UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 20-F/A

Amendment No. 1

☐ **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, 2022

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)

Alberto Sessa, 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: **86,624,643 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 ☐

† 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 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. ☒

If securities are registered pursuant to Section 12(b) of the Act indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statement. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

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

If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 ☐ Item 18 ☐

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

☐ Yes ☒ No

EXPLANATORY NOTE

Compugen Ltd. is filing this Amendment No. 1 on Form 20-F/A to its Annual Report on Form 20-F for the fiscal year ended December 31, 2022, as filed with the Securities and Exchange Commission on February 28, 2023, to include updated certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 as Exhibit 13.1, or the Certifications. The Certifications contained in the previously filed Form 20-F inadvertently referred to an incorrect fiscal year end date. This Amendment No. 1 replaces those Certifications with the corrected certifications filed as Exhibit 13.1 hereto.

Pursuant to Rule 12b-15 under the Securities Exchange Act of 1934, as amended, this Amendment No. 1 also contains new certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, which are filed herewith as Exhibit 12.1 and Exhibit 12.2.

Other than as expressly set forth above, Item 19 and the exhibits hereto, this Amendment No. 1 does not, and does not purport to, revise, update, amend or restate the information presented in any Item of the previously filed Form 20-F, nor does it reflect any events that have occurred after the filing of the previously filed Form 20-F.

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CERTAIN DEFINED TERMS

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.

CAUTIONARY STATEMENT REGARDING

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 20-F, or the Annual Report, includes "forward-looking statements" within the meaning of the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, or the Exchange Act, 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.

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. [RESERVED]

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 results, 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 under the caption "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.
- In the near term, we are highly dependent on the success of COM701 and of 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 conduct, may fail to satisfactorily demonstrate safety and/or efficacy, and we, or any collaborator, 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.
- From time to time we publicly disclose preliminary data from our ongoing clinical trials. As more patient data become available the data and the interpretation of the data may change.
- We rely and expect to continue to rely on third parties to conduct our clinical trials. These third parties may not successfully or professionally 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.
- 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.
- Our current and future relationships, and/or the relationships of our collaborators through which we may market, sell, and distribute our products, with healthcare professionals, physicians and other parties 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 and general privacy and security and other healthcare laws and regulations, which could expose us to adverse consequences.
- There are risks that are inherent in the development and commercialization of new therapeutic products.
- We have limited experience in the development of therapeutic product candidates, and we may be unable to implement our business strategy.
- Our approach to the discovery of therapeutic products is based on our predictive computational discovery capabilities that are not yet fully proven 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 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 dependence on collaboration agreements with third parties presents number of risks.
- We operate in a highly competitive and rapidly changing industry which may result in others discovering, developing or commercializing competing products ahead of us or more successfully than we do.
- Given our level of managerial, operational, financial and other resources, our current activities and future growth may be limited.
- We may be unable to safeguard the integrity, security and confidentiality of our data or third parties' data.
- Our information technology systems, or those of our cloud providers, contract research organizations, or CROs, or other contractors or consultants, may fail or suffer security breaches, which could result in a material disruption of our pipeline and our business, as well as to regulatory investigations or actions; litigation; fines and penalties; reputational harm; loss of revenue and other adverse consequences.
- Our business and operations would suffer if our information technology systems or infrastructure or data, or our vendors' or partners', are or were compromised.
- We are subject to stringent and changing obligations related to data privacy and security. Failure or perceived failure to comply with current or future obligations 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.
- 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.

- In the future, we may need to obtain additional licenses of third-party technology or other rights 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 third-party rights and may become involved in litigation, which 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.
- 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 able to meet the continued listing standards of The Nasdaq Stock Market LLC, or Nasdaq, which require a minimum closing bid price of $1.00 per share, which could result in our delisting and negatively impact the price of our ordinary shares and our ability to access the capital markets.
- 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.
- 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.

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, 2022, we had an accumulated deficit of approximately $455.8 million and had incurred net losses of approximately $33.7 million in 2022, approximately $34.2 million in 2021 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 previously entered into three pipeline program-based partnership agreements under which we have received to date a total amount of $90.7 million, including a $32.0 million investment. Currently we have only one clinical collaboration agreement in effect, and we cannot be certain that we will receive additional revenues under this agreement 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, if any, will provide sufficient revenues to achieve 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.

Based on our current plans we believe that our existing cash and cash equivalents and short-term bank deposits will be sufficient to fund operations at least through the end of 2024, 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, if we increase our cash expenditures beyond our current plans, 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 generate significant revenues or achieve profitability at all, and therefore may need additional funds to continue financing our operations. In 2020, we received net proceeds of approximately $74 million from a public offering and approximately $34 million from warrants and option exercises. In 2021, we received a $20 million investment from our former partner, Bristol Myers Squibb Company, or Bristol Myers Squibb. In addition to these equity fund raisings, in 2021 and 2022 we received milestone payments from our partners of $8 million (of which $2 million was recognized as revenues in 2020) and $7.5 million, respectively. We may seek additional capital due to 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. For example, the termination of our collaboration with Bayer Pharma AG, or Bayer, decreases our potential to receive additional funds from existing collaborative agreements. 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 will 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 partners 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 drug development. 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 capabilities to identify novel drug targets and develop potentially first-in-class therapeutics in the field of cancer immunotherapy. Drug target candidates discovered by our predictive computational discovery capabilities 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. Following the termination of the Bristol Myers Squibb and the Bayer collaborations, we currently have only one collaboration in effect with AstraZeneca plc, or AstraZeneca, which was entered into at an early research and development stage and therefore has an inherently high risk of failure. The termination of the collaboration agreements may have varying impacts on our financial position and, specifically, our ability to generate revenue. For example, while the termination of our agreement with Bristol Myers Squibb has different effects on our operations, this termination caused us to lose free access to PD-1 immune checkpoint inhibitor, which has an adverse impact on our expenditure thereby requiring us to purchase PD-1 inhibitor for our clinical studies. The termination of the collaboration agreement with Bayer also has different effects on our operations, but it mainly extinguished our potential to achieve future revenues from such collaboration and may adversely affect the validation potential of our predictive computational discovery capabilities. 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 widespread outbreak of an illness or any other communicable disease, or any other public health crisis, such as the COVID-19 pandemic, and the governmental and societal responses thereto, may negatively impact the global economy and may also adversely affect our business and results of operations.

Over two years after the World Health Organization declared the novel coronavirus, or COVID-19, a pandemic, and after the enactment of governmental responses thereto, COVID-19 continues to impact worldwide economic activity and financial markets, including a continued rapid increase in inflation rates. Variants of COVID-19 have caused and may continue to cause waves of increased infections. As a result of measures imposed by the governments in affected regions, many commercial activities, businesses and schools have been affected by quarantines and other measures intended to contain the pandemic and subsequent variants of the COVID-19 virus. The extent to which the COVID-19 pandemic ultimately impacts our business will depend on future developments, which are highly uncertain and cannot be predicted, such as the duration of the outbreak, including current and subsequent variants of COVID-19, travel restrictions and social distancing in Israel, the United States and other countries, business closures or business disruptions, and the effectiveness of actions taken in Israel, the United States and other countries to contain and treat the disease and to address its impact, including on financial markets or otherwise. 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. For example, the availability of non-human primates has been severely affected and the cost of such animals has heavily increased, and both the availability and pricing are uncertain. If measures, such as those listed above, are taken again or additional measures are required in the event that the measures already taken prove to be insufficient or ineffective to slow the spread of COVID-19 or other global or regional health pandemics or epidemics, 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, slowdown or stoppage of our clinical trials 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 or such other global or regional event 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.

We have taken precautionary measures, and may take additional measures, intended to minimize the risks of the COVID-19 pandemic to our employees and operations. The extent of the impact of the COVID-19 pandemic or any other global or regional event on our operational and financial performance, including our ability to execute our business strategies in the expected time frame or at all, will depend on future developments.

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 partnerships for our 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 on therapeutic pipeline establishment in 2010, we have entered into three partnership agreements with respect to our pipeline programs under which we have received to date a total amount of $90.7 million, of which $32 million in the form of an investment. Currently, only our partnership with AstraZeneca is in effect. We recognized revenue of $7.5 million in 2022, $6.0 million in 2021 and $2.0 million in 2020 from our partnerships. There can be no guarantee that we will achieve the same level of revenue in the future.

We cannot be certain that our focus on discovery, research and drug development in the field of immuno-oncology, along with advancing 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 collaborative arrangements and financial 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, 2022, 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, 2022, 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 of 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 of COM902. Our prospects are substantially dependent on our ability, or that of any existing and future partners, to manufacture, develop, obtain marketing approval for and successfully commercialize COM701 and COM902 as a stand alone or in combination with other drugs. We have reported favorable safety and toxicity profile and preliminary signals of antitumor activity in our ongoing Phase 1 trial with COM701 monotherapy, COM701 combination with nivolumab, and in the triplet combination of COM701, nivolumab and BMS-986207 (anti-TIGIT antibody). We have reported preliminary signals of antitumor activity from our Phase 1 dose escalation monotherapy trial of COM902 with a best response of stable disease. These preliminary clinical results may not predict the final results of the on-going clinical trials or future clinical trials or otherwise be sufficient to attract a partner or support a future drug approval. Many companies in the pharmaceutical, biopharmaceutical and biotechnology industries have suffered significant setbacks or failures in clinical trials after achieving positive results, and we cannot be certain that we will not face similar setbacks or failures.

Our pipeline currently consists of three clinical stage programs, which are at early stage of clinical development. Two, COM701 and COM902 are being developed internally and the third, rilvegostomig (previously known as AZD2936) is being developed by our collaborator, AstraZeneca. Our pipeline also consists of additional future product candidates in early research and preclinical stage, the most advanced of which is COM503, and require substantial development and investment.

If we are able to advance our clinical programs, we will need to expand our personnel and operational capabilities to support these activities. We may also need to raise additional capital in such event. 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 and development path forward would be acceptable to the U.S. Food and Drug Administration, or FDA, or other comparable foreign regulatory authorities, or that, even 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:

- the successful clinical trial design (and implementation thereof) and results;
- our ability to fund clinical trials designed to obtain regulatory approval and to become commercially successful;
- our ability to design trials required to allow for a path for registration or obtain regulatory approval;
- the success of trials designed to allow for a path for registration/approval by regulatory authorities;
- our selected regulatory strategy;
- our timely initiation, enrollment and completion of clinical trials;
- demographics, past therapy and other criteria of patients enrolled, even if they meet the inclusion/exclusion enrollment criteria;
- a safety, tolerability and efficacy profile, alone or in combination with other approved or investigational products, that is satisfactory to the FDA or comparable foreign regulatory authorities;
- selection of drug dosing;
- selection of indications;
- selection of drug(s) for combinations;
- access to drugs required for combination studies or approval;
- successful identification of biomarkers, including for patient selection;
- 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 and processes with third-party service providers and clinical manufacturing organizations for manufacturing drug substance and drug product;
- establishment and monitoring of arrangements with third-party suppliers of raw materials and service for fill-finish, packaging and labeling;
- stability of our drug substance and drug products;
- supply of our drugs in sufficient quantities and quality for our clinical trials;
- establishment of arrangements with third-party manufacturers and processes monitoring to obtain commercial quality 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; and
- commercial acceptance by patients, the medical community and third-party payors.

Many of these factors are beyond our control, including clinical development by us and our competitors, the regulatory submission and review 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.

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

We are currently winding down of all of our combination clinical trials of COM701 in collaboration with Bristol Myers Squibb in patients with advanced malignancies and we do not have any patient on our Phase 1 combination trial of COM902 with COM701. We expect to start enrolling patients to clinical trial of COM701 in combination with COM902 and pembrolizumab in patients with metastatic microsatellite stable colorectal cancer in the first quarter of 2023 and expect to start enrolling patients to clinical trials of COM701 in combination with COM902 and pembrolizumab in patients with platinum resistant ovarian cancer in the second quarter of 2023. Our anticipated time to data in these trials is subject to our ability to enroll a sufficient number of eligible patients that will need to be enrolled for observing clinical activity, if at all. There can be no assurance that we will complete enrollment or have data from the trials when we anticipate or at all and there is no guarantee that replacing pembrolizumab with nivolumab and COM902 with BMS-986207 in our new combination trials will not cause other adverse effect that will not allow us, among others, to complete such clinical trials. 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 clinical trial 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 or even before any/sufficient imaging assessment, 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 are already clinically investigating their own therapeutic candidates against PVRIG, the target of COM701, or against TIGIT, the target of COM902, which may hamper the enrollment of patients in our trials for COM701 or COM902. For example, in case of COM701, GSK plc, or GSK, is conducting a First-Time-in-Human study for GSK4381562 (formerly SRF813), and Junshi Biosciences announced in April 2022 FDA IND approval for JS009, and Hengrui is conducting a Phase 1 study with SHR-2002, a PVRIG/TIGIT bi specific. These programs are PVRIG targeting antibodies. In the case of COM902, there are a significant number of anti-TIGIT antibodies that are currently in clinical trials such as tiragolumab by Roche, vibostolimab by Merck, ociperlimab by Beigene, domvanalimab and AB308 by Arcus, BMS-986207 by Bristol Myers Squibb, GSK4428859A by GSK, and others (some of which are in a more advanced clinical stage than COM902). As a result, we must compete with them for clinical sites, clinicians' interest and the limited number of patients who fulfill the stringent requirements for participation in clinical trials in general. Also, patient enrollment may be limited due to changes in the regulatory landscape in the indications of interest to us. 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.

Clinical trials of any product candidates that we, or any current or future collaborators may conduct, may fail to satisfactorily demonstrate safety and/or efficacy, and we, or any collaborator, 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 any jurisdiction without obtaining marketing approval from the relevant regulatory authority, such as the FDA in case of the United States. We, and any collaborators, must complete 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 preliminary safety and anti-tumor activity results reported from our ongoing Phase 1 trial for COM701 and COM902 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 further advancement of clinical development 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:

- cease the development of the product candidates;
- 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.

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 amend a clinical trial or 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 trial design or trial amendment;
- delays in reaching agreement on acceptable terms with prospective 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 trial operations or trial 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;
- failure to perform in accordance with the FDA's Good Manufacturing Practice, or GMP, 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 or can financially support, 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 or in the regulatory landscape 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;
- 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 and other 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 clinical development programs may harm our business, financial condition and prospects significantly.

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

From time to time, we publish preliminary or interim investigator assessed data from our ongoing clinical trials. Preliminary data remain subject to audit confirmation and verification procedures that may result in the final data being materially different from the preliminary data we previously published. Preliminary data are also subject to the risk that one or more of the clinical outcomes may materially change as time goes by and cutoff date changes, patient enrollment continues and with further patient monitoring where more patient data become available. As a result, preliminary data should be viewed with caution until clinical trial completion where 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.

We rely and expect to continue to rely on third parties to conduct our clinical trials. These third parties may not successfully or professionally 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 heavily and will continue to 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 our 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.

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 materially increase and our ability to generate revenue could be significantly adversely impacted, if our clinical investigators, CROs or other third parties providing us services fail to successfully carry out their contractual duties or obligations diligently and in a professional manner or fail to meet their expected deadlines.

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 clinical trial for COM902, which targets TIGIT, in March 2020. There are additional companies that have a program targeting TIGIT in clinical trials, such as GSK, Merck, Roche, Bristol Myers Squibb, BeiGene, and Arcus. We have no control over their clinical trials or development programs, and lack of or insufficient efficacy such as recently reported for Roche's TIGIT targeting antibody tiragolumab in SCLC and NSCLC, 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.

The same risk applies to COM701 since other anti-PVRIG antibodies such as GSK's GSK4381562 (formerly SRF813), Junshi's JS009, and Hengrui's PVRIG/TIGIT bi-specific, SHR-2002, entered the clinic.

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, in addition to the shipment and storage thereof, 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, vendor or operator error leading to process deviations or any other factor. 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 to support us in the event we experience any problems with our current manufacturers. If we are unable to arrange for alternative third-party manufacturing sources or are unable to reserve another manufacturing slot with our current manufacturers or are unable to do so on commercially reasonable terms or in a timely manner, or are unable to provide backup drug, we may incur additional costs or be delayed in the development or delivery of our current and future product candidates, and even fail to supply drug to patients on study treatment on time or at all, each event of which can cause us material harm.

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

Our therapeutic pipeline is focused mainly on monoclonal antibodies, or 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 and legal 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, or other legal obligations 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 or order to destroy or not use personal data;
- 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 may require companion or complimentary diagnostics and/or biomarkers for our clinical trials, or a portion of our clinical trials, and may be required to have such in order 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 outcome.

Companion or complimentary diagnostics are subject to regulation by the FDA and comparable foreign regulatory authorities and may require separate regulatory authorization prior to commercialization. We may require for our clinical trials or 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 for the tumor and blood samples' handling, processing, and analysis, discovery, development, and validation of these potential biomarker candidates, biomarkers and/or companion diagnostics, 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 the required companion diagnostics and/or biomarkers for our clinical programs, or develop with altered specifications, or experience delays in doing so, the development of our clinical candidates may be adversely affected and this can harm our patient selection and our clinical outcome, as well as obtaining marketing authorization for these product candidates.

Our current and future relationships, and/or the relationships of our collaborators through which we may market, sell, and distribute our products, with healthcare professionals, physicians and other parties 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 and general privacy and security and other healthcare laws and regulations, which could expose us to adverse consequences.

Our current and future business operations, 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, health information and general 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 health information and general security and privacy laws that restrict our practices with respect to the use and storage of certain health information and other 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

There are risks that are inherent in the development and commercialization of new 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 selecting the appropriate tumor type, indication or patient population for the therapeutic product candidate;
- 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 identifying or developing a biomarker or companion diagnostic for our therapeutic product candidates;
- 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;
- we will not choose or have access to the right drug combination for our therapeutic product candidates;
- we will not select or find the appropriate dosing regimen;
- 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 or with the drug stability required;
- the discovery of drug targets and the discovery, development or commercialization of our therapeutic product candidates will 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.

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 is limited. 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.

If we are not able to attract, retain and motivate necessary personnel or third party service providers or collaborators 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.

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 potentially first-in-class therapeutics in the field of cancer immunotherapy, 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. Our predictive computational discovery capabilities are a source for the development of potential first-in-class therapeutics in the field of cancer immunotherapy, 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 that we believe are 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 capabilities that are not yet fully proven 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 capabilities and involves first identifying unmet needs in the field of cancer immunotherapy, where we believe our predictive computational discovery capabilities 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 capabilities, or develop new capabilities, to identify novel drug targets for addressing such unmet patient need.

While we believe that applying our predictive computational discovery capabilities to identify new drug targets may potentially enable the development of potentially first-in-class therapeutics in the field of cancer immunotherapy, our capabilities are yet not fully proven 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 potential first-in-class therapeutic product candidates in the field of cancer immunotherapy, they are in early stages of research and development or in clinical stage, with COM701 having entered the clinic in 2018, COM902 which entered the clinic in March 2020 and rilvegostomigwhich entered the clinic in the fourth quarter of 2021. 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 discovery and therapeutic development activities is on mAb therapeutics in the field of immuno-oncology for treatment of cancer. As a result, we are not undertaking internal discovery and development activities in other therapeutic areas or for other drug modalities, and presently we only pursue activities in our area of focus. If our current candidates fail, or if we fail to continue to discover and develop therapeutic product candidates of clinical value and medical 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 cancer immunotherapies, although there have been positive clinical results reported by others resulting in some products gaining approval by the FDA, 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, with only one of them with AstraZeneca still in effect. 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 our decision to focus on immuno-oncology that include, among others:

- not being able to discover new drug targets in this field;
- our full scope of target discovery capabilities may not be adequate;
- not having chosen the right therapeutic area;
- having chosen a therapeutic area with a very high degree of competition;
- industry interest in this area or in specific classes/families of drug targets within this area of focus would decrease over time;
- having chosen 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 identify 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 and preliminary amount 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.

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 development and commercialization of products based on our drug target and therapeutic product candidates depends on third parties to carry out and/or finance, the research, development and commercialization of such products, principally by pharmaceutical and biotechnology companies and other healthcare related organizations and CROs, 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, only one of which, with AstraZeneca, is still in effect. We cannot be sure that the partnership agreement with AstraZeneca 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 our preclinical and 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 and quantity 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 and/or commercial-scale of drug substance and drug products required for any clinical trials that we initiate and other related services. 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. We have entered into manufacturing and supply agreements with third parties for the manufacturing and respective analytics of each of COM701 and COM902, for which we have ongoing Phase 1 clinical trials. In addition, in October 2018 we entered into a master clinical trial collaboration agreement, as amended from time to time, or the MCTC, with Bristol Myers Squibb, to evaluate combinations of COM701 with Bristol Myers Squibb's PD-1 immune checkpoint inhibitor Opdivo® and its investigational antibody targeting TIGIT known as BMS-986207. Pursuant to the MCTC, which is now terminated, Bristol Myers Squibb provided us at no cost Opdivo® and BMS-986207.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 late-stage pivotal clinical trial(s) and 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 manufacturer 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 timeline, quality and quantity, 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, labelling, 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 and delay to our clinical supply chain;
- 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 number of risks.

The risks that we face in connection with our existing collaboration 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 current and/or future 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;
- collaborators generally 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;
- collaborators generally have significant discretion in terminating the collaborations for scientific, clinical, business or other reasons;
- if our current and/or future 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 current and/or future collaborators may fail to design and implement or analyze appropriate preclinical and/or clinical trials;
- our current and/or future collaborators may not have access to the drug combination treatment required for an effective treatment;
- our current and/or future collaborators may not be able to identify biomarkers that may be required for further product development or approval;
- our current and/or future collaborators may require us changing or adopting the trial design to fit their business priorities, standards and other objectives;
- our current and/or future 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 current and/or future collaborators may fail to develop and market products based on our discoveries due to various development hurdles or regulatory restrictions;
- our current and/or future 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 current and/or future collaborators may terminate the program or the agreement and then compete against us in the development or commercialization of similar therapeutics;
- our current and/or future 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 current and/or future collaborations may be disputed;
- our ownership of rights in any intellectual property or products that may result from our current and/or future collaborations may depend on additional investment of resources that we may not be able or willing to make;
- current and/or future collaborators may pursue alternative products or technologies, by internally developing them or by preferring those of our competitors;
- disagreements between us and our current and/or future collaborators may lead to delays in, or termination of, the collaboration;
- our current and/or future 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 current and/or future collaborators may not choose the right drug combinations for our therapeutic product;
- our current and/or future collaborations may face internal competition by their 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 current and/or future collaborators 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 these collaborators.

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

Our existing partnership agreement with AstraZeneca is subject to many risks.

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. Under the terms of the license agreement, we provided an exclusive license to AstraZeneca to use our monospecific antibodies that bind to TIGIT, including COM902, for the development of bi-specific and multi-specific antibody products, excluding such bi-specific and multi-specific antibodies that also bind to PVRIG, PVRL2 and/or TIGIT. In connection with such license agreement, AstraZeneca developed rilvegostomig, a novel TIGIT/PD-1 bi-specific antibody with a TIGIT component that is derived from our COM902. 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 as further specified in the license agreement. In addition, AstraZeneca may terminate the agreement for convenience upon prior written notice.

If significant adverse unforeseen events occur in this collaboration or it is 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 activities heightens the risks faced by our business.

We outsource many of our activities and many key functions to third parties, including major preclinical activities, drug development activities, manufacturing operations, research, validation, discovery and others. 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 services, results, our 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 services or 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 data, services and/or technologies 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, clinical trials or other 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 or may not serve us as well as other drugs.

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, registration and commercialization. Furthermore, if we pursue clinical trials with third parties to further develop our drug candidates to work in combinations with such other drugs for selected indications and those third parties' drugs have not received regulatory approval for an indication of interest to us, such clinical trial may not provide us a path for registration and therefore may not serve us best as other drug(s) in the relevant indication.

Risks Related to Competition and Commercialization

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 revenues from such products or product candidates. To date, we have entered into three partnership agreements with respect to our pipeline programs, only one of which, with AstraZeneca, is currently in effect. There can be no assurance that our current or any 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 and product candidates, our business may be materially harmed.

Currently we have an ongoing collaboration with AstraZeneca, pursuant to which rilvegostomig, a novel anti-PD-1/TIGIT bispecific antibody with a TIGIT component that is derived from our COM902 program, entered into a Phase 2 clinical trial in the fourth quarter of 2022. In addition, we have two clinical programs fully owned by us, COM701 and COM902, and a pre-clinical program, COM503, all of which are available for partnering arrangements.

There can be no assurance that we will be able to establish collaborations for COM701 or additional collaborations COM902 or for our early-stage programs in the target discovery, research, validation and preclinical stage. Failure to enter into collaborations, may materially harm our business. The research and validation data generated to date for our early-stage pipeline and the clinical data generated to date for COM701 and COM902 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, our drug target candidates or therapeutic product candidates may not fit their corporate or clinical strategy. These companies may require more data, including their independent testing of our early-stage 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 collaborative arrangement of our therapeutic product candidates, and as a result may harm our business.

Additionally, we may not be able to demonstrate efficacy or safety, prove our scientific or 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 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® and thereafter amended such agreement to further evaluate the safety, tolerability and antitumor activity of COM701 in combination with Opdivo® and with and Bristol Myers Squibb's investigational antibody targeting TIGIT known as BMS-986207. On August 3, 2022, we entered into a letter agreement with Bristol Myers Squibb pursuant to which the MCTC between the parties was terminated as of such date. 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 our existing collaboration. Failure to enter into clinical collaborations to pursue drug combinations 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. Furthermore, using our therapeutic product candidates as part of combinations therapy may result in a situation under which our therapeutic product candidates will be entitled to only a fraction of the anticipated product revenues.

We operate in a highly competitive and rapidly changing industry which may result in others discovering, developing or commercializing competing products ahead of 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 could result in even more resources being concentrated among a small number of our competitors or change in potential acquirers' preferences. In addition, increased industry interest and deals in the anti-TIGIT and anti-PVRIG field may further enhance the competition for our clinical stage assets COM902 and COM701 and may include companies with significantly greater resources and capabilities than we have. For example, in January 2022 Coherus exercised its option to Junshi Biosciences' TIGIT-targeted antibody JS006 and initiated phase 1 clinical trials, in December 2021 Novartis signed an option, collaboration and license agreement with Beigene for its TIGIT inhibitor ociperlimab, in November 2021 Gilead and Taiho each exercised its option to Arcus' anti-TIGIT antibodies domvanalimab and AB308 each pursuant to its respective territorial rights, in June 2021 GSK and iTeos Therapeutics entered into an agreement to co-develop and co-commercialize iTeos' anti-TIGIT antibody EOS-448, and in December 2020 GSK licensed worldwide development and commercial rights to Surface Oncology's preclinical program SRF813 (now GSK4381562), an antibody targeting PVRIG which has received FDA IND clearance in December 2021 and initiated phase I studies.

Competition may further increase as a result of advances in the commercial applicability of technologies similar to our predictive computational discovery capabilities 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. In addition, it is possible that because of adverse or volatile capital market conditions, companies may be willing to enter into mergers and acquisition transactions or other sale of asset transactions on terms more favorable to acquirer and thereby further intensify competition. 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 collaboration 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, compliance regimen, 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 a 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 validation stage or drug discovery stage 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 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 prediction and has no or limited published scientific support, as opposed to drug targets backed 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.

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.

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 capabilities to identify drug targets. Our competitive position could be materially harmed if our competitors develop capabilities similar to ours and identify and develop rival drug targets and product candidates.

We rely on 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 capabilities. Know-how can be difficult to protect and enforce. In particular, we anticipate that with respect to our capabilities, 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. Since our competitors develop products that compete with COM701 or COM902 or any future product candidates we develop, our ability to develop and commercialize these product candidates 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. 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, for COM701 and COM902, and expect to continue to face for our future therapeutic product candidates, 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 immuno-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 and in many cases, PD-1 or PDL-1 inhibitors that are serving or will be serving as the backbone of cancer immunotherapy;
- 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, 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. Since its enactment, there have been congressional, judicial, and executive challenges to the ACA, which have resulted in delays in the implementation of, and action taken to repeal or replace, certain aspects of the ACA For example, on June 17, 2021 the U.S. Supreme Court dismissed a challenge on procedural grounds that argued the ACA is unconstitutional in its entirety because the "individual mandate" was repealed by Congress. In addition, there have been a number of health reform initiatives by the Biden administration that have impacted the ACA. On August 16, 2022, President Biden signed the Inflation Reduction Act of 2022, or the IRA, into law, which among other things, extends enhanced subsidies for individuals purchasing health insurance coverage in ACA marketplaces through plan year 2025. The IRA also eliminates the "donut hole" under the Medicare Part D program beginning in 2025 by significantly lowering the beneficiary maximum out-of-pocket cost through a newly established manufacturer discount program. It is possible that the ACA will be subject to judicial or congressional challenges or additional health reform measures of the Biden administration will impact the ACA and our business.

In addition, the IRA, among other things, (i) directs the Secretary of HHS to negotiate the price of certain high-expenditure, single-source drugs and biologics covered under Medicare Part B and Medicare Part D, and subjects drug manufacturers to civil monetary penalties and a potential excise tax by offering a price that is not equal to or less than the negotiated "maximum fair price" under the law, and (ii) imposes rebates under Medicare Part B and Medicare Part D to penalize price increases that outpace inflation. The IRA permits HHS to implement many of these provisions through guidance, as opposed to regulation, for the initial years. These provisions will take effect progressively starting in fiscal year 2023, although they may be subject to legal challenges. It is currently unclear how the IRA will be implemented but is likely to have a significant impact on the pharmaceutical industry. Further, the Biden administration released an additional executive order on October 14, 2022, directing HHS to submit a report within 90 days on how the Center for Medicare and Medicaid Innovation can be further leveraged to test new models for lowering drug costs for Medicare and Medicaid beneficiaries. At the state level, legislatures have increasingly passed legislation and implemented regulations designed to control pharmaceutical and biological product pricing, including price or patient reimbursement constraints, discounts, and restrictions on certain product access. In some cases, such legislation and regulations have been designed to encourage importation from other countries and bulk purchasing.

We expect that the ACA, the IRA, and any other healthcare reform measures that may be adopted in the future may result in additional reductions in Medicare and other healthcare funding, more rigorous coverage criteria, new payment methodologies and additional downward pressure on the price that we receive for any approved product. Any reduction in reimbursement from Medicare or other government programs may result in a similar reduction in payments from private payors. The implementation of cost containment measures or other healthcare reforms may prevent us from being able to generate revenue, attain profitability or commercialize our product candidates, if approved.

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.

Additionally, we or our collaborators may develop companion diagnostic tests for use with our product candidates. We, or our collaborators, will be required to obtain coverage and reimbursement for these tests separate and apart from the coverage and reimbursement we seek for our product candidates, once approved. While we have not yet developed any companion diagnostic test for our product candidates, if we or our collaborators do, there is significant uncertainty regarding our ability to obtain coverage and adequate reimbursement for the same reasons applicable to our product candidates.

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 a 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.

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 can also be difficult for us to find employees with appropriate experience for our business, which difficulty is further heightened when seeking experienced personnel in Israel. 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 and clinical 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.

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, and the third parties upon whom we rely, process, collect, receive, store, process, generate, use, transfer, disclose, make accessible, protect, secure, dispose of, transmit, and share (collectively, processing) proprietary, confidential, and sensitive data, including personal data (such as health-related data), intellectual property, trade secrets and other sensitive data the Company may process (collectively, sensitive information). 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 proprietary data. This could result in unauthorized, unlawful, or accidental acquisition, modification, destruction, loss, alteration, encryption, disclosure of, or access to our sensitive or proprietary information or our information technology systems, or those of the third parties upon whom we rely. 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, which could be used to undermine our competitive advantage or market position.

Our information technology systems, or those of our cloud providers, CROs or other contractors or consultants, may fail or suffer security breaches, which could result in a material disruption of our pipeline and our business, as well as to regulatory investigations or actions; litigation; fines and penalties; reputational harm; loss of revenue and other adverse consequences.

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 information technology systems, cloud based computers and those of our CROs and other contractors and consultants are vulnerable to damage. Cyber-attacks, malicious internet-based activity, online and offline fraud, and other similar activities threaten the confidentiality, integrity, and availability of our sensitive information and information technology systems, and those of the third parties upon which we rely. Such threats are prevalent and continue to rise, are increasingly difficult to detect, and come from a variety of sources, including traditional computer "hackers," threat actors, "hacktivists," organized criminal threat actors, personnel (such as through theft or misuse), sophisticated nation states, and nation-state-supported actors. Some actors now engage and are expected to continue to engage in cyber-attacks, including without limitation nation-state actors for geopolitical reasons and in conjunction with military conflicts and defense activities. During times of war and other major conflicts, we or the third parties upon which we rely may be vulnerable to a heightened risk of these attacks, including retaliatory cyber-attacks, that could materially disrupt our systems and operations. 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 and could materially harm our operations and even cause our business to cease. 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 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. While we are taking different measures as aforesaid, software such as those used by us can contain errors, defects, security vulnerabilities or software bugs that are difficult to detect and correct, and in a penetration test performed by our security vendor, there were critical vulnerabilities identified related to certain internal network operations that we are actively working to remedy and mitigate any effects they may have on our business, though, even if we are able to obtain a patch or other fix to address such vulnerabilities, such fix may be difficult to implement or otherwise be delayed or become ineffective during the passage of time. 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.

The reliability and continuous availability of our information technology is critical to our success. However, software such as those used by us can contain errors, defects, security vulnerabilities or software bugs that are difficult to detect and correct, particularly when such vulnerabilities are first introduced or when new versions or enhancements are released. Additionally, even if we are able to obtain a patch or other fix to address such vulnerabilities, such fix may be difficult to implement or otherwise be delayed. For example, in connection with a penetration test performed by our security vendor, there were critical vulnerabilities identified related to certain internal network operations. We are actively working to remedy the vulnerabilities and mitigate any effects they may have on our business.

Our business and operations would suffer if our information technology systems or infrastructure or data, or our vendors' or partners', are or were compromised.

We, our vendors and our partners collect, store, use, transmit, disclose, or otherwise process, or Process, proprietary, confidential, and sensitive data, including personal data of our employees, clinical trial patients, and others, intellectual property and trade secrets. We rely on third-party service providers and technologies to operate critical business systems to process sensitive information in a variety of contexts, including, without limitation, cloud-based infrastructure, data center facilities, encryption and authentication technology, employee email, and other functions. We also rely on third-party service providers to provide other services necessary to operate our business, including our CROs. Our ability to monitor these third parties' information security practices is limited, and these third parties may not have adequate information security measures in place. We, our vendors and our partners rely on information technology systems, including those provided by third-party service providers, 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. Our ability to monitor our vendors' and partners' information security practices is limited, and these third parties may not have adequate information security measures in place. Our information technology systems, and those of our vendors' and partners', are vulnerable to a variety of evolving threats from various sources, including traditional computer hackers, personnel (such as through theft or misuse), threat actors, sophisticated nation states, and nation-state-supported actors. These threats include but are not limited to social-engineering attacks, malicious code (such as viruses), malware, denial-of-service attacks, ransomware attacks, supply-chain attacks, server malfunctions, software or hardware failures, or other disruptive events including but not limited to natural disasters. Remote work has become more common and has increased risks to our information technology systems and data, as more of our employees utilize network connections, computers and devices outside our premises or network, including working at home, while in transit and in public locations. If we or our vendors or partners were to suffer a security breach or other interruption, we could experience unauthorized, unlawful, or accidental acquisition, modification, destruction, loss, alteration, encryption, disclosure of, or access to our data or data held by us or our vendors and partners (including personally identifiable information or personal data). Although we have implemented security measures designed to protect against security breaches and other incidents and maintain offsite back-ups of our data, such measures may fail. Security breaches, vulnerabilities, and other inappropriate access can be difficult to detect because such threats and techniques change frequently and are often sophisticated in nature. If we or our vendors and partners experience (or are perceived to have experienced) a security breach or other incident or disruption, we may experience adverse consequences, including but not limited to, government enforcement actions (e.g., investigations, fines, penalties, audits, and inspections), federal, state and/or foreign data breach notification obligations, additional reporting requirements and/or oversight, restrictions on processing data (including clinical trial data), litigation, indemnification obligations, loss of data (including clinical trial data) or damage to the integrity of that data, negative publicity, reputational harm, monetary fund diversions, interruptions in our operations, financial loss, and other similar harms. Such attended consequences may interrupt our clinical trials, reduce demand for our product candidates, and delay or negatively impact the development and commercialization of our product candidates and ability to grow and operate our business. We may expend significant resources or modify our business activities (including our clinical trial activities) to try to protect against security incidents.If our third-party service providers experience a security incident or other interruption, we could experience adverse consequences. While we may be entitled to damages if our third-party service providers fail to satisfy their privacy or security-related obligations to us, any award may be insufficient to cover our damages, or we may be unable to recover such award. Furthermore, our contracts may not contain limitations of liability, and even where they do, there can be no assurances that limitations of liability in our contracts are sufficient to protect us from liabilities, damages, or claims related to our data privacy and security obligations. We cannot be sure that our insurance coverage will be adequate or sufficient to protect us from or to mitigate liabilities arising out of our privacy and security practices, that such coverage will continue to be available on commercially reasonable terms or at all, or that such coverage will pay future claims. Moreover, failure to maintain effective internal accounting controls related to data security in general could impact our ability to produce timely and accurate financial statements and could subject us to regulatory scrutiny.

We are subject to stringent and changing obligations related to data privacy and security. Failure or perceived failure to comply with current or future obligations 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, our vendors and our partners collect, receive, store, process, generate, use, transfer, disclose, make accessible, protect, secure, dispose of, transmit, and share (collectively, processing) proprietary, confidential, and sensitive data, including personal data, data we collect about trial participants in connection with clinical trials, sensitive third-party data, trade secrets, intellectual property, and other sensitive data. We and our vendors and partners may be subject to numerous data privacy and security obligations, such as various federal, state, local and foreign data laws, regulations, guidance, industry standards, external and internal privacy and security policies, contracts, and other obligations that govern the processing of personal data by us and on our behalf. 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 data apply to our operations or the operations of our collaborators. For example, the federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act, or HITECH, imposes specific requirements relating to the privacy, security, and transmission of individually identifiable health information. The Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 ("CAN-SPAM") imposes specific requirements on our correspondence with subscribers for email communication. Additionally, laws in all 50 states require businesses to provide notice to parties 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 enacted the California Consumer Privacy Act, or the CCPA, which provides for civil penalties for violations, as well as a private right of action for data breaches. The California Privacy Rights Act, or the CPRA, which took effect in most material respects on January 1, 2023, significantly modifies the CCPA, potentially resulting in further uncertainty as the California Privacy Protection Agency is still working to promulgate final rules. The CCPA, as amended requires businesses to provide specific disclosures in privacy notices and honor requests of California residents to exercise certain privacy rights. The CCPA provides for civil penalties of up to $7,500 per violation and allows private litigants affected by certain data breaches to recover significant statutory damages. Although the CCPA exempts some data processed in the context of clinical trials, the CCPA increases compliance costs and potential liability with respect to other personal data we maintain about California residents. Other states, such as Virginia and Colorado, have also passed comprehensive privacy laws, and similar laws are being considered in several other states, as well as at the federal and local levels. While these states, like the CCPA, also exempt some data processed in the context of clinical trials, these developments further complicate compliance efforts, and increase legal risk and compliance costs for us and the third parties upon whom we rely. An increasing number of foreign data protection laws may also apply to health-related and other personal data obtained from individuals outside of the United States. For example, the European Union's General Data Protection Regulation, or EU 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. In addition, we are also subject to the Israeli Privacy Protection Law 5741-1981 and the regulations promulgated thereunder, or the PPL, including the Israeli Privacy Protection Regulations (Data Security) 2017, imposing obligations with respect to the manner personal data is processed, maintained, transferred, disclosed, accessed and secured, as well as the guidelines of the Israeli Privacy Protection Authority. In this respect, the PPL may require us to adjust certain data protection and data security practices, information security measures, certain organizational procedures, applicable positions and other technical and organizational security measures. Failure to comply with the PPL and with guidelines issued by the Israeli Privacy Protection Authority, may expose us to administrative fines, civil claims (including class actions) and in certain cases criminal liability. Furthermore, many jurisdictions have enacted data localization laws and cross-border personal data transfer laws, which could make it more difficult to transfer information across jurisdictions (such as transferring or receiving personal data that originates in the European Economic Area). Existing mechanisms that may facilitate cross-border personal data transfers may change or be invalidated. For example, absent appropriate safeguards or other circumstances, the EU GDPR regulates transfers of personal data subject to the EU 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. In addition, the United Kingdom similarly restricts transfers of personal data outside of those jurisdictions to countries such as the United States that do not provide an adequate level of personal data protection. If we cannot implement a valid compliance mechanism for cross-border data transfers, we could experience material adverse effects. Our obligations related to privacy and security are quickly changing in an increasingly stringent fashion, creating some uncertainty as to the effective future legal framework. Additionally, these obligations may be subject to differing applications and interpretations, which may be inconsistent or in conflict among jurisdictions. Preparing for and complying with these obligations requires us to devote significant resources (including, without limitation, financial and time-related resources). These obligations may necessitate changes to our practices and to those of any third parties that process personal data on our behalf. In addition, these obligations may require us to change our business model. Compliance with privacy and security obligations 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 or perceived failure by us or our collaborators to comply with U.S. and foreign data privacy or security obligations could result in government enforcement actions (which could include civil or criminal penalties), private litigation, bans on processing personal data, 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 privacy or security obligations 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.

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 fail to 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.

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 other jurisdictions 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 all our intellectual property or prevent others from designing their products in a way 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. For example, in October 2020, two parties, one being GSK (following an assignment), filed oppositions in the European Patent Office, or EPO, requesting revocation of our granted European patent relating to anti-PVRIG antibodies. Following our response, a preliminary non-binding opinion of the European opposition division was received in October 2022, with a summons to attend oral proceedings in July 2023. The opposition division preliminary non-binding opinion accepts some of our arguments filed in our response in March 2021 and acknowledges that the formal requirements of the priority claim of the patent that is the subject matter of the opposition are being successfully met. Nevertheless, the preliminary non-binding opinion states that the requirements of novelty and inventive step for the said patent are not met, mainly because the oppositions division believes that our priority documents do not contain sufficient data that plausibly link anti-PVRIG antibodies to activation of T cells and/or NK cells, and to the treatment of cancer. Based on similar considerations the division considers the claimed subject-matter insufficiently disclosed in the patent. We plan to timely respond the preliminary non-binding opinion. In January 2023, another opposition was filed by GSK, requesting revocation of our granted European patent relating to method of screening for inhibitors of the binding association of PVRIG polypeptide with PVRL2. We plan to timely respond to this opposition.

Furthermore, changes in either the patent laws or interpretation of the patent laws in the United States or other jurisdictions could weaken our ability to obtain new patents or to enforce our existing patents and patents that we might obtain in the future and increase the uncertainties and costs surrounding the prosecution of patent applications, and the enforcement or defense of our issued patents. Such changes could diminish the value of our patents and applications, thereby impairing our ability to protect our product candidates, and could have a material adverse effect on our business, financial condition, results of operations and prospects. For example, 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. 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, on the grounds that it failed to satisfy the requirements found in Section 112 of the Patent Act, 35 U.S.C. § 112. In doing so, the Federal Circuit called into question the validity of numerous existing patents. In November 2022, the Supreme Court granted certiorari in *Amgen v. Sanofi*, agreeing to review the Federal Circuit's "full scope of the claimed embodiments" test for enablement. Nonetheless, in the current IP environment in the U.S., we may not be able to obtain or defend broad patent protection on our antibody inventions.

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 protection.

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 biological molecules- and/or use of certain therapeutic targets;
- 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;
- 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 or proteins 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 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;
- 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 respective patent office, 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 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.

In the future, we may need to obtain additional licenses of third-party technology or other rights 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 or other rights 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 or opposition 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. In this respect, in October 2020, two parties, one being GSK (following an assignment), filed oppositions in the EPO requesting revocation of our granted European patent relating to anti-PVRIG antibodies that expires in 2036 as further described above, and in January 2023, another opposition was filed by GSK, requesting revocation of our granted European patent relating to method of screening for inhibitors of the binding association of PVRIG polypeptide with PVRL2. 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 an 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. 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. We may be further subject to ownership disputes in the future arising, for example, from conflicting obligations of consultants or others who are involved in developing our product candidates, resulting, among others, in disputes regarding ownership interest in our patents or other intellectual property. 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 deprive our rights in such 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 and prohibit us from using them. 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, or 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. 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 generally and with respect to us specifically), 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;
- 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 security 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 or assign our inventions to third parties, 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, financial condition and results of operations. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to maintain trade secret protection could adversely affect our competitive business position. In addition, others may independently discover or develop our trade secrets and proprietary information, and the existence of our own trade secrets affords no protection against such independent discovery.

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

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 Emirates, 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), which in some occasions resulted in missiles being fired from the Gaza Strip against civilian targets in various parts of Israel, including areas in which our employees are located, and negatively affected business conditions in 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 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, 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 Israel's 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.

In addition, recent political and civil actions in Israel during the months of January and February 2023, resulting from, among other things, proposed changes to certain Israeli constitutional legislation, may have an adverse effect on the Israeli social, economic and political landscape and in turn, on us. However, it is difficult to predict at this time what the effect of such actions will be, if any.

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 or that it will sufficiently cover our damages.

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 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 dollar and the NIS, which may have a material adverse effect on our financial condition. For example, if the NIS significantly devaluates against the dollar due to conditions in the Middle East and/or in Israel or otherwise, then the dollar cost of our operations in Israel would increase and our results of operations would be adversely affected. In 2022 the dollar appreciated against the NIS by 13.2% while in 2021 and 2020, the dollar depreciated against the NIS by 3.3% and by 7.0%, respectively. As a result of these fluctuations, our NIS denominated expenses were affected.

The dollar cost of our operations in Israel will increase to the extent increases in the rate of inflation in Israel are not offset by a devaluation of the NIS in relation to the dollar, which would harm our results of operations.

Inflation in Israel, which increased significantly during 2022 and was 5.3%, has affected us by increasing the costs of materials and labor needed to operate our business and could continue to adversely affect us in future periods. Additionally, since a considerable portion of our expenses such as employees' salaries are linked to an extent to the rate of inflation in Israel, the dollar cost of our operations is influenced by the extent to which any increase in the rate of inflation in Israel is or is not offset by the devaluation of the NIS in relation to the dollar. As a result, we are exposed to the risk that the NIS, after adjustment for inflation in Israel, will appreciate in relation to the dollar. In that event, the dollar cost of our operations in Israel will increase and our dollar-measured results of operations will be adversely affected. We cannot predict whether the NIS will appreciate against the dollar or vice versa in the future. Any increase in the rate of inflation in Israel, unless the increase is offset on a timely basis by a devaluation of the NIS in relation to the dollar, will increase labor and other costs, which will increase the dollar cost of our operations in Israel and harm our results of operations.

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, is 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 affected 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." 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 (and related services) 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. Failure to comply with the requirements under the R&D Law may subject us to financial sanctions, to mandatory repayment of grants received by us (together with interest and penalties), as well as expose us to criminal proceedings. 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. Moreover, the government of Israel may from time to time audit sales of products which it claims incorporate Financed Know-How and this may lead to royalties being payable on additional products, and may subject such products to the restrictions and obligations specified hereunder. 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 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 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

We may not be able to meet the continued listing standards of Nasdaq, which require a minimum closing bid price of $1.00 per share, which could result in our delisting and negatively impact the price of our ordinary shares and our ability to access the capital markets.

Our ordinary shares are listed on The Nasdaq Global Market. The Nasdaq Stock Market LLC, or the Nasdaq, provides various continued listing requirements that a company must meet in order for its shares to continue trading on the exchange. Among these requirements is the requirement that our shares trade at a minimum bid price of $1.00 per share. On October 31, 2022, we received a written notice from the Listing Qualifications Department of Nasdaq, notifying us that our ordinary shares failed to maintain a minimum bid price of $1.00 over the previous 30 consecutive business days as required by Nasdaq Listing Rule 5450(a)(1), or the Minimum Bid Price Requirement.

Pursuant to Nasdaq Listing Rule 5810(c)(3)(A), we have a compliance period of 180 calendar days from the date of the notification letter from Nasdaq, or until May 1, 2023, to regain compliance with the Minimum Bid Price Requirement. If at any time before May 1, 2023, the closing bid price of our ordinary shares is at least $1.00 for a minimum of 10 consecutive business days, we will be deemed to have regained compliance with the Minimum Bid Price Requirement, following which, Nasdaq will provide a written confirmation of compliance and the matter will be closed. In the event that we do not regain compliance by May 1, 2023, we may transfer the listing and trading of our ordinary shares to The Nasdaq Capital Market, provided that we meet the applicable standards for initial listing of our ordinary shares on the Nasdaq Capital Market (other than the Minimum Bid Price Requirement) and may be eligible for an additional 180 calendar day grace period by providing a written notice of our intention to cure the deficiency during this second compliance period by effecting a reverse share split, if necessary. If we do not regain compliance with the Minimum Bid Price Requirement by May 1, 2023, and we are ineligible for an additional grace period, Nasdaq will provide written notice that the ordinary shares are subject to delisting from The Nasdaq Global Market. In that event, we may appeal the determination to a Nasdaq hearings panel.

There is no assurance that our share price will trade at or above a minimum bid price of $1.00 per share and if we fail to meet minimum listing requirements, there can be no assurance that we will be able to regain compliance with the Minimum Bid Price Requirement or will otherwise be in compliance with other Nasdaq listing criteria. Any such delisting could adversely affect our ability to obtain financing for the continuation of our operations and could result in the loss of confidence by investors, collaborators and employees.

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, 2022, we had a total of 86,624,643 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, 2022, 10,400,192 ordinary shares that are either subject to outstanding options or reserved for future issuance under our 2010 Plan and ESPP were 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, 2022, we had 297,469 warrants outstanding exercisable into 297,469 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 will 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 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 2022 calendar year, our closing share price on Nasdaq ranged from a low of $0.58 to a high of $4.64 and trading volume was 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 or regional macroeconomic developments;
- the spread, and resulting actions, of COVID-19 or other global or regional health pandemics or epidemics;
- clinical data disclosed by us or our competitors;
- massive sell of our shares by a large shareholder;
- 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 estimates by securities analysts;
- changes in senior management or the board of directors or changes in the size or structure of the company;
- 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.

Because we do not intend to declare cash dividends on our ordinary shares in the foreseeable future, shareholders must rely on appreciation of the value of our ordinary shares for any return on their investment and may not receive any funds without selling their ordinary shares.

We have never declared or paid cash dividends on our ordinary shares and do not anticipate declaring or paying any cash dividends in the foreseeable future. In addition, the terms of any future debt agreements may preclude us from paying dividends. As a result, we expect that only appreciation of the price of our ordinary shares, if any, could provide a return to investors for the foreseeable future. In addition, because we do not intend to declare cash dividends on our ordinary shares in the foreseeable future, if our shareholders want to receive funds in respect of our ordinary shares, they must sell their ordinary shares to do so.

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 (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.

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 look-through 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, among other things, dividends, interest, and gains from the sale or exchange of investment property and certain rents or royalties (excluding rents and royalties that are received from unrelated parties in connection with the active conduct of a trade or business). Assets that produce or are held for the production of passive income may include cash, even if held as working capital or raised in a public offering, marketable securities, and other assets that may produce passive income. Generally, in determining whether a non-U.S. corporation is a PFIC, 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.

Based on our analysis of our estimated income, estimated assets, activities and market capitalization, we believe that we were a PFIC for the taxable year ended December 31, 2022. However, the determination of whether or not we are a PFIC is a fact-intensive determination made on an annual basis and because the applicable law is subject to varying interpretations, we cannot provide any assurance regarding our PFIC status and our U.S. counsel expresses no opinion with respect to our PFIC status for any taxable year. If we are classified as a PFIC for any taxable year during which a U.S. shareholder holds our ordinary shares, U.S. investors could be subject to adverse tax consequences regardless of whether we continue to qualify as a PFIC, including the treatment of gains realized on the sale of our ordinary shares as ordinary income, rather than as capital gain, the loss of the preferential rate applicable to dividends received on our ordinary shares by individuals who are U.S. holders (as defined in "Item 10. Additional Information – E. Taxation – Certain Material U.S. Federal Income Tax Considerations to U.S. Holders"), the addition of interest charges on certain taxes treated as deferred taxes, and additional reporting requirements. A U.S. shareholder of a PFIC generally may mitigate these adverse U.S. federal income tax consequences by making a "qualified electing fund" election, or QEF, or, in some circumstances, a "mark to market" election. We may provide the information necessary for U.S. holders to make QEF elections if we were treated as a PFIC for any taxable year, although, there is no assurance that we will do so. 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.

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. holders, see "Item 10. Additional Information – E. Taxation – Certain Material U.S. Federal Income Tax Considerations to U.S. Holders – Passive Foreign Investment Company Rules".

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" (as defined below), "global intangible low taxed income," and investment of earnings in U.S. property, regardless of whether we make any distributions. 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. We cannot provide any assurance that we will assist investors in determining whether we or any of our future non-U.S. subsidiaries are treated as a CFC or furnish to any U.S. holder the information required to comply with the reporting and tax-paying obligations discussed above. 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 (directly or indirectly) 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, 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.

Each U.S. holder (as defined in Item 10. Additional Information – E. Taxation – Certain Material U.S. Federal Income Tax Considerations to U.S. Holders") 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.

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 and to raise funds. 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.

General Risks

Unfavorable global or domestic political or economic conditions could adversely affect our business, financial condition or results of operations.

The global economy continues to experience significant volatility, and the economic environment may continue to be, or become, less favorable than that of past years. Higher costs for goods and services, inflation, deflation, the imposition of tariffs or other measures that create barriers to or increase the costs associated with international trade, overall economic slowdown or recession and other economic factors in Israel, the U.S. or in any other markets in which we operate could adversely affect our operations and operating results. Among other matters, the continued risk of a debt default by one or more European countries, related financial restructuring efforts in Europe, and/or evolving deficit and spending reduction programs instituted by the U.S. and other governments could negatively impact the global economy and/or pharmaceutical industry.

In addition, recent political and civil actions in Israel during the month of January and February 2023, resulting from, among other things, proposed changes to certain Israeli constitutional legislation, may have an adverse effect on the Israeli social, economic and political landscape and in turn, on us. However, it is difficult to predict at this time what the effect of such actions will be, if any. Furthermore, although to date we have not been directly impacted by the current military conflict between Russia and Ukraine, this conflict, or any expansion thereof, could disrupt or otherwise adversely impact our operations and those of third parties upon which we rely. Related sanctions, export controls or other actions have been or may in the future be initiated by nations including the United States, the European Union or Russia (e.g., potential cyberattacks, disruption of energy flows, etc.), which could adversely affect our business and/or our supply chain, our CROs, CMOs and other third parties with whom we conduct business. Any of the foregoing could harm our business and we cannot anticipate all of the ways in which the current economic climate and financial market conditions could adversely impact our business.

Environmental, social and governance matters may impact our business and reputation.

In addition to the importance of their financial performance, companies are being increasingly judged by their performance on a variety of environmental, social and governance, or ESG, matters, which are considered to contribute to the long-term sustainability of companies' performance.

A variety of organizations measure the performance of companies on such ESG topics, and the results of these assessments are widely publicized. In addition, investment in funds that specialize in companies that perform well in such assessments are increasingly popular, and major institutional investors have publicly emphasized the importance of such ESG measures to their investment decisions. Topics taken into account in such assessments include, among others, the company's efforts and impacts on climate change and human rights, ethics and compliance with law, and the role of the company's board of directors in supervising various sustainability issues. In addition to the topics typically considered in such assessments, in the healthcare industry, issues of the public's ability to access a company's medicines are of particular importance.

In light of investors' increased focus on ESG matters, there can be no certainty that we will manage such issues successfully, or that we will successfully meet society's expectations as to our proper role. Any failure or perceived failure by us in this regard could have a material adverse effect on our reputation and on our business, share price, financial condition, or results of operations, including the sustainability of our business over time.

Climate change, or legal or regulatory measures to address climate change, may negatively affect us.

Climate change resulting from increased concentrations of carbon dioxide and other greenhouse gases in the atmosphere could present risks to our operations. For example, we have significant operations in California, where serious drought has made water less available and more costly and has increased the risk of wildfires. Changes in climate patterns leading to extreme heat waves or unusual cold weather at some of our locations can lead to increased energy usage and costs, or otherwise adversely impact our facilities and operations and disrupt our supply chains and distribution systems. Concern over climate change can also result in new or additional legal or regulatory requirements designed to reduce greenhouse gas emissions or mitigate the effects of climate change on the environment. Any such new or additional legal or regulatory requirements may increase the costs associated with, or disrupt, sourcing, manufacturing and distribution of our products, which may adversely affect our business and financial results. In addition, any failure to adequately address stakeholder expectations with respect to ESG matters may result in the loss of business, adverse reputational impacts, diluted market valuations and challenges in attracting and retaining customers and talented employees. In addition, our adoption of certain standards or mandated compliance to certain requirements could necessitate additional investments that could impact our cash position and expected cash runway.

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. The SEC maintains an internet site, http://www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. Neither such internet addresses are 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 225 Bush Street, Suite 348, San Francisco, CA 94104, 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, 2022, 2021 and 2020, our capital expenditures were $0.4 million, $0.4 million and $0.1 million, respectively. As of December 31, 2022, we had no significant commitments for capital expenditures.

B. BUSINESS OVERVIEW

Summary

We are a clinical-stage therapeutic discovery and development company utilizing our broadly applicable predictive computational discovery capabilities 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 by COM701, COM902 and rilvegostomig. Our lead product candidates, COM701, a potential first-in-class anti-PVRIG antibody, and COM902, a potential best-in-class therapeutic anti-TIGIT antibody, are in Phase 1 clinical trials and have been evaluated for the treatment of solid tumors as a monotherapy and in combination of dual (PVRIG/PD-1, PVRIG/TIGIT) and triple (PVRIG/PD-1/TIGIT) blockade. Based on the data from the Phase 1 trials and as part of our corporate focus on two specific tumor types for the further clinical evaluation of COM701 and COM902, we intend to initiate two clinical trials evaluating the triple combination treatment of COM701, COM902 and pembrolizumab, one in metastatic microsatellite stable colorectal cancer patients and one in platinum resistant ovarian cancer patients. We plan to dose first patient to these trials in the first quarter of 2023 and in the second quarter of 2023, respectively. As part of Phase 1 clinical trials for our lead product candidates, COM701, we evaluated COM701 as a monotherapy and under clinical collaboration with Bristol Myers Squibb Company in combination with nivolumab ± Bristol Myers Squibb investigational anti-TIGIT, BMS-986207. Following the termination of our collaboration with Bristol Myers Squibb Company, these combination studies are being wound down while the monitoring of patients on study treatment is ongoing. Rilvegostomig, a novel anti PD-1/TIGIT bispecific antibody with a TIGIT-specific component that is derived from our COM902 antibody, is being developed by AstraZeneca pursuant to an exclusive license agreement between us and AstraZeneca and is in Phase 2 clinical trial in patients with advanced or metastatic non-small cell lung cancer and locally advanced or metastatic gastric cancer. Our therapeutic pipeline of early-stage immuno-oncology programs consists of programs aiming to address various mechanisms of immune resistance. Our most advanced early-stage program, COM503, is a potential first-in-class high affinity antibody, which blocks the interaction between IL-18 binding protein and IL-18, thereby releasing the natural IL-18 into the tumor microenvironment to inhibit cancer growth. COM503 is being advanced into IND enabling studies and we plan to file an IND in 2024. Our business model is to selectively enter into collaborations for our novel targets and drug product candidates at various stages of research and development under various revenue-sharing arrangements. Integrating cutting edge computational capabilities with ground-breaking immuno-oncology research and drug development expertise is our differentiator and has enabled the advancement of three drug targets from computer prediction through successful preclinical studies to the clinic and as a result, we believe that we are uniquely positioned to discover and develop potential new, first-in-class treatment options for cancer patients.

Our Strategy

We aim to transform patient lives by developing first-in-class therapeutics in the field of cancer immunotherapy based on our computational target discovery capabilities. Our pipeline strategy for the development of potentially first-in-class cancer immunotherapies is differentiated in the competitive landscape of immuno-oncology in the following manner:

- We discover novel drug targets and biological pathways with the potential to address the unmet need of patients non-responsive to current cancer immunotherapies;
- We integrate our cutting-edge computational capabilities with our ground-breaking immuno-oncology research and drug development expertise to inform our target discovery and drug development process; and

- We identify drug combinations and design biomarker strategy for potential future patient selection.

We believe this uniquely positions us in the discovery and the development of first-in-class drugs for cancer immunotherapy.

In our clinical 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-1, a costimulatory receptor on T cells and NK cells. The PD-1 pathway also intersects with DNAM-1. In certain tumors, the blockade of both TIGIT and PVRIG may be required to stimulate an antitumor immune response, with or without additional PD-1 pathway blockade. Phase 1 trials for COM701 were initiated in September 2018.

- **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-1 axis, may be required to stimulate an anti-tumor immune response with or without the blockade of the PD-1 pathway. Phase 1 trials for COM902 were initiated in March 2020.

- **Rilvegostomig** is a novel PD-1/TIGIT bispecific antibody with a TIGIT component that is derived from COM902 and is being developed by AstraZeneca pursuant to an exclusive license agreement with AstraZeneca. AstraZeneca initiated its Phase 2 trial in patients with advanced or metastatic non-small cell lung cancer in September 2022. In February 2023, AstraZeneca announced that it plans to initiate a Phase 3 trial for rilvegostomig and that expanded Phase 2 for rilvegostomig is in development.

In addition to our clinical therapeutic pipeline, bapotulimab, an antibody targeting ILDR2, licensed to Bayer, under a research and discovery collaboration and license agreement has been evaluated in Phase 1 clinical trials in naïve head and neck squamous cell carcinoma patients. This research and discovery collaboration and license agreement expired on February 27, 2023, and we are currently in the process of obtaining certain rights from Bayer to allow us to continue the development and commercialization of bapotulimab, should we choose to do so.

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. Global cancer immunotherapy revenues of $87 billion were reported for 2020 and sales of therapies targeting immune checkpoints registered approximately $31 to 37 billion worldwide in 2021. Industry analysts estimate that the cancer immunotherapy market has a significant growth potential and annual sales' projections of some of $144 billion by 2025 with immune checkpoints accounting for approximately $63 billion.

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.

Our discovery strategy is focused on the discovery of new drug targets involved in mechanisms of immune resistance and which may consequently provide new cancer immunotherapies for enhancing anti-tumor immune responses in cancer patients.

While immunotherapy revolutionized the landscape for oncology treatments by providing a new treatment option leading to lasting benefits for some patients; the response rates to immunotherapy vary greatly across different cancer indications, averaging approximately 15% to 30% overall 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 potentially 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 anti-PD-1 antibodies has demonstrated synergistic effects in enhancing human T cell stimulation and inhibiting tumor growth in murine models, supporting the suggested 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-1, a costimulatory molecule on T cells and NK cells. While PVRIG and TIGIT are complementary and part of the same biological axis, our research shows that they are in fact distinct. PVRIG and TIGIT bind to different ligands (PVRL2 and PVR, respectively), they are expressed on different immune cell types and their ligands have different expression patterns.

Furthermore, our data show that similar to TIGIT, PVRIG is expressed in stem-like memory T cells (TSCM) and PVRL2 is expressed in both dendritic cells and tertiary lymphoid structures, as well as in PD-L1low less inflamed tumors. TSCM cells, dendritic cells and tertiary lymphoid structures have all been shown to be important in clinical response to checkpoint inhibitors. 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 showed 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, colorectal 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 combination therapy with PD-1 inhibitor ± TIGIT inhibitor.

Clinical Development - Bristol Myers Squibb Collaboration

In October 2018, we entered into 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 February 2020, the MCTC was amended to include a Phase 1/2 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 trial designed to evaluate the dual combination of COM701 and Opdivo® in patients with advanced solid tumors and in November 2021 the MCTC was amended again to, among other things, establish a joint steering committee (alongside the existing joint development committee which acts at an operational level) to facilitate strategic oversight and guidance for the programs run under the collaboration.

On August 3, 2022, in efforts to adapt to challenging market conditions, we took a strategic decision to focus on prioritized indications and to wind down our broad Phase 1 cohort expansion program and therefore entered into a letter agreement with Bristol Myers Squibb pursuant to which the MCTC between the parties was terminated as of such date. In connection with such termination, the parties agreed to use reasonable efforts to wind down activities under the CTCA with respect to the dual combination study of COM701 with Opdivo® and the triple combination study of COM701 with Opdivo® and Bristol Myers Squibb's investigational anti-TIGIT antibody BMS- 986207 and to create a sub-team of the parties to oversee such wind-down activities. See "Business Strategy and Partnerships - Bristol Myers Squibb Collaboration" below. Until the conclusion of the wind down of the combination studies with Bristol Myers Squibb, Bristol Myers Squibb continues to supply at no cost Opdivo® for the dual combination trial and supplies both Opdivo® and its investigational antibody targeting TIGIT known as BMS-986207 at no cost, for the triple combination trial.

COM701 Clinical Programs

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

Phase 1 Arm A of the trial evaluated the safety and tolerability and preliminary antitumor activity of COM701 monotherapy. We completed the enrollment to both the dose escalation and expansion cohorts.

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

Phase 1 Arm B of the trial evaluates the safety and tolerability and preliminary antitumor activity of COM701 in combination with a PD-1 inhibitor. A patient population with similar eligibility criteria as enrolled for the dose escalation cohorts in Arm A was enrolled for this part of the trial and enrollment was completed during 2020.

In June 2021, we announced that the first patient in the combination expansion cohort of this Phase 1 Arm B clinical has been dosed. The indications for the combination therapy expansion cohort, ovarian, breast, endometrial and colorectal cancers were selected based on preclinical biomarker assessments and based on emerging clinical data from the dose-escalation cohorts of the trial.

Following the completion of enrollment of few cohorts in the study and data disclosure from this completed cohorts, we are currently winding down this study and do not plan to further enroll additional patients.

Data disclosed from this arm in 2022:

In November 2022, at the 37th Annual Meeting of the Society for Immunotherapy of Cancer (SITC), we presented preliminary data in a poster titled “PVRIG, a novel T cell checkpoint, is preferentially expressed in TLS on stem-like memory T cells, potentially inhibiting their expansion”. Key findings from the poster included:

- COM701 in combination with nivolumab induced preliminary anti-tumor activity and TME immune-modulation in patients with MSS-CRC typically not responsive to approved checkpoint inhibitors
- PVRIG has a unique dominant expression on early differentiated T like stem cells (Tscm) and its ligand, PVRL2, is expressed on dendritic cells (DCs)
- Spatial transcriptomic analysis showed that Tscm and DCs preferentially localize to Tertiary Lymphoid Structures (TLS) regions while exhausted T cells localize to the tumor
- PVRIG is dominantly expressed on CD8+ T cells in TLS region
- PVRIG blockade may enhance Tscm activation by DCs in lymph-nodes and TLS, a mechanism which potentially could lead to increased T cell expansion and infiltration into cold tumors

In November 2022, at the 37th Annual Meeting of the Society for Immunotherapy of Cancer (SITC), we presented preliminary data in a poster titled “COM701 plus nivolumab demonstrates preliminary antitumor activity and immune modulation of tumor microenvironment in patients with metastatic MSS-CRC and liver metastases”. Key findings from the poster, with a data cut-off date of June 17, 2022, included:

- COM701+ nivolumab combination is well tolerated with a favorable safety profile

- ORR 2/22 (9%) higher than ORR (1-2%) reported for standard of care - regorafenib or TAS-102
- Encouraging preliminary antitumor activity in the subset of MSS-CRC patients with liver metastases, ORR 2/17 (12%), compared to 0% ORR historically for other immunotherapies in a U.S. patient population
- Translational data demonstrated potent TME immune activation, in the majority of patients based on 13 paired biopsies, most notable in responders and consistent with COM701 mechanism of action. Such modulation is not typical of checkpoint inhibitors in cold indications

In December 2022, at the European Society of Medical Oncology Immuno-Oncology (ESMO-IO), we presented preliminary data from poster "COM701 in combination with nivolumab demonstrates preliminary antitumor activity in patients with platinum resistant epithelial ovarian cancer". Key findings from the poster, with a data cut-off date of November 23, 2022, included:

- In 20 patients who had exhausted all standard therapies, with a median number of 6 prior therapies, the dual combination demonstrated:
  - Encouraging overall response rate of 10%, with 2 partial responses and 1 ongoing at the data cut-off date
  - Disease control rate of 45% (2 confirmed partial responses, 7 stable disease)
  - Translational assessment of peripheral blood, showed a pharmacodynamic activation of the immune system
  - One patient with a partial response supported by increased infiltration of CD8 cells into the tumor microenvironment, had high grade serous adenocarcinoma, 7 prior lines of treatment including best response of progressive disease on the combination of nivolumab and lucitanib (an investigational agent)
  - Most frequent treatment related adverse events grade 1/2, no grade 4/5 adverse events
- 65% of the patients had high-grade serous adenocarcinoma, including the two responders

In December 2022, at the European Society of Medical Oncology Immuno-Oncology (ESMO-IO), we presented preliminary data from poster "COM701 ± Nivolumab – preliminary results of antitumor activity from a phase 1 trial in patients with metastatic NSCLC who have received prior PD-1/PD-L1 inhibitor". Key findings from the poster, with a data cut-off date of November 23, 2022, showed that COM701 ± nivolumab demonstrates preliminary encouraging signal of antitumor activity in a heavily pretreated population of patients with NSCLC with prior ICI treatment. Most of the patients 4/7 [57%] received ≥2 prior lines of immune checkpoint inhibitors, all 4 patients with SD, with 2/4 [50%] with SD ≥6 months median overall survival (median of 4 prior lines of therapy including multiple ICI in 57% of patients): COM701 + nivolumab (10 months), COM701 monotherapy (9.5 months). Historical data with LungMAP2: post ICI NSCLC data - 1 prior line of ICI in metastatic setting, median overall survival 14.5 months (80% CI: 13.9 to 16.1) for ramucirumab + pembrolizumab vs standard of care of 11.6 months (80% CI 9.9 to 13.0).

Phase 1/2 trial was designed to evaluate the safety, tolerability and antitumor activity of COM701 in combination with Opdivo® and BMS-986207. The trial was 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, head and neck 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 July 2021 we dosed the first patient in this trial. Following the completion of enrollment of the ovarian cohort in the study and its respective data disclosure we are currently winding down this study and do not plan to further enroll additional patients.

Data disclosed from this trial in 2022:

In December 2022, at the European Society of Medical Oncology Immuno-Oncology (ESMO-IO), we presented data from poster: "Triple blockade of the DNAM-axis with COM701 + BMS-986207 + nivolumab demonstrates preliminary antitumor activity in patients with platinum resistant OVCA." Key findings from the poster, with a data cut-off date of November 23, 2022, included:

- In 20 patients who had exhausted all standard therapies, with a median number of 4 prior therapies, the triple combination demonstrated:
  - Encouraging overall response rate of 20%, with 4 confirmed partial responses, out of which 3 are responding for at least 9 months. All 4 responders are still on study treatment at the data cut-off date, therefore median duration of response has not been reached
  - Disease control rate of 45% (4 confirmed partial responses, 5 stable disease)
  - Low pre-treatment PD-L1 expression in 2 of the responders (CPS <1 and 3), analysis of the other responders is still ongoing
  - Translational assessment of peripheral blood, including profiling of cytokines and circulating immune cells, showed a pharmacodynamic activation of the immune system
  - Most frequent treatment related adverse events grade 1/2, no grade 4/5 treatment related adverse events
- 55% of the patients had high-grade serous adenocarcinoma, including three of the responders

Phase 1 Combination of COM902 with COM701 – For details please see information below under the header "COM902 - a therapeutic antibody targeting TIGIT".

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

Pathway expression and preclinical data

COM902, a high affinity, fully human and a potentially best-in-class 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 demonstrated 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-1 axis, resulted 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 our immune checkpoint computational discovery capabilities 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 trial of COM902.

COM902 Clinical Programs

Phase 1 Monotherapy trial evaluated the safety and tolerability of COM902 in patients with advanced malignancies through sequential dose escalations. The patient population enrolled to the dose escalation cohort is all comers and included patients who have failed prior therapies including other checkpoint inhibitors and have no other available approved therapies.

We completed the monotherapy dose escalation trial, and enrolled patients to the expansion cohort.

Phase 1 Combination of COM902 with COM701 was designed to assess the safety, tolerability and preliminary antitumor activity of COM902 in combination with COM701 in patients with advanced malignancies during dose escalation and in selected tumor types in the expansion cohorts (colorectal cancer, non-small cell lung cancer and head and neck). Enrollment to these cohorts was terminated in conjunction with the winding down of the studies under collaboration with Bristol Myers Squibb and the decision to focus on two tumor types for further studies. We amended the study protocol to include patients with metastatic CRC (MSS) and platinum resistant ovarian cancer. These patients with MSS-CRC and platinum resistant ovarian cancer will receive study treatment with COM902 + COM701 + pembrolizumab.

- ***Rilvegostomig - a therapeutic PD-1/TIGIT bi-specific antibody with a TIGIT component that is derived from our COM902***

Rilvegostomig is a novel PD-1/TIGIT bi-specific antibody with a TIGIT component that is derived from our COM902 being developed by AstraZeneca pursuant to an exclusive license between us and AstraZeneca.

In March 2018, we entered into an exclusive license agreement with AstraZeneca, pursuant to which, we granted to AstraZeneca an exclusive license to use our monospecific antibodies that bind to TIGIT, including COM902, for the development of bi-specific and multi-specific antibody products, excluding such bi-specific and multi-specific antibodies that also bind to PVRIG, PVRL2 and/or TIGIT.

Rilvegostomig is currently being evaluated by AstraZeneca in a Phase 2 trial in patients with advanced or metastatic non-small cell lung cancer and in Phase 2 in patients with Locally Advanced Unresectable or Metastatic Gastric or Gastroesophageal Junction Adenocarcinoma.

In February 2023, AstraZeneca announced that it plans to initiate a Phase 3 trial for rilvegostomig and that expanded Phase 2 for rilvegostomig is in development.

- ***Bapotulimab (formerly known as BAY1905254) – a therapeutic antibody targeting CGEN-15001T/ILDR2***

Bapotulimab (formerly known as BAY1905254, an antibody to 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 bapotulimab 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 bapotulimab (formerly known as BAY1905254) a human/monkey/mouse cross-reactive antibody blocking the immunosuppressive activity of ILDR2. Bapotulimab 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.

Under the collaboration agreement, bapotulimab was previously evaluated by Bayer in a Phase 1 expansion trial in combination with Keytruda, in head and neck cancer that has returned or is discovered to be metastatic and is expressing PDL1 to evaluate the combination treatment.

On November 29, 2022, Bayer notified us that it has resolved to terminate, effective as of February 27, 2023, our 2013 research and development collaboration and license agreement.

In accordance with the terms of said agreement, we are currently in the process of obtaining certain rights from Bayer to allow us to continue the development and commercialization of bapotulimab, should we choose to do so.

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.

We are using three approaches in our biomarker strategy. We are computationally analyzing omics data to identify tumor indications in which the pathway of our target is elevated. This analysis is thereafter being validated experimentally, and the validated data is used for indication selection for our clinical trials. We used this approach for COM701 to select the tumor types for inclusion in our cohort expansion studies. Such antitumor activity further supports our biomarker-informed approach and predictive discovery capabilities.

The second part of our biomarker strategy is the identification of potential biomarkers for future patient selection. In this approach, being used for our COM701 program as a stand-alone and in combination, we are using various cutting-edge technologies and methodologies on both biopsies, liquid biopsies, and blood samples. The different technologies include immunohistochemistry, transcriptomic, genomic and proteomic analysis. Data generated by these technologies also inform us on the suggested mechanism of action of COM701. In the immunohistochemistry analysis, we are currently evaluating the correlation between the expression of PDL-1 and the PVRIG pathway with clinical response.

Thirdly, we have a pharmacodynamic biomarker approach where we measure immune modulation induced by COM701 and combinations in peripheral and tumor patient samples obtained before and during treatment. In this analysis we measure both protein and sequence analytics, such as cytokine analysis, immune phenotyping, proteomic changes, transcriptomics analysis, and TCR clonality. This again serves for the identification of potential biomarkers and also inform us on the suggested mechanism of action of COM701.

Early-Stage Pipeline

Immuno-oncology represents a paradigm shift in the treatment of cancer, and biological drugs blocking immune checkpoint targets have already resulted in long-term patient survival in certain cancer types. Despite their potential, current checkpoint inhibitors are limited to a few targets and are only effective in certain patients and in certain cancers. We believe that the identification of new drug targets and new biological pathways has the potential to broaden the reach of cancer immunotherapies to more types of cancers and many more patients.

Our early-stage programs were discovered using our discovery capabilities and consists of drug targets with the potential to address various mechanisms of immune resistance and consequently may provide new cancer immunotherapies for patients non-responsive to current cancer therapies.

Our most advanced early-stage program, COM503, is a potential first-in-class, high affinity antibody, which blocks the interaction between IL-18 binding protein and IL-18, thereby releasing the natural IL-18 into the tumor microenvironment to inhibit cancer growth. We are currently advancing COM503 into IND enabling studies and plan to file an IND in 2024.

Our Predictive Computational Discovery Approach

Our target discovery is a predictive, proprietary computational process that we initiate based on a clinical need. The unmet clinical need and the therapeutic strategy dictate the target discovery approach, the appropriate tools and most relevant data to be employed. We have developed predictive drug target discovery capabilities that leverage the power of computational modeling, guided by our scientific expertise and extensive public and proprietary datasets, to identify novel drug targets and new biological pathways towards the development of new cancer immunotherapy treatments. 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 believe that our computational approach integrated with robust experimental validation is a key differentiator from others employing computational discovery approaches.

Our broadly applicable predictive drug target discovery capabilities employ a suite of cloud-based computational solutions and purpose-built algorithms to sort through both public and proprietary datasets encompassing genomics, single cell and spatial transcriptomics, proteomics and machine learning based analysis of IHC images. From these massive datasets, our platforms analyze characteristics, such as gene structure, protein domains, predicted cellular localization, expression pattern, as well as other characteristics to identify potential druggable targets and predict their biological functions. Over the past decade, we have continued to refine our analysis by incorporating new public and in-house experimental data.

We have demonstrated the applicability of our discovery approach in computationally identifying multiple in-silico targets, including PVRIG, TIGIT and ILDR2, the first two now serve as the targets for therapeutic antibodies currently being evaluated in the clinic by us and others. The antibodies designed to block these targets have all been evaluated in Phase 1 clinical trials by us (COM701 and COM902) or by our partners (bapotulimab and rilvegostomig).

Business Strategy and Partnerships

Our business strategy includes entering into various forms of revenue-sharing collaborations with pharmaceutical or biotechnology partners for our novel drug targets and product candidates at various stages of research and development. Such collaborations or other types of partnering arrangements might include one or more of our therapeutic pipeline programs. Through these collaborations we seek to create, further develop and commercialize our therapeutic product candidates. Additionally, our discovery capabilities designed to feed our internal pipeline may allow for research and discovery collaborations aimed at harnessing our capabilities towards a potential partner's pipeline needs. 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.

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 granted an exclusive license to AstraZeneca to use our monospecific antibodies that bind to TIGIT, including COM902, for the development of bi-specific and multi-specific antibody products, excluding such bi-specific and multi-specific antibodies that also bind to PVRIG, PVRL2 and/or TIGIT. 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. In connection with such license agreement, AstraZeneca developed rilvegostomig, a novel PD-/TIGIT bi-specific antibody with a TIGIT component that is derived from our COM902 and entered the clinic in September 2021 and moved to Phase 2 in November 2022. 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, $6 million in 2021 as a clinical milestone (triggered by the dosing of the first patient in a Phase 1/2 trial evaluating rilvegostomig) and an additional $7.5 million as a clinical milestone (triggered by the dosing of the first patient in its ARTEMIDE Phase 2 trial evaluating rilvegostomig). 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.

In February 2023, AstraZeneca announced that it plans to initiate a Phase 3 trial for rilvegostomig and that expanded Phase 2 for rilvegostomig is in development.

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.

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, 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 were eligible to receive an aggregate of over $250 million in potential milestone payments for bapotulimab (formerly known as BAY1905254) (an antibody against CGEN 15001T/ILDR2), 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 bapotulimab. 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 bapotulimab.

On November 29, 2022, Bayer notified us that it has resolved to terminate, effective as of February 27, 2023, our 2013 research and development collaboration and license agreement.

In accordance with the terms of said agreement, we are currently in the process of obtaining certain rights from Bayer to allow us to continue the development and commercialization of bapotulimab, should we choose to do so.

Bristol Myers Squibb Collaboration

On October 10, 2018, we entered into 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 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.

Pursuant to the terms of MCTC, as amended from time to time, we conducted triple combination clinical trials 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 dual combination clinical trials to evaluate the dual combination of COM701 and Opdivo® in patients with advanced solid tumors. In all these clinical trials we were responsible for and sponsored all the clinical trials and Bristol Myers Squibb provided us with Opdivo® and BMS-986207 at no cost to us.

The MCTC provided Bristol Myers Squibb a right to negotiate a license for commercialization and further provided Bristol Myers Squibb with certain exclusivity rights.

In conjunction with the signing of the MCTC in October 2018, Bristol Myers Squibb made a $12 million investment in us and in conjunction with the signing one of the amendments to the MCTC in November 2021, Bristol Myers Squibb made additional $20 million investment in us. In both investments, the share price paid by Bristol Myers Squibb represented a 33% premium over the closing price of our ordinary shares on the last trading day immediately prior to the execution of the applicable securities purchase agreement. In these two investments, we issued to Bristol Myers Squibb 4,757,058 ordinary shares aggregately.

On August 3, 2022, in an effort to adapt to challenging market conditions, we took a strategic decision to focus on prioritized indications and to wind down our broad Phase 1 cohort expansion program and therefore entered into a letter agreement with Bristol Myers Squibb pursuant to which the MCTC between the parties was terminated as of such date and all ongoing clinical trials at the time of the termination entered into a winding down process. Please see "Item 5. Operating and Financial Review and Prospects Finance - B. Liquidity and Capital Resources."

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 University, 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.

In May 2021, we announced an expansion to our research collaboration with Johns Hopkins University to include studies investigating the biology of a specific novel myeloid target that was computationally-discovered by us, with initial studies demonstrating the potential of this target to serve as a novel myeloid immunomodulator, with significant tumor growth inhibition observed upon genetic deletion in in-vivo studies.

The research program is expected to explore the biological function and mechanism of this novel target, which is expressed on myeloid cells and macrophages in various cancers. The expanded research plan is intended to further evaluate and validate the role of the target in various tumors.

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, what we believe to be one of 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 unmet clinical 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. For example, there are a significant number of anti-TIGIT antibodies that are currently in advanced clinical studies such as tiragolumab by Roche, vibostolumab by Merck, ociperlimab by Beigene, domvanalimab and AB308 by Arcus, BMS-986207 by Bristol Myers Squibb, GSK4428859A by GSK, and others at earlier stages in development. In addition, GSK is developing the PVRIG targeting antibody GSK4381562 (formerly SRF813), Junshi Biosciences lists an anti-PVRIG antibody (JS009) and a TIGIT/PVRIG bispecific (JS209) in its pipeline and Hengrui is conducting a Phase 1 clinical trial with SHR-2002, a PVRIG/TIGIT bi specific. 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 computational discovery capabilities in integration with our immune-oncology experimental capabilities and drug development capabilities as well as our proprietary data to make inventions and establish intellectual property rights in our drug target candidates and product candidates. 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 IO predictive computational discovery capabilities, provide us with a competitive advantage in predicting new protein functions and linking proteins to specific diseases, and as a result, predicting new immune-oncology drug targets. We believe that this advantage is made possible by building an integrated immune-oncology platform 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 advance data science approaches, and who over time discovered three drug targets that entered clinical studies and have generated peer reviewed publications 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 capabilities, 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 1, 2023, we had a total of 52 issued and allowed patents, of which 14 are U.S. patents, 8 are European patents and additional 30 patents in other territories. Our issued and allowed patents expire between 2028 and 2037. As of February 1, 2023, we had over 168 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 2022 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, one being GSK (following an assignment), 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. We responded to this opposition in March 2021.

Following our response, a preliminary non-binding opinion of the European opposition division was received in October 2022, with a summons to attend oral proceedings in July 2023. The opposition division preliminary non-binding opinion accepts some of our arguments filed in our response in March 2021 and acknowledges that the formal requirements of the priority claim of the patent that is the subject matter of the opposition are being successfully met. Nevertheless, the preliminary non-binding opinion states that the requirements of novelty and inventive step for the said patent are not met, mainly because the oppositions division believes that our priority documents do not contain sufficient data that plausibly link anti-PVRIG antibodies to activation of T cells and/or NK cells, and to the treatment of cancer. Based on similar considerations the division considers the claimed subject-matter insufficiently disclosed in the patent. In January 2023, another opposition was filed by GSK, requesting revocation of our granted European patent relating to method of screening for inhibitors of the binding association of PVRIG polypeptide with PVRL2. We plan to timely respond to this opposition.

Manufacturing

We currently rely on contract manufacturers or our collaborative partners to produce and control materials, drug substances and drug products required for the 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, COM902 and COM503. Our manufacturing strategy is currently structured to support the current clinical development of COM701 and COM902 and to support the current preclinical development and future clinical development of COM503. 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 rely and expect to continue to rely completely on third parties to manufacture and supply our preclinical and 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 and quantity levels, prices or timelines.”

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 GCPs to establish the safety and efficacy of the product for its intended use;
- submission of annual reports to regulatory authorities;
- 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. There have been congressional, judicial, and executive branch challenges to the ACA, which has resulted in delays in the implementation of, and action taken to repeal or replace, certain aspects of the ACA. For example, on June 17, 2021, the U.S. Supreme Court dismissed a challenge on procedural grounds that argued the Affordable Care Act is unconstitutional in its entirety because the "individual mandate" was repealed by Congress. In addition, there have been a number of health reform initiatives by the Biden administration that have impacted the ACA. On August 16, 2022, President Biden signed the Inflation Reduction Act of 2022, or the IRA, into law, which among other things, extends enhanced subsidies for individuals purchasing health insurance coverage in ACA marketplaces through plan year 2025. The IRA also eliminates the "donut hole" under the Medicare Part D program beginning in 2025 by significantly lowering the beneficiary maximum out-of-pocket cost through a newly established manufacturer discount program. It is possible that the ACA will be subject to judicial or congressional challenges in the future. It is unclear how other such challenges and any additional healthcare reform measures of the Biden administration will impact the ACA and the pharmaceutical industry.

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 until 2031, unless additional congressional action is taken. Under current legislation, the actual reduction in Medicare payments will vary from 1% in 2022 to up to 4% in the final fiscal year of this sequester.

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, presidential executive orders 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, in July 2021, the Biden administration released an executive order, "Promoting Competition in the American Economy," with multiple provisions aimed at prescription drugs. In response to Biden's executive order, on September 9, 2021, HHS released a Comprehensive Plan for Addressing High Drug Prices that outlines principles for drug pricing reform and sets out a variety of potential legislative policies that Congress could pursue to advance these principles. In addition, the IRA, among other things, (i) directs the Secretary of HHS to negotiate the price of certain high-expenditure, single-source drugs and biologics covered under Medicare Part B and Medicare Part D, and subjects drug manufacturers to civil monetary penalties and a potential excise tax by offering a price that is not equal to or less than the negotiated "maximum fair price" under the law, and (ii) imposes rebates under Medicare Part B and Medicare Part D to penalize price increases that outpace inflation. The IRA permits HHS to implement many of these provisions through guidance, as opposed to regulation, for the initial years. These provisions will take effect progressively starting in fiscal year 2023, although they may be subject to legal challenges. It is currently unclear how the IRA will be implemented but is likely to have a significant impact on the pharmaceutical industry. Further, the Biden administration released an additional executive order on October 14, 2022, directing HHS to submit a report within 90 days on how the Center for Medicare and Medicaid Innovation can be further leveraged to test new models for lowering drug costs for Medicare and Medicaid beneficiaries.

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.

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. Additionally, we, or our collaborators, may develop companion diagnostic tests for use with our product candidates, once approved. We, or our collaborators, will be required to obtain coverage and reimbursement for these tests separate and apart from the coverage and reimbursement we seek for our product candidates, once approved.

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., European Union 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 or applicable laws and regulations of other countries where we or third parties on our behalf conduct these studies. 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 30,140 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 approximately 400 square feet of office space in San Francisco, California, under a lease that expires on October 31, 2025.

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

The following discussion of our operating and financial review and prospects should be read in conjunction with our consolidated financial statements and related notes, prepared in accordance with U.S. GAAP as of December 31, 2022, and with any other financial data included elsewhere in this Annual Report.

Background

We are a clinical-stage therapeutic discovery and development company utilizing our broadly applicable predictive computational discovery capabilities 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 by COM701, COM902 and rilvegostomig. Our lead product candidates, COM701, a potential first-in-class anti-PVRIG antibody, and COM902, a potential best-in-class therapeutic anti-TIGIT antibody, are in Phase 1 clinical trials and have been evaluated for the treatment of solid tumors as a monotherapy and in combination of dual (PVRIG/PD-1, PVRIG/TIGIT) and triple (PVRIG/PD-1/TIGIT) blockade. Based on the data from the Phase 1 trials and as part of our corporate focus on two specific tumor types for the further clinical evaluation of COM701 and COM902, we intend to initiate two clinical trials evaluating the triple combination treatment of COM701, COM902 and pembrolizumab, one in metastatic microsatellite stable colorectal cancer patients and one in platinum resistant ovarian cancer patients. We plan to dose first patient to these trials in the first quarter of 2023 and in the second quarter of 2023, respectively. As part of Phase 1 clinical trials for our lead product candidates, COM701, we evaluated COM701 as a monotherapy and under clinical collaboration with Bristol Myers Squibb Company in combination with nivolumab ± Bristol Myers Squibb investigational anti-TIGIT, BMS-986207. Following the termination of our collaboration with Bristol Myers Squibb Company, these combination studies are being wound down while the monitoring of patients on study treatment is ongoing. Rilvegostomig, a novel anti PD-1/TIGIT bispecific antibody with a TIGIT-specific component that is derived from our COM902 antibody, is being developed by AstraZeneca pursuant to an exclusive license agreement between us and AstraZeneca and is in Phase 2 clinical trial in patients with advanced or metastatic non-small cell lung cancer and locally advanced or metastatic gastric cancer. Our therapeutic pipeline of early-stage immuno-oncology programs consists of programs aiming to address various mechanisms of immune resistance. Our most advanced early-stage program, COM503, is a potential first-in-class high affinity antibody, which blocks the interaction between IL-18 binding protein and IL-18, thereby releasing the natural IL-18 into the tumor microenvironment to inhibit cancer growth. COM503 is being advanced into IND enabling studies and we plan to file an IND in 2024. Our business model is to selectively enter into collaborations for our novel targets and drug product candidates at various stages of research and development under various revenue-sharing arrangements. Integrating cutting edge computational capabilities with ground-breaking immuno-oncology research and drug development expertise is our differentiator and has enabled the advancement of three drug targets from computer prediction through successful preclinical studies to the clinic and as a result, we believe that we are uniquely positioned to discover and develop potential new, first-in-class treatment options for cancer patients.

A. OPERATING RESULTS

Overview

Since our inception, we have incurred significant losses and, as of December 31, 2022, we had an accumulated deficit of $455.8 million. We expect to continue to incur net losses for the foreseeable future.

While our predictive computational discovery capabilities 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, a significant unmet medical need for cancer patients. We have discovered three new targets through computational prediction with three different product candidates being clinically evaluated, supporting the power and validity of our computational capabilities.

In 2013 we entered into our first collaboration based on novel targets identified by us. Under the Bayer Collaboration, we jointly worked with Bayer on the preclinical development of bapotulimab. 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, an MCTC 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 our COM902. 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 $29.7 million in 2020, approximately $34.2 million in 2021 and approximately $33.7 million in 2022. 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. While we currently have only one collaboration with AstraZeneca, our business model primarily involves establishing collaborations for our novel targets and 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 2023, expected to account for approximately 75% of our expected total 2023 operating expenses. Our research and development expenditures have always comprised a significant portion of our total cash expenditures, and they are expected to remain in 2023 at similar level compared to 2022.

We believe that we have sufficient cash and cash equivalents and short-term bank deposits in order to sustain our operations at least through the end of 2024, based on our current plans. 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.”

Years Ended December 31, 2022 and 2021

Revenues. Revenues for the year ended December 31, 2022, were $7.5 million, compared with $6.0 million in the comparable period of 2021. The revenues for 2022 and 2021 reflect clinical milestones from the license agreement with AstraZeneca.

Cost of Revenues. During the year ended December 31, 2022, the Company had approximately $1.0 million in cost of revenues compared with approximately $0.7 million cost of revenues in the comparable period of 2021. Cost of revenues for the years ended December 31, 2022 and 2021, represents milestone and royalty payments in connection with our revenues.

Research and Development Expenses. Research and development expenses during 2022 increased by 7% and totaled approximately $30.6 million compared with approximately $28.7 million in the comparable period of 2021. The increase is mainly due to higher expenses associated with our preclinical and CMC activities, offset by higher Bristol Myers Squibb participation in R&D expenses. Research and development expenses, as a percentage of total operating expenses, were 73% in 2022 compared to 71% in 2021.

Marketing and Business Development Expenses. Marketing and business development expenses increased by 11% and totaled in approximately $0.9 million in 2022 compared with approximately $0.8 million in the comparable period of 2021. Marketing and business development expenses, as a percentage of total operating expenses, were 2% in 2022 and 2021.

General and Administrative Expenses. General and administrative expenses during 2022 decreased by 5% and totaled approximately $10.3 million in 2022 compared with approximately $10.9 million in the comparable period of 2021. The decrease during 2022 was attributed mostly to decrease in D&O insurance premium costs (that effected our industry) and non-cash stock option related expenses. General and administrative expenses, as a percentage of total operating expenses, were 25% in 2022 compared to 27% 2021.

Financial Income (loss), Net. Financial and other income increased to approximately $1.7 million in 2022 from approximately $0.9 million in the comparable period of 2021. The increase is attributed mainly to increased interest income due to higher interest rates in the market offset by lower level of cash and deposits balances.

Taxes on Income. Taxes on income were approximately $0.1 million in 2022. The taxes on income represent state income taxes of our U.S. subsidiary.

Years Ended December 31, 2021 and 2020

Revenues. Revenues for the year ended December 31, 2021, were $6.0 million, compared with $2.0 million in the comparable period of 2020. The revenues for 2021 reflect a $6.0 million clinical milestone from the license agreement with AstraZeneca.

Cost of Revenues. During the year ended December 31, 2021, the Company had approximately $0.7 million in cost of revenues compared with approximately $0.1 million cost of revenues in the comparable period of 2020. Cost of revenues for the year ended December 31, 2021, represents milestone and royalty payments in connection with our revenues.

Research and Development Expenses. Research and development expenses during 2021increased by 26% and totaled approximately $28.7 million compared with approximately $22.8 million in the comparable period of 2020. The increase is mainly due to higher expenses associated with our various clinical studies, preclinical and CMC activities and headcount related to our U.S.-based clinical team. Research and development expenses, as a percentage of total operating expenses, were 71% in 2021 compared to 68% in 2020.

Marketing and Business Development Expenses. Marketing and business development expenses were approximately $0.8 million in 2021 compared with approximately $0.9 million in the comparable period of 2020. Marketing and business development expenses, as a percentage of total operating expenses, were 2% in 2021 compared to 3% in 2020.

General and Administrative Expenses. General and administrative expenses during 2021 increased by 11% and totaled approximately $10.9 million in 2021 compared with approximately $9.8 million in the comparable period of 2020. The increase during 2021 was attributed mostly to increased D&O insurance premium costs (that effected our industry) and non-cash stock option related expenses. General and administrative expenses, as a percentage of total operating expenses, were 27% in 2021 compared to 29% 2020.

Financial Income (loss), Net. Financial and other income decreased to approximately $0.9 million in 2021 from approximately $1.8 million in 2020. The decrease is attributed mainly to decreased interest income due to lower interest rates in the market and lower level of cash and deposits balances.

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 2022, 2021 and 2020.

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 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. 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. We have not elected to implement the 2011 Amendment and we do not currently have any Preferred Enterprises.

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, 2022, our net operating loss carry-forward for Israeli tax purposes amounted to approximately $398.1 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, 2022, the net operating loss carry-forward of our U.S. subsidiary for federal income tax purposes amounted to approximately $0.7 million. These losses may be carried forward indefinitely, but the deductibility of such federal net operating losses may be limited.

Use of our U.S. net operating losses may be subject to substantial annual limitation due to the "change in ownership" provisions of the Code 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

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 placement agent discounts and commissions and offering expenses paid by us.

During 2020, the Company issued and sold 3,866,139 ordinary shares underlying 3,866,139 warrants (with proceeds of approximately $18.3 million). During 2021, the Company issued and sold 89,557 ordinary shares underlying 89,557 warrants (with proceeds of approximately $0.4 million). As of December 31, 2022, 297,469 warrants remained outstanding.

Public Offering

On March 11, 2020, we entered into an underwriting agreement with SVB Securities LLC (previously known as 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 upon exercise of the underwriters' option) at said $9.00 price 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.

Sales Agreement with SVB Securities LLC

On January 31, 2023, we entered into a Sales Agreement, or the Sales Agreement with SVB Securities LLC, or SVB, as sales agent, pursuant to which we may offer and sell, from time to time through SVB, our ordinary shares. The offer and sale of our ordinary shares, if any, will be made pursuant to the our shelf registration statement on Form F-3, as supplemented by the prospectus supplement filed on January 31, 2023. Pursuant to the said prospectus supplement, we may offer and sell up to $50 million of our ordinary shares.

We are not obligated to make any sales under the Sales Agreement and no assurance can be given that we will sell any ordinary shares under the Sales Agreement, or, if we do, as to the price or number of ordinary shares that we will sell, or the dates on which any such sales will take place.

As of February 27, 2023, the Company has not sold any ordinary shares through the Sales Agreement.

Shelf Registration Statement

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. Although we believe that we have sufficient cash and cash equivalents and short-term bank deposits in order to sustain our operations at least through the end of 2024, based on our current plans, we may seek additional capital or strategic considerations. ***Securities Purchase Agreement***

Bristol Myers Squibb Securities Purchase Agreement

On November 10, 2021, the Company and Bristol Myers Squibb entered into a securities purchase agreement pursuant to which Bristol Myers Squibb made a $20 million investment in Compugen comprised of the purchase of 2,332,815 ordinary shares of Compugen at $8.57333 per share, which represented a 33% premium over the closing price of our ordinary shares on the last trading day immediately prior to the execution of this agreement. This investment is in addition to Bristol Myers Squibb's $12 million investment (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) that took place in October 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 based on the Company's monospecific antibodies that bind to TIGIT, including COM902, 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, out of which we accrued $2 million in 2020 as a preclinical milestone, $6 million in 2021 as a clinical milestone (triggered by the dosing of the first patient in a Phase 1/2 trial evaluating rilvegostomig) and additional $7.5 million as a clinical milestone (triggered by the dosing of the first patient in its ARTEMIDE Phase 2 trial evaluating rilvegostomig). If additional products are developed, additional milestones and royalties would be due to us for each product.

Capital Resources

In 2022, our primary sources of cash were:

- cash at hand; and
- proceeds from AstraZeneca in connection with its 2022 milestone payment.

We used these funds primarily to finance our business operations.

We expect that our sources of cash for 2023 will include cash held in our bank accounts. Additional sources of cash may include proceeds generated from agreements with collaborators and other third parties 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 shares pursuant to our employee share purchase plan and/or from financing transactions. In addition, if we choose to do so, we may generate proceeds from sales of our shares pursuant to the Sales Agreement.

Net Cash Used in Operating Activities

Net cash used in operating activities was approximately $28.3 million in 2020, approximately $22.8 million in 2021 and approximately $34.5 million in 2022. Increase in net cash used in 2022 compared to 2021 is mainly due to $5 million Bristol Myers Squibb participation in R&D expenses in 2021 and an increase in operating expenses, mainly expenses associated with our Phase 1 studies, preclinical activities and headcount related expenses.

Net Cash Provided by (used in) Investing Activities

Net cash used by investing activities was approximately $82.2 million in 2020, compared with net cash provided in investing activities of approximately $6.6 million in 2021 and $37.1 million in 2022. 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 2022 cash provided by investing activities was higher than prior year as a result of higher operating expenses and no fund raising compared to $20 million investment by Bristol Myers Squibb in 2021.

Net Cash Provided by Financing Activities

Net cash provided by financing activities was approximately $108.5 million in 2020, approximately $16.8 million in 2021 and approximately $0.4 million in 2022. The principal source of cash provided by financing activities in 2022 was proceeds received from stock-based awards exercises. The principal source of cash provided by financing activities in 2021 were the Bristol Myers Squibb investment and proceeds received from stock-based awards exercises.

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, 2022, we had cash and cash equivalents and short-term bank deposits of approximately $83.3 million compared to approximately $117.0 million on December 31, 2021. We believe that our existing cash and cash equivalents, and short-term bank deposits will be sufficient to fund our operations over the next 12 months. We believe we will meet longer-term expected future cash requirements at least through the end of 2024. We believe that our working capital is sufficient for our present requirements.

The table below summarizes our contractual obligations as of December 31, 2022 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]	2,091	699	1,278	114	-
Accrued Severance Pay, net[2]	471	-	-	-	471
Total	2,562	699	1,278	114	471

(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.

Although we have sufficient cash and cash equivalents and short-term bank deposits that we believe will enable us to fund our operations through at least the end of 2024, our ability to fund our capital needs depends on our ongoing ability to generate cash from existing and future collaborations and from our ability to raise additional funds.

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 2022, 2021 and 2020. Our research and development expenses, net, were approximately $30.6 million in 2022, compared to approximately $28.7 million in 2021 and approximately $22.8 million in 2020. As of December 31, 2022, 46 of our employees were engaged in research and development on a full-time basis. This represents approximately 70% of our entire work force at that time.

We focus our efforts on the development of our discovery capabilities 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 2023 our research and development expenses will continue to be our major operating expense.

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 our product candidates at the various development stages. In addition, we expect to continue to expand our discovery infrastructure and capabilities which provide us with the underlying engine for the discovery of promising drug targets for our therapeutic 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 2022 consolidated financial statement. We have not applied 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, 2022, we received grants from the IIA in the principal amount of approximately $7.3 million. Therefore, our contingent obligation for royalties, net of royalties already paid or accrued in the sum of approximately $2.0 million, along with the accumulated LIBOR interest to date of approximately $4.3 million, totaled to approximately $9.6 million as of December 31, 2022.

In addition, the Company participated in four MAGNET Consortium programs - Drugs and Diagnostic Kits, or 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 600% of 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 300% 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. In addition, the government of Israel may from time to time audit sales of products which it claims incorporate Financed Know-How and this may lead to royalties being payable on additional products, and may subject such products to the restrictions and obligations specified hereunder. Failure to comply with the requirements under the R&D Law may subject us to financial sanctions, to mandatory repayment of grants received by us (together with interest and penalties), as well as expose us to criminal proceedings.

At the end of 2021, the publication of the LIBOR ceased, and alternative interests were applied throughout the worldwide economy, including the SOFR interest. As of the date of this Annual Report, the IIA has not yet published the alternative interest that will be applied on 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, 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

We are a clinical development stage company and it is not possible for us to predict with any degree of accuracy the outcome of our research and development efforts. As such, it is not possible for us to predict with any degree of accuracy any significant trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on our net loss, liquidity or capital resources, or that would cause financial information to not necessarily be indicative of future operating results or financial condition. However, subject to such limitation, we did identify certain trends that may have an effect on us, some of which are as specified below, and as covered in the risk factors set forth under "Item 3. Key Information - D. Risk Factors".

Access to Additional Funds

Should we need to secure additional sources of liquidity, we believe that we could finance our needs through the issuance of equity securities, including through our Sales Agreement with SVB, debt securities or other arrangements. However, we cannot guarantee that we will be able to obtain financing through the issuance of any of the above arrangements on reasonable terms. The COVID-19 pandemic, including the variants to COVID-19 and government actions implemented as a result thereof, together with the ongoing Russia and Ukraine conflict and other global economic factors, have caused a negative impact on the outlook for the global economy and created significant volatility and disruption of financial markets. In addition, many countries across the globe, including the United States and Israel, are seeing an increase in inflation. An extended period of economic disruption, including a continued market downfall, could materially affect our ability to secure additional funds and could further materially affect our business, strategy, results of operations and financial condition.

With the exception of the resulting economic impact of the Russia and Ukraine conflict, our operations and business to date have not been impacted. However, should this conflict persist or expand to include additional countries or regions, or should the downfall in the market continue, we could be impacted. We will continue to assess global and regional conflicts and any impact they may have on our ability to access additional funds.

Unfavorable Global or Domestic Political or Economic Conditions

The global economy continues to experience significant volatility, and the economic environment may continue to be, or become, less favorable than that of past years. Higher costs for goods and services, inflation, deflation, the imposition of tariffs or other measures that create barriers to or increase the costs associated with international trade, overall economic slowdown or recession and other economic factors in Israel, the U.S. or in any other markets in which we operate could adversely affect our operations and operating results and can result in increased operations costs. In addition, recent political and civil actions in Israel during the month of January and February 2023, resulting from, among other things, proposed changes to certain Israeli constitutional legislation, may have an adverse effect on the Israeli social, economic and political landscape and in turn, on us, and may cause, among other things, to major devaluation in the NIS.

Exchange Rate

A significant portion of our expenses is denominated in currencies other than the dollar. The Company is therefore subject to non-U.S. currency risks and non-U.S. exchange exposure, especially the NIS. Exchange rates can be volatile and a substantial change of foreign currencies against the dollar could increase or reduce the Company's expenses and net loss and impact the comparability of results from period to period. The appreciation (devaluation) of the dollar against the NIS was 13.2%, (3.3%) and (7.0%) in 2022, 2021 and 2020, respectively. For example, for the year ended December 31, 2021, assuming a 10% devaluation of the dollar against the NIS, we would have experienced an increase in our net loss of approximately $1.4 million, while assuming a 10% appreciation of the dollar against the NIS, we would experience a decrease in our net loss of approximately $1.1 million. For more information regarding exchange rate risk please see "Item 11. Quantitative And Qualitative Disclosures About Market Risk – Interest Rate Risk."

Interest rate

A significant portion of our cash and cash equivalents is invested in bank deposits and bear interest. The Company's financial income is therefore subject to interest rate risk. Interest rates can be volatile, and a substantial change in interest rates could increase or reduce the Company's financial income and net loss. In addition to the impact on our cash and cash equivalents, rising interest rates, or the perception thereof, may have wide economic impacts, including an adverse impact on capital markets, the price of our shares and on supplies that we require to conduct our different operations. For more information regarding interest rate risk please see "Item 11. Quantitative And Qualitative Disclosures About Market Risk – Interest Rate Risk."

Trend Towards Biologics

Biologics (monoclonal and bispecific antibodies, ADCs, enzymes and pegylated proteins) represent one of the fastest growing segments in the drug industry, making up 29% of FDA approved drugs in 2022. 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.

E. CRITICAL ACCOUNTING ESTIMATES

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, and research and development expenses.

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 option pricing model as the most appropriate method for estimating the fair value of our share-based awards. The resulting cost of an equity incentive award is recognized as an expense over the requisite service period of the award, which is usually the vesting period. We recognize compensation expense over the vesting period using the straight-line method and classify these amounts in the consolidated financial statements based on the department to which the related employee reports.

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.

The determination of the grant date fair value is affected by estimates and assumptions regarding a number of complex and subjective variables, including the expected term of the options, the expected volatility of our share price over the expected term, risk-free interest rates and expected dividends. The computation of expected volatility is based on historical volatility of our shares. 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 $4.3 million, $4.3 million and $2.8 million for the years ended December 31, 2022, 2021 and 2020, respectively.

Revenue Recognition

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

The Company recognizes revenue in accordance with ASC 606 - "Revenue from Contracts with Customers".

As such, the Company analyzes its collaborative and license agreements 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 five steps: (i) identification of the contract, or contracts, with a customer; (ii) identification of the performance obligations in the contract; (iii) determination of the transaction price; (iv) allocation of the transaction price to the performance obligations in the contract; and (v) recognition of revenue when, or as, we satisfy a performance obligation.

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. We use assumptions to determine the standalone selling price of each performance obligation identified in the contract. We then allocate the total transaction price to each performance obligation based on the estimated standalone selling prices of each performance obligation. We recognize as revenue the amount of the transaction price that is allocated to the respective performance obligation when the performance obligation is satisfied.

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.

In December 2020 the program under the exclusive license agreement with AstraZeneca achieved a preclinical milestone and in September 2021 and in November 2022 such program achieved clinical milestones and in connection with such milestones, we recognized revenues in an amount of $2 million, $6 million and $7.5 million, in the years 2020, 2021 and 2022, respectively, in accordance with the criteria prescribed under ASC 606. See Note 2j to our 2022 consolidated financial statements.

Research and Development Expenses

Research and development costs are charged to the statement of comprehensive loss as incurred.

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. Payments made in advance of the performance of the related services are recorded as prepaid expenses until the services are rendered.

The portion of the Bristol Myers Squibb $12.0 million investment in 2018 over the fair market value of the shares issued in the amount of approximately $4.1 million and the portion of the Bristol Myers Squibb $20.0 million investment in 2021 over the fair market value of the shares issued in the amount of $5.0 million were 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 to our 2022 consolidated financial statements.

Amortization of participation in research and development expenses for the years ended December 31, 2022, 2021 and 2020 were approximately $6.0 million, $1.3 million and $0.8 million, respectively.

Recent Accounting Pronouncements

See Note 2s to our 2022 consolidated financial statement.

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 9, 2023:

Name	Age	Positions
Paul Sekhri[3]	64	Chairman of the Board of Directors (Chairman of the Nomination and Corporate Governance Committee)
Anat Cohen-Dayag, Ph.D.	56	President and Chief Executive Officer, Director
Mathias Hukkelhoven, Ph.D.	69	Director
Gilead Halevy[2]	56	Director (Chairman of the Audit Committee)
Kinneret Livnat Savitzky, Ph.D.[1][3]	55	Director
Eran Perry[1][2]	52	Director
Sanford (Sandy) Zweifach[1][2][3]	66	Director (Chairman of the Compensation Committee)
Alberto Sessa	60	Chief Financial Officer
Henry Adewoye, MD	58	Senior Vice President and Chief Medical Officer
Oliver Froescheis, Ph.D.[4]	57	Senior Vice President, Corporate and Business Development
Zurit Levine, Ph.D.	55	Senior Vice President, Technology Innovation
Yaron Turpaz, Ph.D.	52	Senior Vice President and Senior Advisor, Computational Discovery
Eran Ophir, Ph.D.	45	Senior Vice President, Research and Drug Discovery
Pierre Ferre, Ph.D.	46	Vice President, Preclinical Development

(1) Member of our Compensation Committee

(2) Member of our Audit Committee

(3) Member of our Nomination and Corporate Governance Committee

(4) Dr. Oliver Froescheis retired from his position on February 10, 2023.

Paul Sekhri joined Compugen's Board of Directors as its Chairman in October 2017. Mr. Sekhri serves as the President and Chief Executive Officer of vTv Therapeutics Inc. Prior to joining vTv Therapeutics Inc., from January 2019 until April 2022, Mr. Sekhri served 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 vTv Therapeutics Inc., eGenesis, Inc., Veeva Systems Inc., Ipsen S.A., Oryn Therapeutics, LLC, Axcella Health Inc. and Spring Discovery and Chairman of the Board of Directors of Pharming N.V. and of Longboard Pharmaceuticals, Inc. Additionally, Mr. Sekhri is the Chairman of the Board of the Young Concert Artists (YCA), and a member of Boards of The Metropolitan Opera. Mr. Sekhri is also an active member of the Patrons Council of Carnegie Hall, where he established the Life Sciences Council of Carnegie Hall.

Anat Cohen-Dayag, Ph.D. joined Compugen's Board of Directors in February 2014. Dr. Anat Cohen-Dayag has over 25 years of experience in the biotech industry, both in R&D and executive leadership roles. Anat joined Compugen in 2002, and has held various senior managerial positions, including VP R&D, before being appointed President and CEO in 2010. Under her leadership, Compugen transformed from a service provider in the field of computational biology to a therapeutic discovery and development company advancing an innovative immuno-oncology pipeline originating from the company's computational discovery platforms. Anat joined Gamida Cell's Board of Directors in January 2022, and she is also a member of the Board of Directors of Pyxis Ltd. Prior to Compugen, Anat was the Head of R&D and was a member of the executive management team of Mindsense Biosystems Ltd. Anat holds a B.Sc. in Biology from Ben-Gurion University, and an M.Sc. in Chemical Immunology and a Ph.D. in Cellular Biology, both from the Weizmann Institute of Science.

Dr. Mathias (Math) Hukkelhoven joined Compugen's Board of Directors in March 2022. Dr. Hukkelhoven has a wealth of experience in global regulatory affairs and drug development, evidenced by his contribution to more than 50 NCEs and hundreds of new indications and line extensions over his career to date. Dr. Hukkelhoven has participated in activities that have shaped health authority interactions for the industry, including serving as chairperson of the Regulatory Affairs Coordinating Committee at PhRMA, and recently as a PhRMA negotiator for the PDUFA VII negotiations with the FDA. Since his retirement from Bristol Myers Squibb in July 2021, Math has been a consultant for several biotech companies, R&D Strategy Advisor for LianBio and Senior Advisor for McKinsey and on July 1, 2022 he joined the Board of Directors of Centessa Pharmaceuticals plc. Math joined Bristol Myers Squibb in March 2010 as the Senior Vice President, Global Regulatory, Safety & Biometrics and was also responsible for the R&D group in BMS China and the Clinical Pharmacology and Pharmacometrics group. As such, he had responsibility for a large part of the global Bristol Myers Squibb development organization. Since the acquisition of Celgene by Bristol Myers Squibb, he was responsible for Global Regulatory and Safety Sciences at Bristol Myers Squibb. He was accountable for setting regulatory strategy and driving execution of global regulatory and pharmacovigilance plans for Bristol Myers Squibb. He led the regulatory and development efforts across the product development and commercialization process to ensure optimal regulatory strategy and interactions at each step of the process – research and development, manufacturing, and commercialization. Prior to joining Bristol Myers Squibb, Math held the role of Chairman Portfolio Stewardship Board at Novartis Pharmaceuticals. From 2001 to 2009, he was the Senior Vice President, Global Head Drug Regulatory Affairs at Novartis. Math received his B.S. and Ph.D. honors degrees in Biology and Biochemistry from the University of Nijmegen, the Netherlands.

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 board of directors of Carmel Wineries; Continuity Software Ltd., Zriha Hlavin Industries 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 a managing partner at Team8 and Director at Team8 Health, Partner 1 GP Ltd. Dr. Livnat Savitzky also serves on the boards of the following biotechnology or healthcare companies: Ramot (TTO of Tel-Aviv University), Nutritional Growth Solutions Ltd., DreaMed Diabetes Ltd., and Biomica Ltd. Between 2017 and 2021 she served as the CEO of FutuRx Ltd., an Israeli biotechnology accelerator established by OrbiMed Israel Partners, Johnson & Johnson Innovation, Takeda Ventures Inc., and LEAPS, the venture arm of Bayer. 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. Mr. Perry is also the co-founder and board member of several pharmaceutical companies including Musli Thyropeutics, ICD Pharma, Seanergy Dermatology, Follicle Pharma and Upstream Bio. Mr. Perry also serves on the board of directors of MyBiotics Pharma and Noon Aesthetics. 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 2018. 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 Mr. Zweifach serves as an Executive Chairman of the Board of Directors of Kaerus Bioscience, Chairman of the Board of Directors of Carisma Therapeutics, Inc., Acting President and Chair of the Business Advisory Board of IMIDomics, S.L. and as a member of the Board of Directors of Essa Pharma, 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.

Alberto Sessa joined Compugen in November 2022 as Chief Financial Officer. Alberto brings more than 30 years of industry experience to Compugen by serving in public and private companies. Throughout his career he has gained vast experience in leading financing, investor relations, M&A, and business development transactions. He most recently served as acting CFO at several startup companies in the high-tech industry. Prior to this, as CFO at Nasdaq and TASE listed Allot, he was instrumental in helping turn around the company to reach a path of sustained growth. Previously, Alberto spent seven years as Worldwide Group CFO at Nasdaq listed Amdocs with responsibility for the global financial business activities. Alberto holds a Master of Business Administration and bachelor's in economics and statistics from the Hebrew University of Jerusalem.

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 bi-specific 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 where he 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. was appointed as Senior Vice President, Technology Innovation in 2018, responsible for leading and advancing the Company's computational innovation towards new discovery fields and areas. In this capacity, Dr. Levine is also responsible for the Company's IP strategy and portfolio. Dr. Levine joined Compugen in 1999 and has 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, Global Gene Corp. and Affymetrix. Dr. Turpaz continues to 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.

Eran Ophir, Ph.D. joined Compugen in 2015 and was appointed Vice President of Research and Drug Discovery in March 2020 and became a Senior Vice President, of Research and Drug Discovery in March 2022. In his role, Dr. Ophir is responsible for Compugen's research and drug discovery activities, overseeing the research into the biology of Compugen's computationally discovered targets and therapeutic lead antibody identification and selection. Dr. Ophir brings significant expertise in immunology and immuno-oncology from his research work at the Weizmann Institute of Science and the Ludwig Institute for Cancer Research in Lausanne, Switzerland. Dr. Ophir joined Compugen's immuno-oncology group as a senior scientist and has since held various positions in the Research and Development department, with increasing responsibilities. Dr. Ophir received a B.Sc. in Bioinformatics from Tel Aviv University and a Ph.D. in Biology from the Weizmann Institute of Science.

Pierre Ferre, Ph.D. joined Compugen in April 2021 as Vice President Preclinical Development. Dr. Ferre has two decades of experience in all aspects of clinical and non-clinical drug development in oncology and immuno-oncology. Dr. Ferre joined Compugen from Pierre Fabre Pharmaceuticals, France, where he spent most of his career in multiple positions, lastly as Director of Oncology Programs in which he led the development strategy of a portfolio of R&D programs in oncology from initiation and discovery, through preclinical and clinical development. Previously, at Pierre Fabre Oncology R&D, he acted as Director, Pharmacokinetics/Pharmacodynamics, overseeing also translational, biomarker-related activities. Before that Dr. Ferre was in charge of oncology preclinical pharmacokinetics. Dr. Ferre is a Doctor in Veterinary Medicine, holds a PhD in biology from Toulouse INP (Institut National Polytechnique), and a MSc from Aix-Marseille University and Paris INA-PG (Institut National Agronomique) for his research work conducted in experimental pathophysiology and toxicology.

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 2022, the aggregate compensation paid or accrued by us to all persons listed in Item 6.A above (Directors and Senior Management), as well as one director (Dr. Jean-Pierre Bizzari) and one member of Senior Management (Mr. Ari Krashin) who ceased to serve before the end of 2022, was approximately $6.0 million. This amount includes approximately $0.6 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 2022, we granted to our Directors and Senior Management listed in Item 6.A a total of 907,500 options to purchase ordinary shares. These options are exercisable at an average exercise price of $2.67 per share, and generally expire ten years after their respective dates of grant. As of December 31, 2022, there were a total of 4,312,624 outstanding options to purchase ordinary shares that were held by our Directors and Senior Management listed in Item 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, 2022. All amounts reported in the table reflect the cost to the Company, as recognized in our financial statements for the year ended December 31, 2022. 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	479,073	317,446	567,035	1,363,554
Dr. Henry Adewoye Senior Vice President and Chief Medical Officer	420,833	184,458	306,884	912,175
Dr. Oliver Froescheis[5] Senior Vice President, Corporate and Business Development	382,500	560	263,290	646,350
Dr. Pierre Ferre Vice President, Preclinical Development	205,441	209,659	108,945	524,045
Dr. Zurit Levine Senior VP, Technology Innovations	205,381	140,316	178,097	523,794

1) All Covered Office Holders listed in the table were full-time officers of the Company during their term of service in 2022.

2) Cash compensation amounts denominated in currencies other than the dollar were converted into dollars at an exchange rate of NIS 3.3596= $1.00, which reflects the average conversion rate for 2022, 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, 2022, 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 2022 consolidated financial statements set forth elsewhere in this report.

5) Dr. Oliver Froescheis retired from his position on February 10, 2023.

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, 2022.

"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 or who are external directors (to the extent applicable), 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 Israeli Companies Regulations (Rules Regarding Compensation and Expenses of External Directors), 2000, or the Compensation Regulations. To the extent applicable, external directors are entitled to Terms of Office and Employment as set forth in the Compensation Regulations, as supplemented by the Israeli Companies Regulations (Alleviation for Public Companies whose shares are Traded on the Stock Exchange Outside of Israel), 2000, or the Alleviation Regulations. In addition, the Israel Securities Authority may issue from time to time bulletins or staff position statements relating to, among other things, compensation payable to external directors. Since our board of directors determined to opt out of the requirement to elect and have external directors and composition criteria of the audit committee and compensation committee under the Companies Law pursuant to the relief available under the Alleviation Regulations, as further detailed in this Item below under "Board Practices - External Directors and Independent Directors Under the Companies Law", we are not subject to such bulletins or staff position statements.

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, which should take into consideration the applicable Office Holder's contribution to the company. 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 nor 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 chairperson;
(b) Compensation Committee - $2,000 for a member, or $4,000 for the chairperson; and
(c) Nomination and Governance Committee - $1,000 for a member, or $3,000 for the chairperson.

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.

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: In connection with his appointment as the Chairman of the Board, we issued to Mr. Sekhri an initial grant of options to purchase 500,000 ordinary shares. These options were issued pursuant to the terms and conditions applicable to options granted under the Company's 2010 Option Plan. Such grant vested 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% vested 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.

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 $39,920 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, at the 2020 AGM, 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 2022 Dr. Cohen-Dayag was granted with 150,000 options, with an exercise price of $3.24, pursuant to the terms of the CEO's three-year equity framework approved by our shareholders in 2020. As of December 31, 2022, Dr. Cohen-Dayag held options to purchase a total of 1,240,000 ordinary shares. Out of these outstanding options: (i) options to purchase 889,375 ordinary shares, with a weighted average exercise price of $6.18 per share, were exercisable as of December 31, 2022; and (ii) options to purchase 350,625 ordinary shares, with a weighted average exercise price of $6.60 per share, had not vested as of December 31, 2022. Of the unvested options on December 31, 2022, options to purchase 163,125 ordinary shares are expected to vest during 2023, options to purchase 112,500 ordinary shares are expected to vest during 2024 and options to purchase the remaining 75,000 ordinary shares are expected to vest during the period between March 31, 2025, and March 31, 2026. 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 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 and were amended at the Company's Annual General Meeting of Shareholders for 2021, held on September 2, 2021, or the 2021 AGM. The indemnification letters, as amended, seek to indemnify our Office Holders to the fullest extent permitted under the Companies Law, subject to the specific limitations specified therein.

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. 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 Articles provide that we may have no less than five nor more than fourteen directors. Currently 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 directors may further be appointed by the board of director and in this case shall hold office until the end of the immediately following annual general meeting or upon earlier termination in circumstanced referred to under the Companies Law or our Articles.

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 President and Chief Executive Officer."

Board of Directors Diversity

The table below provides certain information regarding the diversity of our board of directors.

Board Diversity Matrix as of February 15, 2023				
Total Number of Directors	7			
	Female	Male	Non-Binary	Did Not Disclose Gender
Part I: Gender Identity				
Directors	2	4		1
Part II: Demographic Background				
African American or Black				
Alaskan Native or Native American				
Asian				
Hispanic or Latinx				
Native Hawaiian or Pacific Islander				
White	2	3		
Two or More Races or Ethnicities		1		
LGBTQ+	1			
Did Not Disclose Demographic Background	1			

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. In accordance with the Alleviation Regulations, 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 and composition criteria of the audit committee and compensation committee under the Companies Law pursuant to the relief available under the Alleviation Regulations, 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, or the Opt Out Criteria. 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, pursuant to the Alleviation Regulations, 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, the Alleviation Regulations provide that '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 and 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 pursuant to the relief available under the Alleviation Regulations, 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 pursuant to the relief available under the Alleviation Regulations, 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 were two additional individuals who were Office Holders of the Company as of December 31, 2022.

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 2022, 2021 and 2020 (the numbers include employees of our wholly owned U.S. subsidiary Compugen USA, Inc.):

	December 31, 2022	December 31, 2021	December 31, 2020
Research & Development	46	51	45
Administration, Accounting and Operations	21	21	21
Marketing and Business Development	2	1	2
Total	69	73	68

In addition to the headquarters in Holon, Israel, we maintain a subsidiary in South San Francisco, California. 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, on December 31, 2021, 58 of our employees were located in Israel, 12 were located in the United States and 3 employees were located in Europe and on December 31, 2022, 57 of our employees were located in Israel, 8 were located in the United States and 4 employees were 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 and additional Israeli labor law provisions cover a wide range of subjects and provide certain minimum employment standards, including the length of the workday 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.

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 2m to our 2022 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 9, 2023, 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 9, 2023. 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 86,624,643 ordinary shares outstanding as of February 9, 2023.

Beneficial Owner	Amount Owned	Percent of Class
Anat Cohen-Dayag[1]	1,029,872	1.2%
All directors and executive officers as a group (14 persons)[2]	2,996,117	3.3%

(1) Includes (i) 56,122 shares held by Dr. Cohen-Dayag, and (ii) 973,750 shares subject to options that are exercisable within 60 days after February 9, 2023, with a weighted average exercise price of $6.18 per share, and which expire between September 2023 and March 2032.

(2) Includes (i) a total of 76,259 ordinary shares held by directors and executive officers, and (ii) a total of 2,919,858 shares subject to options that are beneficially owned by directors and executive officers that are exercisable within 60 days after February 9, 2023, with a weighted average exercise price of $5.43 per share and which expire between July 2023 and March 2032.

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 2022 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. In May 2020 the board of directors extended the term of the 2010 Plan by additional ten (10) years. 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 March 2022.

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, 2022, options to purchase 8,157,749 ordinary shares at a weighted average exercise price of approximately $5.43 per share were outstanding (i.e., were granted but not canceled, expired nor exercised) under the 2010 Plan and 1,918,297 ordinary shares remained available for future grant under the 2010 Plan. Options to purchase 4,319,106 ordinary shares under the 2010 Plan have previously been exercised through December 31, 2022, at a weighted average exercise price of approximately $4.92. As of December 31, 2022, outstanding options granted by the Company pursuant to the 2010 Plan expire between January 2023 and November 2032 (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 was for 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 available for issuance under the ESPP in the aggregate is 600,000.

As of December 31, 2022 (following issuance of shares in connection with offering periods already ended), there are 324,146 ordinary shares available for issuance under the ESPP. Currently our ESPP is suspended, and we reserve the right to resume it at any time.

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, will 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".

F. DISCLOSURE OF A REGISTRANT'S ACTION TO RECOVER ERRONEOUSLY AWARDED COMPENSATION.

Not applicable.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. MAJOR SHAREHOLDERS

The following table sets forth share ownership information as of February 15, 2023 (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, 2023, there were a total of 35 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 % 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, 2023.

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

Reporting Beneficial Owner	Number of Ordinary Shares Beneficially Owned	Percent of Ordinary Shares Beneficially Owned[1]
Bristol-Myers Squibb Company[2]	4,757,058	5.5%

(1) Based upon 86,624,643 ordinary shares issued and outstanding as of February 15, 2023.

(2) Based upon information provided by the shareholder in its Form 13G filed with the SEC on November 19, 2021. With respect to the ordinary shares reported in its Schedule 13G, Bristol-Myers Squibb Company, indicated as having (i) sole voting power and dispositive power with respect to 4,757,058 ordinary shares, and (ii) no shared voting power nor shared dispositive power with respect to ordinary shares. Furthermore, in such filing BMS indicated aggregate beneficial ownership of 4,757,058 ordinary shares. The address of the principal business office of BMS is 430 East 29th Street, New York, NY 10016.

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, 2022, we have not entered into any material 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 most recently approved at our 2021 AGM. 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 the higher of the: (i) an amount equal to 25% of the Company's shareholders' equity, per the most recent financial statements (audited or reviewed) after the time that notice is provided to the Company; or (y) $20 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 2022 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 each of The Nasdaq Global Market and the Tel Aviv Stock Exchange is CGEN.

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

Copies of our Amended and Restated Articles and our Amended and Restated Memorandum of Association, as in effect as of the date of this Annual Report, are attached as Exhibits 1.1 and 1.2, respectively, to this Annual Report. The information called for by this Item is set forth in Exhibit 2.1 to this Annual Report and is incorporated by reference into this Annual Report.

C. MATERIAL CONTRACTS

Please see “Item 4. Information on the Company - B. Business Overview - Business Strategy and Partnerships - 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, except that such restrictions may exist with respect to citizens of countries which are in a state of war with Israel.

E. TAXATION

The following is a brief summary of certain material Israeli and U.S. federal 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 U.S., 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 person should consult his, her or its 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 resident 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), which includes Nasdaq, 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 (which includes, 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 2023 and thereafter) will be imposed on the sale of our traded shares.

However, 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 gains were not derived from a permanent establishment that the non-Israeli tax resident investor maintains in Israel. Furthermore, non-Israeli "Body of Persons" (as defined in the Ordinance, and includes corporate entities, partnerships, and other entities) corporations will not be entitled to such exemption if Israeli residents, whether directly or indirectly, (i) holds 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 2023 and thereafter) for corporations.

The sale of shares may also be exempt from Israeli capital gain tax under the provisions of an applicable tax treaty. For example, the Convention Between the Government of the United States and the Government of the State of Israel With Respect to Taxes of Income, as amended, or the U.S.-Israel Tax Treaty), exempts U.S. residents for the purposes of the treaty (who are entitled to claim the benefits of the U.S.-Israel Tax Treaty) from Israeli capital gain tax in connection with such sale, provided (i) the U.S. resident owned, directly or indirectly, less than 10% of the Israeli resident company's voting power at any time within the 12-month period preceding such sale; (ii) the seller, being an individual, is present in Israel for a period or periods of less than 183 days during the taxable year; and (iii) the capital gain from the sale was not derived through a permanent establishment of the U.S. resident in Israel. Under the U.S.-Israel Tax Treaty, U.S. residents for the purposes of the treaty may be permitted to claim a credit for such taxes against U.S. federal income tax imposed on the sale, under the circumstances and subject to the limitations specified in the U.S.-Israel Tax Treaty and U.S. tax legislation, as discussed below under "*Certain Material U.S. Federal Income Tax Considerations to U.S. Holders – Distributions*."

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 (as such term is used in the Israeli Securities Law). If the shares are not registered with a nominee company, the rate of 25% will apply to non-Israeli residents shareholders who are not considered Substantial Shareholders, as defined above, and who were not considered Substantial Shareholders at any time during the 12 months preceding the date of the distribution, and the rate of 30% will apply to 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. Notwithstanding the above, a lower tax rate may be 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 Israel Tax Authority allowing for a reduced tax rate). The distribution of dividends to non-Israeli residents (either individuals or corporations) from income derived from a company's Approved Enterprises or Benefiting Enterprises during the applicable benefits period or from Preferred Enterprises is subject to withholding tax at a rate of 20%, unless a lower tax rate is provided under an applicable tax treaty (subject to the receipt in advance of a valid tax certificate from the Israel Tax Authority allowing for a 20% withholding tax rate or a lower tax rate, provided by 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; (ii) the taxpayer has no other taxable sources of income in Israel with respect to which a tax return is required to be filed; and (iii) the taxpayer is not liable for Excess Tax (as described below).

Residents of the United States generally will have withholding tax in Israel deducted at source. 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, as discussed below under "*Certain Material U.S. Federal Income Tax Considerations to U.S. Holders – Distributions*."

U.S. Israel Tax Treaty

Under the U.S.-Israel Tax Treaty, the maximum Israeli withholding tax rate on dividends paid to a holder of our ordinary shares who is a U.S. resident for the purposes of the U.S.-Israel Tax Treaty, is generally 25%. The U.S.-Israel Tax Treaty 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 a Benefiting Enterprise, in each case within the applicable period or, 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 U.S.-Israel Treaty will not apply if the dividend income was derived through a permanent establishment of the U.S. resident in Israel.

Excess Tax

Furthermore, an additional tax liability at the rate of 3% is applicable 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 such individual is an Israeli resident or non-Israeli resident) exceeding a certain threshold (NIS 698,280 in 2023), which amount is linked to the Israeli consumer price index.

Estate and Gift Tax

Israeli law currently does not impose estate or gift taxes.

Certain Material U.S. Federal Income Tax Considerations to U.S. Holders

General

The following is a summary of certain material U.S. federal income tax considerations generally applicable to the acquisition, ownership and disposition of our ordinary shares by U.S. holders (as defined below) that hold our ordinary shares as "capital assets" (generally, property held for investment) under the Code. 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 within the meaning of Section 1221 of the Code (generally, property held for investment). The following summary 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, S corporations, 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 dollar, persons holding ordinary shares as part of a hedging, constructive sale or conversion, straddle, or other risk-reducing transaction, certain former U.S. citizens or long term residents of the United States, corporations that accumulate income to avoid U.S. federal income tax, persons that received 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 taxes, 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 Code, the U.S. federal non-income tax considerations, including estate or gift tax considerations, 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, possibly with retroactive effect, 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 has been sought from the U.S. Internal Revenue Service, or IRS, or opinions of counsel has been 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 IRS.

This summary is not a substitute for careful tax planning. 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

In general, a corporation organized outside the United States will be classified as a passive foreign investment company, or PFIC, for U.S. federal income tax purposes for any taxable year in which, after the application of certain look-through rules with respect to income and assets of its subsidiaries, either:

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

For this purpose, passive income generally includes, among other things, 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. Generally, in determining whether a non-U.S. corporation is a PFIC, a proportionate share of the income and assets of each corporation in which it owns, directly or indirectly, at least a 25% interest (by value) is taken into account. Whether we are a PFIC for any taxable year will depend on the composition of our income and the composition and value of our assets (which, may be determined in large part by reference to the market price of the ordinary shares, which is likely to continue to fluctuate) in each year, and because this is a factual determination made annually after the end of each taxable year, there can be no assurance that we will not be considered a PFIC in any taxable year.

Based on the composition of our income, and the composition and value of our assets, in 2022, we believe that we were a PFIC for the taxable year ended December 31, 2022. However, the determination of whether or not we are a PFIC is a fact-intensive determination made on an annual basis and because the applicable law is subject to varying interpretations we cannot provide any assurance regarding our PFIC status and our U.S. counsel expresses no opinion with respect to our PFIC status for any taxable year. In particular, our status as a PFIC in 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 and (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. Furthermore, there can be no assurance that the IRS will agree with our conclusion or that the IRS would not successfully challenge our position. No ruling from the IRS concerning our status as a PFIC has been obtained or is currently planned to be requested. Accordingly, we cannot provide any assurances regarding our PFIC status for the current or future taxable years.

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. In addition, non-corporate U.S. Holders will not be eligible for reduced rates of taxation on any dividends received from us, if we are a PFIC in the taxable year in which such dividends are paid or in the preceding taxable year.

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 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 (i) the holder's pro rata share of the PFIC's ordinary earnings as ordinary income or (ii) the holder's pro rata share of the QEF net capital gain as capital gain, regardless of whether such earnings or gain have in fact been distributed, for each taxable year that the entity is classified as a PFIC. If a U.S. holder makes a QEF election with respect to us, any distributions paid by us out of our earnings and profits that were previously included in the U.S. holder's income under the QEF election would not be taxable to the holder. A U.S. holder will increase its tax basis in its ordinary shares by an amount equal to any income included under the QEF election and will decrease its tax basis by any amount distributed on the ordinary shares that is not included in the holder's income. If a U.S. holder has made a QEF election with respect to its ordinary shares, any gain or loss recognized by the U.S. holder on a sale or other disposition of such ordinary shares will constitute capital gain or loss. 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.

U.S. holders should consult their tax advisors regarding making QEF elections in their particular circumstances. If a U.S. holder does not make and maintain a QEF election for the U.S. holder's entire holding period for our ordinary shares by making the election for the first year in which the U.S. holder owns our ordinary shares, the U.S. holder will be subject to the adverse PFIC rules discussed above unless the U.S. holder can properly make a "purging election" with respect to our ordinary shares in connection with the U.S. holder's QEF election. A purging election may require the U.S. holder to recognize taxable gain on the U.S. holder's ordinary shares.

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. We may provide the information necessary for U.S. holders to make QEF elections if we were treated as a PFIC for any taxable year, although, there is no assurance that we will do so. 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.

U.S. holders should consult their tax advisors to determine whether any of these above elections would be available and if so, what the consequences of the alternative treatments would be in their particular circumstances.

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. 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. 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. 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. We may provide the information necessary for U.S. holders to make QEF elections with respect to any lower-tier PFIC, although there is no assurance that we will do so. 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.

U.S. Federal Income Tax Consequences If We Are Not a PFIC.

The description of the U.S. federal income tax consequences of the receipt of distributions and the sale or other taxable exchange of our ordinary shares, described in the following two sections "- *Distributions*" and "- *Disposition of Ordinary Shares*," apply only if we are not a PFIC in the relevant year and our ordinary shares are not subject to the rules described above under "-*Passive Foreign Investment Company Rules*" because we were a PFIC with respect to a U.S. holder and its ordinary shares in a prior year.

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. Distributions in excess of earnings and profits will be non-taxable to the U.S. holder to the extent of, and will be applied against and reduce (but not below zero), the U.S. holder's adjusted tax basis in the ordinary shares. Distributions in excess of earnings and profits and such adjusted tax basis will generally be taxable to the U.S. holder as described below under "- *Disposition of Ordinary Shares*." However, since we do not calculate our earnings and profits under U.S. federal income tax principles, it is expected that any distribution will be reported as a dividend, even if that distribution would otherwise be treated as a non-taxable return of capital or as capital gain under the rules described above. 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 dollars, the amount of any dividend paid in Israeli currency will equal its 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 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 dollars on the date of receipt, the U.S. holder will have a basis in the Israeli currency equal to its 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 be eligible, subject to a number of complex limitations, to 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.

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. Under current law, 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. Because gain from the sale or other taxable disposition of an ordinary share will generally be treated as U.S.-source income and, subject to certain exceptions, Treasury Regulations generally preclude U.S. taxpayers from claiming a foreign tax credit with respect to any non-U.S. tax imposed on gains from dispositions of shares held as capital assets unless the tax is creditable under an applicable income tax treaty, your ability to claim a foreign tax credit with respect to Israeli tax imposed on any such sale or other taxable disposition, if any, may be significantly limited. U.S. holders should consult their own 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 or exchange 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 applies to such payments if the U.S. holder fails to provide a taxpayer identification number and a duly executed IRS Form W-9 or certification of other exempt status unless the U.S. holder otherwise establishes that it is exempt from such rules.

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 IRS 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 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, 2022, we had approximately $83.7 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 2022 consolidated financial statements.

Foreign Currency Exchange Risk and Inflation

The cost of our Israel operations, as expressed in 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 dollar. The inflation rate in Israel was 5.3%, 2.8% and (0.7%) in 2022, 2021 and 2020, respectively. The appreciation (devaluation) of the dollar against the NIS was 13.2%, (3.3%) and (7.0%) in 2022, 2021 and 2020, respectively. For 2022, assuming a 10% devaluation of the dollar against the NIS, we would experience an increase in our net loss of approximately $1.4 million, while assuming a 10% appreciation of the dollar against the NIS, we would experience a decrease in our net loss 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 dollar terms. The devaluation/appreciation of the NIS against the dollar decreases/increases employee compensation expenditures as expressed in dollars proportionally. Some of our other NIS based expenses are either currently adjusted to 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 2022 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 is recorded, processed, summarized and reported on a timely basis. Under the supervision of our chief executive officer (principal executive officer) and chief financial officer (principal financial officer), we conducted an evaluation of the effectiveness of our disclosure controls and procedures, as such term is defined under Rule 13a-15(f) and 15d-15(f) 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 over financial reporting (as defined in Rules 13a-15(e) and 15(d) - 15(e) of the Exchange Act) 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 (principal executive officer) and chief financial officer (principal 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, 2022, that are included in this Annual Report, has issued an attestation report on our internal control over financial reporting as of December 31, 2022.

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 our internal control over financial reporting as of December 31, 2022 is provided on page F-4, as included under Item 18 of this Annual Report and is incorporated herein by reference.

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(f) and 15d-15(f) 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, each of whom 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. See "Item 6.A – Directors, Senior Management and Employees – Directors and Senior Management" for a summary of Mr. Gilead Halevy and Mr. Eran Perry's relevant professional experience.

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 the rules and regulations of the SEC 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, 2022, and 2021:

	2022	2021
Audit Fees	$ 163,000	$ 133,000
Audit Related Fees	$ 10,000	$ 25,000
Tax Fees	$ 4,500	$ 4,500
All Other Fees	$ 2,500	$ 2,500
Total	**$ 180,000**	**$ 165,000**

"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 registration statements 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 2021 and 2020 were consultancy relating to withholding tax on payments to foreign suppliers and annual Israeli tax reports; 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.

ITEM 16I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Notapplicable.

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 (incorporated by reference to Exhibit 2.1 to Compugen's Annual Report on Form 20-F/A for the year ended December 31, 2021, filed with the SEC on February 28, 2022 (File No. 000-30902)).
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 between Compugen Ltd. and BayerPharma AG ("Bayer") (incorporated by reference to Exhibit 4.3 to Compugen's Annual Report on Form 20-F/A for the year ended December 31, 2021, filed with the SEC on February 28, 2022 (File No. 000-30902)).
4.4#	First Amendment to the Research and Development Collaboration and License Agreement, by and between Compugen Ltd. and Bayer dated as of February 5, 2014 (incorporated by reference to Exhibit 4.4 to Compugen's Annual Report on Form 20-F/A for the year ended December 31, 2021, filed with the SEC on February 28, 2022 (File No. 000-30902)).
4.5#	Second Amendment to the Research and Development Collaboration and License Agreement, by and between Compugen Ltd. and Bayer, dated as of July 27, 2015 (incorporated by reference to Exhibit 4.5 to Compugen's Annual Report on Form 20-F/A for the year ended December 31, 2021, filed with the SEC on February 28, 2022 (File No. 000-30902)).
4.6#	Third Amendment to Research and Development Collaboration and License Agreement, by and between Compugen Ltd. and Bayer, dated as of April 17, 2016 (incorporated by reference to Exhibit 4.6 to Compugen's Annual Report on Form 20-F/A for the year ended December 31, 2021, filed with the SEC on February 28, 2022 (File No. 000-30902)).
4.7	Amended and Restated Form of Indemnification Undertaking and Exemption and Release between Compugen Ltd. and its directors and office holders (incorporated by reference to Exhibit 4.8 to Compugen's Annual Report on Form 20-F/A for the year ended December 31, 2021, filed with the SEC on February 28, 2022 (File No. 000-30902)).
4.8	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)).
4.9	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)).
4.10	Addendum to Holon Lease made and entered into on October 14, 2020 by and between Kanit Hashalom Investments Ltd. and Compugen Ltd. (incorporated by reference to Exhibit 4.11 to Compugen's Annual Report on Form 20-F for the year ended December 31, 2020, filed with the SEC on February 25, 2021 (File No. 000-30902))
4.11@	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)).
4.12@	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)).
4.13	Amendment No. 2 to the License Agreement, between the Company and MedImmune, dated September 16, 2020 (incorporated by reference to Exhibit 4.14 to Compugen's Annual Report on Form 20-F for the year ended December 31, 2020, filed with the SEC on February 25, 2021 (File No. 000-30902)).
4.14#	Amendment No. 3 to the License Agreement, between the Company and MedImmune, dated August 4, 2021 (incorporated by reference to Exhibit 4.15 to Compugen's Annual Report on Form 20-F/A for the year ended December 31, 2021, filed with the SEC on February 28, 2022 (File No. 000-30902)).
4.15	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)).

8.1	Subsidiaries (incorporated by reference to Exhibit 8.1 to our Annual Report on Form 20-F (File No. 000-30902), filed with the SEC on February 28, 2023).
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 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 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 (incorporated by reference to Exhibit 15.1 to our Annual Report on Form 20-F (File No. 000-30902), filed with the SEC on February 28, 2023).
101*	The following financial information from Compugen Ltd.'s Annual Report on Form 20-F for the year ended December 31, 2022, formatted in Inline XBRL (eXtensible Business Reporting Language): (i) Consolidated Statements of Operations for the years ended December 31, 2022, 2021 and 2020; (ii) Consolidated Balance Sheets as of December 31, 2022 and 2021; (iii) Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2022, 2021 and 2020; (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2022, 2021 and 2020; and (v) Notes to Consolidated Financial Statements.

101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.CAL	Inline XBRL Taxonomy Calculation Linkbase Document
101.LAB	Inline XBRL Taxonomy Label Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
104	Cover Page Interactive Data File (Formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith.

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

Portions of this exhibit (indicated by asterisks therein) have been omitted as these portions are both not material and confidential.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F/A 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: August 23, 2023

COMPUGEN LTD. AND ITS SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2022

U.S. DOLLARS IN THOUSANDS

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Kost Forer Gabbay & Kasierer
144 Menachem Begin Road, Building A,
Tel-Aviv 6492102, Israel

Tel: +972-3-6232525
Fax: +972-3-5622555
ey.com

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, 2022 and 2021, 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, 2022, 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, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022, 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, 2022, 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 28, 2023, 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 pre-clinical and clinical trial expenses
Description of the matter	As discussed in Note 2(k) to the consolidated financial statements, the Company records costs for pre-clinical and 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 pre-clinical and clinical trial activities 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 personnel that oversee the pre-clinical and clinical trial activities, 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 pre-clinical and 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 pre-clinical and clinical trial expenses. To test the pre-clinical and 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 pre-clinical and clinical trial activities by making direct inquiries of the Company's personnel that oversee the pre-clinical and clinical trial activities and obtaining information directly from certain service providers which indicated the progress of pre-clinical and clinical trial 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.

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

We have served as the Company's auditor since 2002

Tel-Aviv, Israel
February 28, 2023

Kost Forer Gabbay & Kasierer
144 Menachem Begin Road, Building A,
Tel-Aviv 6492102, Israel

Tel: +972-3-6232525
Fax: +972-3-5622555
ey.com

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, 2022, 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, 2022, 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, 2022 and 2021 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, 2022, and the related notes and our report dated February 28, 2023, 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.

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

Tel-Aviv, Israel
February 28, 2023

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

	Note	December 31, 2022	December 31, 2021
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents		$ 11,059	$ 7,801
Restricted cash		362	713
Short-term bank deposits		72,287	109,248
Other accounts receivable and prepaid expenses	3	2,417	5,460
Total current assets		86,125	123,222
NON-CURRENT ASSETS:			
Long-term prepaid expenses		1,899	1,911
Severance pay fund		2,794	3,125
Operating lease right of use asset	4	1,826	2,247
Property and equipment, net	5	1,532	1,658
Total non- current assets		8,051	8,941
Total assets		$ 94,176	$ 132,163

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, 2022	December 31, 2021
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Trade payables		$ 1,773	$ 4,621
Short-term deferred participation in R&D expenses		325	3,629
Current maturity of operating lease liability	4	613	768
Other accounts payable and accrued expenses	6	9,208	8,078
Total current liabilities		11,919	17,096
NON- CURRENT LIABILITIES:			
Long-term deferred participation in R&D expenses		-	2,715
Long-term operating lease liability		1,312	1,982
Accrued severance pay		3,265	3,677
Total non-current liabilities		4,577	8,374
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, 2022 and 2021; 86,624,643 and 86,433,432 shares issued and outstanding at December 31, 2022 and 2021, respectively		240	239
Additional paid-in capital		533,213	528,533
Accumulated deficit		(455,773)	(422,079)
Total shareholders' equity		77,680	106,693
Total liabilities and shareholders' equity		$ 94,176	$ 132,163

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, 2022	2021	2020
Revenue		$ 7,500	$ 6,000	$ 2,000
Cost of revenue		975	680	60
Gross profit		6,525	5,320	1,940
Operating expenses:				
Research and development expenses, net		30,648	28,694	22,760
Marketing and business development expenses		932	842	871
General and administrative expenses		10,319	10,858	9,805
Total operating expenses		41,899	40,394	33,436
Operating loss		(35,374)	(35,074)	(31,496)
Financial and other income, net	11	1,738	871	1,798
Loss before taxes on income		(33,636)	(34,203)	(29,698)
Taxes on income	9	58	-	-
Net loss		(33,694)	(34,203)	(29,698)
Basic net loss per share		$ (0.39)	$ (0.41)	$ (0.37)
Diluted net loss per share		$ (0.39)	$ (0.41)	$ (0.37)
Total comprehensive loss		$ (33,694)	$ (34,203)	$ (29,698)
Weighted average number of ordinary shares used in computing basic net loss per share		86,555,628	84,203,971	79,591,187
Weighted average number of ordinary shares used in computing diluted net loss per share		86,555,628	84,203,971	79,591,187

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 deficit	Total shareholders' equity
	Number	Amount			
Balance as of January 1, 2020	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
Exercise of options and ESPP shares	335,204	1	1,454	-	1,455
Warrants exercised	89,557	(*)	425	-	425
Issuance of shares, net	2,332,815	7	14,951	-	14,958
Stock-based compensation issued to employees, directors and non-employees	-	-	4,276	-	4,276
Net loss	-	-	-	(34,203)	(34,203)
Balance as of December 31, 2021	86,433,432	239	528,533	(422,079)	106,693
Exercise of options and ESPP shares	191,211	1	352		353
Stock-based compensation issued to employees, directors and non-employees			4,328		4,328
Net loss				(33,694)	(33,694)
Balance as of December 31, 2022	86,624,643	$ 240	$ 533,213	$ (455,773)	$ 77,680

(*) Representing amount lower than $1.

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,		
	2022	**2021**	**2020**
Cash flows from operating activities:			
Net loss	$ (33,694)	$ (34,203)	$ (29,698)
Adjustments required to reconcile net loss to net cash used in operating activities:			
Stock-based compensation	4,328	4,276	2,772
Depreciation	482	461	715
Increase (decrease) in severance pay, net	(81)	(101)	184
Loss (gain) from property and equipment sales and disposals	12	(3)	(12)
Decrease (increase) in interest receivables from short-term bank deposits	(584)	469	(532)
Decrease (increase) in trade receivables	-	2,000	(2,000)
Decrease (increase) in other accounts receivable and prepaid expenses	3,043	(2,802)	(1,613)
Decrease (increase) in long-term prepaid expenses	12	(31)	(1,187)
Decrease in operating lease right of use asset	658	525	475
Increase (decrease) in trade payables and other accounts payable and accrued expenses	(1,601)	3,367	3,817
Increase (decrease) in deferred participation in R&D expenses	(6,019)	3,708	(829)
Decrease in operating lease liability	(1,062)	(416)	(412)
Net cash used in operating activities	(34,506)	(22,750)	(28,320)
Cash flows from investing activities:			
Proceeds from maturity of short-term bank deposits	114,445	136,850	70,300
Investment in short-term bank deposits	(76,900)	(129,945)	(152,350)
Purchase of property and equipment	(477)	(292)	(166)
Costs of disposal of property and equipment	(10)	-	-
Proceeds from sale of property and equipment	2	3	44
Net cash provided by (used in) investing activities	37,060	6,616	(82,172)

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,		
	2022	**2021**	**2020**
Cash flows from financing activities:			
Proceeds from issuance of ordinary shares, net	-	14,958	74,147
Proceeds from exercise of warrants	-	425	18,325
Proceeds from exercise of stock-based awards	353	1,455	15,991
Net cash provided by financing activities	353	16,838	108,463
Increase (decrease) in cash, cash equivalents and restricted cash	2,907	704	(2,029)
Cash, cash equivalents and restricted cash at the beginning of the year	8,514	7,810	9,839
Cash and cash equivalents and restricted cash at the end of the year	$ 11,421	$ 8,514	$ 7,810
Supplemental disclosure of non-cash investing and financing activities:			
Purchase of property and equipment	$ 117	$ 116	$ 16
Right-of-use asset obtained in exchange for operating lease liability	$ 237	$ -	$ (194)
Cash paid (received) during the year for:			
Interest payments received from short-term bank deposits and cash equivalents	$ 852	$ 1,364	$ 1,232
Reconciliation of cash, cash equivalents and restricted cash:			
Cash and cash equivalents	$ 11,059	$ 7,801	$ 7,143
Restricted cash	362	713	667
Total cash, cash equivalents and restricted cash	$ 11,421	$ 8,514	$ 7,810

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 capabilities to identify novel drug targets and new biological pathways to develop therapeutics in the field of cancer immunotherapy. Compugen's innovative immuno-oncology pipeline consists of three clinical stage programs, targeting immune checkpoints Compugen discovered computationally by COM701, COM902 and rilvegostomig. The Company's lead product candidates, COM701, a potential first-in-class anti-PVRIG antibody, and COM902, a potential best-in-class therapeutic anti-TIGIT antibody are in Phase 1 clinical trials and have been evaluated, for the treatment of solid tumors as a monotherapy and in combination of dual (PVRIG/PD-1, PVRIG/TIGIT) and triple (PVRIG/PD-1/TIGIT) blockade. As part of Phase 1 clinical trials for the Company's lead product candidates, COM701, the Company evaluated COM701 as a monotherapy and under clinical collaboration with Bristol Myers Squibb Company in combination with nivolumab ± Bristol Myers Squibb investigational anti-TIGIT, BMS-986207. Following the termination of the Company's collaboration with Bristol Myers Squibb Company, these combination studies are being wound down while the monitoring of patients on study treatment is ongoing. Rilvegostomig, a novel anti PD-1/TIGIT bispecific antibody with a TIGIT specific component that is derived from Compugen's COM902 antibody, is being developed by AstraZeneca pursuant to an exclusive license agreement between Compugen and AstraZeneca and is in Phase 2 clinical trial in patients with advanced or metastatic non-small cell lung and locally advanced or metastatic gastric cancer. Compugen's therapeutic pipeline of early-stage immuno-oncology programs consists of programs aiming to address various mechanisms of immune resistance. The Company's most advanced early-stage program, COM503, is a potential first-in-class, high affinity antibody, which blocks the interaction between IL-18 binding protein and IL-18, thereby releasing the natural IL-18 into the tumor microenvironment to inhibit cancer growth. COM503 is being advanced into IND enabling studies. Compugen's business model is to selectively enter into collaborations for its novel targets and drug product candidates at various stages of research and development under various revenue-sharing arrangements. Integrating cutting edge computational capabilities with ground-breaking immuno-oncology research and drug development expertise is the Company's differentiator and has enabled the advancement of three drug targets from computer prediction through successful preclinical studies to the clinic.

b. The Company is headquartered in Holon, Israel. Its clinical development activities are headed from its United States subsidiary, Compugen USA, Inc, located in San Francisco, CA.

c. The Company has incurred losses in the amount of $33,694 during the year ended December 31, 2022, has an accumulated deficit of $455,773 as of December 31, 2022 and has an accumulated negative cash flow from operating activities in the amount of $34,506 for the year ended December 31, 2022. The Company believes that its existing capital resources will be adequate to satisfy its expected liquidity requirements at the current level of yearly expenditures at least twelve months from the reporting date.

NOTE 1: - GENERAL (Cont.)

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 amount of over $250,000 in potential milestone payments for Bapotulimab (formerly known as BAY1905254), not including aggregate milestone payments of $23,200 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, Bapotulimab program 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.

On November 29, 2022, Bayer notified the Company that it has resolved to terminate, effective as of February 27, 2023, the Bayer Agreement.

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 COM902. 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 received $15,500 milestone payments out of up to $200,000 it 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.

NOTE 1: - GENERAL (Cont.)

f. (Cont.)

Pursuant to the Agreement, Compugen was responsible for and sponsored the ongoing two-part Phase 1 trial, which included 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 supplied the other company with its own compound for the other party's study, and otherwise each party was responsible for all costs associated with the study that it is conducting.

In conjunction with the signing of the Agreement in October 2018, Bristol-Myers Squibb made a $12,000 investment in Compugen, see Note 8b.

On February 14, 2020, the Agreement 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 sponsored 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 provided 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. However, on February 19, 2021, the 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 the Company is responsible for and sponsored the expansion cohort and Bristol Myers Squibb provided Opdivo® at no cost to the Company for this study.

On November 10, 2021, the Agreement was further amended to establish a joint steering committee (alongside the existing joint development committee which acts at an operational level) to facilitate strategic oversight and guidance for the programs run under the collaboration.

In conjunction with the signing of the amendment to the Agreement in November 2021, Bristol-Myers Squibb made a $20,000 investment in Compugen, see Note 8b.

On August 3, 2022, the Company and Bristol-Myers Squibb entered into a letter agreement pursuant to which the Agreement, as amended thereafter, was terminated as of such date.

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 and leased cars fueling bank guarantees and credit card security for Compugen USA, Inc.

U.S. dollars in thousands (except share and per share data)

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, 2022 and 2021 are in U.S. dollars and bear an annual weighted average interest rate of 4.84% and 0.77%, 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 2022, 2021 and 2020, no impairment losses have been identified.

i. Leases:

The Company accounts for its leases according to ASC 842 - Leases ("ASC 842"). The Company determines if an arrangement is a lease and the classification of that lease at inception based on: (1) whether the contract involves the use of a distinct identified asset, (2) whether the Company obtains the right to substantially all the economic benefits from the use of the asset throughout the period, and (3) whether the Company has a right to direct the use of the asset. The Company elected to not recognize a lease liability and a right-of-use ("ROU") asset for leases with a term of twelve months or less.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

i. Leases (Cont.):

ROU assets and lease liabilities are recognized at commencement date based on the present value of remaining lease payments over the lease term. ROU assets are initially measured at amounts, which represents the discounted present value of the lease payments over the lease, plus any initial direct costs incurred. The lease liability is initially measured based on the discounted present value of remaining lease payments over the lease term. For this purpose, the Company considers only payments that are fixed and determinable at the time of commencement. The implicit rate within the operating leases is generally not determinable, therefore the Company uses the Incremental Borrowing Rate ("IBR") based on the information available at commencement date in determining the present value of lease payments. The Company's IBR is estimated to approximate the interest rate for collateralized borrowing with similar terms and payments and in economic environments where the leased asset is located.

An option to extend the lease is considered in connection with determining the ROU asset and lease liability when it is reasonably certain that the Company will exercise that option. An option to terminate the lease is considered unless it is reasonably certain that the Company will not exercise the option.

j. 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 recognizes revenue in accordance with ASC 606 – "Revenue from Contracts with Customers".

As such, the Company analyzes its contracts 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*
- *Determination of the transaction price*
- *Allocation of the transaction price to the performance obligations in the contract*
- *Recognition of revenue when, or as, the Company satisfies a performance obligation*

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

j. Revenue recognition (Cont.):

At the contract inception, once the contract is determined to be within the scope of ASC 606, the Company assesses the goods or services promised within each contract and determines those that are performance obligations and assesses whether each promised good or service is distinct. The Company then recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

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 COM902. Compugen received a $10,000 upfront nonrefundable payment and is eligible to receive up to $200,000 for development, regulatory and commercial milestones for the first product, of which $15,500 was received 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 December 18, 2020 the first 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.

On September 29, 2021 the second milestone with respect to the first licensed product, under the AstraZeneca License Agreement was achieved and the Company recognized revenues in total amount of $ 6,000 in accordance with the criteria prescribed under ASC 606.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

j. Revenue recognition (Cont.):

On November 11, 2022, the third milestone with respect to the first licensed product, under the AstraZeneca License Agreement was achieved and the Company recognized revenues in total amount of $ 7,500 in accordance with the criteria prescribed under ASC 606.

For additional information regarding revenues, please refer to Note 10 below.

k. Cost of revenues:

Cost of revenues consist of certain royalties and milestones paid or accrued.

l. 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, and amortized as the 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 in 2018 over the fair market value of the shares issued in the amount of $ 4,121 and the portion of the $ 20,000 investment in 2021 over the fair market value of the shares issued in the amount of $ 5,000 were 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, see Note 1f and Note 8b.

Amortization of participation in R&D expenses for the years ended December 31, 2022, 2021 and 2020 were $ 6,019, $ 1,291 and $ 829, respectively.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

m. 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, 2022, 2021 and 2020 amounted to approximately $ 468, $ 383 and $ 572, respectively.

n. 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 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 and Employee Stock Purchase Plan ("ESPP"). 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.

U.S. dollars in thousands (except share and per share data)

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

n. Stock-based compensation (Cont.):

The Company used the following assumptions for options granted to employees, directors and non-employees and ESPP:

	Year ended December 31,		
	2022	2021	2020
Employee stock options			
Volatility	69.44%-74.61%	66.02%-69.05%	55.12%-65.59%
Risk-free interest rate	1.54%-4.39%	0.51%-1.14%	0.26%-1.64%
Dividend yield	0%	0%	0%
Expected life (years)	5.05-5.4	5.04-5.31	5.02-5.31

	Year ended December 31,		
	2022	2021	2020
ESPP			
Volatility	69.74%	64.68%-69.68%	-
Risk-free interest rate	1.63%	0.04%-0.10%	-
Dividend yield	0%	0%	-
Expected life (years)	0.50	0.42-0.50	-

o. 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 and short-term bank deposits.

Cash, cash equivalents, restricted cash and short-term bank deposits are invested in major banks in Israel. Generally, these deposits may be redeemed upon demand and bear minimal risk.

p. 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, 2022, 2021 and 2020 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, 2022, 2021 and 2020 the average number of shares related to outstanding options and warrants excluded from the calculations of diluted net loss per share were 8,405,615, 6,758,300 and 7,150,648, respectively.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

q. 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, 2022 and 2021, 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.

r. 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.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

r. Fair value of financial instruments (Cont.):

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.

s. Recently issued and recently adopted Accounting Standards:

Although there are several other new accounting standards issued or proposed by the FASB, which the Company has adopted or will adopt, as applicable, the Company does not believe any of these accounting pronouncements has had or will have a material impact on its consolidated financial statements.

U.S. dollars in thousands (except share and per share data)

NOTE 3: - OTHER ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

	December 31,	
	2022	2021
Prepaid expenses	$ 2,100	$ 5,272
Government authorities	85	57
Other	232	131
	$ 2,417	$ 5,460

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 2025. The offices in Israel lease include two options to renew, one of which was exercised in 2020. 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 for 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 exchange rate 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 payments 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.

U.S. dollars in thousands (except share and per share data)

NOTE 4: - LEASES (Cont.)

The following table represents the weighted-average remaining lease term and discount rate:

	Year ended December 31, 2022
Weighted average remaining lease term	3.16
Weighted average discount (annual) rate	5.52%

Operating lease expenses were approximately $884, $956 and $944 in the years ended December 31, 2022, 2021 and 2020, respectively.

Cash paid for amounts included in the measurement of lease liabilities was approximately $959, $914 and $927 in the years ended December 31, 2022, 2021 and 2020, respectively.

Maturities of operating lease liabilities were as follows:

	December 31, 2022
2023	$ 699
2024	669
2025	609
2026	114
Total operating lease payments	2,091
Less: imputed interest	166
Present value of lease liabilities	1,925
Lease liabilities, current	613
Lease liabilities, non- current	1,312
Present value of lease liabilities	$ 1,925

The above annual minimum future rental commitments include the period covered by the first exercised option with respect to the leased facility of Compugen Ltd. through March 2026 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.

U.S. dollars in thousands (except share and per share data)

NOTE 5: - PROPERTY AND EQUIPMENT, NET

	December 31,	
	2022	2021
Cost:		
Computers, software and related equipment	$ 1,617	$ 1,506
Laboratory equipment and office furniture	3,831	3,674
Leasehold improvements	2,314	2,321
	7,762	7,501
Accumulated depreciation:		
Computers, software and related equipment	1,435	1,351
Laboratory equipment and office furniture	3,190	3,114
Leasehold improvements	1,605	1,378
	6,230	5,843
Depreciated cost	$ 1,532	$ 1,658

During 2022 and 2021 total cost of $ 99 and $ 26, respectively and total accumulated depreciation of $ 95 and $ 26, respectively were disposed from the consolidated balance sheets.

For the years ended December 31, 2022, 2021 and 2020, depreciation expenses were approximately $ 482, $ 461 and $ 715, respectively.

NOTE 6: - OTHER ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	December 31,	
	2022	2021
Employees and related accruals	$ 2,812	$ 3,299
Accrued expenses	6,396	4,779
	$ 9,208	$ 8,078

NOTE 7: - COMMITMENTS AND CONTINGENCIES

a. The Company provided bank guarantees in the amount of $ 318 related to its offices in Israel, leased cars fueling in Israel and credit card security for its U.S. subsidiary.

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, 2022, 2021 and 2020, 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 $ 225, $ 180 and $ 60, respectively.

As of December 31, 2022, 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 $ 9,631.

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, 2022, 2021 and 2020, the Company incurred such Contingent Fees in the amounts of $ 750, $ 500 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.

The Bayer Agreement was terminated effective February 27, 2023 and no further payments are expected under the May 2012 Agreement

For the years ended December 31, 2022, 2021 and 2020, the Company has not paid and did not accrue payments under this agreement.

NOTE 7: - COMMITMENTS AND CONTINGENCIES (Cont.)

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, 2022, 2021 and 2020, the Company incurred in the research and development expenses in connection with such milestone payment in the amounts of $ 0, $ 0 and $ 52.

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. For the years ended December 31, 2022, 2021 and 2020, the Company incurred in the research and development expenses such milestone payment in the amounts of $ 0, $ 250 and $ 0.

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 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).

NOTE 8: - SHAREHOLDERS' EQUITY (Cont.)

b. Issuance of shares: (Cont.)

During the years ended December 31, 2021 and 2020, warrants to purchase an aggregate of 3,955,696 ordinary shares were exercised with proceeds of approximately $ 18,750 and as of December 31, 2022 and 2021, warrants to purchase up to 297,469 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 represented 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.

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) and $7,788 (net of $91 issuance expenses) were considered equity investment.

In conjunction with the signing of the amendment to the Master Clinical Agreement in November 2021, Bristol Myers Squibb made a $ 20,000 investment in the Company, purchasing 2,332,815 ordinary shares of the Company at a purchase price of $ 8.57333 per share. The share price represented a 33% premium over the closing price of Company's ordinary shares on the last Nasdaq trading day immediately prior to the execution of the securities purchase agreement.

The premium over the fair market value in the amount of $5,000 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) and $14,958 (net of $42 issuance expenses) were considered equity investment.

NOTE 8: - SHAREHOLDERS' EQUITY (Cont.)

b. Issuance of shares: (Cont.)

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 14,395,152 ordinary shares. The Company's Board of Directors last amended the Plan in March 2022, to increase the number of shares available under the 2010 Plan. As of December 31, 2022, an aggregate of 1,918,297 options under the 2010 Share Option Plan of the Company were 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.

U.S. dollars in thousands (except share and per share data)

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, 2022, 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	6,976,104	6.39	6.69	3,323
Options granted	2,186,400	2.58		
Options exercised	(33,186)	3.14		
Options forfeited	(778,069)	6.42		
Options expired	(193,500)	4.21		
Options outstanding at end of year	8,157,749	5.43	6.32	-
Exercisable at end of year	4,635,040	5.68	4.52	-

Weighted average fair value of options granted to employees, directors and non-employees during the years 2022, 2021 and 2020 was $ 1.51, $ 3.81 and $ 7.15 per share, respectively.

Aggregate intrinsic value of exercised options by employees, directors and non-employees during the years 2022, 2021 and 2020 was $ 19, $ 759 and $ 21,610, 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 2021 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, 2022. This amount is impacted by the changes in the fair market value of the Company's shares.

As of December 31, 2022, the total unrecognized estimated compensation cost related to non-vested share options granted prior to that date was $ 8,715 which is expected to be recognized over a weighted average period of approximately 2.47 years.

d. Employee Stock Purchase Plan:

The Company adopted an ESPP in November 2020, with the first offering period starting at January 1, 2021. In connection with its adoption, a total of 600,000 ordinary shares were reserved for issuance under this plan.

U.S. dollars in thousands (except share and per share data)

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 was 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.

Since its adoption and through December 31, 2022, 275,854 ordinary shares had been purchased under the ESPP and as of December 31, 2022, 324,146 ordinary shares were available for issuance under the ESPP.

In accordance with ASC No. 718, the ESPP is compensatory and, as such, results in recognition of compensation cost.

e. The stock-based compensation expenses related to stock options and ESPP are included as follows in the expense categories:

	Year ended December 31,		
	2022	2021	2020
Research and development expenses	$ 2,158	$ 1,971	$ 1,123
Marketing and business development expenses	269	215	172
General and administrative expenses	1,901	2,090	1,477
	$ 4,328	$ 4,276	$ 2,772

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 2020, 2021 and 2022.

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, 2022, 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, 2022. The Company's position may change in the future.

NOTE 9: - INCOME TAXES (Cont.)

a. Israeli taxation (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 (the "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, 2022 and 2021, 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.

NOTE 9: - INCOME TAXES (Cont.)

a. Israeli taxation (Cont.):

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.

5. Net operating losses carryforward and capital loss:

As of December 31, 2022, Compugen Ltd. 's net operating losses carryforward for tax purposes in Israel amounted to approximately $ 398,100. 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, 2022, Compugen USA, Inc. has net operating loss carryforwards for federal income tax purposes of approximately $ 700. These losses may be carried forward indefinitely, but the deductibility of such federal NOLs may be limited. 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.

U.S. dollars in thousands (except share and per share data)

NOTE 9: - INCOME TAXES (Cont.)

c. Loss (income) before taxes is comprised as follows:

	Year ended December 31,		
	2022	2021	2020
Domestic (Israel)	$ 34,096	$ 34,619	$ 30,010
Foreign	(460)	(416)	(312)
	$ 33,636	$ 34,203	$ 29,698

d. Taxes on income for the year ended December 31, 2022, represent state income taxes in the United States.

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,	
	2022	2021
Operating loss carryforward	$ 91,704	$ 86,068
Research and development	12,083	9,773
Accrued social benefits and other	3,123	2,801
Right of use assets	(415)	(520)
Lease liabilities	444	636
Property and equipment	2	2
Deferred tax asset before valuation allowance	106,941	98,760
Valuation allowance	(106,941)	(98,760)
Net deferred tax asset	$ -	$ -

The Company has 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.

U.S. dollars in thousands (except share and per share data)

NOTE 9: - INCOME TAXES (Cont.)

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 2017 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, 2022, 2021 and 2020 and long-lived assets as of December 31, 2022 and 2021:

	Year ended December 31,		
	2022	2021	2020
Revenue from sales to customers:			
Europe	$ 7,500	$ 6,000	$ 2,000
Total revenue	$ 7,500	$ 6,000	$ 2,000

	December 31,	
	2022	2021
Long-lived assets:		
Israel	$ 3,239	$ 3,787
United States	119	118
Total long-lived assets	$ 3,358	$ 3,905

U.S. dollars in thousands (except share and per share data)

NOTE 10: - GEOGRAPHIC INFORMATION AND MAJOR CUSTOMERS (Cont.)

	Year ended December 31,		
	2022	2021	2020
Sales to a single customer exceeding 10%:			
Customer A	100%	100%	100%

NOTE 11: - FINANCIAL AND OTHER INCOME, NET

	Year ended December 31,		
	2022	2021	2020
Interest income	$ 1,437	$ 894	$ 1,765
Bank fees and other finance expenses	(27)	(25)	(42)
Foreign currency transaction adjustments	340	(1)	63
Gain (loss) from sales and disposals of fixed assets	(12)	3	12
Financial and other income, net	$ 1,738	$ 871	$ 1,798

NOTE 12: - RELATED PARTY BALANCES AND TRANSACTIONS

	December 31,	
	2022	2021
Trade payables and accrued expenses	$ 83	$ 94

	Year ended December 31,		
	2022	2021	2020
Amounts charged to:			
Research and development expenses	$ 194	$ 240	$ 294

For the years ended December 31, 2022, 2021 and 2020 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.

U.S. dollars in thousands (except share and per share data)

NOTE 13: - LOSSES PER SHARE

The following table sets forth the computation of basic and diluted losses per share:

	Year ended December 31,		
	2022	2021	2020
Numerator:			
Net loss for basic and diluted loss per share	$ (33,694)	$ (34,203)	$ (29,698)
Denominator:			
Weighted average number of ordinary shares used in computing basic and diluted net loss per share	86,555,628	84,203,971	79,591,187
Basic and diluted loss per ordinary share	$ (0.39)	$ (0.41)	$ (0.37)

NOTE 14: - Subsequent Events

On January 31, 2023, the Company entered into a Sales Agreement with SVB Securities LLC ("SVB"), as sales agent, pursuant to which the Company may offer and sell, from time to time through SVB, our ordinary shares. The offer and sale of our ordinary shares, if any, will be made pursuant to our shelf registration statement on Form F-3, as supplemented by the prospectus supplement filed on January 31, 2023. Pursuant to the said prospectus supplement, the Company may offer and sell up to $50 million of its ordinary shares.

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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/A 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: August 23, 2023

/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, Alberto Sessa, certify that:

1. I have reviewed this annual report on Form 20-F/A 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: August 23, 2023

/s/ Alberto Sessa
Title: Chief Financial 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/A for the fiscal year ended December 31, 2022 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: August 23, 2023

/s/ Alberto Sessa
Title: Chief Financial Officer
Date: August 23, 2023