.1 Such Party (a) has the power and authority and the legal right to enter into this Agreement and perform its obligations hereunder, and (b) has taken all necessary action on its part required to authorize the execution and delivery of this Agreement and the performance of its obligations hereunder. This Agreement has been duly executed and delivered on behalf of such Party and constitutes a legal, valid and binding obligation of such Party and is enforceable against it in accordance with its terms subject to the effects of bankruptcy, insolvency or other laws of general application affecting the enforcement of creditor rights**;**

11.1.2 The execution and delivery of this Agreement and the performance of such Party's obligations hereunder do not conflict with, violate, or breach or constitute a default or require any consent under, any contractual obligation or court or administrative order by which such Party is bound; and

11.1.3 It will comply with, and shall ensure that its Affiliates, contractors and Sublicensees comply with, all applicable laws and regulations relating to its activities and the exercise of its rights under this Agreement.

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11.2 **Representations, Warranties and Covenants by Compugen**. Compugen hereby represents, warrants and covenants that: (a) it has not granted and will not grant any rights in or to the Compugen Intellectual Property that are inconsistent with the rights granted to Bayer under this Agreement; (b) it has the right to grant the licenses granted by it under Section 3.1 of this Agreement; (c) it will not transfer, assign, encumber, grant, sell, lease or otherwise dispose of the Compugen Intellectual Property in a manner that will adversely affect the rights granted to Bayer under this Agreement; and (d) to its knowledge (it being understood that [***]), it possesses all the rights needed to perform its obligations under the Workplan as currently contemplated; (e) it has no knowledge as of the date hereof of any legal suit or proceeding by a third party against Compugen contesting the ownership or validity of the Compugen Intellectual Property; (f) it has not received as of the Effective Date, with respect to the Compugen Intellectual Property, any notice of infringement or any written communication from or on behalf of the owner of a Third Party patent rights relating in any way to a possible infringement of such Third Party patent rights by its activities with respect to Targets and Target Biologics prior to the date hereof or the activities of either Party contemplated under this Agreement; (g) to the best of Compugen's knowledge, the Compugen Intellectual Property is not subject to any encumbrance, lien or claim of ownership of any Third Party; (h) it is the sole and exclusive owner and/or Controls the Compugen Intellectual Property and to the best of its knowledge the Compugen Intellectual Property has not been misappropriated from a Third Party; (i) to Compugen's knowledge, the documents delivered or made available by Compugen to Bayer in connection with the transaction contemplated by this Agreement (for clarity, excluding any data that [***] do not contain any untrue statement of a material fact nor omit to state a material fact necessary in order to make the statements contained therein not misleading; and Compugen has not knowingly withheld from Bayer any material information concerning the transaction contemplated by this Agreement (or, with respect to documents redacted due to confidentiality obligations of Compugen, knowingly withheld from Bayer the information that such redacted parts contain material information concerning the transaction contemplated by this Agreement, other than the [***] to such redacted documents); (j) the Compugen Patent Rights are being diligently prosecuted and maintained with the respective patent offices in accordance with the local applicable law, and to Compugen's best knowledge, have been filed and maintained properly and correctly and all applicable fees have been paid on or before the final date for payment (including permissible extensions); (k) the Compugen Know-How has been kept confidential or has been disclosed to Third Parties only under terms of confidentiality, and Compugen and its Affiliates are not aware of any breach of such confidentiality by any Third Party; and (l) Compugen has not failed to disclose to Bayer any prior art or fact known to Compugen that causes Compugen to conclude that the Compugen Patent Rights Controlled by Compugen as of the Effective Date are invalid or unenforceable.

11.3 **Warranty Disclaimer**. EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THIS AGREEMENT, NEITHER PARTY MAKES ANY WARRANTY WITH RESPECT TO ANY TECHNOLOGY, PATENTS, GOODS, SERVICES, RIGHTS OR OTHER SUBJECT MATTER OF THIS AGREEMENT, AND EACH PARTY HEREBY DISCLAIMS WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE AND NON-INFRINGEMENT WITH RESPECT TO ANY AND ALL OF THE FOREGOING. THE PARTIES ACKNOWLEDGE THAT ANY INFORMATION, BIOLOGICAL MATERIAL AND KNOW-HOW PROVIDED BY ONE PARTY TO ANOTHER HEREUNDER, ARE PROVIDED "AS IS" WITH NO WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED. NEITHER PARTY MAKES ANY WARRANTIES, EXPRESS OR IMPLIED, AS TO ANY MATTER RELATING TO THIS AGREEMENT, INCLUDING, WITHOUT LIMITATION WITH RESPECT TO ANY COMPUGEN INTELLECTUAL PROPERTY, BAYER INTELLECTUAL PROPERTY, PROGRAM KNOW-HOW OR THE PERFORMANCE, CONDITION, ORIGINALITY OR ACCURACY OF THE RESULTS OF THE RESEARCH PROGRAM. SUBJECT TO SECTION 11.2, NEITHER PARTY MAKES ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO ANY COMPUGEN INTELLECTUAL PROPERTY, BAYER INTELLECTUAL PROPERTY OR PROGRAM KNOW-HOW OR THAT THE USE OR PRACTICE OF ANY OF THE FOREGOING WILL NOT INFRINGE ANY PATENT RIGHTS OR OTHER INTELLECTUAL PROPERTY RIGHTS OF A THIRD PARTY.

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12 Limitation of Liability.

Except with respect to a breach of confidentiality obligations under Section 10 or matters for which a Party is obligated to indemnify the other under Section 13 or in circumstances of gross negligence or willful misconduct, neither of the Parties will be liable to the other with respect to any subject matter of this Agreement under any contract, negligence, strict liability or other legal or equitable theory for any indirect, incidental, consequential or punitive damages or lost profits.

Except with respect to any payments due by one Party to the other under this Agreement, breach of confidentiality obligations under Section 10 and a Party's indemnification obligations under Section 13 or in circumstances of gross negligence or willful misconduct, under no circumstance shall a Party's liability to another Party arising out of a breach of this Agreement exceed in the aggregate the amount of [***] US Dollars ($[***]).

13 Indemnification

13.1 Indemnification of Compugen. Bayer shall indemnify, defend and hold harmless Compugen and its Affiliates and their respective directors, officers and employees, and the successors and assigns of the foregoing (the "**Compugen Indemnitees**") from and against any and all liabilities, damages, losses, costs and expenses (including reasonable attorneys' and professional fees and other expenses of litigation and arbitration) resulting from a claim, suit or proceeding brought by a Third Party (including without limitation for infringement of any intellectual property rights) against a Compugen Indemnitee to the extent resulting directly or indirectly from: (a) [***] (b) the negligence or willful misconduct of any Bayer Indemnitee (defined below); or (c) the breach by Bayer of any warranty, representation, covenant or agreement made by it in this Agreement; except in each case to the extent that such claim, suit or proceeding results from the negligence or willful misconduct on the part of any of the Compugen Indemnitees or from the breach by Compugen of any warranty, representation, covenant or agreement made by it in this Agreement.

13.2 Indemnification of Bayer. Compugen shall indemnify, defend and hold harmless Bayer and its Affiliates and their respective directors, officers and employees, and the successors and assigns of the foregoing (the "**Bayer Indemnitees**") from and against any and all liabilities, damages, losses, costs and expenses (including reasonable attorneys' and professional fees and other expenses of litigation and arbitration) resulting from a claim, suit or proceeding brought by a Third Party (including without limitation for infringement of any intellectual property rights) against a Bayer Indemnitee to the extent resulting directly or indirectly from (a) [***] (b) [***] (c) a breach by Compugen of any representation, warranty, covenant or agreement made by it in this Agreement; and/or (d) the negligence or willful misconduct of any Compugen Indemnitee; except in each case to the extent that such claim, suit or proceeding results from the negligence or willful misconduct on the part of any of the Bayer Indemnitees or from the breach by Bayer of any warranty, representation, covenant or agreement made by it in this Agreement.

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13.3 **Procedure**. A Party that intends to claim indemnification under this Section 13 (the "**Indemnitee**") shall promptly notify the indemnifying Party (the "**Indemnitor**") of any loss, claim, damage, liability or action in respect of which the Indemnitee intends to claim such indemnification, and the Indemnitor shall have the right to participate in, and, to the extent the Indemnitor so desires, to assume sole control of the defense thereof with counsel reasonably acceptable to the other Party and with involvement of the Indemnitor's insurance, including, the right to settle the action on behalf of the Indemnitee on any terms the Indemnitor deems desirable in the exercise of its sole discretion, except that the Indemnitor shall not, without the Indemnitee's prior written consent, settle any such claim if such settlement contains a stipulation to or admission or acknowledgment of any liability or wrongdoing on the part of the Indemnitee or imposes any obligation on the Indemnitee other than a monetary obligation, and only to the extent the Indemnitor assumes in full such obligation. The failure to deliver notice to the Indemnitor within a reasonable time after the commencement of any such action shall not impair Indemnitor's duty to defend such action but shall relieve Indemnitor of any liability to the Indemnitee to the extent the Indemnitor is prejudiced materially by the delay. At the Indemnitor's request and cost, the Indemnitee shall cooperate reasonably with the Indemnitor and its legal representatives in the investigation and defense of any action, claim or liability covered by this indemnification and provide full information with respect thereto. Subject to the Indemnitee's fulfillment of its obligations under this Section 13.3, the Indemnitor shall pay any damages, costs or other amounts awarded against the Indemnitee, or payable by the Indemnitee pursuant to a settlement agreement entered into by the Indemnitor, in connection with such claim.

13.4 **Insurance.** Compugen represents, warrants and covenants that (a) it maintains the insurance coverage described in **Exhibit 13.4** hereto, (b) it will during the term of this Agreement maintain insurance sufficient to secure the performance of Compugen's obligations under this Agreement including general liability/public liability (GL), in amounts not less than those set forth in Exhibit 13.4 hereto, and (c) it will upon delivery of a Transfer Notice following termination of this Agreement maintain insurance sufficient to secure the performance of Compugen's obligations under this Agreement, with minimum insurance coverages as follows: (i) upon [***]$[***] (ii) upon [***], $[***], and (iii) $[***] Compugen shall provide Bayer with insurance certificates of the insurances mentioned under (a) to (c) above upon request.

14 Term and Termination.

14.1 **Term of Agreement.** The term of this Agreement shall commence on the Effective Date and, unless earlier terminated in accordance with provisions of Section 14.3 below, shall continue until the end of the last-to-expire period during which Bayer is obligated to make payments to Compugen under Section 6. The term of this Agreement shall survive the non-renewal, termination or limitation of any particular license granted hereunder. Certain rights and obligations of the Parties may be terminated as provided in this Section 14. Following the expiration pursuant to this Section 14.1 (and provided the Agreement has not been earlier terminated pursuant to Section 14.3, in which case the provisions of Section 14.4 will apply), Bayer shall have a [***] under the Compugen [***] and Compugen's interest in [***] with [***] as the licenses specified in Sections 3.1.1.1 to 3.1.1.3.

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14.2 Early Termination of Research Program.

14.2.1 Termination for Breach by Compugen. If Compugen commits a material breach of its obligations under Section 2.3 with respect to its obligations under the CGEN-15001T Workplan or the CGEN-15022 Workplan and fails to take reasonable measures to cure such breach within [***] days after receiving written notice thereof from Bayer, Bayer may terminate the relevant Research Program (i.e. if the breach is with respect to obligations under the CGEN-15001T Workplan, the CGEN-15001T Research Program; if the breach is with respect to obligations under the CGEN-15022 Workplan, the CGEN-15022 Research Program) upon written notice to Compugen. A breach of Compugen's obligations under the CGEN-15001T Workplan or the CGEN-15022 Workplan (but not of both Workplans) shall entitle Bayer to terminate both Research Programs only if the breach is of a general nature and impacts both Research Programs.

14.2.2 Consequences. If Bayer terminates either [***] Program ("**Terminated [***] Program**") pursuant to Section 14.2.1, without prejudice to any other rights and legal remedies that Bayer may have due to such breach of agreement, Compugen will cease all of its work under the Terminated [***] Program, and [***]

14.2.3 Effect on Other Provisions. Except as specifically set forth in this Section 14.2, early termination of the Research Program shall not affect the Parties' rights and obligations under this Agreement.

14.3 Early Termination of Agreement or of a Target Program.

14.3.1 Termination for Convenience. Bayer may terminate this Agreement, either in whole or with respect to one of the Target Programs only, and in each case also on a Product-by-Product (with its applicable Product Companion Diagnostic), and/or country-by country basis, at any time without cause, upon [***] days prior written notice stipulating whether the termination applies to the Agreement in whole or with respect to one of the Target Programs only, and whether it is limited to certain Product(s), and/or countries.

14.3.2 Termination for Breach of Compugen. In the event Compugen commits a material breach of its obligations under any of the Target Programs or under this Agreement as a whole and fails to cure that breach within [***] days after receiving written notice thereof, Bayer may terminate at its choice either this Agreement or the Target Program that the breach relates to immediately upon written notice to Compugen, provided that if (i) the breach is (1) curable, (2) is not an intentional breach, and (3) not susceptible of cure within the stated period and (ii) Compugen uses [***] in a [***] to cure such breach, the stated period will be extended by [***] the nature of the breach and the adverse effect that such breach and any further delay in curing such breach will have on Bayer.

14.3.3 Termination for Breach of Bayer. In the event Bayer commits a material breach of its obligations under this Agreement and fails to cure that breach within [***] days after receiving written notice thereof, Compugen may terminate this Agreement immediately upon written notice to Bayer; provided that

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(a) if (i) the breach is (1) curable, (2) is not an intentional breach, and (3) not susceptible of cure within the stated period and (ii) Bayer uses [***] in a [***] to cure such breach, the stated period will be extended by [***] the nature of the breach and the adverse effect that such breach and any further delay in curing such breach will have on Compugen.

(b) if the material breach relates solely to Bayer's breach of its diligence obligations under Section 5 with respect to one of the Target Programs (and not to the other) and at such time the Agreement has not been terminated with respect to the other Target Program, Compugen may only terminate this Agreement with respect to the Target Program with respect to which such material breach applies.

14.3.4. Termination for Patent Challenge. Compugen may terminate this Agreement immediately upon written notice to Bayer if Bayer or an Affiliate of Bayer commences an action or assists a Third Party in commencing an action in which it or such Third Party challenges the validity, enforceability or scope of any of the Compugen Patent Rights.

14.4 Effect of Termination of Agreement.

14.4.1 General.

14.4.1.1 Termination of Agreement. Upon termination of this Agreement by either Party pursuant to any of the provisions of Section 14.3, without prejudice to other claims and remedies, the following provisions shall apply:

(a) the rights and licenses granted to Bayer under this Agreement shall terminate, all rights in and to and under the Compugen Intellectual Property and Compugen's interest in the Joint Intellectual Property will revert to Compugen and neither Bayer nor its Affiliates may make any further use or exploitation of the Compugen Intellectual Property;

(b) except with respect to a Target Program(s) for which Compugen provides Bayer a Transfer Notice in accordance with Section 14.4.2.1, the rights and licenses granted by Bayer to Compugen under this Agreement will terminate, all rights in and to and under the Bayer Intellectual Property and Bayer's interest in the Joint Intellectual Property will revert to Bayer and neither Compugen nor its Affiliates may make any further use or exploitation of the Bayer Intellectual Property. For clarity, such rights will not terminate with respect to Targets, Target Biologics or Target Biomarkers relating to the Transferred Part (as defined in Section 14.4.2.1); and

(c) any existing agreements that contain a Sublicense shall terminate to the extent of such Sublicense, provided that if the Agreement is terminated by Compugen, with respect to each Sublicensee that is not, at the date of termination, an Affiliate of Bayer, if (i) the Sublicense was granted in conformance with the terms of this Agreement, (ii) the Sublicensee is not then in material breach of its Sublicense agreement with Bayer such that Bayer would have the right to terminate such Sublicense, and (iii) Compugen has been paid all consideration due to Compugen under this Agreement with respect to the Sublicense, Compugen shall be obligated, at the request of such Sublicensee, to enter into a direct license agreement with such Sublicensee on substantially the same terms as those set forth herein, which shall not impose any representations, warranties, obligations or liabilities on Compugen that are not included in this Agreement, and further provided that (x) the [***] of the license granted directly by Compugen to such Sublicensee shall be [***]; and (y) if the Sublicense granted to such Sublicensee was [***], such Sublicensee shall [***] under the license granted to it directly by Compugen; and

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(d) Bayer shall promptly destroy, or at Compugen's request, deliver to Compugen, all Compugen Know-How and Compugen biological material in Bayer's, its Affiliates' and Sublicensees' possession;

(e) except with respect to a Target Program(s) for which Compugen provides Bayer a Transfer Notice in accordance with Section 14.4.2.1, Compugen shall promptly destroy, or at Bayer's request, deliver to Bayer, all Bayer Know-How and Bayer biological material in Compugen's or its Affiliates' or contractors' possession. For clarity, Compugen shall not be required to destroy nor deliver to Bayer any such Bayer Know-How or Bayer biological material relating to or used in the Transferred Part (as defined in Section 14.4.2.1); and

(f) Bayer will not have to pay any more milestone payments except those milestone payments with respect to milestones that were achieved prior to the termination of the Agreement.

14.4.1.2 Partial Termination. Upon termination that is limited to one of the Target Programs (by either Party) or to certain Products (together with their applicable Product Companion Diagnostics) and/or countries (by Bayer) pursuant to any of the provisions of Section 14.3 (such partial termination hereinafter referred to as "**Partial Termination**" and the subject-matter of such termination hereinafter referred to as "**Terminated Part**"), the following provisions shall apply:

(a) the rights and licenses granted to Bayer under this Agreement with respect to the Terminated Part, including without limitation with respect to the Targets, Target Biologics and Target Biomarkers to the extent they are covered by the termination, shall terminate, all rights in and to and under the Compugen Intellectual Property and Compugen's interest in the Joint Intellectual Property relating to the subject matter of the Terminated Part ("**Terminated Part IP**") will revert to Compugen and neither Bayer nor its Affiliates may make any further use or exploitation of the Terminated Part IP;

(b) any existing agreements that contain a Sublicense under the Terminated Part shall terminate to the extent of such Sublicense; provided that in the case of termination of a Target Program by Compugen, with respect to each Sublicensee of subject matter of such Target Program that is not, at the date of termination, an Affiliate of Bayer, if (a) the Sublicense was granted in conformance with the terms of this Agreement, (b) the Sublicensee is not then in material breach of its Sublicense agreement with Bayer such that Bayer would have the right to terminate such Sublicense, and (c) Compugen has been paid all consideration due to Compugen under this Agreement with respect to the Sublicense, Compugen shall be obligated, at the request of such Sublicensee, to enter into a direct license agreement with such Sublicensee on substantially the same terms as those set forth herein as they relate to such Terminated Program, which shall not impose any representations, warranties, obligations or liabilities on Compugen that are not included in this Agreement, and provided further that (x) the scope of the license granted directly by Compugen to such Sublicensee shall be co-extensive with the scope of the license granted by Bayer to such Sublicensee and (y) if the Sublicense granted to such Sublicensee was non-exclusive, such Sublicensee shall not have the right to participate in the prosecution or enforcement of the Compugen Patent Rights, Joint Patent Rights or Bayer Product Patent Rights under the license granted to it directly by Compugen; and

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(c) Bayer shall promptly destroy, or at Compugen's request, deliver to Compugen, all Compugen Know-How and Compugen biological material in Bayer's, its Affiliates' and Sublicensees' possession provided in connection with Terminated Part.

14.4.2 **Termination by Compugen for Cause or by Bayer without Cause.** In addition to the above, in the case of termination of the Agreement in whole or of a Partial Termination by Compugen in accordance with Section 14.3.3 or Section 14.3.4 or by Bayer in accordance with Section 14.3.1 (without cause), the following provisions shall apply:

14.4.2.1 Compugen shall have an option, exercisable by the provision of written notice to Bayer within [***] days of the effective date of such termination (**"Trigger Date"**), to have (a) either Target Program or both Target Programs (in the case of a termination of the Agreement) or (b) the Terminated Part (in the case of a Partial Termination), transferred to Compugen. Such notice (a "**Transfer Notice**") will state which Terminated Part(s) is/are to be transferred (each, a "**Transferred Part**"). If Compugen provides a Transfer Notice within such [***] day period, Bayer shall, to the extent the respective transferred or licensed items referred to below are Controlled by Bayer or its Affiliates and if and to the extent Bayer or its Affiliates have the right to make such transfer or grant such license (with respect to each transferred or licensed item subject to [***] by Compugen of [***], including, without limitation, [***], as the case may be, that [***] relating to [***]), promptly (a) transfer and assign to Compugen, upon Compugen's request, all data, study reports, biological, chemical and written materials and information relating to Target Biologics, Target Biomarkers, Products and/or Product Companion Diagnostics developed or used by Bayer in the Transferred Part(s), including (if [***]) any [***] performed in such Terminated Part with the exception of [***] that also include [***] which is not a Target Biologic of the Transferred Part; (b) to the extent permitted by applicable law, transfer and assign to Compugen or its designee all [***] with respect to Products and/or [***] from the Transferred Part(s) and grant Compugen or its designee any [***] reasonably required for the continuing development or commercialization of such Products and [***]; (c) grant [***] to Compugen or its designee [***] under [***], under [***] and under [***], solely to the extent that [***], solely to do or have done further research on, develop, have developed, make, have made and use Target Biologics solely in order to develop, have developed, make, have made, use, sell, offer for sale and import Products and [***] within the Transferred Part; (d) grant to Compugen or its designee a [***] license under [***] and under [***] not covered by the license set forth in (c) solely to the extent that such [***], as applicable, [***] solely to develop, have developed, make, have made, use, sell, offer for sale and import Products and/or [***] (or, in the case of a Partial Termination that is limited to a country, the Products and/or [***] in the countries to which the Partial Termination is limited) and provided that , in the case of a Product that [***],this license does not include any [***] that is/are not part of [***] included in the Product; and (e) grant to Compugen or its designee a [***] license under [***] and not covered by the licenses set forth in (c) and (d), solely to the extent that such [***], as applicable, [***] solely to develop, have developed, make, have made, use, sell, offer for sale and import Products and/or [***] (or, in the case of a Partial Termination that is limited to a certain country, the Products and/or [***] in the countries to which the Partial Termination is limited) and provided that , in the case of a Product that [***], this license does not include any [***] that is/are not part of [***] included in the Product. Bayer undertakes to [***]. If the Transferred Part includes any (i) [***], (ii) [***] or (iii) other [***] or [***] used by Bayer within and needed to continue the Transferred Part, in each case (i) to (iii) which [***] or [***] that is/are not part of [***] included in the Product and which would be part of the licenses granted under lit. (d) and lit. (e) of this Section 14.4.2.1, if they were not specifically excluded because of [***], the Parties will on request of Compugen negotiate in [***]in [***] with the purpose to [***] of a license by Bayer to Compugen under [***] or [***] to the extent [***] (or, in the case of [***]) and solely in order to further develop, have developed, make, have made, use, sell, offer for sale and import Products and/or [***] (or, in the case of a Partial Termination that is limited to a country, the Products and/or [***] in the countries to which the Partial Termination is limited), *provided that* in the event of [***], Bayer will [***], except for [***] or [***].

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14.4.2.2 With respect to Products in a Transferred Part for which clinical trials have commenced prior to such termination, Bayer will continue fulfilling, at [***] expense, all non-cancellable obligations undertaken by or on behalf of Bayer or its Affiliate(s) with respect to [***] prior to the Trigger Date. In addition, if Compugen provides Bayer with a Transfer Notice, at Compugen's request, Bayer will use Commercially Reasonable Efforts [***].

14.4.2.3 Regardless of whether Compugen provides a Transfer Notice, Bayer and its Affiliates shall immediately cease all research, development and commercialization activities with respect to Products and with respect to Diagnostics (or, in the case of a Partial Termination, Products and its applicable Product Companion Diagnostics within the Terminated Part).

14.4.2.4 In the event of a Transfer Notice by Compugen following a Partial Termination by Bayer that is limited to certain Products (and their applicable Product Companion Diagnostics) or countries, the Parties will, upon either Party's request, [***]

14.4.2.5 Consideration by Compugen.

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14.4.2.5.1 Net Sales by Compugen. With respect to Compugen Net Sales (as defined below) made by Compugen and its Affiliates (but specifically excluding sale by licensees or sublicensees) of Products from or developed on the basis of the Transferred Part ("**Terminated Products**"), Compugen shall pay Bayer the royalties set forth in clauses (a) through (f) below, *provided that* (i) if the Terminated Product that the Compugen Net Sales relate to is, according to the Product definition in Section 1.53, another [***] that [***]described in [***]the [***]will be [***] percent ([***] %) instead of the [***], as applicable; and (ii) if the [***]in Section[***]for which [***]has commenced [***] prior to the [***]and the [***]to does [***](i.e. it includes the [***]) and had to [***], the [***]will be [***] percent ([***]%) instead of the rate set forth in (c), (d), (e) or (f), as applicable:

(a) If the Trigger Date with respect to the [***]occurred prior to [***],[***] will [***];

(b) [***] percent ([***]%) of any [***]if the Trigger Date with respect to the [***]occurred after [***]but prior to [***]with respect to a [***]

(c) [***]percent ([***]%) of any [***]if the Trigger Date with respect to the [***] occurred after [***] with respect to a [***] but prior to [***] with respect to a [***];

(d) [***] percent ([***]%) of any [***]if the Trigger Date with respect to the [***] occurred after [***] with respect to a [***] but prior to [***] with respect to a [***]; and

(e) [***] percent ([***]%) of any [***] if the Trigger Date with respect to the [***] occurred after [***] with respect to a [***] but prior to [***]; and

(f) [***] percent ([***]%) of any [***] if the Trigger Date with respect to the [***] occurred after [***].

Third Party Royalty Set-Off. If prior to the Program Transfer, [***] already obtained a license from a Third Party that is covered by the Third Party royalty set-off pursuant to Section 6.3.2 with respect to [***] in one or more specific countries and this license is transferred to [***],[***] will be entitled to offset an amount of [***] percent ([***] %) of any [***] due as consideration for such license with respect to [***] in such country against [***] with respect to [***] on such [***] in such country; provided that in no event shall [***].

Royalty Term. Royalties under this Sections 14.4.2.5.1 will be payable on a Terminated Product-by-Terminated Product and country-by-country basis until the latest of:

(a) the [***] of (i) the [***] and (ii) with respect [***], of the [***], within such [***] in each case (i) and (ii) covering the [***] in the [***] in which [***]; provided that if there is [***] as [***] covering the [***] in the [***] in which such [***], such [***] will be deemed to [***] for purposes of this Section 14.4.2.5.1 if and when [***];

Certain information in this document, marked by [***], has been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K under the Securities Act of 1933, as amended, because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.

(b) the [***] or other [***] with respect to such [***]; and

(c) [***] of [***] (if the [***], the term [***] will be read to include [***]).

14.4.2.5.2 Consideration in the Event of a Third Party License. In the event Compugen or any of its Affiliates grants a license to a Third Party under the rights transferred and/or licensed by Bayer to Compugen under Section 14.4.2.1, including without limitation [***] (a "**Third Party License**"), Compugen shall [***]such as [***] for [***]and [***]under such [***], it being understood that with respect to [***]to [***][***]shall provide [***]that such [***] are [***]and that such [***]for such [***][***]received by [***] or [***], to the extent these are [***]under Section [***] and shall [***]as set forth below; *provided that* (i) if the [***]to is, according to the [***], another [***]that [***]described in [***]the [***]will be [***] percent ([***]%) instead of the [***], as applicable; and (ii) if the [***] in Section [***] for which [***] has commenced [***] prior to the [***] that the [***] does not [***] included in such [***]) and had to [***], the r[***] percent ([***]%) instead of [***], as applicable:

(a) If the Trigger Date with respect to the Transferred Part occurred prior to D3, Bayer will not [***];

(b) [***] percent ([***]%) of any [***] under the [***] if the Trigger Date with respect to the Transferred Part occurred after [***] but prior to [***];

(c) [***] percent ([***]%) of any T[***] under the [***] if [***] with respect to the [***] after start of [***] with respect to a [***] from the [***] but prior to [***] with respect to a [***];

(d) [***] percent ([***]%) of any [***] if the Trigger Date with respect to the [***] occurred after [***] with respect to a [***] but prior to start of [***] with respect to a [***];

(e) [***] percent ([***]%) of any [***] if the Trigger Date with respect to the [***] occurred after [***] with respect to a [***] of the [***]; and

(f) [***] percent ([***]%) of any [***] if the Trigger Date with respect to the [***] of the respective [***].

(g) In addition, [***] shall [***] such as [***] received [***] under the [***] to the extent these [***] under Section [***], and shall pay to [***] as set forth below; *provided that* (i) if the T[***] to is, [***] in [***]the [***] as applicable, and (ii) if the Transferred Part [***] described in [***] for which [***] prior to the [***] and the [***] to does [***] (i.e. it includes the [***]) and had to [***] will be [***] (12[***]) instead of [***], as applicable:

(A) If the Trigger Date with respect to the [***] occurred prior to [***], [***] will not be [***];

(B) [***] percent ([***]%) of any [***]e if the Trigger Date with respect to the [***] occurred after [***] but prior to [***] with respect to a [***];

(C) [***] ([***]%) of any T[***] under the [***] with respect to the [***] occurred after start of [***] with respect to a [***] with respect to a [***];

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(D) [***] percent ([***]%) of any [***] if the Trigger Date with respect to the [***] occurred after start of [***] with respect to a [***] with respect to a [***]; and

(E) [***] ([***]%) of any [***] if the Trigger Date with respect to the [***]ccurred after [***] with respect to a [***] from the [***] but prior to [***]; and

(F) [***] percent ([***]%) of any [***] if the Trigger Date with respect to [***] occurred after [***] with respect to a [***]

If [***] receives [***] or [***] as [***] (e.g. [***]), [***] will be calculated based on the [***].

14.4.2.5.3 Consideration in the Event of Sale of Compugen.

In the event of a sale of all or substantially all of the shares or assets of Compugen to a Third Party resulting in a company ("**Merged Compugen**") that had [***] US Dollars ($[***]) i[***], irrespective of whether such event occurred [***] shall [***] agreed upon in Section [***]and the activities detailed in Section [***]and in addition to the [***]according to Section [***], make to [***]for the first [***]form [***]based on the [***] would have been [***] upon attainment of such [***]had such [***]or [***], as applicable, [***]

(a) [***] shall [***] if the Trigger Date occurred prior to [***] for the [***];

(b) If the Trigger Date occurred after [***] with [***] but prior to start of [***] for [***], [***] will be entitled to the [***] would have [***] to under Sections [***] upon [***];

(c) If the Trigger Date occurred after [***] with respect to the [***] but prior to start of [***] with respect to [***] will be entitled to [***], in each case [***], upon [***]. For example, the [***] for the [***] of [***] with such a [***] in a [***] (Section 6.2.1.5) would be $[***] (i.e. $[***]);

(d) If the Trigger Date occurred after the start of [***] with respect to the [***]duct but prior to [***] with respect to the relevant [***], [***] will be entitled to [***], in each case [***], upon [***];

(e) If the Trigger Date occurred after the start of a [***] with respect to the [***] but prior to the [***] with respect to [***], [***] will be entitled to [***], in each case [***], upon [***];

(f) If the Trigger Date occurred after [***] with respect to the [***] Product, [***] will be entitled [***], in each case [***], upon attainment of [***].

For clarity, [***]under this Section 14.4.2.5.3 in the case of a [***]Should [***] subsequently [***] then [***]: In the event that [***] would have been [***] shall [***] or any [***] according to [***]. whatever [***].

14.4.2.5.4 All payments to Bayer under Section 14.4.2.5. will be made by Compugen within [***] days of receipt of an invoice by Bayer, provided that Compugen has duly informed Bayer about the Third Party License Payment prior to its receipt (or about the Compugen Net Sales in accordance with the reporting obligations specified in Section 7.1.1 (with these clauses amended *mutatis mutandis* to reflect that Compugen would be submitting the report in relation to Terminated Products)), absent such information the payment to Bayer shall be due [***] days of Compugen's receipt of [***] from a [***] (or the [***]). Sections 7.2 to 7.4 shall apply mutatis mutandis.

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14.4.3 **Accruing Obligations.** Termination or expiration of this Agreement shall not relieve the Parties of obligations accruing prior to such termination or expiration, including obligations to pay amounts accruing hereunder up to the date of termination or expiration. After the date of termination (except in the case of termination by Compugen for Bayer's failure to make payments when due), Bayer, its Affiliates and Sublicensees may sell Products and Companion Diagnostics then in stock; provided that Bayer shall pay the applicable royalties and payments to Compugen in accordance with Section 6 and provide reports and audit rights to Compugen pursuant to Section 7.

14.5 **Survival.** The Parties' respective rights, obligations and duties under Sections 1, 2.3.7.2 (c) and (d), 7 (with respect to sales made by Bayer prior to the expiration or termination of the agreement), 8.1, 8.3.3.3.2,. 10 (excluding 10.3), 11, 12, 13, 14.1, 14.4, 15 and 16 , as well as any rights, obligations and duties which by their nature extend beyond the expiration or termination of this Agreement, shall survive any expiration or termination of this Agreement. In addition, Section 2.3.7.3.4 (c) will survive expiration in accordance with Section 14.1, but not early termination of this Agreement.

15 Dispute Resolution.

15.1 **Arbitration**. Any dispute, claim or controversy arising out of or relating to this Agreement, including the breach, termination or validity of this Agreement, that is not settled by mutual consent, shall be finally settled by binding arbitration, conducted in accordance with the Rules of Arbitration of the International Chamber of Commerce ("**ICC Rules**"), by three arbitrators appointed in accordance with the following procedure: Each Party shall select one arbitrator and the two Party-selected arbitrators shall select a third arbitrator to constitute a panel of three arbitrators to conduct the arbitration in accordance with the ICC Rules. The place of arbitration shall be New York, US, the language to be used in the arbitral proceedings shall be English, and the proceedings shall be confidential. The International Bar Association Rules on the Taking of Evidence in International Commercial Arbitration shall govern the taking of evidence in any such proceeding. Unless the arbitrator determines that equity requires otherwise, the arbitrator shall award to the prevailing Party (as determined by the arbitrator) the costs of the arbitration, as well as the reasonable, out-of-pocket fees and expenses of the prevailing Party's attorneys. A disputed performance or suspended performance pending the resolution of the arbitration must be completed within a reasonable time period following the final decision of the arbitrator. The decision of the arbitrator shall be the sole, exclusive and binding remedy between the Parties regarding any and all disputes, controversies, claims and counterclaims presented to the arbitrator. Any award may be entered in a court of competent jurisdiction for a judicial recognition of the decision and an order of enforcement.

15.2 **Injunctive Relief.** Each of the Parties agrees that in the event of any breach of Section 10 (Confidential Information), the non-breaching Party may suffer severe and irreparable damage, for which no adequate remedy at law may exist, and for which damages would be difficult to determine. Each of the Parties agrees that, in such case, the injured Party shall be entitled to obtain from any court of competent jurisdiction preliminary injunctive relief.

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16 Miscellaneous.

16.1 **Force Majeure.** None of the Parties will be responsible for delays resulting from causes beyond its reasonable control, including, without limitation, fire, explosion, flood, war, strike or riot; provided that the non-performing Party uses Commercially Reasonable Efforts to avoid or remove such causes of non-performance and continues performance under this Agreement with reasonable dispatch whenever such causes are removed. The Party affected by the force majeure event shall upon its occurrence promptly give written notice to the other Party specifying the nature of the event and its anticipated duration.

16.2 **Independent Parties.** The relationship of the Parties hereto to each other shall be solely that of independent parties and nothing contained in this Agreement shall be construed to make any of the Parties an agent, partner, co-venturer, representative or principal of another for any purpose, and none of the Parties hereto shall have any right whatsoever to incur any liability or obligation on behalf of or binding upon another Party.

16.3 **Notices.** Any notices to be given hereunder shall be in writing and shall be sent by: (a) certified mail, return receipt requested; (b) delivery via an internationally recognized courier service; or (c) facsimile (with transmission confirmed) addressed the other, in any event to the other Party at the address shown hereunder or at such other address for which such Party gives notice hereunder :

If to Bayer:
Bayer Pharma AG
Müllerstraße 178
13353 Berlin
Attention: [***]
Head, Global Drug Discovery - TRG Oncology/GT
Fax +49 30 468 18069

With a copy to Legal Department
Fax : +49 30 468 14086.

If to Compugen:
Compugen Ltd.
Pinchas Rosen Street #72
Tel Aviv 69512, Israel
Fax. +972 (3) 765-8111
Attention: VP Business Development

With a copy to: General Counsel
Fax: +972 (3) 765-8111

16.4 **Governing Law.** This Agreement will be governed by, and construed in accordance with, the substantive laws of New York, US, without giving effect to any choice or conflict of law provision, except that questions affecting the construction and effect of any patent shall be determined by the law of the country in which the patent shall have been granted.

Certain information in this document, marked by [***], has been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K under the Securities Act of 1933, as amended, because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.

16.5 **Severability.** If any provision of this Agreement is or becomes invalid or is ruled invalid by any court of competent jurisdiction or is deemed unenforceable, it is the intention of the Parties that the remainder of this Agreement shall not be affected. The Parties shall replace the invalid provision with a valid provision that comes closest to effectuating the economic and/or scientific intent of the Parties at the time of the Agreement's execution.

16.6 **No Assignment.** This Agreement or any rights hereunder (including any right to develop, manufacture, market and/or sell Products), may not be assigned by either Party without the consent of the other, which consent shall not be unreasonably withheld, except that (i) each Party may, without such consent, assign this Agreement and the rights, obligations and interests of such Party to any purchaser of all or substantially all of its assets to which the subject matter of this Agreement relates, or to any successor corporation resulting from any merger or consolidation of such Party with or into such corporation; provided, in each case, that the assignee agrees in writing to be bound by the terms of this Agreement; and (ii) Bayer may assign this Agreement to any of its Affiliates without the prior consent of Compugen; provided, that the assignee agrees in writing to be bound by the terms of this Agreement.

16.7 **Entire Agreement.** This Agreement is the sole agreement with respect to the subject matter hereof and supersedes all other agreements and understandings among the Parties with respect to the same.

16.8 **Modification.** No modification or waiver of this Agreement or of any covenant, condition or limitation herein contained shall be valid unless in writing and executed by duly-authorized representatives of the Parties. A failure by a Party to assert its rights under, including upon any breach or default of, this Agreement shall not be deemed a waiver of such rights. No such failure or waiver in writing by a Party with respect to any rights shall extend to or affect any subsequent breach or impair any right consequent thereon.

16.9 **Interpretation.** Each Party hereto acknowledges and agrees that: (a) it and/or its counsel reviewed and negotiated the terms and provisions of this Agreement and has contributed to its revision; (b) the rule of construction to the effect that any ambiguities are resolved against the drafting Party shall not be employed in the interpretation of this Agreement; and (c) the terms and provisions of this Agreement shall be construed fairly as to both Parties hereto and not in favor of or against either Party, regardless of which Party was generally responsible for the preparation of this Agreement.

16.10 **Counterparts.** This Agreement may be executed in counterparts and each such counterpart shall be deemed an original hereof.

16.11 **Exhibits.** The following Exhibits shall form an integral part of this Agreement:

Exhibit 1.3	Bayer Development Process
Exhibit 1.16	CGEN-15001T Workplan
Exhibit 1.21	CGEN-15022 Workplan
Exhibit 1.28	Compugen Patent Rights
Exhibit 2.3.3	Research Program reports to the JSC
Exhibit 2.3.7.3.2	[***] publications
Exhibit 2.3.7.3.3	Criteria [***], [***]
Exhibit 8.3.3.1	Patent country scope
Exhibit 8.3.3.2.1	Patent rights claiming also targets and antibodies other than Target Biologics and Targets
Exhibit 10.5	Press release
Exhibit 13.4	Insurance

Certain information in this document, marked by [***], has been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K under the Securities Act of 1933, as amended, because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.

IN WITNESS WHEREOF, each Party has caused this Agreement to be executed by its duly authorized representative as of the Effective Date.

Bayer Pharma AG

By: ppa_____/s/ Prof. Dr. Andreas Busch_____

Name:__Prof. Dr. Andreas Busch_____

Title: Head of Global Drug Discovery _____

By: ppa, /s/ Dr. Karl Ziegelbauer _____

Name:__Dr. Karl Ziegelbauer _____

Title: ____Head GDD – TRG Oncology / Gynecological Therapy _____

Compugen Ltd.

By:___/s/ Dr. Anat Cohen-Dayag_____

Name:__Dr. Anat Cohen-Dayag_____

Title:_____ President and CEO_____

Certain information in this document, marked by [***], has been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K under the Securities Act of 1933, as amended, because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.58

Exhibit 1.3: Bayer Development Process

[***]

Certain information in this document, marked by [***], has been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K under the Securities Act of 1933, as amended, because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.

Exhibit 1.16 CGEN-15001T WORK PLAN

[***]

Certain information in this document, marked by [***], has been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K under the Securities Act of 1933, as amended, because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.

Exhibit 1.21 CGEN-150022 WORK PLAN

[***]

Certain information in this document, marked by [***], has been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K under the Securities Act of 1933, as amended, because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.

Exhibit 1.28 - Compugen Patent Rights

[***]

Certain information in this document, marked by [***], has been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K under the Securities Act of 1933, as amended, because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.

Exhibit 2.3.3: Research Program reports to the JSC

[***]

Executive Summary

Project Title	
Project Managers	NAME (Compugen) NAME (Bayer)
Date	
Short Progress Report Summary	

[***]

Certain information in this document, marked by [***], has been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K under the Securities Act of 1933, as amended, because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.

Exhibit 2.3.7.3.2: [***] **Publications** [***]

[***]

Certain information in this document, marked by [***], has been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K under the Securities Act of 1933, as amended, because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.

Exhibit 2.3.7.3.3.: Criteria for [***]

[***]

Certain information in this document, marked by [***], has been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K under the Securities Act of 1933, as amended, because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.

Exhibit 8.3.3.1: Patent country scope

[***]

Exhibit 8.3.3.2.1: Compugen Patent Rights also claiming targets and antibodies other than Target Biologics and Targets

[***]

Certain information in this document, marked by [***], has been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K under the Securities Act of 1933, as amended, because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.

Exhibit 10.5.: **Press Release**

News Release
Not intended for U.S. and UK Media

Antibody-based Cancer Immunotherapy

Bayer Enters Into New Cancer Immunotherapy Collaboration with Compugen

Partners have signed collaboration and licence agreement

Berlin, August 05, 2013 – Bayer HealthCare has entered into a new oncology collaboration and licence agreement with Compugen Ltd. The partnership targets the research, development, and commercialization of antibody-based therapeutics for cancer immunotherapy against two novel immune checkpoint regulators discovered by Compugen. Under the agreement, the partners will jointly pursue a preclinical research program. Subsequently, Bayer will have full control over further development and worldwide commercialization rights for potential cancer therapeutics.

“Bayer is committed to translating the science of cancer research into effective therapies helping people affected by cancer live longer and improve their quality of life,” said Prof. Andreas Busch, Member of the Bayer HealthCare Executive Committee and Head of Global Drug Discovery. “Antibody-based immunotherapies are promising approaches in oncology which can stimulate the body’s own immune cells to fight cancer cells. Immunotherapy is one of our focus areas in oncology research. We are looking forward to expanding our portfolio in this area through partnering with Compugen.”

The immunotherapy approach aims at combatting cancer by stimulating the body´s own immune cells. The tumor and its environment suppress the ability of cancer patients to develop an effective anti-tumor immune response and in this way protect both tumor growth and survival. Compugen has discovered two novel immune checkpoint regulators that potentially play a key role in immunosuppression. Researchers at Compugen are developing specific therapeutic antibodies that are geared to block the immunosuppressive function of these targets and to reactivate the patient’s anti-tumor immune response in order to fight cancer.

“We are very excited to initiate this collaboration with Bayer, a leading global life science company with a broadening oncology franchise, for the development of antibody-based cancer immunotherapies against these two promising novel immune checkpoint targets,” said Anat Cohen-Dayag, Ph.D., President and CEO of Compugen. “In addition, we believe that the prediction and validation of these two targets, through the use of our broadly applicable predictive discovery infrastructure, provides additional validation for our long-term commitment to establishing this unique capability.”

Certain information in this document, marked by [***], has been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K under the Securities Act of 1933, as amended, because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.

In addition to an upfront payment of USD 10 million, Compugen is eligible to receive over USD 500 million in potential milestone payments for both programs, not including milestone payments of up to USD 30 million associated with preclinical activities. Furthermore, Compugen is also eligible to receive mid to high single digit royalties on worldwide net sales of any resulting products under the collaboration.

About Cancer Immunotherapy
Latest cancer immunotherapies have demonstrated impressive clinical benefit, even for end-stage patients with difficult-to-treat tumors such as metastatic melanoma and non-small cell lung cancer. Unlike conventional cancer therapies, which act by directly targeting cancer cells, resulting often in only transient clinical responses as cancer cells become resistant, clinical responses to cancer immunotherapy tend to be durable, sometimes resulting in dramatic long term survival and absence of resistance or recurrences.

About Compugen
Compugen is a leading drug discovery company focused on therapeutic proteins and monoclonal antibodies to address important unmet needs in the fields of immunology and oncology. The Company utilizes a broad and continuously growing integrated infrastructure of proprietary scientific understandings and predictive platforms, algorithms, machine learning systems and other computational biology capabilities for the in silico (by computer) prediction and selection of product candidates, which are then advanced in its Pipeline Program. The Company's business model includes collaborations covering the further development and commercialization of selected product candidates from its Pipeline Program and various forms of research and discovery agreements, in both cases providing Compugen with potential milestone payments and royalties on product sales or other forms of revenue sharing. In 2012, Compugen established operations in California for the development of oncology and immunology monoclonal antibody therapeutic candidates against Compugen drug targets. For additional information, please visit Compugen's corporate website at www.cgen.com.

Certain information in this document, marked by [***], has been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K under the Securities Act of 1933, as amended, because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.

About Bayer HealthCare
The Bayer Group is a global enterprise with core competencies in the fields of health care, agriculture and high-tech materials. Bayer HealthCare, a subgroup of Bayer AG with annual sales of EUR 18.6 billion (2012), is one of the world's leading, innovative companies in the healthcare and medical products industry and is based in Leverkusen, Germany. The company combines the global activities of the Animal Health, Consumer Care, Medical Care and Pharmaceuticals divisions. Bayer HealthCare's aim is to discover, develop, manufacture and market products that will improve human and animal health worldwide. Bayer HealthCare has a global workforce of 55,300 employees (Dec 31, 2012) and is represented in more than 100 countries. More information at www.healthcare.bayer.com.

Our online press service is just a click away: press.healthcare.bayer.com
Follow us on Facebook: http://www.facebook.com/healthcare.bayer
Follow us on Twitter: https://twitter.com/BayerHealthCare

Contact:
Diana Scholz, Tel. +49 30 468 193183
E-Mail: diana.scholz@bayer.com

Find more information at www.bayerpharma.com.
ds (2013-0423E)

Forward-Looking Statements
This release may contain forward-looking statements based on current assumptions and forecasts made by Bayer Group or subgroup management. Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual future results, financial situation, development or performance of the company and the estimates given here. These factors include those discussed in Bayer's public reports which are available on the Bayer website at www.bayer.com. The company assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.

News Release Tweet

Certain information in this document, marked by [***], has been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K under the Securities Act of 1933, as amended, because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.

CONFIDENTIAL TREATMENT REQUESTED

Text (max. 110 characters incl. spaces):
Bayer Enters Into New Immunotherapy Collaboration with Compugen in Oncology

BHC NEWS: >> ***more information about XY***

Certain information in this document, marked by [***], has been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K under the Securities Act of 1933, as amended, because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.

CONFIDENTIAL TREATMENT REQUESTED

Exhibit 13.4
Insurance

[***]

Certain information in this document, marked by [***], has been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K under the Securities Act of 1933, as amended, because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.

Exhibit 4.4

CONFIDENTIAL TREATMENT REQUESTED

First Amendment to the
Research and Development Collaboration and License Agreement

This is the first Amendment (hereinafter "Amendment") to the Research and Development Collaboration and License Agreement between Bayer Pharma AG, a company formed under the laws of Germany, having a place of business at Muellerstrasse 178, 13353 Berlin, Germany (hereinafter: "BAYER") and Compugen Ltd, a company formed under the laws of Israel, having a place of business at 72 Pinchas Rosen Street, Tel Aviv 69512, Israel (hereinafter: "Compugen") effective as of 5 August 2013 (hereinafter: the "Agreement").

WHEREAS The parties wish to amend the exhibit specifying the Bayer Development Process.

NOW THEREFORE IT IS AGREED AS FOLLOWS:

1. The parties agree to replace Exhibit 1.3 of the Agreement by Exhibit 1.3 attached to this Amendment, describing the "Bayer Development Process".

2. This Amendment shall become retroactively effective as of 5 August 2013.

3. All capitalized terms used herein shall have the meaning set forth in the Agreement. Except as expressly amended pursuant to this Amendment, all other terms and conditions of the Agreement shall remain in force unchanged and apply to this Amendment.

Certain information in this document, marked by [***], has been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K under the Securities Act of 1933, as amended, because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.

SIGNED for and on behalf of
Bayer Pharma AG

Date: February 3, 2014

/s/ Dr. Karl Ziegelbauer
Dr. Karl Ziegelbauer
(Head GDD - TRG Oncology / Gynecological Therapy)

/s/ Dr. Bertolt Kreft
Dr. Bertolt Kreft
(Head GDD-ONC/GT-IABDC)

SIGNED for and on behalf of
Compugen Ltd

Date: February 5, 2014

/s/ Anat Cohen-Dayag
President and CEO

Certain information in this document, marked by [***], has been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K under the Securities Act of 1933, as amended, because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.

Exhibit 1.3: Bayer Development Process

[***, 3 pages]

Certain information in this document, marked by [***], has been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K under the Securities Act of 1933, as amended, because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.

Exhibit 4.5

CONFIDENTIAL TREATMENT REQUESTED

Second Amendment Agreement to
Research and Development Collaboration and License Agreement

This Second Amendment Agreement is entered into as of this 27th day of July, 2015 (the "Amendment Date"), by and between Bayer Pharma AG, a company formed under the laws of Germany, having a place of business at Müllerstraße 178, 13353 Berlin, Germany ("**Bayer**") and Compugen Ltd a company formed under the laws of Israel, having a place of business at 72 Pinchas Rosen Street, Tel Aviv 69512, Israel ("**Compugen**"). Bayer and Compugen each shall be referred to herein as a "**Party**" and they shall be referred to together as the "**Parties**".

WHEREAS, the Parties are party to that certain Research and Development Collaboration and License Agreement, dated August 5, 2013, as amended on February 5, 2014, (the "**Agreement**"); and

WHEREAS, the Parties believe the Target Programs (as defined in the Agreement) will benefit from Compugen granting Bayer limited rights to [***] certain Target [***] Proteins (as defined in the Agreement) for certain research and development purposes within the Target Programs; and

WHEREAS, the Parties wish to amend the Agreement to grant such limited rights, all in accordance with the terms and conditions of this Second Amendment Agreement.

NOW, THEREFORE, the parties hereby agree as follows:

1. The parties agree to amend the Agreement as set forth below.

2. Section 2.3.7.2 of the Agreement is hereby amended to read as follows:

"2.3.7.2. [***] **Protein Controls.**

The Parties agree that the CGEN-15001T Research Program may benefit from the use, as research reagents, of certain Compugen proprietary material [***] ("[***] **Protein Controls**") and that the CGEN-15022 Research Program may benefit from the use, as research reagents, of certain Compugen proprietary material [***] ("[***] **Protein Controls**"). Bayer understands that [***] Protein Controls and [***] Protein Controls are part of Compugen therapeutic development programs that are not subject to this Agreement (the "[***] Protein Program" and the "[***] Protein Program", respectively). The [***] Protein Program and the [***] Protein Program will each be referred to as a "[***] **Protein Program**". The parties contemplate that Compugen and/or its Affiliate will provide Bayer and/or its Affiliate (a) certain [***] Protein Controls for [***] specifically set forth in the CGEN-15001T Workplan or [***] otherwise specifically agreed to by [***]; and (b) certain [***] Protein Controls for use in certain activities specifically set forth in the CGEN-15022 Workplan or [***] otherwise specifically agreed to by [***]. Such [***] Protein Controls and [***] Protein Controls provided by Compugen and/or its Affiliate for purposes of the Workplans will be provided free of charge unless – solely with respect to [***] Protein Controls or [***] Protein Controls provided [***] in the Workplans after the Amendment Date – otherwise agreed upon by [***] in good faith due to [***] by Compugen relating to the [***] of such [***] Protein Controls or [***] Protein Controls ***for*** Bayer, and it will in each case be [***] along with information regarding the [***] and/or other [***] of such [***] Protein Controls or [***] Protein Controls, as applicable. Compugen and/or its Affiliate shall provide such [***] Protein Controls and [***] Protein Controls ready for [***] described in the Workplans; such [***] Protein Controls and [***] Protein Controls will be [***] form and quality [***].

Certain information in this document, marked by [***], has been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K under the Securities Act of 1933, as amended, because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.

In addition, the Parties agree that the CGEN-15001T Research Program may benefit from [***] to [***] Confidential Information of Compugen to [***] Approved [***] Protein Controls (defined below) solely for [***] in the CGEN-15001T Research Program and that the CGEN-15022 Research Program may benefit from [***] to [***] Confidential Information of Compugen to [***] Approved [***] Protein Controls (defined below) solely for [***] in the CGEN-15022 Research Program. "**Approved** [***] **Protein Control**" means any [***] whose [***] has been specifically [***] by Compugen in advance and in writing under this Section 2.3.7.2 and that [***] (including without limitation [***]). "**Approved** [***] **Protein Control**" means any [***] whose [***] has been specifically [***] by Compugen in advance and in writing under this Section 2.3.7.2 and that [***] (including without limitation [***]).

Compugen hereby grants Bayer [***] the right (which right may **not** be sublicensed to any Third Party) to [***] Confidential Information of Compugen to [***] Approved [***] Protein Controls and Approved [***] Protein Controls solely for the CGEN-15001T Research Program and CGEN-15022 Research Program, respectively, subject to the terms and conditions set forth below. Notwithstanding the restriction on sublicensing in the previous sentence, Bayer [***] may allow Third Party contractors to [***] Approved [***] Protein Controls and Approved [***] Protein Controls [***] if all of the following conditions have been fulfilled: (i) in addition to the requirements below, the agreement between Bayer [***] and the Third Party contractor pursuant to which [***] by the Third Party contractor contains the same limitations on the use of Confidential Information and assignment and ownership of intellectual property, as are set forth in this Agreement; and (ii) Compugen has had the opportunity to review such agreement for compliance with this Agreement and has approved such agreement with such Third Party contractor (including, without limitation, the identity of such Third Party contractor) in writing in advance.

For clarity, no rights are granted under this Section 2.3.7.2 to use Confidential Information of Compugen to [***] of a [***] or of a [***], unless the [***] of the proposed [***] has been specifically approved in advance by Compugen in writing.

Each of the [***] Protein Controls and [***] Protein Controls provided by Compugen [***] to Bayer [***] and each Approved [***] Protein Controls and Approved [***] Protein Controls made under the rights granted above shall be referred to as a "[***] **Protein Control**". In addition to the provisions of Section 2.3.7.1, the following provisions will apply to use of such [***] Protein Controls:

(a) Notwithstanding Section 2.3.7.1, Bayer shall not be entitled to [***] Protein Controls to any [***] of Bayer who are [***] (as described in the next sentence) on behalf of Bayer. Bayer and its [***] may use such [***] Protein Controls solely for performance of the [***] or otherwise specifically [***] as tasks involving the use of such [***] Protein Controls.

(b) Bayer shall not, and shall ensure that its Affiliates, contractors and collaborators shall [***] the [***] Protein Controls or use [***] Confidential Information regarding the [***] and/or regarding other [***] of the [***] Protein Controls nor any other Confidential Information regarding the [***] Protein Controls provided by Compugen on a need-to-know basis or [***] or a [***], to [***] any other [***] of a Target, without the prior express written consent of Compugen in each case. Information regarding Target [***] Proteins [***] in the [***] Approved [***] Protein Controls or Approved [***] Protein Controls under the rights granted above will be deemed Confidential Information of Compugen for purposes of this Agreement;

(c) Bayer shall not, and shall ensure that its Affiliates, contractors and collaborators shall not, [***] or otherwise [***] to any Third Party results of their use of the [***] Protein Controls, without Compugen's prior written consent; and

(d) Bayer shall within reasonable time, but in any case within [***] days, after becoming aware thereof, [***] to Compugen [***] with respect to Target [***] Proteins, their use or their production (in each case including, without limitation, [***] thereof), that are conceived and/or reduced to practice by Bayer, its Affiliates, contractors and/or collaborators, [***] Compugen or its Affiliates in the performance of work using a [***] Protein Control ("[***] Protein Invention"). Any such [***] Protein Invention, whether made by Bayer, any of its Affiliates or any of its contractors or collaborators, solely by Compugen or an Affiliate of Compugen, or jointly by any of the above, shall be [***]. Bayer and its Affiliates [***], and Bayer shall cause its contractors and collaborators [***], any and all of their [***] in and to any and all [***] Protein Inventions to Compugen, and any [***] Protein Invention [***] to Bayer, is [***] by Bayer to Compugen. Upon Compugen's request and at Compugen's expense, Bayer shall [***] and [***] that any relevant Affiliate, contractor and collaborator [***] as Compugen deems [***], in its [***], to enable Compugen to [***] with respect to any of the foregoing. Bayer will, and shall ensure that its Affiliates, contractors and collaborators will, at Compugen's request, provide [***] and [***], as [***] to [***]. Bayer is [***] that its Affiliates, contractors and collaborators [***], and [***] by its Affiliates of, the provisions of this Section 2.3.7.2(d). Bayer shall ensure that its contractors and collaborators are [***] of this Section 2.3.7.2(d) by [***] to which Compugen is [***], prior to [***] to [***] Protein Controls or any Confidential Information of Compugen related to Target [***] Proteins.

For the avoidance of doubt, this clause does not limit in any way Bayer's and its Affiliates' right to conduct independent activities that an unaffiliated third party would also be allowed to perform using Target [***] Proteins (e.g. based on publications) without the use of or reference to Confidential Information of Compugen; for the avoidance of doubt, (a) Compugen [***] with respect to the results of any such independent activities and (b) [***] is granted by Compugen by implication, estoppel or otherwise with respect to [***] Proteins under any Patents Controlled by Compugen or any of its Affiliates (both except for the right to use [***] Protein Controls pursuant to the terms of the previous paragraph).

Certain information in this document, marked by [***], has been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K under the Securities Act of 1933, as amended, because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.

3. The Parties agree to replace Exhibit 1.21 of the Agreement by Exhibit 1.21 attached to this Amendment, describing the "CGEN-15022 Workplan".

4. All capitalized terms used herein shall have the meaning set forth in the Agreement. Except as expressly amended pursuant to this Amendment. All other terms and conditions of the Agreement shall remain unchanged and in full force and effect.

[Signature Page Follows]

Certain information in this document, marked by [***], has been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K under the Securities Act of 1933, as amended, because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed by their duly authorized representatives as of the date first written above.

Bayer Pharma AG

By: /s/ Dr. Karl Ziegelbauer

Name: Dr. Karl Ziegelbauer

Title: (Head GDD - TRG ONC / GT)

By: /s/ Dr. Bertolt Kreft

Name: Dr. Bertolt Kreft

Title: (Head GDD-ONC/GT-IABDC)

Compugen Ltd.

By: /s/ Dr. Anat Cohen-Dayag

Name: Dr. Anat Cohen-Dayag

Title: President and CEO

Certain information in this document, marked by [***], has been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K under the Securities Act of 1933, as amended, because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.

CONFIDENTIAL TREATMENT REQUESTED

EXHIBIT 1.21 CGEN-15022 WORK PLAN

[***, 9 pages]

Certain information in this document, marked by [***], has been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K under the Securities Act of 1933, as amended, because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.

Exhibit 4.6

CONFIDENTIAL TREATMENT REQUESTED

Third Amendment to the
Research and Development Collaboration and License Agreement

This is the third Amendment (hereinafter "Third Amendment") to the Research and Development Collaboration and License Agreement between Bayer Pharma AG, a company formed under the laws of Germany, having a place of business at Muellerstrasse 178, 13353 Berlin, Germany (hereinafter: "BAYER") and Compugen Ltd, a company formed under the laws of Israel, having a place of business at 26 Harokmim Street, Holon 5885849, Israel (hereinafter: "Compugen") effective as of 5 August 2013, as amended on February 5, 2014 and on July 27, 2015 (hereinafter: the "Agreement").

WHEREAS, the Parties wish to amend Exhibit 1.3 specifying the Bayer Development Process; and

WHEREAS, the Parties wish to amend the Agreement to revise certain milestone [***] as a result of the amended Exhibit 1.3, all in accordance with the terms and conditions of this Third Amendment.

NOW THEREFORE IT IS AGREED AS FOLLOWS:

1. The Parties agree to replace Exhibit 1.3 of the Agreement by Exhibit 1.3 attached to this Third Amendment, describing the "Bayer Development Process".

2. The following language shall be added to the end of Section 6.2.1.1:

   ", except that solely with respect to [***] such milestone payment shall be [***] US Dollars ($[***]);"

3. The following language shall be added to the end of Section 6.2.1.2:

   "", except that solely with respect to [***] such milestone payment shall be [***] US Dollars ($[***]);"

4. This Third Amendment shall become effective on the date this Agreement is signed by the last of the Parties to sign it.

5. All capitalized terms used herein shall have the meaning set forth in the Agreement. Except as expressly amended pursuant to this Third Amendment, all other terms and conditions of the Agreement shall remain in force unchanged and apply to this Third Amendment.

Certain information in this document, marked by [***], has been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K under the Securities Act of 1933, as amended, because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.

SIGNED for and on behalf of
Bayer Pharma AG

Date: April 17, 2016

/s/ Dr. Karl Ziegelbauer
Dr. Karl Ziegelbauer
(Head Therapeutic Research Groups)

/s/ Dr. Bertolt Kreft
Dr. Bertolt Kreft
(Head Oncology III)

SIGNED for and on behalf of
Compugen Ltd

Date: April 17, 2016

/s/ Anat Cohen-Dayag
Dr. Anat Cohen-Dayag
(President & CEO)

Certain information in this document, marked by [***], has been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K under the Securities Act of 1933, as amended, because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.

Exhibit 1.3: Bayer Development Process

[***, 3 pages]

Certain information in this document, marked by [***], has been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K under the Securities Act of 1933, as amended, because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.

Exhibit 4.11

Note: This Addendum and the negotiations carried out in connection therewith are not binding to the Lessor until duly signed by the Lessor's authorized signatories.

Azrieli Center Holon

ADDENDUM TO OFFICE LEASE AGREEMENT dated 15.3.15
Option Exercise
(hereinafter – the "**Addendum**")

Made and Entered into in Tel Aviv on 14 October 2020

Among

Kanit Hashalom Investments Ltd.,
Private Company No. 511633158
Of 1 Azrieli Center, Tel Aviv
(hereinafter - the "**Lessor**")

And:

Azrieli Center Holon (Enterprises and Management) Ltd.
Private Company No. 514917178
Of 26 Harokmim St., Holon
(hereinafter - the "**Management Company**")

The First Party;

And:

Compugen Ltd.
Private Company No. 511779639
Of 26 Harokmim St., Holon
(hereinafter: the "**Lessee**")

The Second Party;

Whereas On 15.3.15 the parties have signed an unprotected lease agreement, together with its addendums and exhibits (including the Management Agreement) (the Agreement, together with its addendums and exhibits, hereinafter – the "**Main Agreement**"), in connection with the lease of the Leased Premises, in the center known as Azrieli Center Holon (hereinafter – the "**Center**");

And Whereas Pursuant to the Main Agreement, the Lessee's Lease Term ends on 14.3.21 (hereinafter – the "**Lease Term**");

And Whereas Pursuant to the Main Agreement, the Lessee has the right to extend the Lease Term for an Additional Lease Term, subject to the terms of the Main Agreement;

And Whereas The Lessee has approached the Lessor and requested to extend the Lease Term for an Additional Lease Term;

And Whereas The Lessor and the Management Company have agreed to extend the Lease Term of the Leased Premises, subject to and in accordance with the terms of this Addendum, as further set forth herein:

Therefore It Is Declared, Stipulated and Agreed Among the Parties as Follows:

1. The preamble to this Addendum constitutes an integral part hereof.

2. Capitalized terms used and not otherwise defined in this Addendum shall have the respective meaning ascribed to them in the Main Agreement.

3. The parties hereby agree as follows:

   3.1. The Lease Term shall be extended such that the Lessor hereby leases to the Lessee, and the Lessee hereby leases from the Lessor, in unprotected leasing, the Leased Premises as defined in the Main Agreement, for an Additional Lease Term commencing as of 15.3.21 through 14.3.26 (hereinafter – the "**Additional Lease Term**").

   3.2. Further to and in accordance with Section 3.1 above, the Management Agreement with the Management Company is hereby extended for an additional term until the expiration of the Additional Lease Term. The Lessee confirms and declares that it is aware that the Management Fees payments made by it in accordance with the Main Agreement were merely down payments based on estimates, and that it undertakes to pay any differences, as may be, with respect to the Lease Term, between what the Lessor owes, based on the Management Company's financial reports, and the amounts actually paid by the Lessor, all in accordance with the terms of the Main Agreement.

   3.3. The extension of the Lease Term in accordance with this Addendum constitutes an exercise of the Lessee's right to extend the Lease Term for the First Additional Lease Term. Insofar as the Lessee has further rights to extend the Lease Term for Additional Lease Terms beyond the Additional Lease Term set forth in this Addendum, such rights shall remain in full force and effect, subject to and in accordance with the terms and conditions of the Main Agreement.

   3.4. The Lessee currently holds an area of 245 square meters (gross), that is part of the Leased Premises in building D 12 floor, and that is currently sub-leased by the Lessee to Shviro Land Ltd. (hereinafter – the "**Subleased Premises**"), as well as an area of 215 square meters (gross), that is part of the Leased Premises in building D 12 floor, which the Lessor currently has no use of (hereinafter – the "**Vacant Area**"). Notwithstanding the provisions of Sections 3.1 and 3.2 above, the parties hereby agree that:

      3.4.1. Upon expiration of the Lease Term, the Vacant Area shall be returned to the Lessor, and the Lessor will engage directly with Shviro Land Ltd., and commencing as of the beginning of the Additional Lease Term, the Vacant Area and the Subleased Premises shall no longer be considered part of the Leased Premises for purposes of the Main Agreement and this Addendum. It is hereby clarified that commencing as of the Additional Lease Term, the Lessee will no longer be liable for any payment with respect to the Vacant Area, including Rent and Management Fees. Commencing as of the beginning of the Additional Lease Term, the Area of the Offices and the Laboratories shall be 2,740 square meters (gross).

3.4.2. In addition, notwithstanding the Main Agreement, commencing as of the beginning of the Additional Lease Term:

"**Number Parking Places**" 55 (fifty-five) – whilst 10 of these parking places will be reserved parking places and the remainder (45) will be 'floating' parking places. All other terms of the Main Agreement with respect to the Number Parking Places shall remain unchanged, and it is specifically agreed that a ratio of 120% will be maintained between the number of license plate (numbers) transmitted to the Lessor and the Number Parking Places.

3.4.3. Commencing as of the beginning of the Additional Lease Term: (a) the Rent for the Area of the Offices and the Laboratories, as defined in Exhibit A of the Main Agreement, shall be in the amount of NIS 51 per square meter of the Area of the Offices and the Laboratories, per month, plus linkage differences and VAT as required by law, and a total of NIS 138,465 per month, plus linkage differences and VAT as required by law; and (b) the Rent for the Store-Room Area shall remain unchanged.

3.5. Without derogating from the terms of the Main Agreement with respect to the Second Exemption Period, commencing as of October 15, 2020 and through December 15, 2020, the Lessee shall be exempt of any Rent payments, including Rent for the Store-Room and Parking Fees.

4. For the avoidance of doubt, it is hereby clarified that notwithstanding the provisions of Section 7.5 in Exhibit A of Main Agreement, during the First Additional Lease Term (as defined in the Main Agreement), a raise of 1.5% shall not apply to the Rent and Parking Fees rates that apply prior to the commencement of the First Additional Lease Term.

5. The Lessee hereby undertakes that until the commencement of the Additional Lease Term, the guarantees provided to the Lessor and the insurance policies will be extended and updated, all as set forth in the Main Agreement.

6. It is hereby clarified that the Lessor's signature on this Addendum does not constitute agreement and/or confirmation that the Lessee has met all of its duties and obligations pursuant to the Main Agreement, and the Lessor's signature Addendum does not constitute a waiver of any right and/or claim by the Lessor against the Lessee under the Main Agreement and/or pursuant to applicable law, insofar as such right and/or claim exists.

7. All other terms and conditions of the Main Agreement, unless expressly revised and/or changed in this Addendum, shall remain unchanged and in full force and effect.

In Witness Whereof the Parties Have Set Their Hand:

/s/ Kanit Hashalom Investments Ltd.	/s/ Azrieli Center Holon (Enterprises and Management) Ltd. P.C. No. 514917178	/s/ Compugen Ltd.
The Lessor	The Management Company	The Lessee

Exhibit 4.14

Execution Version

AMENDMENT NO. 2 TO THE LICENSE AGREEMENT

THIS AMENDMENT NO. 2 TO THE LICENSE AGREEMENT (this "***Amendment***") is made and entered into as of September 16, 2020 (the "***Amendment Effective Date***"), by and between MedImmune Limited, a company incorporated in England and a member of the AstraZeneca Group having an address of Milstein Building, Granta Park, Abington, Cambridge, CB21 6GH ("***MedImmune***") and Compugen Ltd., a an Israeli company, having an address of Azrieli Center, 26 Harokmim Street, Building D, Holon 5885849, Israel ("***Compugen***"). MedImmune and Compugen are each referred to in this Amendment as a "***Party***" and collectively, as the "***Parties***".

RECITALS

A. WHEREAS, MedImmune and Compugen are parties to a License Agreement effective as of March 30, 2018, as amended on May 9, 2018 (collectively, the "***Agreement***").

B. WHEREAS, the Parties have agreed to clarify MedImmune's negative covenant with respect to use of Licensed Technology.

C. WHEREAS, in accordance with Section 18.2 of the Agreement, the Parties hereto desire to amend and modify the Agreement in accordance with the terms and subject to the conditions set forth in this Amendment.

NOW, THEREFORE, IN CONSIDERATION OF THE MUTUAL COVENANTS, CONDITIONS AND AGREEMENTS HEREIN CONTAINED, THE PARTIES HEREBY AGREE AS FOLLOWS:

1. Section 2.4 of the Agreement is hereby amended and restated in its entirety to read as follows:

2.4 No Implied Licenses; Negative Covenant.

(a) Except as set forth in this Agreement, neither Party shall acquire any license or other intellectual property interest, by implication or otherwise, under or to any Patents, Know-How, Trademarks, or other intellectual property Controlled by the other Party. MedImmune shall not, and shall not permit its Affiliates or Sublicensees to, practice the Licensed Technology outside the scope of the licenses granted to it under this Agreement.

(b) MedImmune agrees that neither it nor any of its Affiliates shall use or exploit in any way the Licensed Technology in order to conduct any research or development with respect to, or commercialize, any Retained Product, and shall require any Sublicensee to agree to not use or exploit in any way the Licensed Technology in order to research or develop or commercialize any Retained Product.

2. Except as expressly set forth herein, all of the terms and conditions of the Agreement remain unchanged and are in full force and effect. Capitalized terms not otherwise defined in this Amendment shall have the meanings respectively ascribed to them in the Agreement.

3. This Amendment and the Agreement constitute the complete and final and exclusive understanding and agreement of the Parties with respect to the subject matter of the Agreement, and supersede any and all prior or contemporaneous negotiations, correspondence, understanding and agreements, whether oral or written, between the Parties respecting the subject matter of the Agreement.

4. This Amendment may be executed in counterparts, each of which will be deemed an original and both of which will together be deemed to constitute one agreement. The Parties agree that the execution of this Amendment by industry standard electronic signature software and/or by exchanging PDF signatures shall have the same legal force and effect as the exchange of original signatures.

[*Signature page to follow*]

IN WITNESS WHEREOF, the Parties hereto have caused this Amendment to be duly executed by their respective authorized representatives as of the Amendment Effective Date set forth above.

MEDIMMUNE LIMITED

By: /s/ Adam McArthur

Name: Adam McArthur

Title: Assistant General Counsel, Corporate UK

COMPUGEN LTD.

By: /s/ Anat Cohen-Dayag

Name: Anat Cohen-Dayag

Title: President and CEO

Exhibit 8.1

SUBSIDIARIES

Subsidiary	**Jurisdiction**
Compugen USA, Inc.	Delaware

Exhibit 12.1

CERTIFICATION PURSUANT TO

RULE 13a-14(a)/RULE 15d-14(a) UNDER

THE EXCHANGE ACT AND SECTION 302

OF THE SARBANES-OXLEY ACT OF 2002

I, Dr. Anat Cohen-Dayag, certify that:

1. I have reviewed this annual report on Form 20-F of Compugen Ltd.;

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

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the 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 Rules 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: February 25, 2021

/s/ Dr. Anat Cohen-Dayag
Title: President and Chief Executive Officer

Exhibit 12.2

CERTIFICATION PURSUANT TO

RULE 13a-14(a)/RULE 15d-14(a) UNDER THE EXCHANGE ACT

AND SECTION 302

OF THE SARBANES-OXLEY ACT OF 2002

I, Ari Krashin, certify that:

1. I have reviewed this annual report on Form 20-F of Compugen Ltd.;

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

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the 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 Rules 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: February 25, 2021

/s/ Ari Krashin
Title: Chief Financial and Operating Officer

Exhibit 13.1

CERTIFICATION PURSUANT TO

RULE 13a-14(b)/RULE 15d-14(b)UNDER THE EXCHANGE ACT

AND 18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906

OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of Compugen Ltd. (the "Company") on Form 20-F for the fiscal year ended December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company, certify, pursuant to Rule 13a-14(b)/Rule 15d-14(b) under the Securities Exchange Act of 1934, as amended and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to such officer's knowledge:

1. The Report fully complies with the requirements of Sections 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Dr. Anat Cohen-Dayag
Title: President and Chief Executive Officer
Date: February 25, 2021

/s/ Ari Krashin
Title: Chief Financial and Operating Officer
Date: February 25, 2021

Exhibit 15.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-169239, 333-204869, 333-223937, 333-240182, 333, 251263) pertaining to the Employee's share option plans of Compugen Ltd. and Registration Statements on Form F-3 (File No. 333-240183) of our report dated February 25, 2021, with respect to the consolidated financial statements of Compugen Ltd. and the effectiveness of internal control over financial reporting of Compugen Ltd. included in this Annual Report (Form 20-F) for the year ended December 31, 2020.

February 25, 2021
Tel-Aviv, Israel

/s/ KOST FORER GABBAY & KASIERER
A Member Firm of Ernst & Young Global