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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**Form 20-F**

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- 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, 2021  
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**

Commission File Number: 001-38455

**MorphoSys AG**

(Exact name of registrant as specified in its charter)

<b>Germany</b> (State or other jurisdiction of incorporation or organization)	<b>2834</b> (Primary Standard Industrial Classification Code Number)	<b>Not Applicable</b> (I.R.S. Employer Identification No.)
	Sung Lee Chief Financial Officer Sommelweisstrasse 7 82152 Planegg Germany Telephone: +49 89-89927-0	

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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

<u>Title of class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Ordinary Shares, no-par-value*	MOR	The NASDAQ Stock Market LLC

\* Not for trading, but only in connection with the registration of the American Depositary Shares.

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

None

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

None

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

**Ordinary shares, no-par-value per share: 34,231,943 as of December 31, 2021**

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 pursuant to 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 an accelerated filer, a large accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards † provided pursuant to Section 13(a) of the Exchange Act.

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

Indicate by check mark 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.

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

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

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

Item 17  Item 18

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

Yes  No

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## Introduction

Unless otherwise indicated or unless the context requires otherwise, “MOR,” “the company,” “our company,” “we,” “us,” and “our” refer to MorphoSys AG and its consolidated subsidiaries.

We own various trademark registrations and applications, and unregistered trademarks, including MorphoSys and our corporate logo. All other trade names, trademarks and service marks referred to in this annual report on Form 20-F, or this annual report, are the property of their respective owners. Trade names, trademarks and service marks of other companies appearing in this annual report are the property of their respective holders. Solely for convenience, the trademarks and trade names in this annual report may be referred to without the ® and ™ symbols, but such references should not be construed as an indicator that their respective owners will not assert, their rights thereto to the fullest extent under applicable law. We do not intend to use or display other companies’ trademarks or trade names to imply a relationship with, or endorsement or sponsorship of us by, any other companies.

Our audited consolidated financial statements were prepared in accordance with International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or IASB. Our consolidated financial statements are presented in euros. All references in this annual report to “\$,” “US\$,” “U.S.\$,” “U.S. dollars,” “dollars,” and “USD” mean U.S. dollars and all references to “€” and “euros” mean euros, unless otherwise noted. Throughout this annual report, references to “ADSs” mean American Depositary Shares or ordinary shares represented by American Depositary Shares, as the case may be.

## Special Note Regarding Forward-Looking Statements

This report contains forward-looking statements concerning our business, operations and financial performance and condition as well as our plans, objectives and expectations for our business operations and financial performance and condition. Any statements that are not of historical facts may be deemed to be forward-looking statements. You can identify these forward-looking statements by words such as “believes,” “estimates,” “anticipates,” “expects,” “plans,” “intends,” “may,” “could,” “might,” “will,” “should,” “aims” and other similar expressions that convey the uncertainty of future events or outcomes, although not all forward-looking statements contain these identifying words. Forward-looking statements appear in a number of places throughout this report and include statements regarding our intentions, beliefs, assumptions, projections, outlook, analyses and current expectations concerning, among other things, our intellectual property position, results of operations, cash needs, financial condition, liquidity, prospects, growth and strategies, the industry in which we operate and the trends that may affect the industry or us.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events, competitive dynamics and industry change, and depend on economic circumstances that may or may not occur in the future or may occur on longer or shorter timelines than anticipated. Although we believe that we have a reasonable basis for each forward-looking statement contained in this report, we caution you that forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors that are in some cases beyond our control. All of our forward-looking statements are subject to risks and uncertainties that may cause our actual results or events to differ materially from our expectations. These forward-looking statements include, without limitation, statements about the following:

- the timing, progress and results of preclinical studies and clinical trials for our product candidates, including statements regarding the timing of initiation and completion of studies or trials and related preparatory work, the period during which the results of the trials will become available and of our research and development programs;
- the timing of and our ability to obtain and maintain regulatory approval for our product candidates;
- the proposed clinical development pathway for our product candidates, and the acceptability of the results of such trials for regulatory approval of such product candidates by the U.S. Food and Drug Administration, or U.S. FDA, the European Medicines Agency, or EMA<sup>1)</sup>, or comparable foreign regulatory authorities;
- our expectations regarding the size of the patient populations for our product candidates, if approved for commercial use;
- our expectations regarding the timing for meetings with regulatory agencies;
- our intent regarding the commercialization of our product candidates;
- our estimates of our expenses, ongoing losses, future revenue, capital requirements and our needs for or ability to obtain additional financing;

<sup>1)</sup> For clarification purposes applying to whole document: the European Commission approves a product based on the recommendation of the European Medicines Agency (EMA) / Committee for Medicinal Products for Human Use (CHMP).

- our ability to identify and develop new product candidates;
- our ability to identify new collaboration partners and successfully enter into new collaboration arrangements;
- our ability to identify, recruit and retain key personnel;
- our ability to protect and enforce our intellectual property protection for our proprietary and partnered product candidates, as well as the scope of such protection;
- our expectations with regard to our future revenues and our future financial condition;
- our expectations regarding Monjuvi® (tafasitamab-cxix)'s ability to treat, in combination with lenalidomide, adult patients with relapsed or refractory diffuse large B-cell lymphoma (DLBCL) not otherwise specified, including DLBCL arising from low grade lymphoma, and who are not eligible for autologous stem cell treatment (ASCT), the further clinical development of tafasitamab, including ongoing confirmatory trials, additional interactions with regulatory authorities and expectations regarding future regulatory filings and possible additional approvals for tafasitamab as well as the commercial performance of Monjuvi;
- our expectations regarding the future development of pelabresib, felzartamab and CPI-0209;
- the effect of the COVID-19 pandemic, including mitigation efforts and economic effects, on any of the foregoing or other aspects of our business operations; and
- the development of and projections relating to our competitors or our industry.

In addition, even if our results, performance, financial condition and liquidity, and the development of the industry in which we operate are consistent with such forward-looking statements, they may not be predictive of results or developments in future periods. Among the factors that may result in differences are our expectations regarding risks and uncertainties related to the impact of the COVID-19 pandemic to our business, operations, strategy, goals and anticipated milestones, including our ongoing and planned research activities, ability to conduct ongoing and planned clinical trials, clinical supply of current or future drug candidates, commercial supply of current or future approved products, and launching, marketing and selling current or future approved products, the global collaboration and license agreement for tafasitamab, the further clinical development of tafasitamab, including ongoing confirmatory trials, and our ability to obtain and maintain requisite regulatory approvals and to enroll patients in our planned clinical trials, additional interactions with regulatory authorities and expectations regarding future regulatory filings and possible additional approvals for tafasitamab as well as the commercial performance of Monjuvi, our reliance on collaborations with third parties, estimating the commercial potential of our development programs and other risks indicated in the risk factors included in this report and other filings with the U.S. Securities and Exchange Commission.

Actual results could differ materially from our forward-looking statements due to a number of factors, including, the risks set forth under the section "Risk Factors" of this report and elsewhere in this report.

Any forward-looking statements that we make in this report are valid only as of the date of such statements, and we undertake no obligation to update such statements to reflect events or circumstances after the date of this report or to reflect the occurrence of unanticipated events.

### **Summary of the Material and Other Risks Associated with our Business**

Below is a summary of the material risks to our business, operations and the investment in our ADSs. This summary does not address all of the risks that we face. Risks and uncertainties not presently known to us or that we presently deem less significant may also impair our business operations. Additional discussion of the risks summarized in this risk factor summary, and other risks that we face, can be found below under the heading "Risk Factors" and should be carefully considered, together with other information in this annual report on Form 20-F in its entirety before making investment decisions regarding our ADSs.

- Our business has been and may continue to be materially and adversely affected by the ongoing COVID-19 pandemic. The COVID-19 pandemic has had, and will likely continue to have, an impact on various aspects of our business and that of third parties on which we rely. The extent to which the COVID-19 pandemic impacts our business will depend in part on future developments, which are uncertain and unpredictable in nature.
- We cannot assure you of the adequacy of our capital resources to successfully complete the development and commercialization of our product candidates, and a failure to obtain additional capital, if needed, could force us to delay, limit, reduce or terminate one or more of our product development programs or commercialization efforts.
- We have incurred significant losses since inception and anticipate that we will continue to incur losses in the future.
- Our operating results may fluctuate significantly in the future.

- From time to time, we will need to raise additional funding, which may not be available on acceptable terms, or at all. Failure to obtain this necessary capital when needed may force us to delay, limit or terminate our product development efforts or other operations.
- A substantial portion of our historical revenues are from a limited number of strategic collaborations and partnerships, and the termination of these collaborations could have a material adverse effect on our business, financial condition and results of operations.
- We may incur substantial expenses as a result of the limited nature of our disaster recovery and business continuity plan.
- We have limited experience as a commercial company, and we may not be successful in, or have limited success in, our continued commercialization of Monjuvi, in which case our financial results and future prospects may be substantially harmed.
- The commercial success of Monjuvi in the U.S. and Minjuvi in Canada and the EU, and of any additional products, will depend upon the degree of market acceptance by physicians, patients, third-party payers and others in the medical community.
- We are reliant on Incyte for the successful commercialization of tafasitamab outside of the United States. If Incyte does not successfully commercialize tafasitamab outside of the United States, our future prospects may be substantially harmed.
- If we are unable to establish and maintain sales and marketing capabilities or enter into agreements with third parties to sell and market our product candidates, we may not be successful in commercializing our product candidates if and when they are approved.
- If we are unable to advance our proprietary product candidates to clinical development, obtain regulatory approval for our product candidates, including for tafasitamab (for additional indications or in additional geographies) and for pelabresib, and ultimately successfully commercialize them or experience significant delays in doing so, our business will be materially harmed.
- We currently rely on third-party suppliers and CMOs for the manufacturing and distribution of our product candidates, and our dependence on these third-parties may impair the development of our product candidates. Moreover, we rely on third-parties to produce commercial supplies of approved product candidate and our commercialization of any of our product candidates could be stopped, delayed or made less profitable if those third-parties fail to provide us with sufficient quantities of product or fail to do so at acceptable quality levels or prices or fail to otherwise complete their duties in compliance with their obligations to us or in compliance with applicable laws. Service or supply failures, or other failures, business interruptions, or other disasters affecting the manufacturing facilities of any party participating in the supply chain, would adversely affect our ability to supply our product candidates and products.
- We are exposed to potential product liability and professional indemnity risks that are inherent in the research, development, manufacturing, marketing and use of pharmaceutical products.
- We may be subject to tax audits or disputes or changes in tax laws.
- Price controls may be imposed in certain markets, which may adversely affect our future profitability.
- We do not currently intend to pay dividends on our securities, and, consequently, your ability to achieve a return on your investment will depend on appreciation in the price of our shares.
- Holders of our ADSs may not be able to participate in any future preemptive subscription rights issues or to elect to receive dividends in shares, which may cause dilution to their holdings.
- As a foreign private issuer, we are exempt from a number of rules under the U.S. securities laws and are permitted to file less information with the SEC than a U.S. company. This may limit the information available to holders of ADSs or our ordinary shares.
- As a foreign private issuer, we are permitted to adopt certain home country practices in relation to corporate governance matters that differ significantly from Nasdaq corporate governance listing standards. These practices may afford less protection to shareholders than they would enjoy if we complied fully with corporate governance listing standards.
- U.S. holders of ADSs may suffer adverse tax consequences if we are characterized as a passive foreign investment company.
- The interpretation of the treatment of ADSs by the German tax authorities is subject to change.
- We may lose our foreign private issuer status in the future, which could result in significant additional cost and expense.

- U.S. investors may have difficulty enforcing civil liabilities against our company and members of our Supervisory Board and Management Board and the experts named in this report.
- The rights of shareholders in a stock corporation subject to German law differ in material respects from the rights of shareholders of corporations incorporated in the United States.
- If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results or prevent fraud. As a result, shareholders could lose confidence in our financial and other public reporting, which would harm our business and the trading price of our shares.

Material non-financial aspects are taken into account in a separate “Non-Financial Group Report”, which is available on our website.

## PART I

### Item 1. Identity of Directors, Senior Management and Advisors

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

Our business faces significant risks. You should carefully consider all of the information set forth in this annual report and in our other filings with the U.S. Securities and Exchange Commission, or the SEC, including the following risk factors which we face and which are faced by our industry, any of which could materially adversely affect our business, financial condition, results of operations, or market price of our securities. The risks and uncertainties summarized and described below are not intended to be exhaustive and are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business, prospects, financial condition and results of operations.

#### Risks Related to the COVID-19 Pandemic

*Our business has been and may continue to be materially and adversely affected by the ongoing COVID-19 pandemic. The COVID-19 pandemic has had, and will likely continue to have, an impact on various aspects of our business and that of third parties on which we rely. The extent to which the COVID-19 pandemic impacts our business will depend in part on future developments, which are uncertain and unpredictable in nature.*

The COVID-19 pandemic and the related adverse public health developments, including orders to shelter-in-place, travel restrictions, and the burden of additional requirements on businesses, have adversely affected workforces, organizations, healthcare communities, economies, and financial markets globally, leading to increased market volatility. It has also disrupted the normal operations of businesses across industries, including ours. As a result of the COVID-19 pandemic, we are experiencing disruptions in our operations and business, and those of third parties upon whom we rely. We cannot reasonably assess or predict at this time the full extent of the negative impact that the COVID-19 pandemic and related effects may have on our business, financial condition, results of operations and cash flows. We expect to continue experiencing these disruptions in our operations and those of our third parties for an unknown period of time, as the trajectory of the COVID-19 pandemic remains uncertain and continues to evolve globally. These impacts of which may materially and adversely affect our business, include the following:

- We are conducting a number of clinical studies across our programs in geographies which are affected by the COVID-19 pandemic. The COVID-19 pandemic has had, and will likely continue to have, an impact on various aspects of our clinical studies, especially with emergence of the COVID variant (Omicron). Policies at various clinical sites and federal, state, local and foreign laws, rules and regulations are continuing to evolve, including through the implementation of quarantines and travel restrictions, and direction of healthcare resources toward pandemic response efforts. For instance, the availability of intensive care unit beds and related healthcare resources available to support activities unrelated to COVID-19 response have fluctuated with the incidence of severe cases of COVID-19 in the surrounding communities, and we anticipate that the availability of healthcare resources will continue to fluctuate and may become significantly constrained, with variability

across geographies. The ebb and flow in COVID-19 infections since the start of the pandemic have impacted patient access to treatment facilities in the U.S. Therapies planned in “hot spot” regions, for example, may be postponed due to a lack of capacity. Furthermore, safety protocols implemented at various sites of care may restrict the ability of our sales force to engage in-person with medical personnel. As a result, there is a risk that we will not achieve the revenue planned from the sale of Monjuvi in the U.S. We assess any potential impact of this risk, however, as moderate.

- We currently rely on third parties to manufacture, perform quality testing, and ship our drug products for our clinical studies and commercial supplies. The third parties in our supply chain are subject to restrictions in operations arising from the COVID-19 pandemic, and in addition, a number of these third parties have experienced operational disruptions, which have affected activities necessary for our research, development, and commercialization efforts. These restrictions and disruptions in operations have also given rise to staffing shortages from time to time, which may result in production slowdowns and/or disruptions in delivery systems, potentially interrupting our supply chain and limiting our ability to manufacture drug product for our clinical studies and for commercial use. Further, since the beginning of the COVID-19 pandemic, three vaccines for COVID-19 have received Emergency Use Authorization by the U.S. FDA and two of those later received marketing approval. Additional vaccines may be authorized or approved in the future. The resultant demand for vaccines and potential for manufacturing facilities and materials to be commandeered under the Defense Production Act of 1950, or equivalent foreign legislation, may make it more difficult to obtain materials or manufacturing slots for the product candidates needed for our clinical trials and/or commercial products, which could lead to delays in these trials and/or issues with our commercial supply. At this time, it is unknown how long these disruptions may continue, or the full extent of their impacts.
- Health regulatory agencies globally may experience disruptions in their operations as a result of the COVID-19 pandemic. The U.S. FDA, EMA and comparable regulatory agencies may have slower response times or lack resources to continue to monitor our clinical studies or to engage in other activities related to review of regulatory submissions in drug development. As a result, review, inspection, and other timelines may be materially delayed for an unknown period of time. Any de-prioritization of our clinical studies or delay in regulatory review resulting from such disruptions could materially affect the development of our product candidates.
- We have implemented policies at our locations to mitigate the risk of exposure to COVID-19 by our personnel, including restrictions on the number of staff in any given research and development laboratory, a work-from-home policy applicable to the majority of our personnel, and a phased approach to bringing personnel back to our locations over time. Our increased reliance on personnel working from home may negatively impact productivity, or disrupt, delay, or otherwise adversely impact our business. In addition, this could increase our cyber security risk, create data accessibility concerns, and make us more susceptible to communication disruptions, any of which could adversely impact our business operations or delay necessary interactions with local and federal regulators, ethics committees, manufacturing sites, research or clinical study sites and other important agencies and contractors. Furthermore, since the onset of the COVID-19 pandemic, our employees and contractors conducting research and development activities have been limited in the activities that they may conduct, and will continue to be subject to policies restricting access to our laboratories for an extended period of time.
- The trading prices for our shares of common stock and other biopharmaceutical companies have been highly volatile as a result of the economic volatility and uncertainty caused by the COVID-19 pandemic. As a result, we may face difficulties raising capital through sales of shares of our common stock or such sales may be on unfavorable terms. In addition, a recession, depression or other sustained adverse market event resulting from the spread of the COVID-19 pandemic will materially and adversely affect our business, the value of our common stock, and our ability to operate under our operating plan and execute our strategy. Our business and operating plan have already been impacted by the COVID-19 pandemic, the associated governmental restrictions, and the resulting economic conditions, leading us to reduce and defer costs, adjust our priorities, timelines and expectations, and implement a revised operating plan with the intention that it would enable us to advance our corporate strategy and pipeline during this period of uncertainty.

The extent of the impacts described above will depend on numerous evolving factors that we may not be able to accurately predict, including:

- the duration, severity, and scope of the pandemic;
- the effectiveness of governmental, business and individuals’ protocols and actions that have been and continue to be taken in response to the pandemic;
- the impact of the pandemic on economic activity and actions taken in response;
- the effect on patients, healthcare providers and business partners;
- demand for our approved products, including as a result of reduced patient visits to healthcare providers, travel restrictions, social distancing, quarantines and other containment measures;

- the time required by the clinical study sites to overcome the difficulty in the continuation of trial activities which eventually hampers the progress of the trial and delays the study timelines;
- the ability to obtain or deliver sufficient and timely supplies, given the disruptions to the production capabilities of our manufacturers and suppliers, particularly with respect to the priority given to the development and manufacture of COVID-19 vaccines;
- our access to the debt and equity markets on satisfactory terms, or at all;
- disruptions in regulatory oversight and actions, as a result of significant and unexpected resources expended to address the COVID-19 by regulators and industry professionals; and
- any closures of our and our partners' offices, operations and facilities.

The ultimate impact of the COVID-19 pandemic on our business operations is highly uncertain and subject to change and will depend on future developments which are difficult to predict, including the duration of the pandemic, the ultimate geographic spread of the disease, additional or modified government actions, new information that will emerge concerning the severity and impact of COVID-19 and other actions taken to contain or address its impact in the short and long term, among others. We do not yet know the full extent of potential delays or impacts on our business, our commercialization efforts, our clinical studies, our research programs, healthcare systems or the global economy, and if the ultimate impact of the COVID-19 pandemic and the resulting uncertain economic and healthcare environment is more severe than we anticipated, we may not be able to execute on our current operating plan or on our strategy. If the duration of the COVID-19 pandemic and the associated period of business and social restrictions and economic uncertainty is longer than we anticipated, our cash, cash equivalents, and marketable securities may not be sufficient to fund the activities under our operating plan for the time period that we anticipated, and we may be required to revise our operating plan further. To the extent the COVID-19 pandemic adversely affects our business and financial results, it may also have the effect of heightening many of the other risks described in this "Risk Factors" section.

### **Risks Related to Our Financial Condition**

***We cannot assure you of the adequacy of our capital resources to successfully complete the development and commercialization of our product candidates, and a failure to obtain additional capital, if needed, could force us to delay, limit, reduce or terminate one or more of our product development programs or commercialization efforts.***

As of December 31, 2021, we had cash and cash equivalents and current and non-current other financial assets of €976.9 million. We believe that we will continue to expend substantial resources for the foreseeable future developing our proprietary product candidates, including tafasitamab in additional indications and pelabresib. These expenditures will include costs associated with research and development, conducting preclinical studies and clinical trials, seeking regulatory approvals, as well as commercializing Monjuvi and launching and commercializing other products approved for sale, if any, and potentially acquiring new products. In addition, other unanticipated costs may arise. Because the outcome of our anticipated clinical trials is highly uncertain, we cannot reasonably estimate the actual amounts necessary to successfully complete the development and commercialization of our proprietary product candidates.

Our future funding requirements will depend on many factors, including but not limited to:

- the success of our commercialization efforts and market acceptance for Monjuvi or any of our current or future product candidates for which we receive marketing approval;
- the costs of maintaining, expanding or contracting for sales, marketing and distribution capabilities in connection with commercialization of Monjuvi and any of our current or future product candidates for which we receive marketing approval;
- the numerous risks and uncertainties associated with developing therapeutic product candidates;
- the number and characteristics of product candidates that we pursue;
- the rate of enrollment, the need to expand, the progress, the costs and the outcomes of our clinical trials, which may or may not meet their intended endpoints;
- the timing of, and cost involved in, conducting non-clinical studies that are regulatory prerequisites to conducting clinical trials of sufficient duration for successful product registration;
- the cost of manufacturing clinical supply and establishing a commercial supply of our product candidates and the cost of continued manufacturing of commercial supply of Monjuvi;

- the timing of, and the costs involved in, obtaining regulatory approvals for our product candidates if clinical trials are successful, including for obtaining regulatory approvals for tafasitamab (for additional indications or in additional geographies) and for pelabresib;
- the timing of, and costs involved in, conducting post-approval studies that may be required by regulatory authorities, including those required for Monjuvi;
- the terms and timing of any collaborative, licensing, or other arrangements that we may establish, including any required milestone and royalty payments thereunder and any non-dilutive funding that we may receive;
- the costs involved in preparing, filing, prosecuting, maintaining, defending and enforcing patent claims, including litigation costs, if any, and the outcome of any such litigation;
- the timing, receipt, and amount of sales of, or royalties or milestones on, our existing products and future products, if any; and
- the costs to maintain the commercial organization including key executives needed for transformation.

In addition, our operating plan may change as a result of many factors currently unknown to us. As a result of these factors, we may need additional funds sooner than planned. We expect to finance future cash needs primarily through a combination of public or private equity offerings, strategic collaborations and non-dilutive funding. If sufficient funds on acceptable terms are not available when needed, or at all, we could be forced to significantly reduce operating expenses and delay, limit, reduce or terminate one or more of our product development programs or commercialization efforts.

***We have incurred significant losses since inception and anticipate that we will continue to incur losses in the future.***

We are a commercial-stage biopharmaceutical company. We have incurred significant losses since our inception and our consolidated net loss for the year ended December 31, 2021 was €514.5 million. As of December 31, 2021, our accumulated deficit was approximately €672.3 million. The probability of being profitable strongly depends on the commercial success of Monjuvi and successful development of our other product candidates and we may continue to incur losses in the coming years as we continue our research and development of, and seek regulatory approvals for, our product candidates, prepare for and begin to commercialize any approved product candidates and add infrastructure and personnel to support our product development efforts and operations as a public company in the United States. These activities will continue and will therefore impact significantly our profit or loss and our working capital in the foreseeable future.

Because of the numerous risks and uncertainties associated with biopharmaceutical product development, we are unable to accurately predict the timing or amount of expenses or when, or if, we will be able to achieve profitability. For example, our expenses could increase if we are required by the U.S. FDA or the EMA to perform trials in addition to those that we currently expect to perform, such as post-approval trials or if there are any delays in completing our currently planned clinical trials, the partnering process for our proprietary product candidates or in the development of any of our proprietary product candidates.

Our revenue to date has predominantly been recognized in licensing of commercial rights and our proprietary technology platforms, and by collecting milestone and royalty payments for our product candidates. Our ability to generate revenue and achieve profitability in the future depends in large part on our ability, alone or with our collaborators and partners, to successfully commercialize Monjuvi and our other current and any future approved products, and successfully complete the development of and obtain the necessary regulatory approvals for our current and any future product candidates. We may never succeed in these activities and may never generate revenue from product sales that is significant enough to achieve profitability. In addition, our revenues depend in part on the activities of our partners, over which we have no control, in respect of pursuing research and clinical trial activities and, where marketing approval has been granted and we have not retained commercialization rights, commercialization of our product candidates. Even if we achieve profitability in the future, we may not be able to sustain profitability in subsequent periods. Our failure to become or remain profitable would depress our market value and could impair our ability to raise capital, expand our business, develop other product candidates, or continue our operations. A decline in the value of our company could also cause our investors to lose all or part of their investment.

***Our operating results may fluctuate significantly in the future.***

Our results of operations may fluctuate significantly in the future due to a variety of factors, many of which are outside of our control. The revenues we generate, if any, and our operating results will be affected by numerous factors, including, but not limited to:

- the development status of our product candidates and, particularly, the timing of any milestone payments to be paid or received by us under our collaboration agreements;
- the incurrence of clinical expenses that could fluctuate significantly from period to period;

- the commercial success of the products marketed by our partners and the amount of royalties to us associated therewith;
- our ability to continue to successfully commercialize Monjuvi and any other future products marketed by ourselves;
- foreign exchange fluctuations;
- the unpredictable effects of collaborations during these periods;
- the timing of our satisfaction of applicable regulatory requirements;
- the rate of expansion of our clinical development and other development efforts;
- the effect of competing technologies and products and market developments; and
- general and industry-specific economic conditions.

If our operating results fall below the expectations of investors or securities analysts, the price of our ordinary shares could decline substantially and any fluctuations in our operating results and cash flows may, in turn, cause the price of our shares to fluctuate substantially.

***From time to time, we will need to raise additional funding, which may not be available on acceptable terms, or at all. Failure to obtain this necessary capital when needed may force us to delay, limit or terminate our product development efforts or other operations.***

Identifying and acquiring rights to develop potential product candidates and conducting preclinical testing and clinical trials is a time-consuming, expensive and uncertain process that may take years to complete. We may never generate the necessary data or results required to obtain regulatory approval and achieve product sales, and even if one or more of our product candidates is approved, they may not achieve commercial success. Accordingly, we will need to continue to rely on additional financing to achieve our business objectives. Adequate additional financing may not be available to us on acceptable terms, or at all.

We may seek additional funding through a combination of equity offerings, debt financings, including convertible bond offerings, collaborations, licensing arrangements, strategic alliances and marketing or distribution arrangements. To the extent that we raise additional capital through the sale of equity or convertible debt securities, your ownership interest will be diluted, and the terms may include liquidation or other preferences that adversely affect your rights as a holder of our shares. The incurrence of indebtedness or the issuance of certain equity securities could result in increased fixed payment obligations and could also result in certain additional restrictive covenants, such as limitations on our ability to incur additional debt or issue additional equity, limitations on our ability to acquire or license intellectual property rights and other operating restrictions that could adversely impact our ability to conduct our business. In addition, issuance of additional equity securities, or the possibility of such issuance, may cause the market price of our shares to decline. In the event that we enter into collaborations or licensing arrangements to raise capital, we may be required to accept unfavorable terms, including relinquishing or licensing to a third-party on unfavorable terms our rights to technologies or product candidates that we otherwise would seek to develop or commercialize ourselves or potentially reserve for future potential arrangements when we might be able to achieve more favorable terms.

If we are unable to obtain funding on a timely basis, or if revenues from collaboration arrangements or product sales are less than we have projected, we may be required to significantly curtail, delay or discontinue one or more of our research or development programs or the commercialization of any product candidates or be unable to expand our operations or otherwise capitalize on our business opportunities, as desired, which could materially affect our business, financial condition and results of operations.

***A substantial portion of our historical revenues are from a limited number of strategic collaborations and partnerships, and the termination of these collaborations could have a material adverse effect on our business, financial condition and results of operations.***

Historically, we derived a substantial portion of our revenues from a limited number of collaborations, under which we generated revenues through licensing arrangements such as research and development payments, upfront payments, milestone payments, and, once a product is commercialized, royalty payments based on a portion of the revenue of product sold. We generate sales from the co-commercializing of Monjuvi in the United States and tiered royalties on ex-U.S. net sales of tafasitamab (Minjuvi) that account for a substantial portion of our revenues for the next years. The loss of any significant collaborator or any significant reduction in payments by a collaborator may have a material adverse effect on our business, financial condition and results of operations.

***We may incur substantial expenses as a result of the limited nature of our disaster recovery and business continuity plan.***

MorphoSys AG has implemented a business continuity plan to prevent the collapse of critical business processes to a large extent or to enable the resumption of critical business processes in case a natural disaster, public health emergency, such as the COVID-19 pandemic, or other serious event occurs. However, depending on the severity of the situation, it may be difficult or in certain cases impossible for us to continue our business for a significant period of time. Our contingency plans for disaster recovery and business continuity may prove inadequate in the event of a serious disaster or similar event and we may incur substantial costs that could have a material adverse effect on our business.

### **Risks Related to Commercialization**

***We have limited experience as a commercial company, and we may not be successful in, or have limited success in, our continued commercialization of Monjuvi, in which case our financial results and future prospects may be substantially harmed.***

In July 2020, the U.S. FDA granted accelerated approval to Monjuvi, a CD-19 directed cytolytic antibody indicated in combination with lenalidomide for the treatment of adult patients with relapsed or refractory diffuse large B-cell lymphoma (DLBCL), not otherwise specified, including DLBCL arising from low grade lymphoma, and who are not eligible for autologous stem cell transplant (ASCT). Continued approval for this indication may be contingent upon verification and description of clinical benefit in a confirmatory trial(s). We are still evaluating tafasitamab in other clinical trials for the treatment of B-cell malignancies. Our ability to generate, and the degree to which we generate, product revenue from Monjuvi will depend heavily on our successful commercialization of the product and ability to gain approval for Monjuvi in expanded indications.

The development and commercialization of Monjuvi could be unsuccessful if:

- we fail to maintain the necessary financial resources and expertise to manufacture, market and sell Monjuvi;
- we (or our partners) fail to continue to develop and implement effective marketing, sales and distribution strategies and operations for the development and commercialization of Monjuvi;
- we fail to maintain a commercially viable manufacturing process for Monjuvi that is compliant with current good manufacturing practices;
- we fail to continue to obtain adequate pricing and third party reimbursement for Monjuvi;
- patients are not able to afford Monjuvi based on the cost-sharing required by third-party payors;
- we encounter any third party patent interference, derivation, inter partes review, post-grant review, reexamination or patent infringement claims with respect to tafasitamab;
- we fail to comply with regulatory and legal requirements applicable to the sale of Monjuvi, including the timely conduct and successful completion of the required post-marketing clinical trial;
- competing drug products are approved for the same indication as Monjuvi;
- new significant safety risks are identified; and
- tafasitamab does not demonstrate acceptable safety and efficacy in current or future clinical trials, or otherwise does not meet applicable regulatory standards for approval in indications other than for the treatment of adult patients with r/r DLBCL.

If we experience significant delays or an inability to successfully develop and commercialize Monjuvi, our business would be materially harmed.

***The commercial success of Monjuvi in the U.S. and Minjuvi in Canada and the EU, and of any additional products, will depend upon the degree of market acceptance by physicians, patients, third-party payers and others in the medical community.***

The commercial success of Monjuvi, Minjuvi and of any additional products will depend in part on the medical community, patients, and third-party or governmental payers accepting such product(s) as medically useful, cost-effective, and safe. Monjuvi, Minjuvi and any other products that we may bring to the market may not gain market acceptance by physicians, patients, third-party payers and others in the medical community. If these products do not achieve an adequate level of acceptance, we may not generate significant product revenue. See the section of this annual report titled "Item 4.B. Business Overview Coverage and Reimbursement and Pricing" below. The degree of market acceptance of Monjuvi, Minjuvi and of any future products will depend on a number of factors, including:

- the breadth of the approved clinical indications for our product candidates;
- the potential efficacy and potential advantages over alternative treatments;

- the prevalence and severity of any side effects, including any limitations or warnings contained in a product's approved labeling;
- relative convenience and ease of administration;
- the willingness of the target patient population to try new therapies and of physicians to prescribe these therapies;
- the strength of marketing and distribution support and timing of market introduction of competitive products;
- the pricing of our product and of any future products;
- publicity concerning our product, any future products, or competing products and treatments;
- sufficient third-party insurance coverage or reimbursement; and
- potential product liability claims.

Even if a potential product displays a favorable efficacy and safety profile in preclinical and clinical studies, market acceptance of the product will not be known until after it is launched. Our efforts to educate the medical community and payers on the benefits of our products may require significant resources and may never be successful. Our efforts to educate the marketplace may require more resources than are required by the conventional technologies marketed by our competitors. Any of these factors may cause Monjuvi, Minjuvi or any future products, to be unsuccessful or less successful than anticipated.

***We are reliant on Incyte for the successful commercialization of tafasitamab outside of the United States. If Incyte does not successfully commercialize tafasitamab outside of the United States, our future prospects may be substantially harmed.***

In August 2021, both Health Canada and the European Commission granted conditional approval to Minjuvi, in combination with lenalidomide, for the treatment of adult patients with r/r DLBCL. Under our agreement with Incyte, Incyte maintains commercial rights to tafasitamab outside of the United States and we will receive tiered royalties on ex-U.S. net sales of tafasitamab in a mid-teens to mid-twenties percentage range of net sales. Thus, our ability to generate revenue from Minjuvi outside the United States will depend heavily on Incyte's ability to successfully obtain the requisite marketing approvals outside the United States and commercialize the product.

***If we are unable to establish and maintain sales and marketing capabilities or enter into agreements with third parties to sell and market our product candidates, we may not be successful in commercializing our product candidates if and when they are approved.***

We have limited experience in the sale, marketing or distribution of pharmaceutical products. To achieve commercial success for any approved medicine for which we retain sales and marketing responsibilities, we must either develop a sales and marketing organization or outsource these functions to other third parties. Although we have established sales and marketing capabilities to support our sales of Monjuvi in the U.S., we will need to further build our sales and marketing infrastructure to sell, or participate in sales activities with our collaborators for, our other product candidates if and when they are approved, including, for example, to support the potential approval of one or more product candidates in the European Union.

There are risks involved with both establishing our own sales and marketing capabilities and entering into arrangements with third parties to perform these services. For example, recruiting and training a sales force is expensive and time consuming and could delay any product launch. If the commercial launch of a product candidate for which we recruit a sales force and establish marketing capabilities is delayed or does not occur for any reason, we would have prematurely or unnecessarily incurred these commercialization expenses. This may be costly, and our investment would be lost if we cannot retain or reposition our sales and marketing personnel.

Factors that may inhibit our efforts to commercialize our medicines on our own include:

- our inability to recruit and retain adequate numbers of effective sales and marketing personnel;
- the inability of sales personnel to obtain access to physicians or persuade adequate numbers of physicians to prescribe any future medicines;
- the lack of complementary medicines to be offered by sales personnel, which may put us at a competitive disadvantage relative to companies with more extensive product lines; and
- unforeseen costs and expenses associated with creating an independent sales and marketing organization.

If we enter into arrangements with third parties to perform sales, marketing and distribution services, our product revenue or the profitability of product revenue to us are likely to be lower than if we were to market and sell any medicines that we develop ourselves. In addition, we may not be successful in entering into arrangements with third parties to sell and market our product

candidates or may be unable to do so on terms that are favorable to us. We likely will have little control over such third parties, and any of them may fail to devote the necessary resources and attention to sell and market our medicines effectively. If we do not establish sales and marketing capabilities successfully, either on our own or in collaboration with third parties, we will not be successful in commercializing our product candidates.

### **Risks Related to the Development and Clinical Testing of Our Product Candidates**

***If we are unable to advance our proprietary product candidates to clinical development, obtain regulatory approval for our product candidates, including for tafasitamab (for additional indications or in additional geographies) and for pelabresib, and ultimately successfully commercialize them or experience significant delays in doing so, our business will be materially harmed.***

We have several product candidates in clinical development, and other product candidates and development candidates are currently in preclinical or earlier stages of development. Although we may receive certain payments from our collaboration partners, including upfront payments, payments for achieving certain development, regulatory or commercial milestones and royalties, our ability to generate revenue from our product candidates' sales is dependent on receipt of regulatory approval for, and successful commercialization of, such product candidates, which may never occur. Our business and future success is particularly dependent on our ability to develop, either alone or in partnership, successfully, receive regulatory approval for, and then successfully commercialize our proprietary product candidates. Each of our product candidates will require additional preclinical and/or clinical development, regulatory approval in multiple jurisdictions, manufacturing supply, substantial investment and significant marketing efforts before we generate any revenue from product sales or royalties. We are not permitted to market or promote any of our product candidates before we receive regulatory approval from applicable regulatory authorities. The success of our product candidates will depend on several factors, including the following:

- successful completion of preclinical studies (incl. safety studies) required to obtain regulatory approval in the United States, the European Union and other jurisdictions for our product candidates;
- successful enrollment of patients in, and completion of, clinical trials (incl. safety studies) required to obtain regulatory approval in the United States, the European Union and other jurisdictions for our product candidates;
- successful demonstration of reproducibility in the production process and ability for market supply;
- strategic commitment to particular product candidates and indications by us and our collaborators;
- receipt of product approvals, including marketing approvals, from applicable regulatory authorities;
- successful local and regional pricing and reimbursement negotiations with third-party payors to enable patients' access to our products;
- successful validation of biomarkers and development of biomarker assays in those studies or programs where biomarkers are part of the development plan;
- obtaining and maintaining patent and trade secret protection or regulatory exclusivity for our product candidates and brands;
- securing market supply and distribution network;
- securing quality raw material supplies;
- the successful launch and marketing of approved products and/or brands, whether alone or in collaboration with others;
- acceptance of our approved products and/or brands by patients, the medical community and third-party payors;
- effectively competing with other therapies and ability to demonstrate clinically meaningful benefits;
- enforcing and defending intellectual property rights and claims;
- maintaining a continued acceptable safety and efficacy profile of the products following approval; and
- maintaining a continued, sufficient supply of drug product in acceptable quality.

If we do not achieve one or more of these factors in a complete and timely manner or at all, we could experience significant delays or an inability to successfully commercialize our product candidates, which would materially adversely affect our business, financial condition, results of operations and prospects and, in case of product candidates, technologies and licenses we have acquired, may result in a significant impairment of assets.

Further, our product candidates may not receive regulatory approval even if we are successful in conducting clinical trials, non-clinical studies and assembling required CMC (chemistry, manufacturing and controls) information. If we do not receive regulatory approvals for our product candidates, we may not be able to continue our operations and partnership. Even if we successfully obtain regulatory approvals to market one or more of our product candidates, our revenues will be dependent, in part, upon the commercialization potential, our ability to supply sufficient amounts of product candidates, the uptake of our product candidates and the size of the markets in the territories for which we gain regulatory approval and have commercial rights. If the market potential that we are targeting are not as significant as we estimate, we may not generate significant revenues from sales of such products, if approved.

We plan to seek regulatory approval to commercialize future product candidates both in the United States and potentially in the European Union, and additional foreign jurisdictions. While the scope of regulatory approval is similar in other countries, to obtain separate regulatory approval in many other countries, we must comply with numerous and varying regulatory requirements of such countries regarding safety and efficacy and governing, among other things, clinical trials and commercial sales, pricing and distribution of our product candidates, and we cannot predict success in these jurisdictions.

***Clinical trials are very expensive, resource intensive and complex to design and implement and involve uncertain outcomes. If clinical trials or production of our product candidates are prolonged, delayed or terminated, we may be unable to obtain required regulatory approvals, and therefore be unable to commercialize our product candidates on a timely basis or at all, which may materially adversely affect our business, financial condition, results of operations and prospects.***

We are currently conducting clinical trials for tafasitamab, pelabresib, felzartamab, and CPI-0209 in various indications. Each of our clinical trials requires the investment of substantial resources and time and the timing of the commencement, continuation and completion of these clinical trials may be subject to significant delays or termination relating to various causes, including, among other things:

- difficulties in identifying and enrolling patients who meet trial eligibility criteria;
- failure of patients to complete the clinical trials or return for post-treatment follow-up;
- delays in accumulating the required number of clinical events for data analyses;
- clinical investigators or sites deviating from trial protocol or failing to comply with regulatory requirements or meet their contractual obligations;
- delay or failure to obtain required regulatory approvals to start the clinical trial in the participating countries;
- delays in or failure to reach agreement on acceptable terms with prospective contract research organizations, or CROs, clinical trial sites and contract manufacturing organizations, or CMOs, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs, trial sites and CMOs;
- delays in or failure to obtain institutional review board, or IRB, approval at participating trial sites;
- failure of third-party contractors used in our clinical trials or contract manufacturing organizations, or CMOs, to comply with regulatory requirements or meet their contractual obligations in a timely manner, or not at all;
- changes in regulatory requirements;
- the development and approval of competitive products;
- results from clinical trials of competing compounds, which may give rise to concerns about the target, the envisioned mode of action, the compound class or the commercial potential of the product candidate we are evaluating;
- higher-than-expected costs of clinical trials of our product candidates;
- insufficient or inadequate supply or quality of our product candidates or other materials necessary to conduct clinical trials of our product candidate;
- scheduling conflicts with participating investigators/trial sites due to competing trials;
- outbreak of pandemic and natural disaster;
- urgent safety measures;
- pre-defined interim analysis of clinical trial data (~~utility analysis~~) or unfavorable and unforeseen non-clinical or clinical information that reveals that the product candidate has an unfavorable risk-benefit ratio;
- suspension/termination of approval of clinical trial conduct by Ethics Committees, or ECs, IRBs, U.S. FDA, or Competent Authorities, or CA;

- strategic decision to stop the clinical trial or the clinical development program; and
- recommendations of the data safety monitoring board/data monitoring committee, or DSMB/DMC, based on provided clinical safety data.

It is uncertain whether any of our clinical trials will begin as planned, will need to be redesigned or amended or will be completed on schedule. Clinical testing is expensive and can take many years to complete, and its outcome is inherently uncertain. Failure can occur at any time during the clinical trial conduct. We could encounter delays if a clinical trial is suspended or terminated by us, by the IRBs of the institutions in which such trials are being conducted, by a DSMB/DMC for such trial or by the U.S. FDA or other regulatory authorities. Such authorities may impose such a suspension or termination due to a number of factors, including failure to conduct the clinical trial in accordance with regulatory requirements or our clinical protocols, inspection of the clinical trial or trial site by the U.S. FDA or other regulatory authorities resulting in the imposition of a clinical hold, safety issues or adverse side effects, failure to demonstrate a benefit from using a drug, changes in governmental regulations or administrative actions or lack of adequate funding to continue the clinical trial. If we experience delays in the completion of, or termination of, any clinical trial of our product candidates, the commercial prospects of our product candidates will be harmed, and our ability to generate product revenues from any of these product candidates will be delayed. In addition, any delays in completing our clinical trials will increase our costs, slow down our product candidate development and approval process and jeopardize our ability to commence product sales and generate revenues. Significant clinical trial delays could also allow our competitors to bring products to market before we do or shorten any periods during which we have the exclusive right to commercialize our product candidates and impair our ability to commercialize our product candidates, and may harm our business and results of operations. In addition, some of the factors that cause, or lead to, a delay in the commencement or completion of clinical trials may also ultimately lead to the denial of regulatory approval of our product candidates.

Clinical trials must be conducted with supplies of our product candidates produced under current good manufacturing practice, or cGMP, and supplied accordingly under good distribution practice, or GDP, requirements and other regulations. We rely on CROs and clinical trial sites to ensure the proper and timely conduct of our clinical trials. Even though we have agreements governing their committed activities, we depend on our collaborators and on clinical trial sites and CROs to conduct and monitor our clinical trials in compliance with good clinical practice, or GCP, requirements. To the extent our collaborators or CROs fail to enroll participants for our clinical trials, fail to conduct and monitor the study to GCP standards or are delayed for a significant time or fail in the execution of trials, including achieving full enrollment, we may be affected by increased costs, program delays or both, which may harm our business.

If we are unable to successfully complete clinical trials of our product candidates or other testing, if the results of these trials or tests are unfavorable or are only modestly favorable, if there are safety concerns associated with our product candidates, or if we are required to conduct additional clinical trials or other testing of our product candidates beyond the trials and testing that we contemplate, we may:

- 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 product labeling that includes significant use or distribution restrictions or significant safety warnings, including boxed warnings;
- face higher pricing and reimbursement hurdles;
- be subject to additional post-marketing testing or other requirements; or
- remove the product from the market after obtaining marketing approval.

The occurrence of any such events may materially adversely affect our business, financial condition, results of operations and prospects.

***The incidence and prevalence for target patient populations of our product candidates are based on estimates and third-party sources. If the market opportunities for our products or any future products are smaller than we estimate or if any approval that we obtain for a product is for a smaller patient population than anticipated, our business, financial condition, results of operations and prospects may be materially adversely affected.***

Periodically, we make estimates regarding the incidence and prevalence of target patient populations for particular diseases based on various third-party sources and internally generated analysis and use such estimates in making decisions regarding our product development strategy, including determining indications on which to focus in preclinical or clinical trials.

These estimates may be inaccurate or based on imprecise data. For example, the total addressable market opportunity will depend on, among other things, any limitations on populations and indications in approved product labeling, patient access, product pricing and reimbursement as well as the approval of new or competing medicines. The number of patients in the addressable markets may turn out to be lower than expected or new patients may become increasingly difficult to identify or gain access to. Additionally, even if we obtain significant market share for a product within an approved indication, if the potential target populations for the product is small, it may be difficult to achieve profitability without obtaining marketing approval for additional indications. Any of these factors could materially adversely affect our business, financial condition, results of operations and prospects.

***The speed at which we complete our clinical trials depends on many factors, including, but not limited to, patient enrollment. If we are unable to enroll patients in our clinical trials, our research and development efforts and business, financial condition, results of operations and prospects could be materially adversely affected.***

Patient enrollment and pandemic outbreak are significant factors in the timing and successful completion of clinical trials. Patient enrollment is affected by many factors, including the size and nature of the patient population, the proximity of patients to clinical sites, the eligibility criteria for the trial, the design of the clinical trial, competing clinical trials and clinicians' and patients' perceptions as to the potential advantages of the product being studied in relation to other available therapies, including any new products that may be approved for the indications we are investigating. Because there is a relatively limited number of patients worldwide, patient enrollment may be challenging. Trials may be subject to delays as a result of patient enrollment taking longer than anticipated or patient withdrawal. Delays in the completion of any clinical trial of our product candidates will increase our costs, slow down our product candidate development and delay or potentially jeopardize our ability to receive regulatory approval, commence product sales and generate revenue. Any of these occurrences may harm our clinical trials, which could materially adversely affect our business, financial condition, results of operations and prospects.

***Results of previous preclinical studies and clinical trials may not be predictive of future results, and the results of our current and planned clinical trials may not satisfy the requirements of the U.S. FDA, the EMA or comparable foreign regulatory authorities.***

Positive or timely results from preclinical or early-stage trials do not ensure positive or timely results in late-stage clinical trials or product approval by the U.S. FDA, the EMA, or comparable foreign regulatory authorities. We will generally be required to demonstrate with substantial evidence through well-conducted, possibly controlled clinical trials that our product candidates are safe and effective for use in a well-defined patient population before we can seek regulatory approvals for their commercial sale. Our ongoing and planned clinical trials may produce negative or inconclusive results, and we or any of our current and future collaborators may decide, or regulators may require us, to conduct additional clinical or preclinical testing. Success in preclinical studies or early-stage clinical trials does not mean that future clinical trials or registration clinical trials will be successful because product candidates in later-stage clinical trials may fail to demonstrate sufficient safety or efficacy to the satisfaction of the U.S. FDA, the EMA and comparable foreign regulatory authorities, despite having progressed through preclinical studies and initial clinical trials. Product candidates that have shown promising results in early clinical trials may still suffer significant setbacks in subsequent clinical trials. For example, a number of companies in the pharmaceutical industry, including those with greater resources and experience than us, have suffered significant setbacks in advanced clinical trials, even after obtaining promising results in earlier clinical trials. Similarly, interim results of a clinical trial do not necessarily predict final results.

Open-label clinical trials are subject to various limitations that may exaggerate any therapeutic effect on patients in open-label clinical trials receiving treatment. Open-label clinical trials may be subject to a "patient bias" where patients perceive their symptoms to have improved merely due to their awareness of receiving an experimental treatment. In addition, open-label clinical trials may be subject to an "investigator bias" where those assessing and reviewing the physiological outcomes of the clinical trials are aware of which patients have received treatment and may interpret the information of the treated group more favorably given this knowledge. The results from an open-label trial may not be predictive of future clinical trial results with any of our product candidates for which we include an open-label clinical trial when studied in a controlled environment with a placebo or active control.

***The regulatory approval processes of the U.S. FDA and comparable foreign authorities are lengthy, time-consuming and inherently unpredictable and if we fail to obtain regulatory approval in any jurisdiction, we will not be able to commercialize our products in that jurisdiction, and our business, results of operations, financial condition and prospects may be materially adversely affected.***

The time required to obtain approval by the U.S. FDA and comparable foreign authorities is unpredictable but typically takes many years following the commencement of clinical trials and depends upon numerous factors, including clinical trial designs, their outcome and the substantial discretion of the regulatory authorities. In addition, approval laws, regulations, policies or the

type and amount of clinical data or other information necessary to gain approval may change during the course of a product candidate's clinical development and may vary among jurisdictions. Our existing product candidates or any product candidates we may seek to develop in the future may never obtain regulatory approval.

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

- the U.S. FDA or comparable foreign regulatory authorities may disagree with the design or implementation of our clinical trials or the results of our clinical trials may not meet the level of statistical significance required by the U.S. FDA or comparable foreign regulatory authorities for approval;
- we may be unable to demonstrate to the satisfaction of the U.S. FDA or comparable foreign regulatory authorities that a product candidate is safe and effective for its proposed indication(s) in the proposed population;
- we may be unable to demonstrate that a product candidate's clinical and other benefits outweigh its safety risks;
- the U.S. FDA or comparable foreign regulatory authorities may disagree with our interpretation of data from preclinical studies or clinical trials;
- the data collected may not be sufficient to support the submission of a BLA or other submission, or to obtain regulatory approval in the United States, the European Union or elsewhere;
- the U.S. FDA or comparable foreign regulatory authorities may fail to approve the manufacturing processes or facilities of third-party manufacturers with which we contract for clinical and commercial supplies;
- the laws, regulations or policies of the U.S. FDA or comparable foreign regulatory authorities may significantly change in a manner rendering our clinical data or other regulatory submissions insufficient for approval; and
- MorphoSys' critical business operations, including but not limited to the Company's supply chain, clinical trial conduct, as well as timelines for regulatory and commercial execution may be influenced negatively in case the implemented disaster recovery and business continuity plan may prove inadequate.

The approval process may result in failing to obtain regulatory approval to market any of our future product candidates, which would significantly harm our business, results of operations and prospects. The U.S. FDA, the EMA and other regulatory authorities have substantial discretion in the approval process and determining when or whether regulatory approval will be obtained for any of our product candidates. Even if we believe the data collected from clinical trials of our product candidates are promising, such data may not be sufficient to support approval by the U.S. FDA, the EMA or any other regulatory authority. These authorities could require additional clinical data, including clinical trials designed with internal controls, in order to support regulatory approvals.

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

Commercialization of our products in more than one jurisdiction requires separate regulatory approval in each jurisdiction and compliance with the numerous and varying regulatory requirements of each jurisdiction. The approval procedures vary from country to country and may require additional testing or other steps. Satisfying these and other regulatory requirements is costly, time-consuming, uncertain, and subject to unanticipated delays. In addition, in many countries outside the United States and in particular in many of the Member States of the European Union, a product must undergo health economic assessments to agree on pricing and/or be approved for reimbursement before it can be approved for sale in that country, or before it becomes commercially viable. The U.S. FDA and the EMA may come to different conclusions regarding approval of a marketing application. Approval by the U.S. FDA or the EMA does not ensure approval by regulatory authorities in other countries or jurisdictions, and approval by one foreign regulatory authority does not ensure approval by regulatory authorities in other foreign countries or by the U.S. FDA or the EMA. In addition, failure to obtain regulatory approval in any country may delay or have negative effects on the process for regulatory approval in other countries. Clinical trials conducted in one country may not be accepted by regulatory authorities in other countries, including as a result of population and other demographic difference across countries. We may not obtain regulatory approvals on a timely basis, if at all. We may not be able to file for regulatory approvals and may not receive necessary approvals to commercialize a product in any market. We may be required to conduct additional preclinical studies or clinical trials, which would be costly and time-consuming. If we or any future partner are unable to obtain regulatory approval for our product candidates in one or more significant jurisdictions, then the commercial opportunity for our product candidates, and our business, results of operations, financial condition and prospects, may be materially adversely affected.

***Disruptions at the U.S. FDA and other government agencies caused by funding shortages or global health concerns could hinder their ability to hire, retain or deploy key leadership and other personnel, or otherwise prevent new or modified products from being developed, approved, or commercialized in a timely manner or at all, which could negatively impact our business.***

The ability of the U.S. FDA to review and approve new products can be affected by a variety of factors, including government budget and funding levels, statutory, regulatory, and policy changes, the U.S. FDA's ability to hire and retain key personnel and accept the payment of user fees, and other events that may otherwise affect the U.S. FDA's ability to perform routine functions. Average review times at the agency have fluctuated in recent years as a result. In addition, government funding of other government agencies that fund research and development activities is subject to the political process, which is inherently fluid and unpredictable. Disruptions at the U.S. FDA and other agencies may also slow the time necessary for biologics or modifications to approved biologics to be reviewed and/or approved by necessary government agencies, which would adversely affect our business. For example, over the last several years, including for 35 days beginning on December 22, 2018, the U.S. government has shut down several times and certain regulatory agencies, such as the U.S. FDA, have had to furlough critical U.S. FDA employees and stop critical activities.

Additionally, as of May 26, 2021, the U.S. FDA noted it is continuing to ensure timely reviews of applications for medical products during the COVID-19 pandemic in line with its user fee performance goals; however, the U.S. FDA may not be able to continue its current pace and approval timelines could be extended, including where a pre-approval inspection or an inspection of clinical sites is required and due to the ongoing COVID-19 pandemic and travel restrictions the U.S. FDA is unable to complete such required inspections during the review period. Since March 2020 when foreign and domestic inspections of facilities were largely placed on hold, the U.S. FDA has been working to resume routine surveillance, bioresearch monitoring and pre-approval inspections on a prioritized basis. Since April 2021, the U.S. FDA has conducted limited inspections and employed remote interactive evaluations, using risk management methods, to meet user fee commitments and goal dates. Ongoing travel restrictions and other uncertainties continue to impact oversight operations both domestic and abroad and it is unclear when standard operational levels will resume. The U.S. FDA is continuing to complete mission-critical work, prioritize other higher-tiered inspectional needs (e.g., for-cause inspections), and carry out surveillance inspections using risk-based approaches. Should the U.S. FDA determine that an inspection is necessary for approval and an inspection cannot be completed during the review cycle due to restrictions on travel, and the U.S. FDA does not determine a remote interactive evaluation to be adequate, the agency has stated that it generally intends to issue, depending on the circumstances, a complete response letter or defer action on the application until an inspection can be completed. During the COVID-19 public health emergency, a number of companies announced receipt of complete response letters due to the U.S. FDA's inability to complete required inspections for their applications. Regulatory authorities outside the U.S. may adopt similar restrictions or other policy measures in response to the COVID-19 pandemic and may experience delays in their regulatory activities. If the U.S. FDA becomes unable to continue its current level of performance, we could experience delays and setbacks for our product candidates and for any approvals we may seek which could adversely affect our business.

***Our product or product candidates may cause undesirable side effects that could delay or prevent their regulatory approval, limit the commercial profile of an approved label, or result in significant negative consequences following regulatory approval, if any.***

Undesirable side effects that may be caused by our product or product candidates could cause us, our collaboration partners or the regulatory authorities to interrupt, delay or halt clinical trials and could result in a more restrictive label or the delay or denial of regulatory approval by the U.S. FDA, the EMA or comparable foreign regulatory authorities. The results of our trials could reveal a high and unacceptable severity and prevalence of side effects. In such an event, our trials could be suspended or terminated and the U.S. FDA, the EMA or comparable foreign regulatory authorities could order us to cease further development of or deny approval of our product candidates for any or all targeted indications. The product-related side effects could affect patient recruitment or the ability of enrolled patients to complete the trial or result in potential product liability claims.

Clinical trials assess a sample of the potential patient population. With a limited number of patients and duration of exposure, rare and severe side effects of our product candidates may only be uncovered with a significantly larger number of patients exposed to the product candidate. If our product candidates receive regulatory approval and we or others identify undesirable side effects caused by such approved products (or any other similar products), a number of potentially significant negative consequences could result, including:

- regulatory authorities may withdraw or limit their approval of such products and require us or our collaborators to take such products off the market;
- regulatory authorities may require the addition of labeling statements, such as a "boxed" warning or a contra-indication, or correspondence to alert physicians and other healthcare providers about new or updated information regarding the approved product, such as Dear Health Care Provider letters;

- we or our collaborators may be required to create a medication guide outlining the risks of such side effects for distribution to patients;
- we or our collaborators may be required to change the way such product candidates are distributed or administered, conduct additional clinical trials or change the labeling of the product candidates;
- regulatory authorities may require a Risk Evaluation and Mitigation Strategy, or REMS, plan to mitigate risks, which could include medication guides, physician communication plans, or elements to assure safe use, such as restricted distribution methods, patient registries and other risk minimization tools;
- we or our collaborators may be subject to regulatory investigations and government enforcement actions;
- we or our collaborators may decide or be required to remove such product candidates from the marketplace;
- we or our collaborators could be sued and potentially held liable for injury caused to individuals exposed to or taking our product candidates;
- sales of the product(s) may decrease substantially; and
- our reputation and the reputation of our collaborators may suffer.

Any of these events could prevent us or our collaborators from achieving or maintaining market acceptance of the affected product candidates and could substantially increase the costs of commercializing our product candidates, if approved, and therefore could have a material adverse effect on our business, financial condition, results of operations and prospects.

***We and our collaboration partners have conducted and intend to conduct additional clinical trials for selected product candidates at sites outside the United States, and the U.S. FDA may not accept data from trials conducted in such locations or may require additional U.S.-based trials.***

We and our collaboration partners have conducted, are currently conducting and intend in the future to conduct, clinical trials outside the United States, particularly in, but not limited to, the European Union, where we are headquartered.

Although the U.S. FDA may accept data from clinical trials conducted outside the United States, acceptance of this data is subject to certain conditions imposed by the U.S. FDA. For example, the clinical trial must be well-designed and conducted by qualified investigators in accordance with GCP, including review and approval by an independent ethics committee and receipt of informed consent from trial patients. The trial population must also adequately represent the U.S. population, and the data must be applicable to the U.S. population and U.S. medical practice in ways that the U.S. FDA deems clinically meaningful. Generally, the patient population for any clinical trial conducted outside of the United States must be representative of the population for which we intend to seek approval in the United States. In addition, while these clinical trials are subject to applicable local laws, U.S. FDA acceptance of the data will be dependent upon its determination that the trials also comply with all applicable U.S. laws and regulations. There can be no assurance that the U.S. FDA will accept data from trials conducted outside of the United States. If the U.S. FDA does not accept the data from any clinical trials that we or our collaboration partners conduct outside the United States, it would likely result in the need for additional clinical trials, which would be costly and time-consuming and delay or permanently halt our ability to develop and market these or other product candidates in the United States. In other jurisdictions, for instance, in Japan, there is a similar risk regarding the acceptability of clinical trial data conducted outside of that jurisdiction.

In addition, there are risks inherent in conducting clinical trials in multiple jurisdictions, inside and outside of the United States, such as:

- regulatory and administrative requirements of the jurisdiction where the trial is conducted that could burden or limit our ability to conduct our clinical trials;
- foreign exchange fluctuations;
- manufacturing, customs, shipment and storage requirements;
- cultural differences in medical practice and clinical research; and
- the risk that the patient populations in such trials are not considered representative as compared to the patient population in the target markets where approval is being sought.

***We are required to comply with comprehensive and ongoing regulatory requirements for our approved drug, Monjuvi/Minjuvi, and if we receive regulatory approval, for our product candidates, including conducting confirmatory clinical trials of any drug that receives accelerated approval. In addition, our approved product and product candidates, if approved, could be subject to labeling and other restrictions and market withdrawal and we may be subject to penalties if we***

***fail to comply with regulatory requirements or experience unanticipated problems with our drugs, which may materially adversely affect our business, prospects, financial condition and results of operations.***

Any current or future product candidate for which we receive accelerated approval from the U.S. FDA, including Monjuvi, or similar conditional approval from the EMA or comparable regulatory authorities in other jurisdictions may be required to undergo one or more confirmatory clinical trials. If such drug fails to meet its safety and efficacy endpoints in such confirmatory clinical trials, the regulatory authority may withdraw its approval. There is no assurance that any such drug will successfully advance through its confirmatory clinical trial(s). Therefore, even if a drug receives accelerated approval from the U.S. FDA or similar conditional approval from the EMA or comparable regulatory authorities, such approval may be withdrawn at a later date.

If the U.S. FDA, the EMA or a comparable foreign regulatory authority approves any of our product candidates, the manufacturing processes, labeling, packaging, distribution, adverse event reporting, storage, advertising, marketing, promotion and recordkeeping for the product will be subject to extensive and ongoing regulatory requirements. These requirements include submissions of safety and other post-marketing information and reports, registration, continued compliance with cGMPs and GCPs for any clinical trials that we conduct post-approval, as well as applicable product tracking and tracing requirements, all of which may result in significant expense and limit our ability to commercialize such products. Any regulatory approvals that we receive for our product candidates may also be subject to limitations on the approved indicated uses for which the product may be marketed or to the conditions of approval, or contain requirements for potentially costly post-marketing testing and surveillance to monitor the safety and efficacy of the product.

Further, on March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act became law in response to the U.S. COVID-19 pandemic. Throughout the COVID-19 outbreak, there has been public concern over the availability and accessibility of critical medical products, and the CARES Act enhances U.S. FDA's existing authority with respect to drug shortage measures. Under the CARES Act, we must have in place a risk management plan that identifies and evaluates the risks to the supply of approved drugs for certain serious diseases or conditions for each establishment where the drug or API is manufactured. The risk management plan will be subject to U.S. FDA review during an inspection. If we experience shortages in the supply of our marketed products, our results could be materially impacted.

In addition, regulatory policies may change or additional government regulations or legislation may be enacted that could prevent, limit or delay regulatory approval of our product candidates. If we fail to comply with existing requirements, are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if we are not able to maintain regulatory compliance, we may lose any regulatory approval that we may have obtained or face regulatory or enforcement actions, which may materially adversely affect our business, prospects, financial condition and results of operations.

***We may be subject to penalties if we fail to comply with regulatory requirements or experience unanticipated problems with any of our products that receive regulatory approval, which may materially adversely affect our business, prospects, financial condition and results of operations.***

Once a product is approved by the U.S. FDA, the EMA or a comparable foreign regulatory authority for marketing, it is possible that previously unknown problems may occur with the product, including problems with third-party manufacturers or manufacturing processes, packaging or failure to comply with regulatory requirements. If any of the foregoing occurs with respect to our products, it may result in, among other things:

- restrictions on the marketing or manufacturing or packaging of the product, withdrawal of the product from the market, or voluntary or mandatory product recalls;
- fines, warning letters or holds on clinical trials;
- refusal by the U.S. FDA, the EMA or comparable foreign regulatory authority to approve pending applications or supplements to approved applications filed by us, or suspension or revocation of product license approvals;
- requirements to conduct additional clinical trials, change our product labeling or submit additional applications or application supplements;
- product seizure or detention, or refusal to permit the import or export of products; and
- injunctions or the imposition of civil or criminal penalties.

The occurrence of any of these events, or any government investigation of alleged violations of law could require us to expend significant time and resources, could generate negative publicity, and may impair our ability to sell such product. If we or our collaborators are not able to maintain regulatory compliance, regulatory approval that has been obtained may be lost and we

may not achieve or sustain profitability, which may materially adversely affect our business, prospects, financial condition and results of operations.

***We may allocate our limited resources to pursue a particular product candidate or indication and fail to capitalize on product candidates or indications that may later prove to be more profitable or for which there is a greater likelihood of success, which may materially adversely affect our business, prospects, financial condition and results of operations.***

Because we have limited financial and managerial resources, we must limit our licensing, research and development programs to specific product candidates that we identify for specific indications. As a result, we may forego or delay pursuit of opportunities with other product candidates or for other indications that later prove to have greater commercial potential. Our resource allocation decisions may cause us to fail to capitalize on viable commercial product candidates or profitable market opportunities, and our decisions concerning the allocation of research, collaboration, management and financial resources towards particular product candidates may not lead to the development of viable commercial products.

***A breakthrough therapy designation or fast track designation by the U.S. FDA for our product candidates may not lead to a faster development or regulatory review or approval process, and either designation does not increase the likelihood that our product candidates will receive marketing approval.***

We may seek breakthrough therapy designation for some of our product candidates. A breakthrough therapy is defined as a drug that is intended, alone or in combination with one or more other drugs, to treat a serious or life threatening disease or condition, and preliminary clinical evidence indicates that the drug may demonstrate substantial improvement over existing therapies on one or more clinically significant endpoints, such as substantial treatment effects observed early in clinical development. For drugs that have been designated as breakthrough therapies, interaction and communication between the U.S. FDA and the sponsor of the trial can help to identify the most efficient path for clinical development while minimizing the number of patients placed in ineffective control regimens.

We may also seek fast track designation for some of our product candidates. If a product candidate is intended for the treatment of a serious or life-threatening condition and the product demonstrates the potential to address unmet medical needs for this condition, the sponsor may apply for U.S. FDA fast track designation for a particular indication. Marketing applications filed by sponsors of products in fast track development may qualify for priority review under the policies and procedures offered by the U.S. FDA.

The U.S. FDA has broad discretion whether or not to grant breakthrough therapy designation or fast track designation. Accordingly, even if we believe one of our product candidates meets the criteria for breakthrough therapy designation or fast track designation, the U.S. FDA may disagree and instead determine not to make such designation. In any event, the receipt of a breakthrough therapy designation or fast track designation for a product candidate may not result in a faster development process, review or approval compared to other drugs and does not assure ultimate approval by the U.S. FDA. In addition, even if one or more of our product candidates qualify for breakthrough designation or fast track designation, the U.S. FDA may later decide that the drugs no longer meet the conditions for qualification.

***We may seek orphan drug designation for some of our product candidates. However, we may be unsuccessful in obtaining or may be unable to maintain the benefits associated with orphan drug designation, including the potential for market exclusivity.***

As part of our business strategy, we may seek orphan drug designation for some of our product candidates, and we may be unsuccessful. Regulatory authorities in some jurisdictions, including the U.S. and the European Union, may designate drugs for relatively small patient populations as orphan drugs. Under the Orphan Drug Act, the U.S. FDA may designate a drug as an orphan drug if it is a drug intended to treat a rare disease or condition, which is generally defined as a patient population of fewer than 200,000 individuals annually in the U.S., or a patient population greater than 200,000 in the U.S. where there is no reasonable expectation that the cost of developing the drug will be recovered from sales in the U.S. In the U.S., orphan drug designation entitles a party to financial incentives such as opportunities for grant funding towards clinical trial costs, tax advantages and user-fee waivers.

Similarly, in the European Union, the European Commission grants orphan medicinal product designation after receiving the opinion of the European Medicines Agency, or EMA, Committee for Orphan Medicinal Products on an orphan medicinal product designation application. Orphan medicinal product designation is intended to promote the development of products that are intended for the diagnosis, prevention or treatment of life-threatening or chronically debilitating conditions affecting not more than 5 in 10,000 persons in the European Union and for which no satisfactory method of diagnosis, prevention, or treatment has been authorized for marketing in the EU (or, if a method exists, the product would be of a significant benefit to those affected by the condition). In addition, designation is granted for products intended for the diagnosis, prevention, or treatment of a life-threatening, seriously debilitating or serious and chronic condition and when, without incentives, it is

unlikely that sales of the drug in the European Union would generate sufficient return to justify the necessary investment in developing the product. In the European Union, orphan medicinal product designation entitles a party to financial incentives such as reduction of fees or fee waivers.

Generally, if a drug with an orphan drug designation subsequently receives the first marketing approval for the indication for which it has such designation, the drug is entitled to a period of marketing exclusivity, which precludes the EMA or the U.S. FDA from approving another marketing application for the same drug and indication for that time period, except in limited circumstances. The applicable period is seven years in the U.S. and ten years in the European Union. The European Union exclusivity period can be reduced to six years if a product no longer meets the criteria for orphan drug designation or if the product is sufficiently profitable so that market exclusivity is no longer justified.

Even if we obtain orphan drug exclusivity for a drug, that exclusivity may not effectively protect the designated drug from competition because different drugs can be approved for the same condition. Even after an orphan drug is approved, the U.S. FDA can subsequently approve the same drug for the same condition if the U.S. FDA concludes that the later drug is clinically superior in that it is shown to be safer, more effective or makes a major contribution to patient care. In addition, a designated orphan drug may not receive orphan drug exclusivity if it is approved for a use that is broader than the indication for which it received orphan designation. Moreover, orphan drug exclusive marketing rights in the U.S. may be lost if the U.S. FDA later determines that the request for designation was materially defective or if the manufacturer is unable to assure sufficient quantity of the drug to meet the needs of patients with the rare disease or condition. Orphan drug designation neither shortens the development time or regulatory review time of a drug nor gives the drug any advantage in the regulatory review or approval process. While we intend to continue seek orphan drug designation for our product candidates, we may never receive such designations. Even if we receive orphan drug designation for any of our product candidates, there is no guarantee that we will enjoy the benefits of those designations.

***We face substantial competition, which may result in others discovering, developing or commercializing products before or more successfully than we do.***

The development and commercialization of new drug products is highly competitive. We face competition with respect to our current products and product candidates, and we and our collaborators will face competition with respect to any product candidates that we or they may seek to develop or commercialize in the future, from major pharmaceutical companies, specialty pharmaceutical companies and biotechnology companies worldwide. There are a number of large pharmaceutical and biotechnology companies that currently market and sell products or are pursuing the development of products for the treatment of the disease indications for which we are developing our product candidates in the hematology/oncology area. Some competitive products and therapies are based on scientific approaches that are the same as or similar to our approach, and others are based on entirely different approaches. Potential competitors also include academic institutions, government agencies and other public and private research organizations that conduct research, seek patent protection and establish collaborative arrangements for research, development, manufacturing and commercialization. For additional information regarding our competition, see the section of this annual report titled “Item 4.B. Business Overview.”

We are developing most of our initial product candidates for the treatment of cancer and auto-immune diseases. There are a variety of available drug therapies marketed for cancer. In many cases, these drugs are administered in combination to enhance efficacy, and cancer drugs are frequently prescribed off-label by healthcare professionals. Some of the currently approved drug therapies are branded and subject to patent protection, and others are available on a generic basis. Many of these approved drugs are well established therapies and are widely accepted by physicians, patients and third-party payors. Insurers and other third-party payors may also encourage the use of generic products. We expect that our product candidates, if approved, will be priced at a significant premium over competitive generic products. This may make it difficult for us to achieve our business strategy of using our product candidates in combination with existing therapies or replacing existing therapies with our product candidates.

Our competitors may develop products that are more effective, safer, more convenient or less costly than any that we are developing or that would render our product candidates obsolete or non-competitive. In addition, our competitors may discover biomarkers that more efficiently measure metabolic pathways than our methods, which may give them a competitive advantage in developing potential products. Our competitors may also obtain marketing approval from the U.S. FDA or other regulatory authorities for their products more rapidly than we may obtain approval for ours, which could result in our competitors establishing a strong market position before we are able to enter the market.

Additionally, even if we are successful in achieving marketing approval to commercialize a product candidate faster than our competitors, we may face competition from biosimilars due to the changing regulatory environment. In the United States, the Biologics Price Competition and Innovation Act of 2009 created an abbreviated approval pathway for biological products that are demonstrated to be “highly similar,” or biosimilar, to or “interchangeable” with an U.S. FDA-approved biological product. This pathway could allow competitors to reference data from biological products already approved after 12 years from the time

of approval. In Europe, the European Commission has granted marketing authorizations for several biosimilars pursuant to a set of general and product class-specific guidelines for biosimilar approvals issued over the past few years. In Europe, a competitor may reference data from biological products already approved, but will not be able to get on the market until 10 years after the time of approval. This 10-year period will be extended to 11 years if, during the first eight of those 10 years, the marketing authorization holder obtains an approval for one or more new therapeutic indications that bring significant clinical benefits compared with existing therapies. In addition, companies may be developing biosimilars in other countries that could compete with our products. If competitors are able to obtain marketing approval for biosimilars referencing our products, our products may become subject to competition from such biosimilars, with the attendant competitive pressure and consequences. Expiration or successful challenge of our applicable patent rights could also trigger competition from other products, assuming any relevant exclusivity period has expired.

Many of our competitors have significantly greater financial resources and expertise in research and development, manufacturing, preclinical testing, conducting clinical trials, obtaining regulatory approvals and marketing approved products than we do. Mergers and acquisitions in the pharmaceutical and biotechnology industries may result in even more resources being concentrated among a smaller number of our competitors. Smaller and other clinical stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. These third parties compete with us in recruiting and retaining qualified scientific and management personnel, establishing clinical trial sites and patient registration for clinical trials, as well as in acquiring technologies complementary to, or necessary for, our programs.

### **Risks Related to Our Reliance on Partnerships and Other Third-Parties**

*Collaborations on products and product candidates are important to our business, and future collaboration and license agreements may also be important to us. If we are unable to maintain any of these partnerships or if these partnerships are not successful, our business could be materially adversely affected.*

We have in the past entered into, and intend to continue to enter into on a case-by-case basis, collaborations with other companies that we believe provide us with valuable funding and other benefits. However, we cannot ensure that any such collaboration will continue or be successful. For example, in March 2015, we and Celgene Corporation (now part of Bristol-Myers Squibb) agreed to end the existing co-development and co-promotion agreement for felzartamab, following which we regained the rights to felzartamab. We have subsequently partnered Chinese regional rights to felzartamab, and our partner I-Mab will further develop felzartamab in multiple myeloma, or MM, and potentially also for additional indications, for China, Hong Kong, Macao and Taiwan. We cannot ensure that such collaboration will be successful. Our inability to find a partner for any of our product candidates may result in our termination of that specific product candidate program or evaluation of a product candidate in a particular indication. We are currently investigating the development of felzartamab outside of China in an autoimmune indication. In November 2018, we entered into a collaboration and licensing agreement with I-Mab for an additional proprietary program, MOR210. Our partner I-Mab will perform certain preclinical and clinical development activities, and we will share territorial rights (China, Hong Kong, Macao, Taiwan and South Korea for I-Mab, rest of world for MorphoSys). In January 2020, we entered into a collaboration and license agreement with Incyte Corporation, or Incyte, to further develop and commercialize our proprietary antibody tafasitamab globally. This agreement received clearance by the U.S. antitrust authorities under the Hart-Scott-Rodino Act as well as by the German and Austrian antitrust authorities on or before March 2, 2020, and became effective on March 3, 2020. Under the terms of the agreement, we and Incyte are co-commercializing tafasitamab in the U.S., while Incyte has exclusive commercialization rights outside of the U.S. In addition, we and Incyte have agreed to co-develop tafasitamab broadly in r/r DLBCL, frontline DLBCL, as well as additional indications beyond DLBCL, such as follicular lymphoma (FL) and marginal zone lymphoma (MZL). We cannot ensure that any such collaboration or license agreement or further clinical development or the commercialization will be successful. In November 2020, together with Incyte, we signed a clinical trial collaboration agreement with Xencor under which Xencor will perform a combination trial with tafasitamab, lenalidomide and plamotamab. In November 2020, we also signed a partnership with Cherry Biolabs under which we receive a license to their hemibody technology. We cannot ensure that the application of such technology will lead to additional therapeutic programs that enter our discovery and clinical pipeline.

*In the future, we may enter into additional collaborations and license agreements to fund our development programs or to gain access to sales, marketing or distribution capabilities and we may also enter into collaborations and licensing or purchasing agreements under which we provide funding and gain access to targets, technologies or compounds.*

Under the collaboration agreements where we grant our partners an exclusive license to certain therapeutic antibodies for specific targets we receive license fees, research and development funding, milestone payments and/or, if a product is approved for marketing, royalties in return. Following the discovery and preclinical testing phase, these partners are typically solely responsible for the further development of the product candidate and therefore exercise full control over its further development

and potential commercialization. In other collaborations, for example with Incyte, we also rely on both parties' and capabilities to co-develop and co-commercialize. In clinical trial collaborations, for example the one signed with Xencor, we rely on the partners' capabilities and diligence for performance of the agreed trial. Our existing collaborations, and any future collaborations and licensing or purchasing agreements we enter into, therefore may pose a number of risks, including the following:

- collaborators, licensees or licensors may have significant discretion in determining the efforts and resources that they will apply to these collaborations or license agreements;
- collaborators, licensees or licensors may not perform their obligations as expected by us or by health authorities, such as the U.S. FDA, the EMA or comparable foreign regulatory authorities;
- collaborators, licensees or licensors may dissolve, merge, be bought, or may otherwise become unwilling to fulfill the initial terms of the collaboration or license agreement with us;
- collaborators, licensees or licensors may not pursue development and commercialization of any product candidates that achieve regulatory approval or may elect not to continue or renew development or commercialization programs based on clinical trial results, changes in the partners' strategic focus or available funding, or external factors, such as an acquisition, that divert resources or create competing priorities or the actual or perceived competitive situation in a specific indication;
- collaborators, licensees or licensors may delay clinical trials, provide insufficient funding for a clinical trial program, stop a clinical trial or abandon a product candidate, repeat or conduct new clinical trials or may require a new formulation of a product candidate for clinical testing;
- collaborators, licensees or licensors may not put sufficient resources or may delay or underperform in their activities to seek regulatory approval, pricing approval and perform commercial and medical affairs activities to market and sell the product;
- collaborators, licensees or licensors may not be compliant with applicable laws and regulations;
- collaborators, licensees or licensors could independently develop, or develop with third-parties, products that compete directly or indirectly with our products or product candidates if the partner believe that competitive products are more likely to be successfully developed or can be commercialized under terms that are more economically attractive than ours;
- product candidates discovered in collaboration with us may be viewed by our collaborators as competitive with their own product candidates or products, which may cause collaborators to cease to devote resources to the commercialization of our product candidates;
- a collaborator or licensee with marketing and distribution rights to one or more of our product candidates that achieve regulatory approval may not commit sufficient resources to the marketing and distribution of such product or products;
- a target, technology or compound we in-license, collaborate/co-develop or acquire could be determined to not perform in any pre-clinical, clinical, supply or commercialization activities as expected, including but not limited to showing deficiencies in pharmacology, pharmacokinetics, toxicology, safety, efficacy or manufacturing data, or such data may not be competitive with other projects from third parties, which may cause us to devote additional resources to the research, development, manufacturing and commercialization, may cause a delay or failure of regulatory approval or may cause us to stop the project and write off the investment already taken;
- We are co-commercializing Monjuvi together with Incyte in the United States, and to the extent we are reliant on marketing and distribution activities provided by Incyte we may not be able to meet commercial demand, as applicable, in a timely manner or at all;
- disagreements with collaborators, licensees or licensors, including disagreements over proprietary rights, contract interpretation and breach of contract claims, payment obligations or the preferred course of development, supply and commercialization, might cause delays or termination of the research, development or commercialization of products or product candidates, might lead to additional responsibilities, including financial obligations for us with respect to products or product candidates, or delays or withholding of any payments due or might result in litigation or arbitration, any of which would be time-consuming and expensive;
- collaborators, licensees or licensors may not properly maintain or defend our intellectual property rights or may use our proprietary information in such a way that could jeopardize or invalidate our intellectual property or proprietary information or expose us to potential litigation;
- collaborators, licensees or licensors may infringe the intellectual property rights of third-parties, which may expose us to litigation and potential liability; and

- collaborations, or license agreements may be terminated for the convenience of the collaborator or licensee and, if terminated, we could be required to raise additional capital to pursue further development or commercialization of the applicable product candidates.

If our research, development and commercial partnerships do not result in the successful development and commercialization, as applicable, of products or if one of our partners terminates its agreement with us, we may not receive any future research funding or milestone or royalty payments under the agreement. If any commercial partner underperforms or terminates the agreement with us, we may generate less revenues or less profits / more losses. If we do not receive the funding, or do not generate the revenues or profits, we expect under these agreements, the development and commercialization of our product candidates and products could be delayed, and we may need additional resources to develop and commercialize our proprietary product candidates. All of the risks relating to product development, regulatory approval and commercialization described in this report also apply to the activities of our program collaborators and licensees. If our in-licensing or acquisition activities do not result in the successful development and commercialization, we may generate less revenues or less profits / more losses.

Additionally, subject to its contractual obligations to us, if one of our partners is involved in a business combination, the partners might deemphasize or terminate the development or commercialization of any product candidate licensed to it by us. If one of our collaborators terminates its agreement with us, we may find it more difficult to attract new partners in a timely manner.

***We face significant competition in seeking new partnerships.***

For all our proprietary product candidates, we face significant competition. This may negatively impact our ability to enter into potential partnerships or licensing agreements for our compounds. For example, we decided not to pursue felzartamab development in MM outside the collaboration with I-Mab in mainland China, Hong Kong, Macao and Taiwan without another partner for the rest of the world. Instead, we are currently pursuing the further development of felzartamab outside of China in autoimmune indications. Also for any in-licensing and acquisition activities, we face significant competition. Our ability to reach definitive agreements for partnerships will depend, among other things, upon our assessment of the partner's resources and expertise, the terms and conditions of the proposed partnership and the proposed partner's evaluation of a number of factors. The factors, depending on the type of partnership we or the partner would consider, may include the design or results of clinical trials, the likelihood of approval by the U.S. FDA, the EMA or comparable foreign regulatory authorities, the potential market for the subject product candidate, market access and pricing considerations in the respective territory, the costs and complexities of manufacturing and delivering such product candidate to patients, the potential of competing products, incidence and prevalence of the respective disease, and industry and market conditions generally. The partner may also consider alternative product candidates for similar indications that may be available to collaborate on and whether such collaboration could be more attractive than the one with us for our product candidate. In the case of in-licensing or acquisition partnerships, the partner may also consider alternative offers or partners other than MorphoSys to be more attractive, or keeping all rights to themselves.

Collaborations and commercialization partnerships are complex and time-consuming to negotiate and document. If we are unable to reach agreements with suitable partners on a timely basis, on acceptable terms, or at all, we may have to curtail or even stop the development of a product candidate in one or all indications, in one or all territories in the world, reduce or delay one or more of our other discovery and development programs, delay its potential commercialization, or increase our expenditures and undertake development or commercialization activities at our own expense. If we elect to fund and undertake development or commercialization activities on our own, we may need to obtain additional expertise and additional capital, which may not be available to us on acceptable terms or at all. If we fail to enter into collaborations and other partnerships and do not have sufficient funds or expertise to undertake the necessary development and commercialization activities, we may not be able to further develop our product candidates in any or all indications or bring them to market in any or all territories in the world and our business may be materially and adversely affected. If we fail to identify additional targets, technologies or compounds for in-licensing, collaboration, co-development or commercialization, we may not be able to further expand our pipeline. If we succeed to identify further targets, technologies or compounds for in-licensing, collaboration, co-development or commercialization, we may need to increase our expenditures.

***Our reliance on third-party suppliers could harm our ability to commercialize our drugs or any other drug candidates that may be approved in the future.***

We do not currently own or operate manufacturing facilities for the production of our drugs or any other drug candidates that may be approved in the future. Our third-party suppliers may not be required to provide us with any guaranteed minimum production levels or have dedicated capacity for our drugs. As a result, there can be no assurances that we will be able to obtain sufficient quantities of our drugs or any other drug candidates that may be approved in the future, which could have a material adverse effect on our business as a whole. We are not certain, however, that our suppliers will be able to meet our demand,

either because of the nature of our agreements with those suppliers, our limited experience with those suppliers or our relative importance as a customer to those suppliers. It may be difficult for us to assess their ability to timely meet our demand in the future based on past performance. While our suppliers have generally met our demand for their products on a timely basis in the past, they may subordinate our needs in the future to their other customers. In addition, the COVID-19 pandemic could adversely impact our suppliers and result in delays or disruptions in our current or future supply chain.

Establishing additional or replacement suppliers for the drug substance or drug product used in our drug candidates or approved drugs, if required, may not be accomplished quickly. If we are able to find a replacement supplier, such replacement supplier would need to be qualified and may require additional regulatory approval, which could result in further delay. While we seek to maintain adequate inventory, any interruption or delay in the supply of components or materials, or our inability to obtain such drug substance and drug product from alternate sources at acceptable prices in a timely manner could impede, delay, limit or prevent our development efforts, which could harm our business, results of operations, financial condition and prospects.

***We rely and expect to continue to rely on third-parties, including research/medical institutions, clinical investigators, CROs and/or other service providers, to conduct our development activities (preclinical studies, quality testing and clinical trials) and perform data collection, analysis and reporting, which may result in costs and delays in the development of our product candidates. If these third-parties do not successfully carry out their contractual duties or meet expected deadlines, we may not be able to obtain regulatory approval for or commercialize our product candidates, and our business could be materially adversely affected.***

We rely and expect to continue to rely on public and private medical/research institutions, clinical investigators, CROs, service providers and collaboration partners to conduct our early phase and late phase product development activities including the conduct of preclinical studies and clinical trials. Our development activities conducted in reliance on third-parties may be delayed, suspended or terminated, including for the following reasons:

- the third-parties do not devote a sufficient amount of resources, time or effort to our activities or otherwise fail to successfully carry out their contractual duties or to meet regulatory obligations or expected deadlines;
- we replace a third-party; or
- the quality or accuracy of the data obtained by third-parties is compromised due to their failure to adhere to the study plans/protocols, GxP, regulatory requirements or for other reasons.

Although we perform sponsor oversight and audits using risk-based approaches, we do not have the ability to control every action of third-parties in their conduct of development activities. Nevertheless, we are responsible for ensuring that each of our development activities is conducted in accordance with the applicable study plan/protocol, GxP, legal, regulatory, intellectual property and scientific standards, and our reliance on these third-parties does not relieve us of our sponsor responsibilities. We and our third-parties are required to comply with GxP standards, which are regulations and guidelines enforced by the U.S. FDA, the competent authorities of the member states of the European Economic Area, or EEA, and comparable foreign regulatory authorities for all of our products in clinical development. Regulatory authorities enforce these GxPs through periodic inspections of trial sponsors, principal investigators and trial sites, CROs and/or other involved service providers. If we or any of our third-parties fail to comply with applicable GxP standards, the study data generated in our preclinical studies and/or clinical trials may be deemed unreliable and the U.S. FDA, the EMA or comparable foreign regulatory authorities may require us to perform additional studies before potentially approving our marketing authorization applications. We cannot ensure that upon inspection by a given regulatory authority, such regulatory authority will determine that all of our development activities comply with GxP regulations. If third-parties do not successfully carry out their contractual duties or obligations or meet expected deadlines, if they need to be replaced or if the quality or accuracy of the data they obtain is compromised due to the failure to adhere to our study plans/protocols, GxP and other regulatory requirements or for other reasons, our preclinical studies or clinical trials may be extended, delayed or terminated and we may not be able to obtain regulatory approval for or successfully commercialize our product candidates.

Third-party performance failures may increase our development costs, delay our ability to obtain regulatory approval and delay or prevent the commercialization of our product candidates. While we believe that there are alternative sources to provide these services, in the event that we seek such alternative sources, we may not be able to enter into replacement arrangements without incurring delays or additional costs.

***We currently rely on third-party suppliers and CMOs for the manufacturing and distribution of our product candidates, and our dependence on these third-parties may impair the development of our product candidates. Moreover, we rely on third-parties to produce commercial supplies of approved product candidate and our commercialization of any of our product candidates could be stopped, delayed or made less profitable if those third-parties fail to provide us with sufficient quantities of product or fail to do so at acceptable quality levels or prices or fail to otherwise complete their duties in compliance with their obligations to us or in compliance with applicable laws. Service or supply failures, or other failures, business interruptions, or other disasters affecting the manufacturing facilities of any party participating in the supply chain, would adversely affect our ability to supply our product candidates and products.***

We do not currently have, nor do we plan to acquire, the infrastructure or capability internally to manufacture our preclinical (with the exclusion of non-GLP testing), clinical product supplies, our commercial product, and we lack the resources and the capability to manufacture any of our product candidates on a clinical or commercial scale under GMP. We therefore rely on and expect to continue to rely on third-party contract manufacturing organizations, or CMOs, for the supply of cGMP-grade, clinical trial materials and commercial quantities of our product candidates and our approved products. The facilities used by our CMOs or other third-party manufacturers to manufacture our product candidates might be subject to the U.S. FDA's, the EMA's and other comparable regulatory authorities' preapproval inspections and routine inspections that will be conducted after we submit our BLA to the U.S. FDA or the required approval documents to any other relevant regulatory authority or after approval. Although we perform oversight of the manufacturing and testing activities by involvement in e.g. the Change Control and Deviation management of the CMO and qualification audits prior to contracting a CMO and subsequent regular audits of such facilities and GMP procedures, we are completely dependent on our contract manufacturers or other third-party manufacturers for compliance with cGMPs for manufacture of both active drug substances and finished drug products. If our contract manufacturers or other third-party manufacturers cannot successfully manufacture sufficient amounts of material that conforms to applicable specifications and the strict regulatory requirements of the U.S. FDA, the EMA or another comparable regulatory authority, we may not be able to secure and/or maintain regulatory approvals for our products manufactured at these facilities. In addition (except for our oversight obligations described above), we have no control over the ability of our contract manufacturers or other third-party manufacturers to maintain adequate quality control and quality assurance procedures and qualified personnel. If the U.S. FDA, the EMA or another comparable regulatory authority finds deficiencies at these facilities for the manufacture of our product candidates or products for commercial sale, or if it withdraws any approval because of deficiencies at these facilities in the future, we may need to find alternative manufacturing facilities, which would significantly impact our ability to develop, obtain regulatory approval for or market our product candidates, once approved. If, for any reason, we were to experience an unexpected loss of supply of our product candidates, combination drug, or placebo or comparator product used in certain of our clinical trials, whether as a result of manufacturing, supply or storage issues or otherwise, we could experience delays, disruptions, suspensions or terminations of, or be required to restart or repeat, any pending or ongoing clinical trials. If market demand increases, our current planning assumptions the CMO might not be willing or able to supply this additional material, leading to supply shortage on the market.

We rely on our manufacturers to purchase from third-party suppliers the materials necessary to produce our product candidates for our clinical trials and our approved product for commercial sale. For certain items, there are a limited number of suppliers for raw materials that we use to manufacture our products and appropriate lead times for ordering such materials are factored into the manufacturing plans. However, there may be a need to assess alternate suppliers to prevent a possible disruption of the manufacture of the materials necessary to produce our product candidates for our clinical trials, and if approved, for commercial sale. Moreover, we currently do not have any agreements in place for the commercial production of these raw materials. Although we generally do not begin a clinical trial unless we believe we have access to a sufficient supply of a product candidate to complete the clinical trial, any significant delay in the supply of a product candidate, or the raw material components thereof, could considerably delay the completion of our clinical trials, product testing and potential regulatory approval of our product candidates. Such delays could for example be caused by the implementation of corrective actions at the supplier, or even replacement of a contract manufacturer or other involved third-parties. If we or our manufacturers are unable to purchase these raw materials after regulatory approval has been obtained for our product candidates, the commercial launch of our product candidates would be delayed or there would be a shortage in supply, which would impair our ability to generate revenue from the sale of our product candidates. Additionally, we may experience unforeseen difficulties or challenges in the manufacture of our product candidates on a commercial scale compared to the manufacture for clinical purposes. We currently rely on CMOs for the manufacturing of each of our proprietary product candidates. Thus any regulatory action, service failure, business interruptions, or other disasters affecting BI's facilities or the facilities of our other CMOs for our other proprietary product candidates could result in a significant delay in the production and supply of tafasitamab and could, as a result, have a material adverse effect on our business, results of operations, financial condition and prospects. In order to mitigate this risk, we have initiated the establishment of second and third suppliers for tafasitamab.

***The manufacture of our product candidates approved product is complex. Our third-party manufacturers may encounter difficulties in production. If we encounter any such difficulties, our ability to supply our product candidates for clinical trials or, if approved, for commercial sale could be delayed or halted entirely.***

The manufacture of biopharmaceutical products is complex and requires significant expertise and capital investment, including the development of advanced manufacturing techniques and process controls. The process of manufacturing biopharmaceuticals, including our approved product and product candidates, is susceptible to product loss due to contamination, equipment failure or improper installation or operation of equipment, vendor or operator error, contamination and inconsistency in yields, variability in product characteristics and difficulties in scaling the production process or product loss during fill and finishing. Even minor deviations from normal manufacturing processes could result in reduced production yields, product defects and other supply disruptions.

If microbial, viral or other contaminations are discovered in our product candidates or in the manufacturing facilities in which our product candidates are made, such manufacturing facilities may need to be closed for an extended period of time to investigate and remedy the contamination. Any adverse developments affecting manufacturing operations for our approved product or other product candidates may result in shipment delays, inventory shortages, lot failures, product withdrawals or recalls, or other interruptions in the supply of our products. We may also have to take inventory write-offs and incur other charges and expenses for products that fail to meet specifications, undertake costly remediation efforts or seek more costly manufacturing alternatives.

### **Risks Related To Our Intellectual Property Rights**

***If we are unable to obtain and maintain sufficient intellectual property protection for our products or product candidates, or if the scope of our intellectual property protection is not sufficiently broad, our ability to commercialize our products or product candidates successfully and to compete effectively may be materially adversely affected.***

Our success depends in large part on our ability to obtain and maintain protection with respect to our intellectual property and proprietary technology. We rely upon a combination of patents, trade secret protection and confidentiality agreements to protect the intellectual property related to our products and product candidates. The patent position of pharmaceutical companies is generally uncertain because it involves complex legal and factual considerations. The standards applied by the United States Patent and Trademark Office, or USPTO, and foreign patent offices in granting patents are not always applied uniformly or predictably and can change. The patent applications that we own or in-license may fail to result in issued patents, and if they do, such patents may not cover our products or product candidates in the United States or in other countries. Accordingly, we cannot predict whether additional patents protecting our technology or our product candidates will issue in the United States or in non-U.S. jurisdictions, or whether any patents that do issue will have claims of adequate scope to provide us with a competitive advantage. Additionally, the laws of some foreign countries do not protect intellectual property rights to the same extent as the laws of the United States, and many companies have encountered significant problems in protecting and defending such rights in foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents and other intellectual property rights, particularly those relating to biotechnology, which could make it difficult for us to stop the infringement of our licensed and owned patents, the reproduction of our manufacturing or other know-how or marketing of competing products in violation of our proprietary rights generally. Any of these outcomes could impair our ability to prevent competition from third-parties, which may have a material adverse effect on our business.

Competitors may use our technologies in jurisdictions where we have not obtained or are unable to adequately enforce patent protection to develop their own products and further, may export otherwise infringing products to territories where we have patent protection, but enforcement is not as strong as that in the United States and Europe. These products may compete with our products, and our patents or other intellectual property rights may not be effective or sufficient to prevent them from competing. Proceedings to enforce our patent rights, whether or not successful, could result in substantial costs and divert our efforts and attention from other aspects of our business, could put our patents at risk of being invalidated or interpreted narrowly and our patent applications at risk of not issuing, and could provoke third-parties to assert claims against us. We may not prevail in any lawsuits that we initiate and the damages or other remedies awarded, if any, may not be commercially meaningful. 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 patent prosecution process is expensive and time-consuming, and we may not be able to file and prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner. It is also possible that we may fail to identify patentable aspects of our research and development output before it is too late to obtain patent protection. In addition, we or our licensors may only pursue, obtain or maintain patent protection in a limited number of countries. There is no assurance that all potentially relevant prior art relating to our patents and patent applications has been found. We may be unaware of prior art or other documents or experiments that could be used to invalidate an issued patent or prevent our pending patent applications from issuing as patents. Even if patents do successfully issue and even if such patents cover our products or product candidates,

third-parties (including our licensees) may challenge their validity, enforceability or scope, which may result in such patents being narrowed or invalidated. Further, the existence of issued patents does not guarantee our right to practice the patented technology or commercialize the patented product. Third-parties may have or obtain rights to patents which they may use to prevent or attempt to prevent us from commercializing any of our patented product candidates, or which might require us to take license to such patents in order to be able to commercialize the respective product candidates. If these other parties are successful in obtaining valid and enforceable patents, and establishing our infringement of those patents, we could be prevented from selling our products unless we were able to obtain a license under such third-party patents. In addition, third-parties may seek approval to market their own products similar to or otherwise competitive with our products. In these circumstances, we may need to defend and/or assert our patents, including by filing lawsuits alleging patent infringement. In any of these types of proceedings, a court or agency of competent jurisdiction may find our patents invalid and/or unenforceable.

Furthermore, even if they are unchallenged, our patents and patent applications may not adequately protect our intellectual property, provide exclusivity for our products or product candidates, prevent others from designing around our claims or otherwise provide us with a competitive advantage. Additionally, our confidentiality agreements and other contractual protections may not be adequate to protect our intellectual property from unauthorized disclosure, third-party infringement or misappropriation. We may not have adequate remedies in the case of a breach of any such agreements, and our trade secrets and other proprietary information could be disclosed to our competitors or others may independently develop substantially equivalent or superior proprietary information and techniques or otherwise gain access to our trade secrets or disclose such technologies. In addition, the research resulting in certain of our licensed patent rights and technology has been, and may in the future be, funded by the government or other institutional organizations that may have certain rights, including march-in rights, to such patent rights and technology.

If the patent applications we own or have in-licensed with respect to our product candidates fail to issue as patents, if their breadth or strength of protection is narrowed or threatened, or if they fail to provide meaningful exclusivity, it could dissuade companies from collaborating with us and adversely affect our competitive position. We cannot offer any assurances about which, if any, patents will issue, the breadth of any such patents or whether any issued patents will be found invalid or unenforceable or will be threatened by third-parties. Any successful challenge to any patents owned by or licensed to us could deprive us of rights necessary for the successful commercialization of any product or product candidate that we may develop and could impair or eliminate our ability to collect future revenues and royalties with respect to such products or product candidates. Since patent applications in the United States and most other countries are confidential for a period of time after filing, and some remain so until issued, we cannot be certain that we were the first to file any patent application related to a product or product candidate. In addition, patents have a limited lifespan. In the United States and most foreign jurisdictions, the natural expiration of a patent is generally 20 years from the earliest filing date of a non-provisional patent application to which the patent claims priority. Various extensions may be available; however, the life of a patent and the protection it affords is limited. If we encounter delays in obtaining regulatory approvals, the period of time during which we could market a product under patent protection could be reduced. Even if patents covering our product candidates are obtained, once such patents expire, we may be vulnerable to competition from generic, similar or biosimilar products. The launch of a generic version or biosimilar version of one of our products in particular would be likely to result in an immediate and substantial reduction in the demand for our product, which could have a material adverse effect on our business, financial condition, results of operations or prospects.

***We do not know if, when, or how the U.S. FDA may change the orphan drug regulations and policies in the future, and it is uncertain how any changes might affect our business.***

On August 3, 2017, the Congress passed the U.S. FDA Reauthorization Act of 2017 (“FDARA”). FDARA, among other things, codified the U.S. FDA’s preexisting regulatory interpretation, to require that a drug Sponsor demonstrate the clinical superiority of an orphan drug that is otherwise the same as a previously approved drug for the same rare disease in order to receive orphan drug exclusivity. The law reverses prior precedent holding that the Orphan Drug Act unambiguously requires that the U.S. FDA recognize the orphan exclusivity period regardless of a showing of clinical superiority. Moreover, in the Consolidated Appropriations Act of 2021, Congress did not further change this interpretation when it clarified that the interpretation codified in FDARA would apply in cases where U.S. FDA issued an orphan designation before the enactment of FDARA but where product approval came after the enactment of FDARA. The U.S. FDA may further reevaluate the Orphan Drug Act and its regulations and policies. We do not know if, when, or how the U.S. FDA may change the orphan drug regulations and policies in the future, and it is uncertain how any changes might affect our business. Depending on what changes the U.S. FDA may make to its orphan drug regulations and policies, our business could be adversely impacted.

***Obtaining and maintaining our patent protection, including patents licensed from third-parties, 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 foreign governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other provisions during the patent process. There are situations in which non-compliance can result in abandonment or lapse of a patent or patent application, resulting in partial loss, complete loss or unenforceability 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.

If we or our licensors fail to maintain the patents and patent applications covering or otherwise protecting our product candidates, it could materially harm our business. In addition, to the extent that we have responsibility for taking any action related to the prosecution or maintenance of patents or patent applications in-licensed from a third-party, any failure on our part to maintain the in-licensed intellectual property could jeopardize our rights under the relevant license and may expose us to liability.

Third-parties might claim that we have not complied with the provisions of the respective governmental patent agencies. For example, third-parties might claim that not all prior art documents, or not all other documents or experiments, were submitted to the respective agencies under appropriate law. Such claims could lead to proceedings that are time-consuming and expensive. Such proceedings can result in abandonment or lapse of a patent or patent application, resulting in partial loss, complete loss or unenforceability of patent rights in the relevant jurisdiction. If such third-party claims are raised in the context of a pending litigation, then such proceedings can also result in a judgment that would require us to pay the other parties' litigation expenses.

***We may be involved in lawsuits to protect or enforce our patents, which could be expensive, time-consuming and unsuccessful.***

Even if the patent applications we own or license are issued, competitors may infringe these patents. To counter infringement or unauthorized use, we may be required to file infringement claims, which can be expensive and time-consuming.

In an infringement proceeding, a court may decide that a patent of ours or our licensors is not valid, is unenforceable and/or is not infringed, or may refuse to stop the other party from using the technology at issue on the grounds that our patents do not cover the technology in question. An adverse result in any litigation or defense proceedings could put our patents or our licensors' patents at risk of being invalidated or interpreted narrowly and could put our patent applications at risk of not issuing.

Interference proceedings, or other similar enforcement and revocation proceedings, provoked by third-parties or brought by us may be necessary to determine the priority of inventions with respect to our patents or patent applications or those of our licensors. An unfavorable outcome could require us to cease using the related technology or to attempt to license rights to it from the prevailing party. Our business could be harmed if the prevailing party does not offer us a license on commercially reasonable terms. Our defense of litigation or interference proceedings may fail and, even if successful, may result in substantial costs and distract our management and other employees. We may not be able to prevent, alone or with our licensors, misappropriation of our intellectual property rights, particularly in countries where the laws may not protect those rights as fully as in the United States.

Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation. There could also be public announcements of the results of hearings, motions or other interim proceedings or developments. If securities analysts or investors perceive these results to be negative, it could have a material adverse effect on the price of our common shares.

Even if resolved in our favor, litigation or other legal proceedings relating to our, our licensor's or other third-parties' intellectual property claims may cause us to incur significant expenses and could distract our personnel from their normal responsibilities. In addition, there could be public announcements of the results of hearings, motions, or other interim proceedings or developments, and if securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the price of our ordinary shares. If not resolved in our favor, litigation may require us to pay any portion of our opponents' legal fees. Such litigation or proceedings could substantially increase our operating losses and reduce the resources available for development activities or any future sales, marketing, or distribution activities. We may not have sufficient financial or other resources to conduct such litigation or proceedings adequately. Some of our competitors may be able to sustain the costs of such litigation or proceedings more effectively than we can because of their greater financial resources and more mature and developed intellectual property portfolios. Uncertainties resulting from the initiation and continuation of patent litigation or other proceedings could have a material adverse effect on our ability to compete in the marketplace.

By letter dated June 10, 2021, MorphoSys was notified by a licensor of the initiation of arbitration proceedings in the United States. The licensor alleges breach of contract and claims damages for the licensor's argued loss of revenues. Despite the patent expiry in 2018 confirmed by the licensor at the time, this is now disputed and a significantly longer patent term is assumed. Taking into account the associated legal and consulting costs, the potential amount in dispute in the proceedings is in the low

double-digit Euro million range and also includes a currently unspecified share of royalty income. A decision by the arbitration court is expected in the fourth quarter 2022. Based on the current assessment of the facts, MorphoSys believes that the arguments presented are unfounded and that the arbitration will likely be decided in MorphoSys' favor. There was no arbitration decision and no other new developments in the third and fourth quarter of 2021.

***Developments in patent law could have a negative impact on our business.***

From time to time, authorities in the United States, the European Union and other government authorities may change the standards of patentability, and any such changes could have a negative impact on our business.

For example, in the United States, the Leahy-Smith America Invents Act, or the America Invents Act, which was signed into law in 2011, includes a number of significant changes to U.S. patent law. These changes include a transition from a "first-to-invent" system to a "first-to-file" system, changes to the way issued patents are challenged, and changes to the way patent applications are disputed during the examination process. As a result of these changes, patent law in the United States may favor larger and more established companies that have greater resources to devote to patent application filing and prosecution. The USPTO has developed new and untested regulations and procedures to govern the full implementation of the America Invents Act, and many of the substantive changes to patent law associated with the America Invents Act, and, in particular, the first-to-file provisions became effective on March 16, 2013. Substantive changes to patent law associated with the America Invents Act may affect our ability to obtain patents, and if obtained, to enforce or defend them.

Also, case law may have a substantial impact on the way patents are prosecuted, examined and litigated. This also affects the scope of protection that is available in a specific jurisdiction. In the United States, *Amgen Inc. v. Sanofi* 872 F.3d 1367 (2017) had an impact on the way antibody claims are examined and litigated.

Developments of patent law in other jurisdictions may impact our business. For example, it is currently not clear what impact the planned introduction of the Unified Patent Court in the European Union will have. Patents that are valid and enforceable under the current system may be considered invalid and/or unenforceable under the new system. Also patents may be invalidated not just in one single jurisdiction, but across all countries of the European Union in one single trial. Also the effect the impending withdrawal of the United Kingdom from the European Union ("Brexit") has on the patent system, in particular now that the UK will not participate in the aforementioned Unified Patent Court, bears certain risks and uncertainties.

***Our commercial success depends significantly on our ability to operate without infringing the patents and other proprietary rights of third-parties.***

Our success will depend in part on our ability to operate without infringing the proprietary rights of third-parties. Other entities may have or obtain patents or proprietary rights that could limit our ability to make, use, sell, offer for sale or import our products and future approved products or impair our competitive position.

Patents could be issued to third-parties that we may ultimately be found to infringe. Third-parties may have or may obtain valid and enforceable patents or proprietary rights that could block us from developing product candidates using our technology. Our failure to identify or correctly interpret third-party patents, or to obtain or maintain a license to any technology that we require may materially harm our business, financial condition, results of operations or prospects. Furthermore, we could be exposed to a threat of litigation.

In the pharmaceutical and biotechnology industry, significant litigation and other proceedings regarding patents, patent applications, trademarks and other intellectual property rights have become commonplace. The types of situations in which we may become a party to such litigation or proceedings include:

- we or our collaborators may initiate litigation or other proceedings against third-parties seeking to invalidate the patents held by those third-parties or to obtain a judgment that our products or processes do not infringe those third-parties' patents;
- if our competitors file patent applications that claim technology also claimed by us or our licensors, we or our licensors may be required to participate in interference, derivation, inter partes review or opposition proceedings to determine the priority of invention, inventorship or validity of the applicable patent rights which could jeopardize our patent rights and potentially provide a third-party with a dominant patent position;
- if third-parties initiate litigation claiming that our processes or the processes of our CMOs or CROs, products or uses thereof infringe their patent or other intellectual property rights, we and our collaborators will need to defend against such proceedings; and
- if a license to necessary technology is terminated, the licensor may initiate litigation claiming that our processes or products infringe or misappropriate their patent or other intellectual property rights and/or that we breached our obligations under the license agreement, and we and our collaborators would need to defend against such proceedings.

Any such lawsuit would be costly and could affect our results of operations and divert the attention of our management and scientific personnel. There is a risk that a court would decide that we or our collaborators are infringing the third-party's patents and would order us or our collaborators to stop the activities covered by the patents. In that event, we or our collaborators may not have a viable alternative to the technology protected by the patent and may need to halt work on the affected product candidate or cease commercialization of an approved product. In addition, there is a risk that a court may order us or our collaborators to pay the other party damages. An adverse outcome in any litigation or other proceeding could subject us to significant liabilities to third-parties and require us to cease using the technology that is at issue or to license the technology from third-parties. We may not be able to obtain any required licenses on commercially acceptable terms or at all. Any of these outcomes could have a material adverse effect on our business, financial condition, results of operations or prospects.

***The pharmaceutical and biotechnology industries have produced a significant number of patents, and it may not always be clear to industry participants, including us, which patents cover various types of products or methods of use.***

The coverage of patents is subject to interpretation by the courts, and the interpretation is not always uniform or predictable. If we are sued for patent infringement, we would need to demonstrate that our products, methods or uses thereof either do not infringe the patent claims of the relevant patent or that the patent claims are invalid or unenforceable, and we may not be able to do this. Proving invalidity is difficult. For example, in the United States, proving invalidity requires a showing of clear and convincing evidence to overcome the presumption of validity enjoyed by issued patents. Even if we are successful in these proceedings, we may incur substantial costs and divert management's time and attention in pursuing these proceedings, which could have a material adverse effect on our business. If we are unable to avoid infringing the patent rights of others, we may be required to seek a license, defend an infringement action or challenge the validity or enforceability of the patents in court. We may not have sufficient resources to bring these actions to a successful conclusion and there is no assurance that such a license would be available or that a court would find in our favor. In addition, if we do not obtain a license, do not develop or obtain non-infringing technology, or fail to defend an infringement action successfully or have infringed patents declared invalid or unenforceable, we may incur substantial monetary damages, encounter significant delays in bringing our product candidates to market and be precluded from manufacturing or selling our product candidates.

The cost of any patent litigation or other proceeding, even if resolved in our favor, could be substantial. Some of our competitors may be able to sustain the cost of such litigation and proceedings more effectively than we can because of their substantially greater resources. Uncertainties resulting from the initiation and continuation of patent litigation or other proceedings could have a material adverse effect on our business, financial condition, results of operations or prospects.

***We are dependent on third-parties for the prosecution, protection, and enforcement of intellectual property rights relating to some of our products and product candidates.***

While we normally seek to obtain the right to control the prosecution, maintenance, enforcement and defense of intellectual property rights related to our products and product candidates, there may be times when our licensors or collaborators control, or have a first right to control, the filing, prosecution, enforcement and defense of such rights. For instance, pursuant to the 2nd amended and restated collaboration and license agreement with Novartis Pharma AG, or Novartis, Novartis has a first right to file, prosecute and enforce all patent rights related to products generated under this agreement. Pursuant to the development and license agreement with GlaxoSmithKline, GSK has a first right to file, prosecute and enforce all patent rights related to otilimab. Pursuant to the development and license agreement with Xencor Inc., Xencor has a first right to file, prosecute and enforce certain patent rights which are in-licensed by us and relate to tafasitamab. Pursuant to the collaboration and license agreement with Incyte Corp., Incyte has a first right to file, prosecute and enforce certain patent rights related to tafasitamab. We cannot be certain that our licensors or collaborators will prosecute, maintain, enforce and defend such intellectual property rights in a manner consistent with the best interests of our business, including by taking reasonable measures to protect the confidentiality of know-how and trade secrets, or the payment of all applicable prosecution and maintenance fees related to our technologies or any of our product candidates. We also cannot be certain that the drafting or prosecution of the licensed patents by our licensors have been conducted accurately and in compliance with applicable laws and regulations, and will result in valid and enforceable patents and other intellectual property rights. If they fail to do so, we could lose our rights to the intellectual property, our ability to develop and commercialize those products or product candidates may be adversely affected and we may not be able to prevent competitors from making, using and selling competing products.

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

Our registered or unregistered trademarks or trade names, as well as the registered or unregistered trademarks or trade names used by our licensees or distributors in relation with our products or product candidates, may be challenged, infringed, circumvented or declared generic or determined to be infringing on other trademarks. We may not be able to protect our rights to these trademarks and trade names, which we need to build name recognition by potential partners or customers. Over the

long term, if we are unable to establish name recognition based on our trademarks and trade names, then we may not be able to compete effectively and our business may be materially adversely affected.

***If we are unable to protect the confidentiality of our proprietary information, the value of our technology and products could be materially adversely affected.***

In addition to patent protection, we also rely on other proprietary rights, including protection of trade secrets, and other proprietary information. To maintain the confidentiality of trade secrets and proprietary information, we enter into confidentiality agreements with our employees, consultants, collaborators, CMOs, CROs and others upon the commencement of their relationships with us. These agreements require that all confidential information developed by the individual or made known to the individual by us during the course of the individual's relationship with us be kept confidential and not disclosed to third-parties. Our agreements with employees as well as our personnel policies also generally provide that any inventions conceived by the individual in the course of rendering services to us shall be our exclusive property or that we may obtain full rights to such inventions at our election. However, we may not obtain these agreements in all circumstances, and individuals with whom we have these agreements may not comply with their terms. We also face the risk that present or former employees could continue to hold rights to intellectual property used by us, may demand the registration of intellectual property rights in their name and demand damages pursuant to the German Employee Invention Act. In the event of unauthorized use or disclosure of our trade secrets or proprietary information, these agreements, even if obtained, may not provide meaningful protection, particularly for our trade secrets or other confidential information. To the extent that our employees, consultants or contractors use technology or know-how owned by third-parties in their work for us, disputes may arise between us and those third-parties as to the rights in related inventions. To the extent that an individual who is not obligated to assign rights in intellectual property to us is rightfully an inventor of intellectual property, we may need to obtain an assignment or a license to that intellectual property from that individual, or a third-party or from that individual's assignee. Such assignment or license may not be available on commercially reasonable terms or at all.

Adequate remedies may not exist in the event of unauthorized use or disclosure of our proprietary information. The disclosure of our trade secrets would impair our competitive position and may 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.

As is common in the biotechnology and pharmaceutical industries, we employ individuals who were previously or concurrently employed at research institutions and/or other biotechnology or pharmaceutical companies, including our competitors or potential competitors. We may be subject to claims that these employees, or we, have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of their former employers, or that patents and applications we have filed to protect inventions of these employees, even those related to one or more of our product candidates, are rightfully owned by their former or concurrent employer. Litigation may be necessary to defend against these claims. Even if we are successful in defending against these claims, litigation could result in substantial costs and be a distraction to management.

***We may not be successful in obtaining necessary intellectual property rights to product candidates for our development pipeline through acquisitions and in-licenses.***

Although we intend to develop product candidates through our own internal research, we may also seek to acquire or in-license product candidates to expand our product candidate pipeline. However, we may be unable to acquire or in-license intellectual property rights relating to, or necessary for, any such product candidates from third-parties on commercially reasonable terms or at all. In that event, we may be unable to develop or commercialize such product candidates. We may also be unable to identify product candidates that we believe are an appropriate strategic fit for our company and intellectual property relating to, or necessary for, such product candidates.

The in-licensing and acquisition of third-party intellectual property rights for product candidates is a competitive area, and a number of more established companies are also pursuing strategies to in-license or acquire third-party intellectual property rights for product candidates that we may consider attractive or necessary. These established companies may have a competitive advantage over us due to their size, cash resources and greater clinical development and commercialization capabilities. Furthermore, companies that perceive us to be a competitor may be unwilling to assign or license rights to us. If we are unable to successfully obtain rights to suitable product candidates, our business, financial condition, results of operations and prospects for growth could suffer.

In addition, we expect that competition for the in-licensing or acquisition of third-party intellectual property rights for product candidates that are attractive to us may increase in the future, which may mean fewer suitable opportunities for us as well as

higher acquisition or licensing costs. We may be unable to in-license or acquire third-party intellectual property rights for product candidates on terms that would allow us to make an appropriate return on our investment.

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

Filing, prosecuting and defending patents on our products in all countries throughout the world would be prohibitively expensive. The requirements for patentability may differ in certain countries, particularly developing countries, and the breadth of patent claims allowed can be inconsistent. In addition, the laws of some foreign countries may not protect our intellectual property rights to the same extent as laws in the U.S. Consequently, we may not be able to prevent third-parties from practicing our inventions in all countries outside the U.S. Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own products and, furthermore, may export otherwise infringing products to territories in which we have patent protection that may not be sufficient to terminate infringing activities.

We do not have patent rights in certain foreign countries in which a market may exist. Moreover, in foreign jurisdictions where we do have patent rights, proceedings to enforce such rights could result in substantial costs and divert our efforts and attention from other aspects of our business, could put our patents at risk of being invalidated or interpreted narrowly, and our patent applications at risk of not issuing. Additionally, such proceedings could provoke third-parties to assert claims against us. We may not prevail in any lawsuits that we initiate and the damages or other remedies awarded, if any, may not be commercially meaningful. Thus, we may not be able to stop a competitor from marketing and selling in foreign countries products that are the same as or similar to our products, and our competitive position in the international market would be harmed.

***Our intellectual property agreements with third-parties may be subject to disagreements over contract interpretation, which could narrow the scope of our rights to the relevant intellectual property or technology or increase our financial or other obligations to our licensors.***

Certain provisions in our intellectual property agreements may be susceptible to multiple interpretations. The resolution of any contract interpretation disagreement that may arise could affect the scope of our rights to the relevant intellectual property or technology, or affect financial or other obligations under the relevant agreement, either of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

In addition, while it is our policy to require our employees and contractors who may be involved in the conception or 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 conceives or develops intellectual property that we regard as our own. Our assignment agreements may not be self-executing or may be breached, and 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.

**Risks Related to Employee Matters**

***Our future success depends on our ability to attract, motivate and retain key executives and qualified personnel.***

As an innovation-driven and patient-centric company, we are highly dependent on the expertise of the members of our research and development team, as well as the other key functions such as commercial and supply to ensure that we can bring our medicines to our patients with the highest quality and compliance with required standards. In addition, the members of our Management Board are key in developing our long-term strategy and steering all areas of the company. The currently include Jean-Paul Kress, M.D., our Chief Executive Officer, Sung Lee, our Chief Financial Officer and Malte Peters, M.D., our Chief Research and Development Officer. In November 2021, Roland Wandeler, Ph.D., announced his resignation as Chief Operating Officer and member of the Management Board of the Company, effective as of December 31, 2021. Our Management Board members have fixed-term contracts typically of three years.

Recruiting and retaining qualified management, scientific, clinical, manufacturing, sales and marketing personnel is also critical to our success. The loss of the services of our executive officers or other key employees could impede the achievement of our research, development and commercialization objectives and seriously harm our ability to successfully implement our business strategy. Furthermore, replacing executive officers and key employees may be difficult and may take an extended period of time because of the limited number of individuals in our industry with the breadth of skills and experience required to successfully develop, gain regulatory approval of and commercialize drugs. Competition to hire from this limited pool is intense, and we may be unable to hire, train, retain or motivate these key personnel on acceptable terms given the competition among numerous pharmaceutical and biotechnology companies for similar personnel. We also experience competition for the hiring of scientific and clinical personnel. Failure to succeed in clinical trials may make it more challenging to recruit and retain qualified scientific personnel.

## **Risks Related to Tax Matters**

### ***We may be subject to tax audits or disputes or changes in tax laws.***

Pending and future tax audits within our group, disputes with tax authorities and changes in tax law or fiscal regulations could lead to additional tax liabilities. We are subject to routine tax audits by the respective local tax authorities. Any additional tax liability could have an adverse effect on our business, financial condition, results of operations or prospects.

The accounting treatment of the payment that MorphoSys AG received from Royalty Pharma in the third quarter of 2021 could be examined by the tax authorities under German tax law in the context of a future tax audit. This examination is considered standard given the amount of the payment. Based on the Company's knowledge of German tax law and supported by tax experts, the Company has concluded that the tax risk assessment is medium in accordance with the Company's internal risk valuation system. Consequently, due to the remaining uncertainty and the significance, a contingent income tax liability in the amount of €223.1 million is reported (refer to Note 7.2 in the notes).

## **Risks Related to our Business and Industry**

### ***If we are unable to comply, or have not fully complied, with healthcare fraud and abuse, false claims, marketing expenditure tracking and disclosure, government price reporting, transparency and health-information privacy and security laws in our relationships with healthcare professionals, institutional providers, principal investigators, consultants, customers (actual and potential), patients and third-party payors, we could face penalties, damages, fines, exclusion from government-funded healthcare programs, such as Medicare and Medicaid, and the curtailment or restructuring of our operations.***

Our relationships with healthcare professionals, institutional providers, principal investigators, consultants, customers (actual and potential), patients and third-party payors are, and will continue to be, subject, directly and indirectly, to healthcare fraud and abuse, false claims, marketing expenditure tracking and disclosure, government price reporting, transparency and information privacy and security laws. If we are unable to comply, or have not fully complied, with such laws, we could face penalties, including, without limitation, civil, criminal, and administrative penalties, damages, fines, exclusion from government-funded healthcare programs, such as Medicare and Medicaid, and the curtailment or restructuring of our operations.

Our business operations and activities may be directly or indirectly subject to various fraud and abuse laws, including, without limitation, the federal Anti-Kickback Statute and the federal False Claims Act. As we recently obtained U.S. FDA approval for one of our proprietary product candidates and began commercializing this product in the United States, our potential exposure under such laws increased significantly, and our costs associated with compliance with such laws have increased. If we obtain U.S. FDA approval for additional proprietary product candidates in the future, our potential exposure and the costs associated with compliance will continue to grow. These laws may impact, among other things, our current activities with principal investigators and research subjects, as well as proposed and future sales, marketing and education programs. In addition, we may be subject to patient privacy regulation by the federal government and state governments in which we conduct our business. See the section of this annual report titled "Item 4.B. Business Overview Healthcare Law and Regulation."

Some state laws require pharmaceutical companies to comply with the pharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government in addition to requiring manufacturers to report information related to payments to physicians and other healthcare providers or marketing expenditures and pricing information. State and foreign laws also govern the privacy and security of health information in some circumstances, many of which differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts.

The scope and enforcement of each of these laws is uncertain and subject to rapid change in the current environment of healthcare reform, especially in light of the lack of applicable precedent and regulations. Federal and state enforcement bodies have recently increased their scrutiny of interactions between healthcare companies and healthcare providers, which has led to a number of investigations, prosecutions, convictions and settlements in the healthcare industry.

Ensuring that our internal operations and future business arrangements with third parties comply with applicable healthcare laws and regulations will involve substantial costs. It is possible that governmental authorities will conclude that our business practices do not comply with current or future statutes, regulations, agency guidance or case law involving applicable fraud and abuse or other healthcare laws and regulations. If our operations are found to be in violation of any of the laws described above or any other governmental laws and regulations that may apply to us, we may be subject to significant penalties, including administrative, civil and criminal penalties, damages, fines, disgorgement, the exclusion from participation in federal and state healthcare programs, individual imprisonment, reputational harm, and the curtailment or restructuring of our operations, as well as additional reporting obligations and oversight if we become subject to a corporate integrity agreement or other agreement to

resolve allegations of non-compliance with these laws. Further, defending against any such actions can be costly and time consuming, and may require significant financial and personnel resources. Therefore, even if we are successful in defending against any such actions that may be brought against us, our business may be impaired. If any of the physicians or other providers or entities with whom we expect to do business are found to not be in compliance with applicable laws, they may be subject to criminal, civil or administrative sanctions, including exclusions from government funded healthcare programs and imprisonment. If any of the above occur, our ability to operate our business and our results of operations could be adversely affected.

In addition, the regulatory approval and commercialization of any of our product candidates outside the United States will also likely subject us to foreign equivalents of the information privacy laws mentioned above, among other foreign laws.

The collection, processing, storing, sharing, use, disclosure and protection of personally identifiable information are subject to federal, state, local and foreign laws. The scope of these laws is changing, they are subject to differing interpretations and they may be costly to comply with and may be inconsistent between countries and jurisdictions or conflict with other rules. Numerous jurisdictions are currently considering, or have recently enacted, data protection legislation. In addition, many states in which we operate have laws that protect the privacy and security of sensitive and personally identifiable information (“personal information”). In the United States, certain state laws may be more stringent or broader in scope, or offer greater individual rights, with respect to sensitive and personal information than federal or other state laws, and such laws may differ from each other, which may complicate compliance efforts.

Globally, we are also subject to stringent privacy and data protection requirements. Europe’s General Data Protection Regulation (“GDPR”) is of the most concern in this regard. The GDPR, effective since May 2018, imposes strict regulations regarding the collection, storage and all other processing of personal data including special protections for “sensitive information” which includes health and genetic information of data subjects residing in the EU. The GDPR also imposes strict rules on the transfer of personal data out of the European Union to the United States or other regions that have not been deemed to offer “adequate” privacy protections. Compliance with the GDPR will be a rigorous and time-intensive process that may increase our cost of doing business or require us to change our business practices, and despite those efforts, there is a risk that we may be subject to fines and penalties, litigation, and reputational harm in connection with any future European activities. We could be adversely affected if we fail to comply fully with all of these requirements. Non-compliance with the GDPR can trigger significant fines of up to € 20 million or 4% of total worldwide annual turnover, whichever is higher.

In addition, further to the United Kingdom’s (UK) exit from the EU on January 31, 2020, the GDPR ceased to apply in the UK at the end of the transition period on December 31, 2020. However, as of January 1, 2021, the UK’s European Union (Withdrawal) Act 2018 incorporated the GDPR (as it existed on December 31, 2020 but subject to certain UK specific amendments) into UK law (referred to as the ‘UK GDPR’). The UK GDPR and the UK Data Protection Act 2018 set out the UK’s data protection regime, which is independent from but aligned to the EU’s data protection regime. Non-compliance with the UK GDPR may result in monetary penalties of up to £17.5 million or 4% of worldwide revenue, whichever is higher. Although the UK is regarded as a third country under the EU’s GDPR, the European Commission (“EC”) has now issued a decision recognizing the UK as providing adequate protection under the EU GDPR and, therefore, transfers of personal data originating in the EU to the UK remain unrestricted. Like the EU GDPR, the UK GDPR restricts personal data transfers outside the UK to countries not regarded by the UK as providing adequate protection. The UK government has confirmed that personal data transfers from the UK to the EEA remain free flowing.

In the United States, there has been considerable legislative activity at the state level. California recently enacted the California Consumer Privacy Act, or CCPA, which creates new individual privacy rights for California consumers (as defined in the law) and places increased privacy and security obligations on entities handling personal data of consumers or households. The CCPA requires covered companies to provide certain disclosures to consumers about its data collection, use and sharing practices, and to provide affected California residents with ways to opt-out of certain sales or transfers of personal information. The CCPA went into effect on January 1, 2020, and became enforceable by the California Attorney General on July 1, 2020. The CCPA provides for civil penalties for violations, as well as a private right of action for certain data breaches that result in the loss of personal information. This private right of action may increase the likelihood of, and risks associated with, data breach litigation. While there is currently an exception for protected health information that is subject to the Health Insurance Portability and Accountability Act of 1996, or HIPAA, and clinical trial regulations, as currently written, the CCPA may impact our business activities. There continues to be uncertainty surrounding the enforcement and implementation of the CCPA exemplifying the vulnerability of our business to the evolving regulatory environment related to personal data and protected health information.

Additionally, a new California ballot initiative, the California Privacy Rights Act, or “CPRA,” was passed in November 2020. Effective starting on January 1, 2023, the CPRA imposes additional obligations on companies covered by the legislation and will significantly modify the CCPA, including by expanding consumers’ rights with respect to certain sensitive personal information. The CPRA also creates a new state agency that will be vested with authority to implement and enforce the CCPA and the CPRA.

While we are currently not subject to the CCPA and will likely not fall under the purview of the CPRA, certain other state laws impose similar privacy obligations. We also expect anticipate that more states may enact legislation similar to the CCPA, which provides consumers with new privacy rights and increases the privacy and security obligations of entities handling certain personal information of such consumers. The CCPA has prompted a number of proposals for new federal and state-level privacy legislation which, if enacted, may add additional complexity, variation in requirements, restrictions and potential legal risk, require additional investment of resources in compliance programs, impact strategies and the availability of previously useful data and could result in increased compliance costs and/or changes in business practices and policies.

Furthermore, the use and disclosure of personal health and other private information are subject to regulation in other jurisdictions in which we do business or expect to do business in the future.

Efforts to ensure that our business arrangements will comply with applicable information privacy laws may involve substantial costs. Various jurisdictions around the world continue to propose new laws that regulate the privacy and/or security of certain types of personal data. Complying with these laws, if enacted, would require significant resources and leave us vulnerable to possible fines and penalties if we are unable to comply. It is possible that governmental and enforcement authorities will conclude that our business practices may not comply with current or future statutes, regulations or case law interpreting applicable fraud and abuse or other healthcare laws and regulations. If we are unable to comply, or have not fully complied, with such laws, we could face penalties, including, without limitation, civil, criminal, and administrative penalties, damages, fines, individual imprisonment, exclusion from government-funded healthcare programs, such as Medicare and Medicaid, and the curtailment or restructuring of our operations. Additionally, if our collaborators' operations or relationships with healthcare providers, customers, patients and third-party payors are found to be non-compliant with applicable laws, they may be subject to criminal, civil or administrative sanctions, including exclusions from government-funded healthcare programs, which could also have a negative impact on us. Even if successful, defending against any such actions can be costly, time-consuming and may require significant financial and personnel resources. We may become exposed to costly and damaging liability claims, either when testing our product candidates in the clinic or at the commercial stage; and our product liability insurance may not cover all damages from such claims.

***We are exposed to potential product liability and professional indemnity risks that are inherent in the research, development, manufacturing, marketing and use of pharmaceutical products.***

The use of our investigational medicinal products in clinical trials and the sale of Monjuvi and any other approved products in the future may expose us to liability claims. These claims might be made by patients who use the product, healthcare providers, pharmaceutical companies or others selling such products. Any claims against us, regardless of their merit, could be difficult and costly to defend and could materially adversely affect the market for our product candidates or any prospects for commercialization of our product candidates.

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

To cover such liability claims, we purchase clinical trial insurances in the conduct of each of our clinical trials. It is possible that our liabilities could exceed our insurance coverage or that our insurance will not cover all situations in which a claim against us could be made. We expanded our insurance coverage to include the sale of commercial products once we receive marketing approval for any of our proprietary products. However, we may not be able to maintain insurance coverage at a reasonable cost or obtain insurance coverage that will be adequate to satisfy any liability that may arise. If a successful product liability claim or series of claims is brought against us for uninsured liabilities or in excess of insured liabilities, our assets may not be sufficient to cover such claims and our business operations could be impaired. Should any of the events described above occur, this could have a material adverse effect on our business, prospects, financial condition and results of operations, including, but not limited to:

- decreased demand for our future product candidates;
- adverse publicity and injury to our reputation;
- withdrawal of clinical trial participants;
- initiation of investigations by regulators;
- costs to defend the related litigation;
- a diversion of management's time and our resources;

- compensation in response to a liability claim;
- product recalls, withdrawals or labeling, marketing or promotional restrictions;
- loss of revenue;
- exhaustion of any available insurance and our capital resources; and
- the inability to commercialize our products or product candidates.

We could be adversely affected if we are subject to negative publicity. We could also be adversely affected if any of our products or any similar products distributed by other companies prove to be, or are asserted to be, harmful to patients. Any adverse publicity associated with illness or other adverse effects resulting from patients' use or misuse of our products or any similar products distributed by other companies could have a material adverse impact on our business, financial condition, results of operations or prospects.

***Price controls may be imposed in certain markets, which may adversely affect our future profitability.***

In some countries, particularly member states of the European Union, the pricing of prescription drugs is subject to governmental control. In these countries, pricing negotiations with governmental authorities can take considerable time after receipt of marketing approval for a product. In addition, there can be considerable pressure by governments and other stakeholders on prices and reimbursement levels, including as part of cost containment measures. Political, economic and regulatory developments may further complicate pricing negotiations, and pricing negotiations may continue after reimbursement has been obtained. Reference pricing used by various countries and parallel distribution, or arbitrage between low-priced and high-priced countries, can further reduce prices. In some countries, in particular, in many member states of the European Union, we may be required to conduct a clinical trial or other studies that compare the cost-effectiveness of our product candidates to other available therapies in order to obtain or maintain reimbursement or pricing approval. Publication of discounts by third-party payors or authorities may lead to further pressure on the prices or reimbursement levels within the country of publication and other countries. If reimbursement of our products is unavailable or limited in scope or amount, or if pricing is set at unsatisfactory levels, our business, financial condition, results of operations or prospects could be materially adversely affected.

***Current and future legislation may increase the difficulty and cost for us and any collaborators to obtain marketing approval of and commercialize our product candidates and affect the prices we, or they, may obtain.***

In the United States and foreign jurisdictions, there have been a number of legislative and regulatory changes and proposed changes regarding the healthcare system that could prevent or delay marketing approval of our product candidates, restrict or regulate post-approval activities and affect our ability to profitably sell any product candidates for which we obtain marketing approval. We expect that current laws, as well as 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 in additional downward pressure on the price that we, or any collaborators, may receive for any approved products. See the section of this annual report titled "Item 4.B. Business Overview Healthcare Reform."

The costs of prescription pharmaceuticals in the United States has also been the subject of considerable discussion in the United States, and members of Congress and the Administration have stated that they will address such costs through new legislative and administrative measures. There have been several U.S. congressional inquiries, Administrative actions, and proposed bills 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 support programs, and reform government program reimbursement methodologies for drugs. Further, various regulatory proposals and policies have been issued to address the reimportation of drugs. For example, in October 2020, the U.S. FDA issued a final guidance document outlining a pathway for manufacturers to obtain an additional National Drug Code, or NDC, for an U.S. FDA-approved biological product that was originally intended to be marketed in a foreign country and that was authorized for sale in that foreign country. Individual states have also become increasingly active in passing legislation and implementing regulations designed to control pharmaceutical product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access, and to encourage importation from other countries and bulk purchasing. Although a number of these and other proposed measures may require authorization through additional legislation to become effective, and the Biden administration may reverse or otherwise change these measures, Congress has indicated that it will continue to seek new legislative measures to control drug costs. To the extent that products that MorphoSys commercializes are subject to the legislative, regulatory, or other measures that promote or allow the reimportation of drugs the prices we receive for our products could decrease, which would adversely affect our future revenues and prospects for profitability.

In addition, individual states have also become increasingly active in passing legislation and implementing regulations designed to control pharmaceutical product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access, and to encourage importation from other countries and bulk purchasing.

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

We cannot predict whether future healthcare legislative or policy changes will be implemented at the federal or state level or in countries outside of the United States in which we may do business, or the effect any future legislation or regulation will have on us.

Additionally, in the case of any United States federal government shutdown, now or in the future, that continued for a prolonged period of time, processes related to coverage and reimbursement determinations could be delayed. Resolving such delays could force us or our collaborators to incur significant costs, could limit our allowed activities or the allowed activities of our collaborators, could diminish any competitive advantages that we or our collaborators may attain or could adversely affect our business, financial condition, results of operations and prospects, the value of our common stock and our ability to bring new products to market as forecasted. Even without such delay, there is no guarantee we will receive approval or reimbursement for our product candidates on a timely basis, or at all.

***We and our contract manufacturers and our suppliers could be subject to liabilities, fines, penalties or other sanctions under environmental, health and safety laws and regulations if we or they fail to comply with such laws or regulations or otherwise incur costs that could have a material adverse effect on our business.***

We currently rely on and expect to continue to rely on third-parties for the manufacturing and supply of active pharmaceutical ingredients, or API, and drug products of our product and product candidates. These third-parties are subject to numerous environmental, health and safety laws and regulations, including those governing laboratory procedures and the handling, transportation, use, storage, treatment and disposal of hazardous materials and wastes. Although we have auditing rights and obligations (according to cGMP regulations for sponsors of clinical trials) with all our CMOs for production of API and drug products and finished drug product, we do not have control over a manufacturer's or supplier's compliance with environmental, health and safety laws and regulations. Liabilities they incur pursuant to these laws and regulations could result in significant costs or in certain circumstances, an interruption in operations, any of which could adversely affect our business and financial condition if delayed manufacturing activities impact our clinical development activities and/or our commercial supply chain.

With respect to any hazardous materials or waste which we are currently, or in the future will be, handling, using, storing or disposing of, we cannot eliminate the risk of contamination or injury from these materials or waste, including at third-party disposal sites. In the event of such contamination or injury, we could be held liable for any resulting damages and liability. We also could incur significant costs associated with civil or criminal fines and penalties for failure to comply with applicable environmental, health and safety laws. In addition, we may incur substantial costs in order to comply with current or future environmental, health and safety laws and regulations. These current or future laws and regulations may impair our research, development or production efforts. Failure to comply with these laws and regulations may also result in substantial fines, penalties or other sanctions.

***Our internal computer systems and physical premises, or those of our strategic collaborators or other contractors or consultants, may fail or suffer security breaches, which could result in a material disruption of our product development programs and our manufacturing operations.***

Our internal computer systems and those of our current and any future strategic collaborators, vendors, and other contractors or consultants are vulnerable to damage from cyber-attacks, computer viruses, unauthorized access, natural disasters, cybersecurity threats, terrorism, war and telecommunication and electrical failures. Cyber incidents have been increasing in sophistication and frequency and can include third parties gaining access to our data using stolen or inferred credentials, computer malware, viruses, spamming, phishing attacks, ransomware, card skimming code, and other deliberate attacks and attempts to gain unauthorized access. Because the techniques used by computer programmers who may attempt to penetrate and sabotage our network security or our website change frequently and may not be recognized until launched against a target, we may be unable to anticipate these techniques.

It is also possible that unauthorized access to our data may be obtained through inadequate use of security controls by customers, suppliers or other vendors. While we are not currently aware of any impact that the SolarWinds supply chain attack had on our business, however this is a recent event, and the scope of the attack is yet unknown. Therefore, there is residual risk that we may experience a security breach arising from the SolarWinds supply chain attack.

While we have not experienced any material computer system failure, accident or security breach to date, if such an event were to occur and cause interruptions in our operations, it could result in a material disruption of our development programs and our business operations, whether due to a loss of our trade secrets or other proprietary information or other disruptions. These cyber-attacks could be carried out by threat actors of all types (including but not limited to nation states, organized crime, other criminal enterprises, individual actors and/or advanced persistent threat groups). In addition, we may experience intrusions on our physical premises by any of these threat actors. For example, the loss of clinical trial data from completed or future clinical trials could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data. To the extent that any disruption or security breach were to result in a loss of, or damage to, our data or applications, or inappropriate disclosure of confidential or proprietary information, we could incur liability, our competitive position could be harmed and the further development and commercialization of our product candidates could be delayed. Any breach, loss, or compromise of clinical trial participant personal data may also subject us to civil fines and penalties, or claims for damages either under the GDPR and relevant member state law in the EU, other foreign laws, and the federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, and other relevant state and federal privacy laws in the United States.

***Our product and future product candidates for which we intend to seek approval as biologic products may face competition sooner than anticipated.***

The ACA includes a subtitle called the Biologics Price Competition and Innovation Act of 2009, or BPCIA, which created an abbreviated approval pathway for biological products that are biosimilar to or interchangeable with an U.S. FDA-licensed reference biological product. Under the BPCIA, an application for a biosimilar product may not be submitted to the U.S. FDA until four years following the date that the referenced product was first licensed by the U.S. FDA. In addition, the approval of a biosimilar product may not be made effective by the U.S. FDA until 12 years from the date on which the reference product was first licensed. During this 12-year period of exclusivity, another company may still market a competing version of the reference product if the U.S. FDA approves a full BLA for the competing product containing the sponsor's own preclinical data and data from adequate and well-controlled clinical trials to demonstrate the safety, purity and potency of their product. The law is complex and is still being interpreted and implemented by the U.S. FDA. On July 9, 2021, President Biden issued an executive order directing the U.S. FDA to, among other things, continue to clarify and improve the approval framework for biosimilars, including the standards for interchangeability of biological products, facilitate the development and approval of biosimilar and interchangeable products, clarify existing requirements and procedures related to the review and submission of BLAs, and identify and address any efforts to impede biosimilar competition. As a result, the ultimate impact, implementation, and meaning of the BPCIA are subject to uncertainty and evolving interpretation. While it is uncertain when such processes intended to implement BPCIA may be fully adopted by the U.S. FDA, any such processes could have a material adverse effect on the future commercial prospects for our biological products.

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

***We may acquire businesses or products, or form strategic alliances, in the future, and we may not realize the benefits of such acquisitions.***

On July 15, 2021, MorphoSys completed its acquisition of Constellation, adding two clinical stage assets pelabresib and CPI-0209 to its pipeline. We may acquire additional businesses or products, form strategic alliances or create joint ventures with third-parties that we believe will complement or augment our existing business. We may encounter numerous difficulties in developing, manufacturing and marketing any new products resulting from a strategic alliance or acquisition, including the Constellation acquisition, that delays or prevents us from realizing their expected benefits or enhancing our business. When acquiring businesses with promising products or technologies, we may not be able to realize the benefit of acquiring such businesses if, for instance, we are unable to successfully integrate them with our existing operations and company culture. We cannot assure you that, following any such acquisition, including the Constellation acquisition, we will achieve the expected

synergies to justify the transaction. If we are unsuccessful in realizing any of the benefits following an acquisition, we may incur impairment charges in respect of the assets acquired, which could adversely affect our results of operations.

A “risk run” in the fall of 2021 identified a short-term, moderate organizational risk related to the operational integration of Constellation into the MorphoSys Group. Should MorphoSys be unable to integrate the acquired company into the Group’s structures and processes within a reasonable period of time, there is a risk that potential synergies may fail to be realized as planned. This risk also includes the potential departure of employees in key positions with specific background knowledge. To mitigate this risk, a project team has been formed consisting of experienced Constellation and MorphoSys employees from various departments that is focused on key aspects of the integration. By the end of the 2021 financial year, significant progress had already been made in integrating the companies’ operations. A global operating model was rolled out to manage major functions across locations and facilitate the business and decision-making processes. While the measures taken have greatly reduced integration risk, a financial risk exists that potential synergies will not be leveraged as planned.

***We are subject to currency exchange rate fluctuations.***

Due to the international scope of our operations, our assets, earnings and cash flows are influenced by movements in exchange rates of several currencies, particularly the U.S. dollar and the euro. Our functional currency is the euro and a substantial proportion of our revenues and operating expenses is paid in U.S. Dollars, we also receive payments from our collaboration partners in U.S. dollars and we regularly acquire services, consumables and materials in U.S. dollars. As a result, our business may be affected by fluctuations in foreign exchange rates between the euro and the U.S. dollar, which may also have a significant impact on our reported results of operations and cash flows from period to period.

**Risks Related to Ownership of Our Securities**

***We do not currently intend to pay dividends on our securities, and, consequently, your ability to achieve a return on your investment will depend on appreciation in the price of our shares.***

We have never declared or paid any dividends on our ordinary shares and do not intend to do so in the foreseeable future. You are not likely to receive any dividends on our shares, and the success of an investment in our shares will depend upon any future appreciation in its value. Investors may need to sell all or part of their holdings of our shares after price appreciation, which may never occur, to realize any future gains on their investment. There is no guarantee that our shares will appreciate in value or even maintain the price at which our shareholders have purchased our shares.

***Holders of our ADSs may not be able to participate in any future preemptive subscription rights issues or to elect to receive dividends in shares, which may cause dilution to their holdings.***

Under German law, the existing shareholders have a preemptive right to subscribe for shares offered in proportion to the number of shares they hold in connection with any offering of shares. However, a shareholders’ meeting may vote, by a majority, which represents at least three quarters of the share capital represented at the meeting, to waive this preemptive right provided that, from the company’s perspective, there exists good and objective cause for such waiver.

Certain non-German shareholders may not be able to exercise their preemptive subscription rights in our future offerings due to the legislation and regulations of their home country. For example, ADS holders in the United States will not be entitled to exercise or sell such rights unless we register the rights and the securities to which the rights relate under the Securities Act or an exemption from the registration requirements is available. In addition, the deposit agreement provides that the depositary need not make rights available to you unless the distribution to ADS holders of both the rights and any related securities are either registered under the Securities Act or exempted from registration under the Securities Act. We are under no obligation to file a registration statement with respect to any such rights or securities or to endeavor to cause such a registration statement to be declared effective. Moreover, we may not be able to establish an exemption from registration under the Securities Act. Accordingly, ADS holders may be unable to participate in our rights offerings and may experience dilution in their holdings. In addition, if the depositary is unable to sell rights that are not exercised or not distributed or if the sale is not lawful or reasonably practicable, it will allow the rights to lapse, in which case you will receive no value for these rights.

***As a foreign private issuer, we are exempt from a number of rules under the U.S. securities laws and are permitted to file less information with the SEC than a U.S. company. This may limit the information available to holders of ADSs or our ordinary shares.***

We are a “foreign private issuer,” as defined in the SEC’s rules and regulations and, consequently, we are not subject to all of the disclosure requirements applicable to public companies organized within the United States. For example, we are exempt from certain rules under the Exchange Act, that regulate disclosure obligations and procedural requirements related to the solicitation of proxies, consents or authorizations applicable to a security registered under the Exchange Act, including the U.S.

proxy rules under Section 14 of the Exchange Act. In addition, our officers and directors are exempt from the reporting and “short-swing” profit recovery provisions of Section 16 of the Exchange Act and related rules with respect to their purchases and sales of our securities. Moreover, while we currently make annual and semi-annual filings with respect to our listing on Euronext Brussels and Euronext Amsterdam and voluntarily report our results of operations on a quarterly basis, we are not required to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. domestic issuers and are not required to file quarterly reports on Form 10-Q or current reports on Form 8-K under the Exchange Act. Accordingly, there is and will continue to be less publicly available information concerning our company than there would be if we were not a foreign private issuer.

***As a foreign private issuer, we are permitted to adopt certain home country practices in relation to corporate governance matters that differ significantly from Nasdaq corporate governance listing standards. These practices may afford less protection to shareholders than they would enjoy if we complied fully with corporate governance listing standards.***

The Nasdaq Listing Rules include certain accommodations in the corporate governance requirements that allow foreign private issuers to follow “home country” corporate governance practices in lieu of the otherwise applicable corporate governance standards of Nasdaq. The application of such exceptions requires that we disclose the Nasdaq Listing Rules that we do not follow and describe the German corporate governance practices we do follow in lieu of the relevant Nasdaq corporate governance standard. We continue to follow German corporate governance practices in lieu of the corporate governance requirements of Nasdaq in certain respects. In particular, we follow German corporate governance practices in connection with the distribution of annual and interim reports to shareholders, the application of our code of conduct to our Supervisory Board, proxy solicitation in connection with shareholders’ meetings, and obtaining shareholder approval in connection with the issuance of shares in connection with an acquisition, change of control transactions, the establishment of or material amendment to any equity-based compensation plans and the issuance of shares in a private placement in excess of 20% of the outstanding share capital at less than the greater of book or market value. To this extent, our practice varies from the requirements of Nasdaq. See the sections of this annual report titled “Item 6 —Directors, Senior Management and Employees” and “Item 16G —Corporate Governance.”

***U.S. holders of ADSs may suffer adverse tax consequences if we are characterized as a passive foreign investment company.***

A non-U.S. corporation will be classified as a passive foreign investment company, or PFIC, for U.S. federal income tax purposes for any taxable year, if either (i) 75% or more of its gross income for such year consists of certain types of “passive” income or (ii) 50% or more of the value of its assets (determined on the basis of a quarterly average) during such year produce or are held for the production of passive income. Passive income generally includes dividends, interest, royalties, rents, annuities, net gains from the sale or exchange of property producing such income and net foreign currency gains. In addition, a non-U.S. corporation will be treated as owning its proportionate share of the assets and earning its proportionate share of the income of any other corporation in which it owns, directly or indirectly, more than 25% (by value) of the stock.

Based on the current composition of our income and valuation of our assets, we believe that we could be treated as a PFIC for the 2021 taxable year, and we may also be treated as a PFIC in any future taxable year. However, a separate determination must be made after the close of each taxable year as to whether we are a PFIC for that year. As a result, our PFIC status may change. In particular, the total value of our assets for purposes of the asset test generally will be calculated taking into account the market price of our ADSs or ordinary shares, which may fluctuate considerably. Fluctuations in the market price of the ADSs and ordinary shares may result in our being a PFIC for any taxable year. Even if we determine that we are not a PFIC for a taxable year, there can be no assurance that the IRS will agree with our conclusion and that the IRS would not successfully challenge our position.

If we were to be or become a PFIC for any taxable year during which a U.S. holder (defined below in “Taxation—U.S. Taxation”) holds ADSs, certain adverse U.S. federal income tax consequences could apply to such U.S. holder. See the section of this annual report titled “Item 10 E. Taxation—U.S. Taxation—PFIC Rules.”

***The interpretation of the treatment of ADSs by the German tax authorities is subject to change.***

The specific treatment of ADSs under German tax law is based on administrative provisions by the fiscal authorities, which are not codified law and are subject to change. Tax authorities may modify their interpretation and the current treatment of ADSs may change, as the circular issued by the German Federal Ministry of Finance (BMF-Schreiben), dated May 21, 2019, reference number IV C 1 – S 1980-1/16/10010 :001, shows. According to this circular, ADSs are not treated as capital participation (Kapitalbeteiligung) within the meaning of Section 2 Para. 8 of the Investment Tax Code (Investmentsteuergesetz). Such changes in the interpretation by the fiscal authorities may have adverse effects on the taxation of investors.

***We may lose our foreign private issuer status in the future, which could result in significant additional cost and expense.***

While we currently qualify as a foreign private issuer, the determination of foreign private issuer status is made annually on the last business day of an issuer's most recently completed second fiscal quarter and, accordingly, the next determination will be made with respect to us on June 30, 2022.

In the future, we would lose our foreign private issuer status if we fail to meet the requirements necessary to maintain our foreign private issuer status as of the relevant determination date. In order to maintain our current status as a foreign private issuer, either (a) a majority of our ordinary shares are either directly or indirectly owned of record by non-residents of the United States or (b), (i) a majority of our executive officers or directors cannot be U.S. citizens or residents, (ii) more than 50% of our assets cannot be located in the United States and (iii) our business must be administered principally outside the United States.

As of March 15, 2022, a majority of our executive officers and directors are U.S. citizens or residents.

The regulatory and compliance costs to us under U.S. securities laws as a U.S. domestic issuer may be significantly higher than the costs we incur as a foreign private issuer. If we are not 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 detailed and extensive in certain respects than the forms available to a foreign private issuer. We would be required under current SEC rules to prepare our financial statements in accordance with U.S. GAAP rather than IFRS. Such conversion of our financial statements to U.S. GAAP would involve significant time and cost, and we would still be required to prepare financial statements in accordance with IFRS under the rules of the Frankfurt Stock Exchange. In addition, we may lose our ability to rely upon exemptions from certain corporate governance requirements on United States stock exchanges that are available to foreign private issuers such as the ones described above and exemptions from procedural requirements related to the solicitation of proxies.

***We will continue to incur increased costs as result of being a public company.***

As a public company with ADSs listed on the Nasdaq Global Market, we incur significant legal, accounting and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act of 2002, as well as rules subsequently implemented by the SEC and the Nasdaq Global Market, impose various requirements on the corporate governance practices of public companies. These and other rules and requirements may increase or change, resulting in an increase of our legal and financial compliance costs. Operating as a public company also makes it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. It may also be more difficult for us to attract qualified persons to serve on our board of directors or as executive officers.

***U.S. investors may have difficulty enforcing civil liabilities against our company and members of our Supervisory Board and Management Board and the experts named in this report.***

We are incorporated under the laws of Germany. The majority of our assets are located outside the United States and currently two of the three members of our Management Board and three out of six Supervisory Board members reside outside of the United States. As a result, effecting service of process upon such persons may require compliance with international treaty procedures that could cause delay and in some case interfere with establishing personal jurisdiction in front of U.S. courts. The United States and Germany do not currently have a treaty providing for reciprocal recognition and enforceability of judgments rendered in connection with civil and commercial disputes and, accordingly, a final judgment rendered by a U.S. court based on civil liability would not automatically be recognized or enforceable in Germany. Therefore enforcing against members of our Management Board or Supervisory Board or against us, judgments obtained in U.S. courts' that are predicated upon the civil liability provisions of the U.S. federal securities laws may be impossible under German law as a result of public policy or jurisprudence providing defenses for German nationals. Foreign courts may refuse to consider claims brought under U.S. securities laws on either procedural grounds or substantive grounds. Even if a foreign court is willing to decide the merits of such a claim, it may decide to apply the law of the jurisdiction in which the foreign court is located, rather than U.S. law.

Further, if a foreign court applies U.S. law, the burden of proving applicable U.S. law will fall on the party making the claims, a process that may be time-consuming and costly. Procedural matters are typically governed by the law of the jurisdiction in which the foreign court is located.

***The rights of shareholders in a stock corporation subject to German law differ in material respects from the rights of shareholders of corporations incorporated in the United States.***

We are a German stock corporation with our registered office in Germany. Our corporate affairs are governed by the laws governing stock corporations incorporated in Germany and our articles of association. The rights of shareholders and the responsibilities of members of our Management Board (Vorstand) and Supervisory Board (Aufsichtsrat) may be different from

the rights and obligations of shareholders in companies governed by the laws of U.S. jurisdictions. In the performance of their duties, our Management Board and Supervisory Board may take into account a broad range of considerations, including our interests, the interests of our shareholders, employees, creditors and, to a limited extent, the general public. It is possible that some of these parties will have interests that are different from, or in addition to, your interests as a holder of ADSs. See the section of this annual report titled “Item 16G—Corporate Governance”.

***If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results or prevent fraud. As a result, shareholders could lose confidence in our financial and other public reporting, which would harm our business and the trading price of our shares.***

Effective internal controls over financial reporting are necessary for us to provide reliable financial reports and, together with adequate disclosure controls and procedures, are designed to prevent fraud. Any failure to implement required new or improved controls, or difficulties encountered in their implementation could cause us to fail to meet our reporting obligations. In addition, any testing conducted by us in connection with Section 404 of the Sarbanes-Oxley Act of 2002, or any subsequent testing conducted by our independent registered public accounting firm, may reveal deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses or that may require prospective or retroactive changes to our financial statements, or identify other areas for further attention or improvement. Inferior internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our shares.

***Unfavorable U.S. or global economic conditions could adversely affect our business, financial condition, or results of operations.***

Our results of operations could be adversely affected by general conditions in the global economy and financial markets, including by the recent global political and military events, the COVID-19 pandemic, or any other health epidemic. The most recent global financial crisis caused extreme volatility and disruptions in the capital and credit markets. A severe or prolonged economic downturn, such as the most recent global financial crisis, could result in a variety of risks to our business, including weakened demand for our product candidates and our ability to raise additional capital when needed on favorable terms, if at all. A weak or declining economy could strain our suppliers, possibly resulting in supply disruption, or cause delays in payments for our services by third-party payors or our collaborators. 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.

Adding to the unknown, geopolitical tensions remain high, particularly with the recent invasion of Ukraine by Russia. This conflict is expected to take a strong human and economic toll far beyond the Ukrainian border, particularly in Europe.

#### **Item 4. Information on the Company.**

##### **A. History and Development of the company**

MorphoSys AG was founded in 1992 in Martinsried, Germany, and was converted to a stock corporation on March 3, 1998 under the laws of Germany with an indefinite duration. Our legal and commercial name is MorphoSys AG. We were registered in the commercial register of the local court of Munich under number HRB 121023 on June 30, 1998. In 1999, MorphoSys was listed on the Frankfurt Stock Exchange, trading under the ticker symbol “MOR”. In 2014, MorphoSys joined the TecDAX index, and since September 2021, MorphoSys is part of the SDAX Index. In April 2018, following a U.S. initial public offering, American Depositary Shares of MorphoSys began trading on the Nasdaq, also under the symbol “MOR”. In July 2018, we established a wholly owned subsidiary, MorphoSys US Inc., to build our commercial infrastructure in the United States. MorphoSys US Inc. is the company’s agent in the United States and is located at 470 Atlantic Avenue, 14th Floor, Boston, Massachusetts 02210.

Our registered office is located at Semmelweisstrasse 7, 82152 Planegg, Germany, and our telephone number is +49 89-89927-0. Our website is [www.morphosys.com](http://www.morphosys.com). Information contained on our website is not incorporated by reference into this annual report, and you should not consider information contained on our website to be part of this annual report or in any other filings we make with the SEC, or in deciding whether to purchase or sell our ADSs. Material non-financial aspects are taken into account in a separate "Non-Financial Group Report," which is available on our website.

The SEC maintains an internet site at <http://www.sec.gov> that contains reports, information statements, and other information regarding issuers that file electronically with the SEC.

##### **Principal Capital Expenditures:**

In the years ended December 31, 2021, 2020 and 2019, our expenditures for property, plant and equipment were € 3.7 million, € 4.3 million, and € 3.1 million, respectively. In the years ended December 31, 2021, 2020 and 2019, our expenditures for intangible assets were € 22.5 million, € 44.9 million, and € 0.6 million, respectively.

In the course of the acquisition of Constellation in 2021, MorphoSys acquired € 719.4 million in intangible assets and € 1.6 million in property, plant and equipment.

For our commitments for capital expenditures, we refer to Item 5.B.

## B. Business Overview

We are a commercial-stage biopharmaceutical company devoted to the discovery, development and commercialization of innovative therapies for patients, with a focus on cancer and autoimmune diseases. We have a broad pipeline in which we invest in and develop product candidates primarily in the hematology/oncology area. In 2021, we focused on commercializing our marketed product and in advancing product candidates at various stages of development. Importantly, we made a transformational acquisition with the Constellation transaction to broaden our clinical development pipeline and position the Company for long-term sustainable growth. We believe the product candidates in our pipeline have the potential to treat serious diseases and improve the lives of patients.

## Our Clinical Pipeline

Program Indication	Most advanced development stage				Program Indication	Most advanced development stage			
	PHASE 1	PHASE 2	PHASE 3	LAUNCHED		PHASE 1	PHASE 2	PHASE 3	LAUNCHED
<b>Tafasitamab<sup>1</sup></b> L-MIND / Relapsed or refractory (r/r) diffuse large B-cell lymphoma (DLBCL)	●	●	○ <sup>2</sup>	●	<b>Felzartamab</b> IGNAZ / Immunoglobulin A nephropathy	●	●	○	○
B-MIND / r/r DLBCL	●	●	●	○	M-PLACE / Anti-PLA2R-positive membranous nephropathy	●	○	○	○
firstMIND / First-line DLBCL	●	○	○	○	New-PLACE / Anti-PLA2R-positive membranous nephropathy	●	●	○	○
frontMIND / First-line DLBCL	●	●	●	○	<b>CPI-0209</b> Advanced Solid Tumors / Hematologic Malignancies	●	●	○	○
inMIND / r/r follicular lymphoma / marginal zone lymphoma	●	●	●	○					
<b>Pelabresib</b> MANIFEST-2 / Myelofibrosis	●	●	●	○					
MANIFEST / Myelofibrosis	●	●	○	○					

<sup>1</sup> Global Collaboration and License Agreement with Incyte Corporation; co-commercialization in the U.S.; Incyte has exclusive commercialization rights outside the U.S.

<sup>2</sup> Not conducted, as not necessary.

# Clinical Programs Developed by Partners (Selection)

Program/Partner Indication	Most advanced development stage				Program/Partner Indication	Most advanced development stage			
	PHASE 1	PHASE 2	PHASE 3	LAUNCHED		PHASE 1	PHASE 2	PHASE 3	LAUNCHED
<b>Gantenerumab / Roche</b> Alzheimer's disease	●	●	●	○	<b>Ianalumab (VAY736) / Novartis</b> Inflammation	●	●	○	○
<b>Otilimab (MOR103/GSK3196165) / GlaxoSmithKline</b> Rheumatoid arthritis Severe pulmonary COVID-19 related disease	●	●	●	○	<b>Bimagrumab / Novartis / Versanis Bio</b> Type 2 diabetes	●	●	○	○
<b>Felzartamab<sup>1</sup> / I-Mab</b> Multiple myeloma	●	●	●	○	<b>Utomilumab (PF-05082566) / Pfizer</b> Cancer (multiple indications)	●	●	○	○
<b>Abelacimab (MAA868) / Anthos Therapeutics</b> Atrial fibrillation	●	●	○	○	<b>NOV-14 (CSJ117) / Novartis</b> Asthma	●	●	○	○
<b>Setrusumab (BPS804) / Mereo/Novartis/Ultrasgenyx</b> Brittle bone syndrome	●	●	○	○	<b>MOR210<sup>2</sup> / I-Mab</b> r/r advanced solid tumors	●	○	○	○
<b>NOV-8 (CMK389) / Novartis</b> Pulmonary sarcoidosis	●	●	○	○					
<b>NOV-9 (LKA651) / Novartis</b> Diabetic eye diseases	●	●	○	○					

<sup>1</sup> Sublicensed to I-Mab for development in China, Hong Kong, Macao and Taiwan.  
<sup>2</sup> Sublicensed to I-Mab for development in China, Hong Kong, Macao, Taiwan and South Korea.

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Pipeline products are under clinical investigation and there is no guarantee any investigational product will be approved by regulatory authorities.

We currently have one product that has been approved for marketing and several product candidates in clinical development. Monjuvi was granted accelerated approval by the U.S. FDA on July 31, 2020. Monjuvi was approved in combination with lenalidomide for the treatment of adult patients with relapsed or refractory diffuse large B-cell lymphoma (r/r DLBCL) not otherwise specified, including DLBCL arising from low grade lymphoma, and who are not eligible for autologous stem cell transplant (ASCT). This is the first approval of a second-line treatment for adult patients with r/r DLBCL in the U.S., and who are not eligible for ASCT. Continued approval may be contingent upon verification and description of clinical benefit in a confirmatory trial(s).

In January 2020, we entered into a global collaboration and licensing agreement with Incyte to further globally develop and commercialize tafasitamab. Under the terms of the agreement, we and Incyte are co-commercializing Monjuvi in the United States, while Incyte has exclusive commercialization rights outside of the U.S.

In August 2021, in partnership with Incyte, we announced that the European Commission (EC) had granted conditional marketing authorization for tafasitamab (brand name, Minjuvi) in combination with lenalidomide, followed by Minjuvi monotherapy, for the treatment of adult patients with r/r DLBCL who are not eligible for ASCT. Also in August 2021, Health Canada granted conditional marketing authorization to Incyte for Minjuvi in combination with lenalidomide for the treatment of adults with r/r DLBCL not otherwise specified, including DLBCL arising from low grade lymphoma, who are not eligible for ASCT.

Related to these ex-U.S. regulatory approvals, in the third quarter 2021, we received, for the first time, royalty revenue for Minjuvi sales outside of the U.S. pursuant to the agreement with Incyte.

In June 2021, we announced the acquisition of Constellation. Constellation is a clinical-stage biopharmaceutical company that discovers and develops novel product candidates to address serious unmet medical needs in patients with cancers associated with abnormal gene expression or drug resistance. The transaction brought us two clinical-stage cancer product candidates, that complement and enhance our own proprietary pipeline. The transaction was unanimously approved by the Management Board and Supervisory Board of MorphoSys as well as by the Board of Directors of Constellation. The acquisition was completed on July 15, 2021. Constellation's two lead product candidates, pelabresib (CPI-0610), a BET inhibitor, and CPI-0209, a second-

generation EZH2 inhibitor, are in mid- to late-stage clinical development. MorphoSys expects the following benefits from the acquisition:

- Accelerates growth strategy with promising mid- to late-stage product candidates: The transaction accelerates MorphoSys' strategy to grow through proprietary drug development and commercialization. Constellation's lead product candidates, pelabresib and CPI-0209, are in phase 3 and phase 2, respectively, and may offer broad potential for a range of oncology indications. They fit well with MorphoSys' proven clinical development, regulatory and commercial capabilities, and MorphoSys is well positioned to rapidly advance and unlock the potential of the Constellation portfolio.
- Strengthens position in hematology/oncology and expands into solid tumors: Constellation adds an attractive, complementary pipeline of highly innovative mid- to late-stage cancer therapy candidates, augmenting MorphoSys' existing pipeline in hematologic malignancies and expanding into potential therapies for solid tumors.

At the time of the Constellation acquisition, MorphoSys also entered into a funding agreement with Royalty Pharma plc ("Royalty Pharma"). Under the terms of this agreement, Royalty Pharma made a US\$ 1,425.0 million (€ 1,206.7 million) upfront payment to MorphoSys and also provided MorphoSys with access to up to US\$ 350.0 million (€ 296.4 million) in development funding bonds with the flexibility to draw over a one-year period. MorphoSys agreed to place a minimum of US\$ 150.0 million (€ 127.0 million) of development funding bonds. Royalty Pharma also invested US\$ 100.0 million (€ 84.7 million) in a cash capital increase of MorphoSys under an authorization to exclude subscription rights of existing shareholders and will make additional payments of up to US\$ 100.0 million (€ 84.7 million) upon reaching clinical, regulatory and commercial milestones for otilimab, gantenerumab and pelabresib. Royalty Pharma gained rights to receive 100% of MorphoSys' royalties on net sales of Tremfya®, 80% of future royalties and 100% of future milestone payments on otilimab, 60% of future royalties on gantenerumab, and 3% on future net sales of Constellation's clinical-stage assets, pelabresib and CPI-0209.

#### **Our most advanced clinical programs include:**

- **Tafasitamab**—is a humanized Fc-modified monoclonal antibody directed against CD19. CD19 is a target for the treatment of B-cell malignancies, including DLBCL, r/r follicular lymphoma, or r/r FL and r/r marginal zone lymphoma, or r/r MZL. On July 31, 2020, the U.S. FDA approved Monjuvi in combination with lenalidomide for the treatment of adult patients with r/r DLBCL not otherwise specified, including DLBCL arising from low grade lymphoma and who are not eligible for ASCT. This represented the first approval of a second-line treatment for adult patients with r/r DLBCL in the U.S. Monjuvi was approved under accelerated approval by the U.S. FDA. Continued approval may be contingent upon verification and description of clinical benefit in a confirmatory trial(s). At the beginning of 2020 we signed a collaboration and license agreement granting Incyte U.S. co-commercialization and ex-U.S. commercialization rights for tafasitamab. Under the terms of the agreement, we and Incyte are responsible for the further clinical development of tafasitamab. In 2021, tafasitamab received conditional marketing approval under the brand name, Minjuvi in the EU and Canada. Several clinical trials evaluating tafasitamab in various indications were initiated.
- **Pelabresib**—also known as CPI-0610, is a small molecule designed to promote anti-tumor activity by selectively inhibiting the function of BET proteins to decrease the expression of abnormally expressed genes in cancer. Pelabresib was acquired through the Constellation acquisition. The clinical development of pelabresib is currently focused on myelofibrosis (MF). MF is a form of bone marrow cancer that disrupts the body's normal production of blood cells. It causes fibrosis (scarring) of the bone marrow, leading to severe anemia as well as thrombocytopenia. MF have enlarged spleens as well as many other physical symptoms, including abdominal discomfort, bone pain and extreme fatigue. Pelabresib currently is being investigated in two clinical trials for the treatment of MF - MANIFEST, the ongoing, open-label phase 2 trial evaluating pelabresib as a monotherapy and in combination with ruxolitinib (marketed as Jakafi/Jakavi), and MANIFEST-2, the global, double-blinded, randomized pivotal phase 3 trial evaluating pelabresib in combination with ruxolitinib versus placebo in JAK-inhibitor-naïve MF patients. Preliminary results from MANIFEST were presented at the American Society of Hematology (ASH) annual meeting in December 2021. Since the acquisition of Constellation, we have optimized the design of the MANIFEST-2 study by increasing the number of trial participants, and also have taken measures to improve the speed of enrollment.
- **Felzartamab**—an investigational human monoclonal HuCAL-IgG1-antibody directed against a unique epitope of the target molecule CD38. We are conducting an ongoing phase 1/2 trial in anti-PLA2R antibody positive membranous nephropathy (MN), an autoimmune disease affecting the kidneys. The proof-of-concept study, called M-PLACE, is primarily evaluating the safety and tolerability of felzartamab. Interim data from M-PLACE trial were presented at the 2021 Annual Meeting of the American Society of Nephrology (ASN) in November 2021. Early efficacy data were presented, and the safety profile was shown to be consistent with the proposed mechanism of action of felzartamab. Two additional trials with felzartamab were initiated during 2021 - New-PLACE, a phase 2 study evaluating different treatment schedules to identify the regimen for a pivotal study in patients with MN and the phase 2 IGNAZ trial evaluating in patients with Immunoglobulin A Nephropathy (IgAN). The enrollment for the studies in membranous nephropathy has been completed.
- **CPI-0209**—is another product candidate acquired through Constellation. CPI-0209 is a small molecule designed to promote anti-tumor activity by inhibiting EZH2, an enzyme that suppresses target gene expression. In June 2021,

preliminary data from a phase 1/2 clinical trial in solid tumors were presented at the American Society of Clinical Oncology (ASCO).

In addition to the programs listed above, we are pursuing several proprietary programs in earlier-stage research and development.

**Most advanced products and product candidates developed by our partners include:**

- **Felzartamab**—in November 2017, we signed a regional licensing agreement with I-Mab for felzartamab for development in r/r multiple myeloma (MM) and other indications in mainland China, Hong Kong, Macao and Taiwan. In June 2021, I-Mab announced that the Center for Drug Evaluation (CDE) of the China National Medical Products Administration (NMPA) had approved the Investigational New Drug (IND) application to initiate a phase 1b study with felzartamab in patients with systemic lupus erythematosus (SLE).
- **Gantenerumab**—a HuCAL antibody targeting amyloid beta that is being developed by Roche for the potential treatment of Alzheimer’s disease. In phase 1 clinical trials, gantenerumab has been shown to reduce brain amyloid in mild-to-moderate Alzheimer’s disease patients. In June 2018, Roche initiated a pivotal program consisting of two phase 3 studies named GRADUATE-1 and GRADUATE-2. This program is assessing the efficacy and safety of gantenerumab in patients with early (prodromal to mild) Alzheimer’s disease. In October 2021, Roche received Breakthrough Therapy Designation by the U.S. Food and Drug Administration (FDA) for gantenerumab for the treatment of people living with Alzheimer’s disease.
- **Otilimab**—a HuCAL antibody directed against the granulocyte-macrophage colony-stimulating factor (GM-CSF). We discovered and advanced otilimab into clinical development in rheumatoid arthritis (RA) and multiple sclerosis. GSK acquired the rights to otilimab pursuant to an exclusive worldwide development and license agreement that we entered into in June 2013. GSK has ongoing a phase 3 program in RA named "ContRAst", comprising three pivotal studies and a long-term extension study and is investigating the antibody in patients with moderate to severe RA. In 2020, GSK started a clinical trial (OSCAR) to evaluate the efficacy and safety of otilimab in patients with severe pulmonary COVID-19-associated disease and reported preliminary results in February 2021. In October 2021, GSK announced that it had made the decision not to further explore otilimab as a potential treatment for severe pulmonary COVID-19 related disease in patients aged of 70 years and older.
- **Tremfya**—a HuCAL antibody targeting the p19 subunit of IL-23 that is being developed and commercialized by Janssen. Tremfya was originally approved in the United States in July 2017 for the treatment of moderate-to-severe plaque psoriasis. It is the first commercial product based on our proprietary technology. Meanwhile, it is approved for the treatment of patients with moderate to severe psoriasis (plaque psoriasis) in the United States, Canada, the European Union (EU), Japan, China and a number of other countries. In the U.S. and elsewhere, it is also approved for the treatment of adults with active psoriatic arthritis and in the EU for the treatment of adult patients with active psoriatic arthritis who have had an inadequate response or have not tolerated prior disease-modifying antirheumatic drug (DMARD) therapy. In Japan, Tremfya is approved for the treatment of patients with various forms of psoriasis, psoriatic arthritis and palmoplantar pustulosis. Under an agreement with Janssen, MorphoSys receives royalties on net sales of Tremfya and is also entitled to milestone payments on selected future development activities. Based on its funding agreement with Royalty Pharma announced in June 2021, MorphoSys continues to record Tremfya royalties on its income statement. Royalty Pharma receives 100% of Tremfya royalties starting with royalties for the second quarter of 2021.
- **MOR210/TJ210** - an antibody directed against C5aR, derived from our HuCAL library. C5aR, the receptor of complement factor C5a, is being investigated as a potential new drug target in the fields of immuno-oncology and autoimmune diseases. We have an exclusive strategic collaboration and regional licensing agreement with I-Mab under which I-Mab has exclusive rights to develop and commercialize MOR210/TJ210 in mainland China, Hong Kong, Macao, Taiwan and South Korea, while MorphoSys retains rights in the rest of the world. With our support, I-Mab is to conduct and fund all worldwide development activities for MOR210/TJ210, including clinical trials in China and the U.S., up to proof-of-concept in oncology. In January 2021, we and I-Mab announced the dosing of the first patient in the U.S. in a phase 1 dose-finding study evaluating the safety, tolerability, PK and PD of MOR210/TJ210 as monotherapy in patients with r/r advanced solid tumors.

The majority of our product candidates and all product candidates being developed by partners have been discovered and engineered using our advanced antibody technology platforms. Our core platforms include:

- **HuCAL® (Human Combinatorial Antibody Library)**—HuCAL is our original technology platform, which constitutes a collection or “library” of several billion distinct fully human antibodies. This platform enables rapid selection of antibodies having high affinity and specificity as well as systematic optimization of antibodies to precisely-defined specifications to increase the probability of successful clinical development.

- Ylanthia®—Ylanthia is our newest antibody library, which comprises over 100 billion fully human antibodies. Ylanthia enables the generation of fully human antibody candidates with optimized biophysical properties, which we believe offer a number of important advantages over competing platforms. This platform builds on our experience in generating more than 100 therapeutic product candidates using our original HuCAL platform. Ylanthia will continue to be the preferred binder source of the next generation of therapeutic antibody candidates in our proprietary pipeline.
- CyCAT (Cytotoxic Cell Activation at Tumor) Dual Targeting Concept—In November 2020, we and Cherry Biolabs announced that we had entered into a licensing agreement granting us the rights to apply Cherry Biolabs' innovative, multispecific Hemibody technology to six exclusive targets. This Hemibody technology, in combination with our antibody know-how and technologies, offers the potential to generate novel T-cell engaging medicines. We intend to apply the Hemibody technology in the context of our CyCAT Dual Targeting Concept to discover and advance novel Hemibody-based treatment options for patients with hematological and solid cancers.

As a fully integrated biopharmaceutical company, we are committed to investing in our platforms, generating new therapeutics and developing them into products that address significant unmet medical needs. We also are highly focused on successfully commercializing our marketed products.

We have an internationally trained, multi-cultural team, including a research and development team of scientists, clinicians and support staff. Our management team and senior experts have deep experience and capabilities in biology, chemistry, product discovery, clinical development and commercialization.

### **Our Strengths**

We believe our core strengths include:

Our lead product, Monjuvi, which received U.S. accelerated approval in July 2020 in combination with lenalidomide for the treatment of adult patients with r/r DLBCL not otherwise specified, including DLBCL arising from low grade lymphoma and who are not eligible for ASCT. We, with our partner Incyte, are developing tafasitamab for the treatment of a broad range of hematological malignancies and in combination with various other therapies.

Additional proprietary product candidates, such as tafasitamab (in additional disease indications), pelabresib, felzartamab and CPI-0209, in clinical trials for the treatment of cancer and autoimmune diseases.

Our strong financial base which allows us a strategic flexibility.

A broad intellectual property portfolio protecting products and product candidates as well as our technology platforms.

Our experienced management team comprised of industry leaders in corporate management, antibody discovery, clinical development, business development, and licensing & commercialization.

### **Our Strategy**

We are focused on the development and commercialization of innovative therapies to offer additional treatment options for patients where there is a significant unmet need. Our own development activities are mainly focused on the hematology/oncology area.

We have defined our strategic value drivers:

- Higher sales of Monjuvi in the U.S., with commercialization driven by the Company's own capabilities and its partner Incyte
- Expand Monjuvi to additional disease indications and advance proprietary clinical development of product candidates: pelabresib, felzartamab and CPI-0209

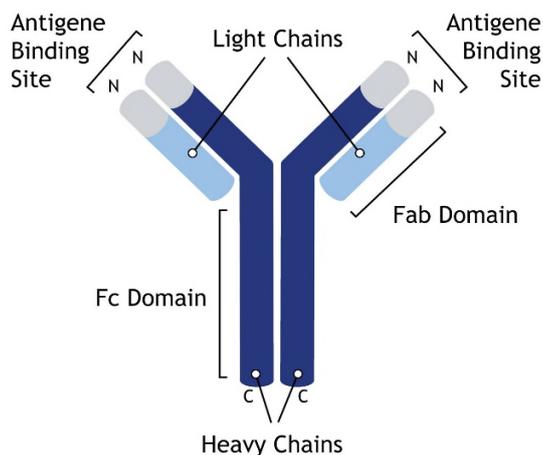
The acquisition of Constellation was an important step on MorphoSys' path to becoming a leading biopharmaceutical company in hematology/oncology. To be successful, MorphoSys must rapidly develop new therapies with first-in-class and/or best-in-class potential and make them available to patients. In order to accomplish this, MorphoSys plans to prioritize its capital allocation to late stage clinical studies.

### **Our technologies and R&D focus**

#### **Monoclonal Antibodies Form the Basis of Next Wave of Biotherapeutics: Bi- and Multi-specific Antibodies**

Antibodies, also known as immunoglobulins (Ig), are large, Y-shaped complex proteins that the immune system uses to neutralize pathogens. Antibodies recognize and bind to foreign entities, such as bacteria and viruses, and remove them from the bloodstream. Antibodies are essential to human life, and between one and two billion antibodies are continuously flowing throughout our bloodstream, fighting infections and diseases.

The antibody molecule itself has two distinct functions: Firstly, antibodies have the ability to recognize and attach themselves to pathogenic, or disease-causing, foreign molecules; and secondly, in recognizing and attaching themselves to these pathogenic molecules, antibodies act as markers, signaling to other parts of the body's own immune system to attack and eliminate the pathogen.



As illustrated above, an IgG antibody, for example, consists of four polypeptide chains, two identical heavy chains and two identical light chains, joined by chemical linkages known as disulfide bridges. The antigen-binding fragment, or Fab, is a region on an antibody that binds to antigens. It is composed of one constant and one variable region of each of the heavy and the light chain. The variable region acts as the “business” end of the antibody for recognizing pathogens. The specific structure recognized by the variable region of an antibody, whether a portion of a protein, another biological molecule or a unique molecule of a pathogen, is known as an antigen. An antibody and the antigen that it recognizes fit together like a lock and key.

The Fc region, which resides at the other end of the antibody, interacts with the effector cells of the immune system and provides the signal that activates these cells to attack the pathogen. When an antigen is detected, several types of immune system cells work together to recognize and respond to it. These responses include the stimulation of B-cells to produce additional antibodies and the stimulation of effector cells, including T cells and natural killer, or NK, cells that act to eliminate the pathogen or foreign molecule.

The first methods for producing specific single defined antibodies that recognize a single antigen, or monoclonal antibodies, in order to use them as therapeutics were developed approximately 40 years ago. While cancer and inflammatory conditions have been the two largest disease areas for therapeutic antibody discovery, the broad applicability of antibodies has led to a rapid expansion of their use in other indications, including infectious diseases, metabolic conditions, ophthalmology, and neurodegenerative diseases. As a result, more than 100 antibodies have been approved for marketing in various clinical applications. Among these are therapeutic antibodies that label and/or block the activity of cell surface receptors or signaling molecules, stimulate the activity of cells or lead to their elimination by effector cells, and bind toxic substances from the bloodstream to accelerate their elimination.

Initially, monoclonal antibodies were derived from mice. However, antibodies derived from mice are of limited use as therapeutic agents since the human immune system recognizes such antibodies as foreign molecules and may trigger a defense reaction against them. Technological advances over the last three decades have allowed the modification of antibody structures to make them more “human-like”, culminating in the creation of fully human antibodies. Currently, it is possible to generate fully human antibodies from transgenic mice. With our HuCAL, we have developed a technology for the in vitro generation of highly specific and fully human antibodies. Our Ylanthia antibody technology platform comprises more than 100 billion distinct, different, fully human antibodies. For MorphoSys, the HuCAL and Ylanthia technologies, as well as our protein engineering capabilities, form the basis of our next generation bi- and multispecific antibody platforms.

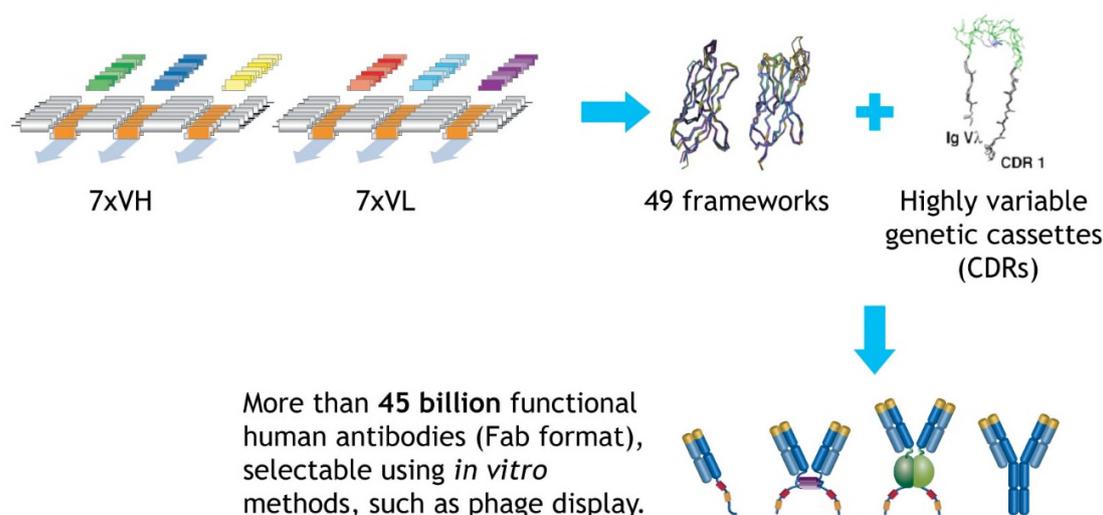
Bispecific antibodies (BsAbs) are proteins engineered to recognize 2 different targets at the same time. Such proteins with ‘two-target’ functionality can interfere with multiple surface receptors or receptor ligands. BsAbs can also place targets into close proximity, either to support protein complex formation on one cell, or to trigger contacts between cells. So far, three such

therapeutics are available in the United States. Amgen’s blinatumomab (Blincyto) was given accelerated approval for the treatment of B-cell precursor acute lymphoblastic leukemia; Roche/Chugai’s emicizumab (Hemlibra) was approved by the FDA in October 2018 to treat patients with hemophilia; and Janssen Biotech's amivantamab-vmjw (Rybrevant) was granted accelerated approval in May 2021 for a subgroup of non-small cell lung cancer. At present, there are more than 300 BsAbs in development. The most common type of BsAb in development are so called T cell-engaging (TCE) bispecific antibodies, which trigger signaling of the CD3 surface receptor on T cells and also bind to a second target protein on tumor cells, targeting and activating cytotoxic T cells to eliminate cancer cells with one antibody molecule. These treatments make up about 45% of the bispecific pipeline and may become the next wave of novel antibody-based therapies with the potential to disrupt the current treatment paradigm in oncology.

In November 2020, we, together with Cherry Biolabs, a spin-off from the University Hospital Würzburg, announced that we had entered into a licensing agreement granting MorphoSys the rights to apply Cherry Biolabs’ innovative, multispecific Hemibody technology to six exclusive targets. This Hemibody technology, in combination with our antibody know-how and technologies, offers the potential to generate novel TCE medicines with even higher precision and better safety profiles for the treatment of cancer patients. We intend to apply the Hemibody technology in the context of our CyCAT Dual Targeting Concept to discover and advance novel Hemibody-based treatment options for patients with hematological and solid cancers.

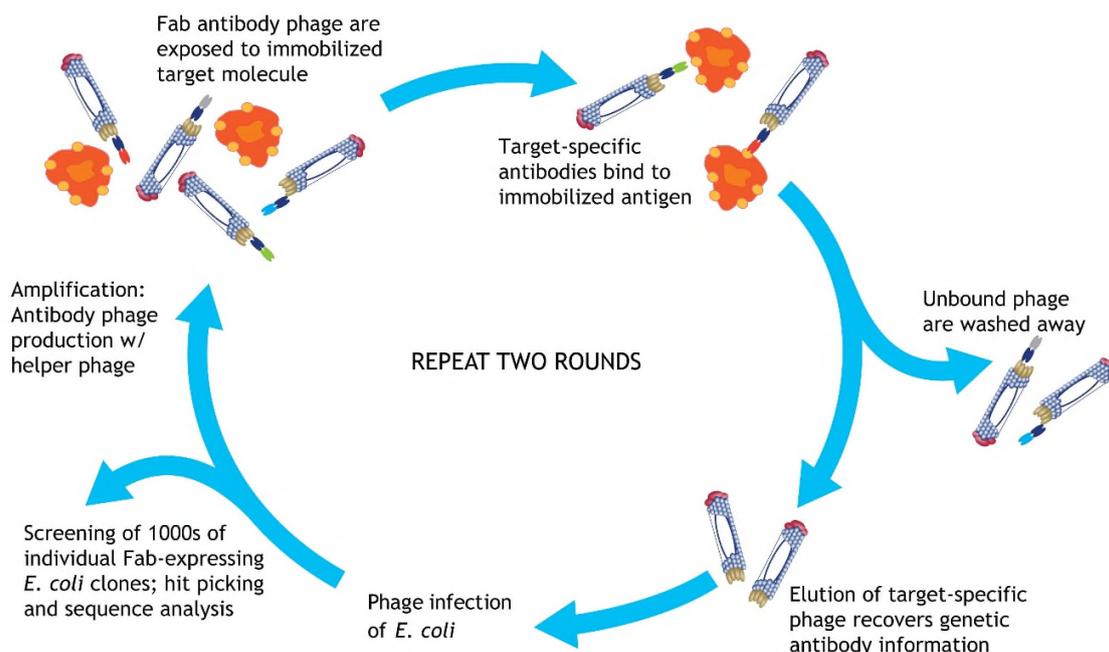
### Human Combinatorial Antibody Library (HuCAL)

Our HuCAL technology permits the *in vitro* generation of highly diverse, fully human antibodies. The structural diversity of the human antibody repertoire is approximately 95% composed of seven variable heavy chain, or VH, and seven variable light chain, or VL, region genes. The combination of these genes gives rise to 49 frameworks in the HuCAL master library, which form the scaffolds for several billion distinct fully human antibodies. The seven VH and seven VL HuCAL library is then combined with a highly variable genetic “cassette” using our trinucleotide mutagenesis technology to permit any combination of amino acids at each single position of the CDR region in a ratio reflecting the one found in humans.



A laboratory technique critical for the identification and eventual production of therapeutic antibodies aimed at specific antigens is known as “phage display”. Phage display enables the selection of specifically binding antibodies out of libraries containing billions of different antibodies.

Phage display utilizes bacteriophages (viruses that infect bacteria) to connect proteins with the genetic information that encodes them. In traditional phage display as applied to antibody production, the gene encoding the antibody’s Fab fragment is inserted into a phage coat protein gene, causing the phage to “display” the Fab fragment on its outside while containing the gene for the Fab fragment. Displaying phages can be screened against the epitope(s) of interest, which has been immobilized to the surface of a microtiter plate or is presented on the surface of a cell, and those phages displaying the Fab fragment of interest will bind to the surface. Those phages displaying other Fab sequences will be removed by washing. Phages that remain can be removed via the process of elution and can be used to produce more phage by re-infection of bacteria, resulting in a phage mixture enriched for the Fab fragment of interest. The repetition of these cycles to create an increasingly purified phage mixture is known as the process of ‘panning’ (comparable to the original method of searching for gold in riverbeds). The ease of attachment and detachment of phages from the microtiter surface, and the overall speed of each cycle, can have a profound impact on the efficiency of antibody isolation and production.



Unlike conventional phage display technologies, in HuCAL, the antibody Fab fragment is not genetically fused to the phage coat protein. Instead, the Fab fragment forms a disulfide bond with an engineered gene III protein on the phage surface. This disulfide bond is sensitive to reducing agents, which allows for an efficient elution protocol to be used to recover phage displaying antibody fragments. Through this proprietary process, we are able to identify antibodies with high affinity for the antigen of interest in a highly efficient manner.

Generating antibodies using HuCAL technology involves seven steps: antigen immobilization, phage display selection, subcloning, primary screening, sequencing, expression and purification, and antibody quality control. The HuCAL process of production of monoclonal antibodies takes approximately eight weeks, in comparison to four to nine months for traditional conventional monoclonal discovery techniques. In addition, the antibodies produced are highly specific, maintain high production yields, exhibit a high degree of product purity and are capable of being produced in a number of formats, including monovalent or human immunoglobulin G.

Another key advantage of HuCAL phage display is the enhanced control of the selection process. The design of the selection process permits rapid identification of antibodies against specific antigens, the elimination or enhancement of cross reactivity against other antigens (as desired) and the generation of mouse cross-reactive antibodies for use in murine models. The modular design of HuCAL allows straightforward enhancement of affinities and switching among different antibody formats (such as those that activate the immune system or are immunologically silent).

Today, thousands of antibodies have been made using the HuCAL technology, including one commercial product (Tremfya) and several other HuCAL antibodies in clinical development.

## Ylanthia

The Ylanthia antibody library is based on a concept that incorporates desirable antibody characteristics in its design through the selection of optimal framework pairs and design of the complementary determining regions. Ylanthia provides fully human antibody candidates with optimized biophysical properties. This feature, called “developability”, is crucial for modern biologics development and production. In contrast to small molecules, the production of protein-based therapeutics (biologics) is a highly complex process. Final formulation requirements, including the production of proteins soluble at high concentrations in small volumes for subcutaneous injections, further raise the bar for success. Multiple biologics have failed in their development due to a poor “developability” profile. In Ylanthia, properties such as production yield, solubility, monomeric content, lack of immunogenicity, and absence of post-translational modifications have been optimized by the design of the library using 25 years of our protein engineering know-how. The size, sequence correctness and structural diversity also reflect the lessons we learned in modern biologics development in over 100 therapeutic antibody projects.

Key distinguishing and industry-leading features of Ylanthia include:

- Size and heavy/light chain pairing: Ylanthia is one of the industry’s largest known antibody Fab libraries, comprising over 100 billion distinct, fully human antibodies. Ylanthia uses 36 fixed, naturally occurring heavy and light chain framework

combinations, which translates into extensive structural diversity. The library's diversity delivers antibodies against previously inaccessible target molecules and unique epitope coverage;

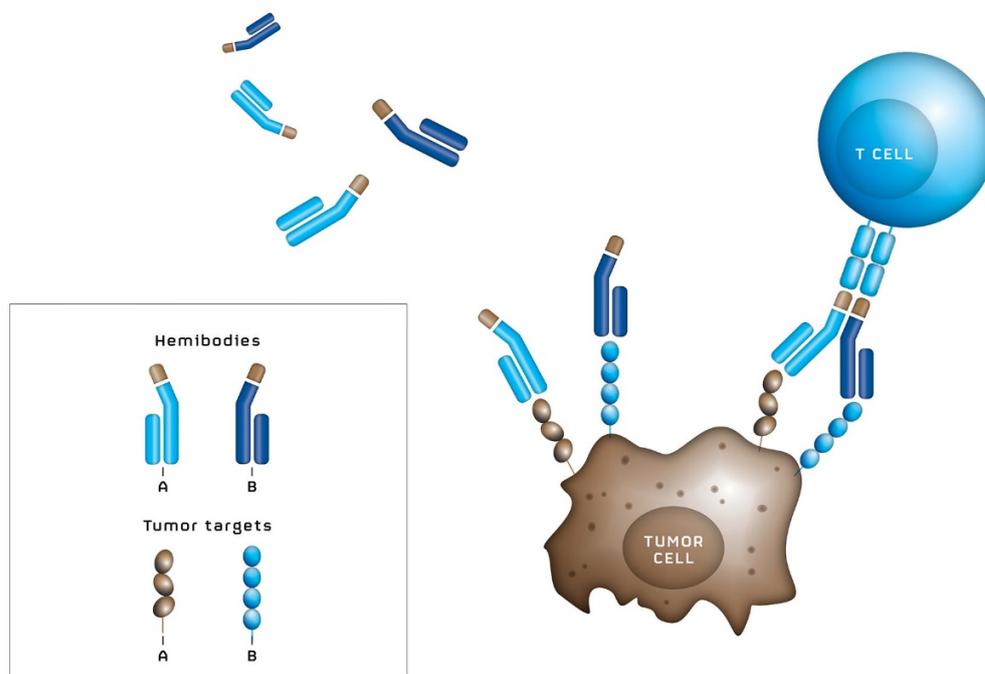
- Enhanced biophysical properties: Antibody frameworks were pre-selected for expression levels, stability and aggregation behavior. A shift towards higher stability and stress tolerance increases shelf life and serum stability of resulting antibody products, which makes them more cost-effective to produce and administer. A higher solubility in turn opens up the path for more convenient formulations for patients, such as subcutaneous administration. These features obviate the need to engineer Ylanthia antibodies, which is common practice with other technologies. By avoiding engineering steps, development timelines are shortened and the risk that Ylanthia antibodies fail in the manufacturing and formulation process is reduced;
- Ability to address antigens that are difficult to target with antibodies, such as G-protein coupled receptors, or GPCRs, which are a very important product target class. This target class is notoriously difficult to address using other antibody technologies. GPCRs are proteins that are embedded in the cellular membrane with only small protruding portions (domains) that are accessible to the antibody. Ylanthia was designed in a way that these small domains can also be targeted;
- Rapid, highly efficient optimization: When needed, antibodies from the Ylanthia library are optimized using our Slonomics® technology. Slonomics is a fully automated DNA synthesis platform that utilizes sets of double-stranded DNA triplets in the controlled fabrication of highly diverse combinatorial gene libraries. With Slonomics, Ylanthia distinguishes itself from HuCAL, which relies on a modular gene design and pre-formed cassettes for antibody optimization; and
- Ylanthia is used in all of our ongoing proprietary discovery projects.

### **Bi- and Multi-specific Antibodies**

There is great synergy between the Ylanthia platform and our other antibody engineering technologies. Specifically, exploiting the use of Ylanthia-derived binders in our innovative bispecific antibody formats that activate T-cells to induce an antitumor immune response across multiple tumor types is one of our focus areas in R&D.

**T-Cell Engagers:** Simultaneous binding of a T-cell engager (TCE) bispecific antibody to CD3 on T-cells and a tumor-associated antigen (TAA) may result in the formation of an immune synapse, a junction formation between the T cell and the tumor cell, and subsequent downstream signaling that may lead to T cell-mediated tumor killing through the degranulation of cytotoxic granules, the release of cytokines that generate a pro-inflammatory tumor microenvironment leading to the recruitment of additional T-cells and to T-cell proliferation and expansion at the tumor site. The "2+1" bispecific antibody format has been developed by MorphoSys. This format, in combination with our Ylanthia-derived anti-CD3 binder, serves as the foundation for MorphoSys' TCE bispecific antibody platform for tackling hematological as well as solid tumors. Structural features allow for bivalent high-avidity binding to the selected TAA, along with one binding site for CD3 on T-cells.

## CyCAT/Hemibody Technology



In November 2020, we announced that we had entered into a licensing agreement with Cherry Biolabs, a spin-off from the University Hospital Würzburg, granting us the rights to apply Cherry Biolabs' innovative, multispecific Hemibody technology to six exclusive targets. This Hemibody technology, in combination with our antibody know-how and technologies, offers the potential to generate novel T-cell engaging medicines with higher precision and better safety profiles for the treatment of cancer patients. We intend to apply the Hemibody technology in the context of our CyCAT Dual Targeting Concept to discover and advance novel Hemibody-based treatment options for patients with hematological and solid cancers. The Hemibody technology could strongly increase the specificity and selectivity of tumor targeting and enable a substantially larger therapeutic window. The core of this technology is a T-cell engaging molecule that is split into two complementary fragments. We use CD3, a clinically well-established target for the engagement of T-cells. This is combined with the concept of dual tumor targeting. One fragment of the split T-cell engager is fused to one tumor-antigen-targeting antibody; the other fragment is fused to a different tumor-antigen-targeting antibody. These two molecules, called hemibodies, circulate freely in the blood stream and activate T-cells only once they bind to the antigen combination expressed on cancer cells. Both antigens must be present on the tumor cell surface for the T-cell engager to become functional and to activate the T-cell. This licensing agreement is part of our strategy to enhance our research efforts and to focus on next-generation modalities for the treatment of cancer and autoimmune disorders.

### Proprietary Clinical Development

Our proprietary clinical development activities are focused on therapeutic agents based on our proprietary technology platforms, candidates in-licensed from other companies and programs co-developed with a partner. During clinical development, we determine whether and at which point to pursue a partnership for later development and commercialization. The drug candidate can then be either completely out-licensed or developed further in cooperation with a pharmaceutical or biotechnology company (co-development). Alternatively, individual projects may be developed on a proprietary basis until they reach the market, with MorphoSys commercializing a product in selected regions.

### Tafasitamab

#### Overview

Tafasitamab (formerly known as MOR208, XmAb5574) is a humanized Fc-modified monoclonal antibody directed against CD19, which is broadly expressed on the surface of B-cells, a type of white blood cell, and is thus a target against B-cell malignancies. On July 31, 2020, the U.S. FDA approved Monjuvi in combination with lenalidomide for the treatment of adult patients with relapsed or refractory diffuse large B-cell lymphoma (r/r DLBCL) not otherwise specified, including DLBCL arising from low grade lymphoma and who are not eligible for autologous stem cell transplant (ASCT). The U.S. FDA decision

represented the first approval of a second-line treatment for adult patients with r/r DLBCL in the U.S. Monjuvi was approved under accelerated approval, and continued approval may be contingent upon verification and description of clinical benefit in a confirmatory trial(s).

In August 2021, the European Commission (EC) granted conditional marketing authorization for Minjuvi (tafasitamab) in combination with lenalidomide, followed by Minjuvi monotherapy, for the treatment of adult patients with r/r DLBCL who are not eligible for ASCT.

Also in August 2021, Health Canada granted conditional marketing authorization to Incyte for Minjuvi in combination with lenalidomide for the treatment of adults with r/r DLBCL not otherwise specified, including DLBCL arising from low grade lymphoma, who are not eligible for ASCT. The related New Drug Submission had been accepted for filing in January 2021.

We are currently investigating tafasitamab for the treatment of various B-cell malignancies, including DLBCL. The focus of the tafasitamab development program has been on DLBCL: We have two studies, L-MIND (phase 2) and B-MIND (phase 2/3), ongoing in r/r DLBCL, and, in May 2021, we announced that the first patient had been dosed in frontMIND, a pivotal phase 3 trial in first-line DLBCL. In April 2021, we, together with Incyte, announced that the first patient had been dosed in the phase 3 inMIND study in patients with r/r follicular lymphoma (FL) and r/r nodal, splenic or extranodal marginal zone lymphoma (MZL).

We are developing tafasitamab pursuant to a collaboration and license agreement that we entered into in June 2010 with Xencor. For more information on this agreement, please refer to Collaboration and License Agreements—Collaboration and License Agreement with Xencor. In addition, at the beginning of 2020, we signed a global collaboration and license agreement to further develop and commercialize tafasitamab granting Incyte U.S. co-commercialization and ex-U.S. commercialization rights for tafasitamab. Under the terms of the agreement, we and Incyte are responsible for the further clinical development of tafasitamab. For more information on this agreement, please refer to Collaboration and License Agreements—Collaboration and License Agreement with Incyte. In November 2020, we, together with Incyte, announced a clinical collaboration with Xencor to investigate the combination of tafasitamab, lenalidomide and Xencor's plamotamab, a tumor-targeted bispecific antibody that contains both a CD20 binding domain and a cytotoxic T-cell binding domain (CD3), in patients with r/r DLBCL, first-line DLBCL, and r/r FL. In August 2021, Incyte announced that it had entered into a collaboration and license agreement with a subsidiary of InnoCare for tafasitamab in Greater China. Under the terms of the agreement, InnoCare received the rights to develop and exclusively commercialize tafasitamab in hematology/oncology in mainland China, Hong Kong, Macao and Taiwan. Incyte holds the development and commercialization rights for tafasitamab outside the U.S., and MorphoSys receives tiered royalties on ex-U.S. net sales.

## **Treatment of B-Cell Malignancies and DLBCL**

B-cell malignancies comprise a heterogeneous group of malignancies, such as Non-Hodgkin's Lymphoma, or NHL, including DLBCL, and leukemias such as acute lymphoblastic leukemia (B-ALL).

First-line treatment of DLBCL most commonly consists of a combination chemotherapy regimen plus rituximab, also referred to as R-CHOP (R, rituximab; CHOP, cyclophosphamide, doxorubicin, vincristine and the corticosteroid prednisone). There is a scientific rationale for combining a CD20-targeting therapy such as rituximab with a CD19-targeting antibody to treat first-line patients. For r/r patients after R-CHOP treatment, there is a rationale for replacing a CD20-targeting approach with a CD19-targeting approach. First of all, CD19 has been shown to be expressed earlier and more broadly during B-cell development than CD20. Secondly, in clinical practice, an anti-CD20 approach is often applied by physicians in the r/r setting, even though patients relapsed on a prior therapy containing an anti-CD20 antibody. In DLBCL, despite the therapeutic success of first-line R-CHOP, up to 40% of patients become refractory to or relapse after initial treatment, with fast progression of disease.

DLBCL patients who are refractory or have relapsed after R-CHOP have a poor prognosis and few therapeutic options. In second-line after R-CHOP treatment, the goal is to achieve a second remission by an alternative salvage chemotherapy regimen (e.g., DHAP, ICE, GDP with or without rituximab). In responding patients who are candidates for transplant (~50%), subsequent HDC with ASCT may be performed as a potentially curative treatment. In non-transplant candidates (e.g., based on comorbidities or older age), less aggressive chemotherapies are recommended (e.g., bendamustine-rituximab, gemcitabine-oxaliplatin, lenalidomide, with or without rituximab). Polatuzumab (Polivy® polatuzumab vedotin-piiq) in combination with bendamustine and rituximab is approved by the European Medicines Agency (EMA) in second-line while it is FDA approved after at least two prior therapies. In third- and subsequent palliative therapy lines, other chemotherapies such as pixantrone or non-cross-reacting combination chemotherapy regimens may be used. In certain circumstances, brentuximab vedotin for CD30+ disease, ibrutinib or lenalidomide in non-GCB-DLBCL may be useful. More recently, three CD-19-directed chimeric antigen receptor-T cell (CAR-T) therapies were approved - Yescarta® (axicabtagene iloleucel), Kymriah® (tisagenlecleucel), and Breyanzi® (lisocabtagene maraleucel) - after two or more lines of therapy for the treatment of r/r DLBCL. It remains to be seen, however, what proportion of r/r DLBCL patients will be considered to be eligible for such therapies and how broadly such therapies will be available in the foreseeable future. For those DLBCL patients who are not eligible for HDC and ASCT or for

CAR-T therapies, current treatment options are limited and there remains a high unmet need for the development of novel therapies.

We currently forecast an opportunity as a second- and later-line treatment in r/r DLBCL of approximately 10,000 eligible patients per year in the U.S. and approximately 14,000 eligible patients per year in Europe who are not eligible for high-dose chemotherapy (HDC) and ASCT. As a potential first-line treatment in DLBCL, we believe there is currently a market opportunity of 30,000 patients in the U.S. and 40,000 patients in Europe.

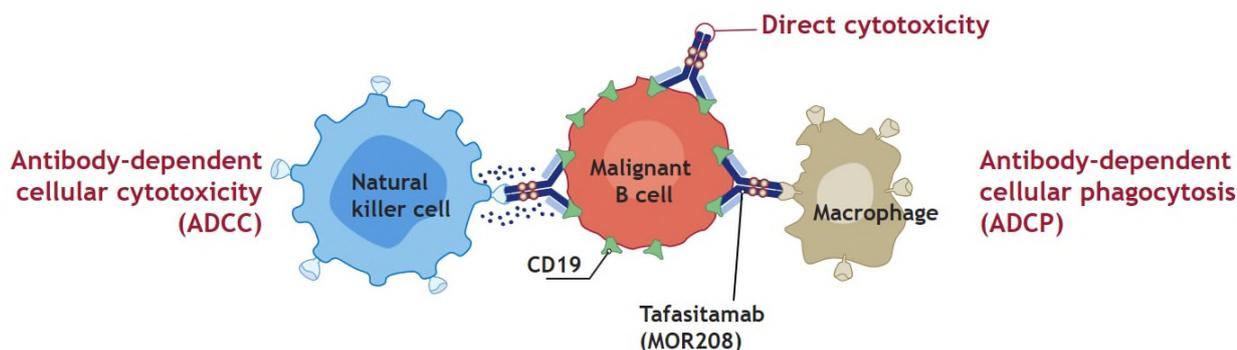
Approximately 2,000 patients have been treated with Monjuvi in the U.S. since its launch. We are therefore concentrating our efforts on Monjuvi's further commercialization where we believe many more patients could benefit from treatment.

## Tafasitamab for Treatment of B-Cell Malignancies, including DLBCL

### Tafasitamab—Proposed Mechanism of Action

Tafasitamab binds to the CD19 antigen, which is broadly and homogeneously expressed across various B-cell derived blood cancers. According to preclinical findings, CD19 can enhance B-cell receptor signaling, which is important for B-cell survival and is considered an important therapeutic target for the treatment of B-cell-related lymphomas and leukemias.

The suggested mechanism of action of tafasitamab is as follows: The Fc-modified antibody tafasitamab binds to the CD19 antigen on the surface of blood cancer cells. This attracts the immune system's natural killer cells and/or macrophages. Natural killer cells and macrophages bind to the cancer cells through the tafasitamab antibody and kill them through antibody-dependent cell-mediated cytotoxicity (ADCC) and antibody-dependent cellular phagocytosis (ADCP). Tafasitamab's modified Fc region is designed to increase the effectiveness of the body's immune reaction to cancer cells. In addition to its immune-mediating functions, the binding of tafasitamab to CD19 may also lead to the direct killing of the tumor cells, or direct cytotoxicity. The below figure depicts the suggested mechanisms of action of tafasitamab:



We believe that Monjuvi offers a differentiated therapeutic approach in DLBCL. For r/r DLBCL patients who are ineligible for or not willing to undergo HDC and ASCT, for whom available treatment options are limited.

### Development of Tafasitamab

Tafasitamab has been or is being investigated in several clinical trials as either a monotherapy or in combination with other therapies in the following diseases: DLBCL, FL/MZL and B-ALL.

The focus of tafasitamab's clinical development is in NHL. In DLBCL, we intend to position tafasitamab as a backbone treatment for all patients suffering from DLBCL, irrespective of the line of treatment or the possible combination treatment. Both the L-MIND and B-MIND studies are focused on those patients with r/r DLBCL who are not candidates for HDC and ASCT. The frontMIND study is focused on patients with untreated newly diagnosed DLBCL.

MorphoSys is responsible for conducting frontMIND, a pivotal phase 3 study in first-line DLBCL. Incyte is responsible for conducting inMIND, a pivotal phase 3 study in r/r FL/MZL. Incyte is also responsible for conducting a phase 1b combination study of its PI3K delta inhibitor piasclisib with tafasitamab in various r/r B-cell malignancies. MorphoSys and Incyte share responsibility for initiating additional global clinical trials.

Expected to start in 2022, is the MINDway study, a phase 1b/2 study evaluating the safety of a modified dosing of tafasitamab in combination with lenalidomide in the same population as L-MIND to enable less frequent dosing in patients with r/r DLBCL.

In November 2020, we, together with Incyte, announced a clinical collaboration with Xencor to investigate the combination of tafasitamab, lenalidomide and Xencor's plamotamab, a tumor-targeted bispecific antibody that contains both a CD20 binding domain and a cytotoxic T-cell binding domain (CD3), in patients with r/r DLBCL, first-line DLBCL, and r/r FL. Under the terms of the agreement, the companies plan to initiate a phase 1/2 study evaluating the combination of tafasitamab, plamotamab and lenalidomide in patients with r/r DLBCL. Additionally, the companies are planning to evaluate the combination in r/r FL and first-line DLBCL in multiple phase 1b studies. We and Incyte will provide tafasitamab for the studies, which will be sponsored and funded by Xencor and are planned to be conducted in North America, Europe and Asia-Pacific.

### Active Clinical Combination Trials

Currently six clinical combination studies with tafasitamab are ongoing—L-MIND, firstMIND, frontMIND, inMIND, B-MIND and topMIND.

**L-MIND:** The L-MIND study is a phase 2 trial initiated in April 2016 to evaluate tafasitamab in combination with lenalidomide in patients suffering from r/r DLBCL. The trial was designed as an open-label, single-arm study with the primary endpoint being objective response rate (ORR) by an independent review committee (IRC) and with multiple secondary endpoints, including progression-free survival (PFS), overall survival (OS) and time to progression (TTP). The trial enrolled patients with r/r DLBCL after up to three prior lines of therapy, with at least one prior therapy including a CD20-targeting therapy, such as rituximab. Patients enrolled could not be candidates for HDC and ASCT. Patient enrollment was completed in November 2017. Detailed data of the primary analysis (cut-off date November 30, 2018, and a follow-up period of at least 12 months for all patients) were presented in June 2019 at the 15th International Conference on Malignant Lymphoma (ICML) in Lugano, Switzerland. The 81 patients enrolled had a median age of 72 years and a median of two prior therapies. 61/81 (75%) were in advanced Ann Arbor stage III/IV; 36/81 (44%) were refractory to the last prior therapy line and 33/81 (41%) were rituximab-refractory in any line. Efficacy results of the primary analysis were based on 80 patients who received the tafasitamab plus lenalidomide combination and were assessed by an IRC. The ORR was 60% (48 out of 80 patients), and the complete response (CR) rate was 43% (34 out of 80 patients). 88% of the CRs were PET (positron emission tomography) confirmed. Consistently high activity was observed in relevant patient subgroups. Responses were durable with a median duration of response (DoR) of 21.7 months (95% CI 21.7—NR), especially in patients who achieved a CR (median not reached (NR); 95% CI 21.7—NR). The median (PFS) was 12.1 months with a median follow-up of 17.3 months. Median OS was not reached (95% CI 18.3 months—NR) with a median follow-up time of 19.6 months. The 12-month OS rate was 73.7%.

In May 2020, MorphoSys and Incyte announced updates on the L-MIND study. The data (November 30, 2019 data cut-off date) confirmed the previously reported results of the primary analysis. In this long-term analysis of the L-MIND data, 80 study patients treated with tafasitamab plus lenalidomide were included in the efficacy analysis. After a minimum two-year follow-up, outcomes from the L-MIND study were consistent with the primary analysis and confirmed the DoR and OS after treatment with tafasitamab plus lenalidomide, followed by tafasitamab monotherapy in patients with r/r DLBCL who are ineligible for ASCT. At the data cut-off date, an assessment by an IRC showed an ORR of 58.8% (47 out of 80 patients) and a CR rate of 41.3% (33 out of 80 patients). The median DoR was 34.6 months, the median OS was 31.6 months, and the median PFS was 16.2 months. The safety profile was also consistent with that observed in earlier reported data from the combination of tafasitamab plus lenalidomide. The complete results were presented at the 25th European Hematology Association (EHA) Annual Congress in June 2020. In December 2020, during the 62nd American Society of Hematology (ASH) Annual Meeting & Exposition, subgroup analyses of these long-term data were presented. The benefit was especially pronounced for patients who were treated with tafasitamab and lenalidomide as a second-line treatment, when their disease relapsed the first time or their disease did not respond to 1L therapy. Patients with 1 prior line of therapy had a trend for better outcomes than those with 2 prior lines: ORR, 67.5% vs 47.5%; 24-month OS rate, 67.9% vs 46.3%. The 24-month DOR rate was similar by the number of prior lines (1 prior line: 67.9% [95% CI: 42.5–84.0] vs 2 prior lines: 77.8% [95% CI: 51.1–91.0]).

The safety profile in L-MIND was characterized by hematological toxicity, with the most frequent adverse event (AE) being neutropenia (grade 3 48%) which was well manageable. Febrile neutropenia occurred in 13% of patients during the entire treatment duration. Infection-related AEs were typically of lower grade. Non-hematological toxicities were also of lower grade and characterized by gastrointestinal toxicities such as diarrhea, decreased appetite, constipation or nausea or vomiting and skin toxicity such as rash. Of note, the rate of infusion-related reactions was very low at 6% and only of grade 1. The incidence and severity of treatment-emergent adverse events (TEAEs) were lower during the tafasitamab monotherapy phase.

In June 2021, we and Incyte announced new three-year follow-up data from the L-MIND study. The new results, based on an October 30, 2020 data cut-off, built on previous findings showing durable responses and a consistent safety profile of tafasitamab in combination with lenalidomide followed by tafasitamab monotherapy. A total of 80 out of 81 enrolled study patients receiving tafasitamab plus lenalidomide were included in the efficacy analysis at approximately three years follow-up ( $\geq 35$  months). The long-term analysis, as assessed by an IRC, showed that patients treated with tafasitamab plus lenalidomide

had an ORR of 57.5%, including a CR rate of 40%. Additionally, the median DoR was 43.9 months, with a median OS of 33.5 months and median PFS of 11.6 months.

RE-MIND: In October 2019, we announced topline results from the primary analysis of the retrospective observational matched control cohort (RE-MIND). This study was designed to compare the effectiveness of lenalidomide monotherapy based on real-world patient data with the efficacy outcomes of the tafasitamab-lenalidomide combination in our L-MIND trial. RE-MIND collected outcome data from 490 non-transplant eligible patients with r/r DLBCL who had received lenalidomide monotherapy in the U.S. and the European Union in a real-world setting. Qualification criteria for matching patients of both studies were pre-specified. As a result, 76 eligible RE-MIND patients were identified and matched 1:1 to 76 of 80 L-MIND patients based on important baseline characteristics. Objective responses were validated based on this subset of 76 patients in RE-MIND and L-MIND, respectively. The primary endpoint of RE-MIND was met and showed a statistically significant superior best ORR of the tafasitamab-lenalidomide combination compared to lenalidomide monotherapy. The ORR was 67.1% (95% CI: 55.4-77.5) for the tafasitamab-lenalidomide combination, compared to 34.2% (95% CI: 23.7-46.0) for the lenalidomide monotherapy ( $p < 0.0001$ ; odds ratio 3.89 [95% CI 1.90, 8.14]). Superiority was consistently observed across all secondary endpoints, including CR rate (tafasitamab-lenalidomide combination 39.5% [95% CI: 28.4-51.4] versus lenalidomide monotherapy 11.8% [95% CI: 5.6-21.3];  $p < 0.0001$ ), as well as in pre-specified statistical sensitivity analyses. In addition, there was a significant difference observed in OS, which was not reached in the tafasitamab-lenalidomide combination, compared to 9.4 months in the lenalidomide monotherapy (hazard ratio 0.47; CI: 0.30-0.73;  $p < 0.0008$ ). At the annual meeting of the American Society of Clinical Oncology (ASCO) in May 2020, the results of the comparison of L-MIND to RE-MIND were presented.

RE-MIND2: In December 2021, additional real-world evidence results from the RE-MIND2 study comparing tafasitamab in combination with lenalidomide against the most frequently used treatments in adult patients with r/r DLBCL were presented at the 2021 ASH Annual Meeting. These treatments included 1) polatumuzumab vedotin plus bendamustine and rituximab (Pola-BR); 2) rituximab plus lenalidomide (R2); and 3) CAR-T therapies.

Specifically, the study showed the following results:

- A significant improvement in median overall survival (OS) was observed for tafasitamab plus lenalidomide with 20.1 months compared to pola-BR with 7.2 months ( $p = 0.038$ ), and 24.6 months for tafasitamab plus lenalidomide compared to 7.4 months for R2 ( $p = 0.014$ ).
- A comparable median OS benefit was observed with tafasitamab plus lenalidomide with 22.5 months compared to CAR-T with 15 months, however, these results were not statistically significant.
- ORR, a key secondary endpoint, was statistically significantly higher for tafasitamab plus lenalidomide with 63.6% versus R2 with 30.3% ( $p = 0.013$ ).
- Tafasitamab plus lenalidomide also achieved a significantly higher CR rate, a key secondary endpoint, with 39.4% versus 15.2% for R2 ( $p = 0.0514$ ).
- While safety endpoints were not included in this study, the most common adverse events (AEs) associated with tafasitamab plus lenalidomide were feeling tired or weak, diarrhea, cough, fever, swelling of lower legs or hands, respiratory tract infection and decreased appetite. Warnings and Precautions for Monjuvi included infusion-related reactions (6%), serious or severe myelosuppression (including neutropenia (50%), thrombocytopenia (18%), and anemia (7%)), infections (73%) and embryo-fetal toxicity. Neutropenia led to treatment discontinuation in 3.7% of patients. The most common adverse reactions ( $\geq 20\%$ ) were neutropenia, fatigue, anemia, diarrhea, thrombocytopenia, cough, pyrexia, peripheral edema, respiratory tract infection, and decreased appetite.

At the end of 2019, we submitted a BLA to the U.S. FDA for tafasitamab for the treatment of r/r DLBCL. The BLA submission was based on the primary analysis data from the L-MIND trial, the retrospective observational matched control cohort RE-MIND and the phase 2 NHL study evaluating the efficacy and safety of r/r DLBCL patients who received tafasitamab monotherapy. In March 2020, we announced that the BLA had been accepted for filing by the U.S. FDA and granted priority review, with a PDUFA goal date of August 30, 2020. On July 31, 2020, the U.S. FDA granted accelerated approval to Monjuvi in combination with lenalidomide for the treatment of adult patients with r/r DLBCL not otherwise specified, including DLBCL arising from low grade lymphoma, and who are not eligible for ASCT. The clinical data in the U.S. FDA prescribing information showed an ORR of 55% (39/71 patients; primary endpoint) and a CR rate of 37%. The mDOR was 21.7 months.

On August 26, 2021, we and Incyte announced that the European Commission had granted conditional marketing authorization for Minjuvi (tafasitamab) in combination with lenalidomide, followed by Minjuvi monotherapy, for the treatment of adult patients with r/r DLBCL who are not eligible for ASCT. The approval was based on data from the L-MIND study, supported by RE-MIND. In July 2021, the Committee for Orphan Medicinal Products (COMP) confirmed the orphan drug designation status of Minjuvi, agreeing that sufficient justification had been provided that Minjuvi may be of significant benefit to patients with this disease.

On August 24, 2021, Health Canada granted conditional marketing authorization to Incyte for Minjuvi in combination with lenalidomide for the treatment of adults with r/r DLBCL not otherwise specified, including DLBCL arising from low grade lymphoma, who are not eligible for ASCT. The related New Drug Submission had been accepted for filing in January 2021.

In January 2021, we and Incyte announced that the Swiss Agency for Therapeutic Products (Swissmedic) had accepted the MAA for tafasitamab. The MAA seeks approval for tafasitamab, in combination with lenalidomide, followed by tafasitamab monotherapy, for the treatment of adult patients with r/r DLBCL, including DLBCL arising from low grade lymphoma, who are not candidates for ASCT. With the acceptance, the MAA entered the formal review process by Swissmedic.

**FirstMIND:** We initiated the phase 1b firstMIND trial with tafasitamab in frontline DLBCL at the end of 2019. The study is an open-label, randomized, two arm multicenter study to evaluate the safety and preliminary efficacy of tafasitamab or tafasitamab and lenalidomide in addition to R-CHOP in adult patients with newly diagnosed, previously untreated DLBCL. A total of 66 patients were enrolled; 33 patients in each arm received a planned six cycles of treatment. The primary endpoint is the incidence and severity of TEAEs; key secondary endpoints are ORR and PET-negative CR rate at the end of treatment. Preliminary data from firstMIND were presented in December 2020 during the ASH Annual Meeting. Updated preliminary data presented at ASH 2021 showed a preliminary overall response rate of 90.9% versus 93.9%, respectively, in a patient population that had an overall poor prognosis. The combination of tafasitamab, lenalidomide and R-CHOP had an acceptable and manageable safety profile.

**FrontMIND:** Based on the preliminary results from the firstMIND trial, we and Incyte announced on May 11, 2021, that the first patient had been dosed in frontMIND, a pivotal phase 3 trial of tafasitamab in first-line DLBCL. FrontMIND is evaluating tafasitamab and lenalidomide in addition to R-CHOP compared to R-CHOP alone as first-line treatment for high-intermediate and high-risk patients with untreated newly diagnosed DLBCL. The study is planned to enroll up to 880 patients. On November 11, 2021, we provided an update on the frontMIND study, indicating that enrollment was going well and that additional sites were being added in the United States to satisfy investigator and patient interests. Topline data from the trial are expected in the second half of 2025.

**InMIND:** On April 19, 2021, we and Incyte announced that the first patient had been dosed in the phase 3 inMIND study. InMIND is a global, double-blind, placebo-controlled, randomized phase 3 study evaluating whether tafasitamab and lenalidomide as an add-on to rituximab provides improved clinical benefit compared with lenalidomide alone as an add-on to rituximab in adult patients with r/r FL grade 1 to 3a or r/r nodal, splenic or extranodal MZL. The study is expected to enroll a total of over 600 patients. The primary endpoint of the study is PFS in the FL population, and the key secondary endpoints are PFS and OS in the overall population as well as PET-CR at the end of treatment in the FL population. Topline data from the inMIND study are expected in the second half of 2023.

**B-MIND:** The B-MIND trial is a phase 2/3 randomized, multicenter study in which patients are randomized 1:1 to receive either tafasitamab in combination with bendamustine or rituximab in combination with bendamustine. The study was initiated in September 2016 at 180 centers across Europe, the Asia/Pacific region and the United States and aims to enroll patients with r/r DLBCL. Patients must have been treated previously with at least one but not more than three prior lines of therapy, including one CD20-targeted therapy, such as rituximab, and must not be candidates for HDC and ASCT. In June 2017, the phase 3 part of B-MIND commenced. Prior to that, the Independent Data Monitoring Committee (IDMC) of the trial had supported its continuation as per protocol and the transition of the study into its phase 3 part based on the available data from the phase 2 safety evaluation. In the first quarter of 2019, after consultation with the U.S. FDA, we amended the study by including a co-primary endpoint based on a biomarker, defined as a low baseline peripheral blood natural killer (NK) cell count. Patients with a low number of NK cells (defined as 100 or fewer NK cells per microliter of blood) at study entry represent approximately 50% of the total study population and are believed to exhibit a less favorable response to anti-CD20-based therapies. In November 2019, the B-MIND study successfully passed the pre-planned, event-driven interim analysis for futility. An IDMC assessed efficacy data in both the overall patient population as well as in the biomarker-positive subpopulation and recommended to increase the number of patients from 330 to 450. The study has been in the phase 3 part since mid-2017 and has been fully recruited as of June 2021. The regulatory significance of the B-MIND study has decreased as both FDA and EMA have approved Monjuvi and Minjuvi, respectively, based on L-MIND data. Long-term safety data of B-MIND are required by the EMA as an obligation for the conditional marketing authorization. As such, the event-driven primary analysis has been removed from the planned analyses; all final analyses of primary and secondary endpoints will be performed in mid-2024.

**TopMIND:** The topMIND trial is a single-arm, open-label, phase 1b/2a, multicenter basket study to evaluate whether tafasitamab and parsaclisib can be safely combined at the recommended phase 2 dose and dosing regimen that was established for each of the two compounds as a treatment option for adult participants with r/r B-cell malignancies. Participants will be assigned to disease-specific cohorts based on the histology of their underlying disease: Cohort 1 - r/r DLBCL, Cohort 2 - r/r MCL, Cohort 3 - r/r FL, Cohort 4: r/r MZL and Cohort 5 - r/r CLL/SLL. The primary outcomes of the phase 1b part of the trial

will be number of TEAEs and incidence of dose-limiting toxicities. Key secondary objectives include ORR for the phase 2a part and various pharmacokinetic (PK) measures. The topMIND trial was initiated in 2021 and is sponsored by our partner, Incyte.

### **Expanded Access Program**

On February 4, 2020, we announced the initiation of an expanded access program, or EAP, in the U.S. for tafasitamab. The EAP provided access to tafasitamab for use in certain adult patients with r/r DLBCL in combination with lenalidomide. According to the U.S. FDA, EAPs, sometimes called “compassionate use”, provide a pathway for a patient to receive an investigational medicine for a serious disease or condition. The EAP was available for a limited time while the U.S. FDA reviewed our BLA for tafasitamab. As part of this commitment, the companies launched My Mission Support, a robust patient support program offering financial assistance, ongoing education and other resources to eligible patients who are prescribed Monjuvi in the United States. Program information is available online at [www.MyMissionSupport.com](http://www.MyMissionSupport.com). Before Monjuvi launched, we provided certain patients in the U.S. with access to tafasitamab free of charge through this EAP. This protocol-based US EAP was closed after the launch of Monjuvi in the U.S.

### **Commercialization of Monjuvi®**

Please see section “U.S. Commercial Operations”

### **Pelabresib**

#### **Overview**

Pelabresib, also known as CPI-0610, is a small molecule designed to promote anti-tumor activity by selectively inhibiting the function of BET proteins to decrease the expression of abnormally expressed genes in cancer.

BET proteins are epigenetic readers that turn on specific genes by binding unique regions of the genome through their ability to read specific chemical tags on chromatin. In some instances, BET proteins turn on genes that are abnormally expressed in a variety of human cancers. BET inhibitors downregulate the expression of oncogenes, which are key genes that have the potential to cause cancer, such as MYC or NF-κB target genes, and effectively kill many cancer cell lines in in vitro models. These observations resulted in the generation and clinical investigation of BET inhibitors in several cancer subtypes. Preclinical activity was observed in cancer subtypes that are driven by NF-κB signaling.

A combination of Constellation's preclinical studies, as well as translational insights from the first-in-human study of pelabresib, led to prioritizing the clinical development of pelabresib in myelofibrosis (MF).

We are currently conducting two clinical trials of pelabresib in patients with MF - the phase 2 MANIFEST trial and the phase 3 MANIFEST-2 trial. Following the acquisition of Constellation, we took measures to optimize the design and that are intended to improve the speed of enrollment of the MANIFEST-2 trial.

In October 2018, the U.S. FDA granted Fast Track designation to pelabresib for the treatment of MF. The FDA grants Fast Track designation to facilitate the development and expedite the review of drugs to treat serious or life-threatening diseases and fill unmet medical needs. A drug that receives Fast Track designation is eligible for more frequent meetings with the FDA to discuss the drug's development plan and ensure collection of appropriate data needed to support drug approval, more frequent written communication about the design of the proposed clinical trials and use of biomarkers, eligibility for accelerated approval and priority review, and rolling review.

As part of MorphoSys' agreement with Royalty Pharma, Royalty Pharma is entitled to receive 3% of future net sales of pelabresib.

### **Description of Myelofibrosis and Current Treatment**

MF is a form of bone marrow cancer that disrupts the body's normal production of blood cells. It causes fibrosis (scarring) of the bone marrow, leading to severe anemia as well as thrombocytopenia. MF have enlarged spleens as well as many other physical symptoms, including abdominal discomfort, bone pain and extreme fatigue.

There are limited treatment options for patients with MF. Currently the JAK inhibitors ruxolitinib and fedratinib are the only approved products for MF, and there are no approved products for patients whose MF progresses after treatment with these products. Ruxolitinib is the current standard of care in intermediate- to high-risk MF. Ruxolitinib inhibits dysregulated janus kinase 1 and 2 (collectively referred to herein as “JAK”), signaling that is associated with MF. Ruxolitinib treatment leads to spleen volume reduction and symptom improvement in MF patients. However, its side effects include anemia and thrombocytopenia. The SIMPLIFY-1 study is a phase 3 trial of momelotinib, a JAK1/2 inhibitor, versus ruxolitinib in JAK-naïve patients with MF. In this study, the rate of transfusion dependence increased from 24% to 40.1% at 24 weeks of treatment

with ruxolitinib. Ruxolitinib has not been shown to significantly reverse bone marrow fibrosis, a condition that has been documented as a primary cause of morbidity and mortality in MF. As a result of these factors, many patients cannot, or choose not to, initiate ruxolitinib therapy. Many other patients may not tolerate treatment with, or will have an insufficient response to, ruxolitinib. Patients generally have a poor survival prognosis following discontinuation of therapy with ruxolitinib.

Approximately 4–6 per 100,000 people in the U.S. are diagnosed with MF, most of whom are intermediate- or high-risk patients. There are limited treatment options for patients with MF. We believe there are approximately 30,000 to 35,000 intermediate- or high-risk MF patients in the United States and Europe that are eligible for systemic treatment, including ruxolitinib. Incyte, which markets ruxolitinib (Jakafi®), has estimated that about half of these eligible patients in the United States receive treatment with ruxolitinib. Ruxolitinib, a JAK1/2 inhibitor, is the current standard of care for intermediate- and high-risk MF patients. Many of these eligible patients do not initially receive treatment with ruxolitinib. For example, patients with low red blood cell or platelet counts are ineligible to receive ruxolitinib. Fedratinib is a second JAK1/2 inhibitor approved for use in treating MF. Patients who become refractory to, or discontinue therapy with, ruxolitinib and fedratinib generally have a poor survival prognosis. Currently approved drugs for the treatment of patients suffering from MF offer symptomatic improvement and are generally not considered to be disease-modifying.

### **Pelabresib—Potential Mechanism of Action**

Abnormal BET function has been implicated in cancer through several means, including chromosomal translocation and gene amplification and overexpression whereby oncogenic and inflammatory signals are turned on in cancer cells through altered BET activity.

Of note, BET proteins control the expression of the target genes of NF- $\kappa$ B, a key immune signaling pathway that is abnormally activated in various diseases, including cancer and immune disorders. NF- $\kappa$ B signaling has been shown to be abnormally high in some hematological malignancies, such as MF and activated B-cell-like diffuse large B-cell lymphoma (ABC-DLBCL). In preclinical studies in MF, animals treated with BET inhibitors alone or in combination with a JAK inhibitor displayed a reduction in NF- $\kappa$ B target gene expression, improvement in bone marrow fibrosis, and reduced disease burden.

In addition, BET proteins promote the generation of megakaryocytes from hematopoietic stem cells. We believe that the blood cells responsible for bone marrow fibrosis in MF are dysfunctional megakaryocytes, which proliferate and produce inflammatory molecules in part through elevated NF- $\kappa$ B signaling. Additionally, compromised erythroid differentiation (the process by which immature bone marrow derived cells specialize and become red blood cells) leads to anemia in MF patients. By blocking BET protein function with pelabresib, we believe that we promote erythroid cell differentiation which may result in improved hemoglobin levels and ameliorate anemia in patients with MF. As the result of the effect on both erythroid and megakaryocyte differentiation, we believe that pelabresib has the potential to improve the health of the bone marrow of MF patients.

### **Development of Pelabresib**

Results from preclinical studies, as well as translational insights from the first-in-human study of pelabresib, led to prioritizing the clinical development of pelabresib in MF. There are currently two trials ongoing evaluating pelabresib in this indication.

### **Active Clinical Trials**

MANIFEST: The MANIFEST is a global, multicenter, open-label, phase 2 study that evaluates pelabresib as monotherapy or in combination with ruxolitinib, the current standard of care. In Arm 3 of this study, pelabresib is being evaluated in combination with ruxolitinib, in JAK-inhibitor-naïve MF patients, with a primary endpoint of the proportion of patients with a  $\geq 35\%$  spleen volume reduction from baseline (SVR35) after 24 weeks of treatment. Pelabresib is also being evaluated in a second-line setting (2L) either as a monotherapy in patients who are resistant to, intolerant of, or ineligible for ruxolitinib and no longer on the drug (Arm 1), or as add-on therapy to ruxolitinib in patients with a sub-optimal response to ruxolitinib or MF progression (Arm 2). Patients in Arms 1 and 2 are being stratified based on transfusion-dependent (TD) status. The primary endpoint for the patients in cohorts 1A and 2A, who were TD at baseline, is conversion to transfusion independence for 12 consecutive weeks. The primary endpoint for patients in cohorts 1B and 2B, who were not TD at baseline, is the proportion of patients with a SVR35 after 24 weeks of treatment.

Constellation presented preliminary clinical and translational data from MANIFEST for pelabresib in combination with ruxolitinib and as a monotherapy at the ASH Annual Meeting in December 2020, based on a September 29, 2020 data cutoff date. The preliminary data, which are summarized below, reflect an analysis of 63 1L patients in Arm 3 and 94 2L or later patients in Arms 1 and 2.

Arm 3: Combination of Pelabresib and Ruxolitinib in JAK-Inhibitor-Naïve Patients (1L)

In Arm 3, the combination of pelabresib and ruxolitinib is being evaluated in JAK-inhibitor-naïve patients with MF. Patients are treated with pelabresib according to the schedule as in Arm 1 and receive a starting dose of either 10 mg or 15 mg twice per day of ruxolitinib, depending on the platelet count at baseline, up to a maximum dose of 25 mg twice per day.

	<b>Arm 3</b>
SVR35 at 24 weeks(1)	42 of 63 evaluable (67%)
SVR (%), median change at 24 weeks	(50)%
TSS50 at 24 weeks(1)	34 of 60 evaluable (57%)
TSS (%), median change at 24 weeks	-0.59

(1) Patients are evaluable for efficacy at week 24 if they had a week 24 spleen volume assessment or TSS (Total Symptom Score) assessment, as applicable, by the data cutoff date or discontinued prior to week 24 for any reason.

#### Arm 1: Pelabresib Monotherapy in Ruxolitinib-Relapsed, - Refractory, -Intolerant or -Ineligible Patients (2L)

In Arm 1, we are evaluating pelabresib, as a monotherapy in ruxolitinib-refractory or -relapsed or -intolerant or -ineligible patients with MF. Patients are treated in a 21-day dosing cycle and are administered pelabresib starting at 125 mg once per day, which may be titrated up to 225 mg, with 14 days on treatment and seven days off treatment.

	<b>Arm 1A: TD</b>	<b>Arm 1B: non-TD</b>
SVR35 at 24 weeks(1)	1 of 13 evaluable (8%)	7 of 23 evaluable (30%)
SVR (%), median change at 24 weeks	-0.11	-0.29
TSS50 at 24 weeks(1)	1 of 13 evaluable (8%)	10 of 21 evaluable (48%)
TSS (%), median change at 24 weeks	-0.22	-0.56
TD to TI conversion(3)	3 of 14 evaluable (21%)	N/A
Median duration of TI	32 weeks	N/A

(1) Patients are evaluable for SVR35 or TSS50 at week 24 if they had a week-24 assessment by the data cutoff date or discontinued treatment after having a week-12 assessment.

(2) Patients are evaluable for hemoglobin increase if they had been on treatment for at least 12 weeks and did not have any transfusions for 12 weeks prior to starting treatment.

(3) Patients are evaluable for conversion to TI if they started treatment at least 24 weeks prior to the data cutoff date or if they had been on treatment for at least 12 weeks by the data cutoff day and achieved the conversion or would have failed to achieve the conversion by week 24.

#### Arm 2: Pelabresib Add-on to Ruxolitinib in Patients with Suboptimal Response to Ruxolitinib (2L)

In Arm 2, we are evaluating pelabresib in combination with ruxolitinib, in patients with MF with suboptimal response to ruxolitinib. Pelabresib is added to treatment with ruxolitinib and pelabresib is dosed according to the schedule as in Arm 1 and patients continue treatment with ruxolitinib at their last stable dose with no titration of ruxolitinib.

	Arm 2A: TD	Arm 2B: non-TD
SVR35 at 24 weeks(1)	7 of 33 evaluable (21%)	6 of 21 evaluable (29%)
SVR (%), median change at 24 weeks	-0.19	-0.17
TSS50 at 24 weeks(1)	15 of 33 evaluable (46%)	8 of 21 evaluable (38%)
TSS (%), median change at 24 weeks	-0.58	-0.45
TD to TI conversion(3)	13 of 36 evaluable (36%)	N/A
Median duration of TI	27 weeks	N/A

(1) Patients are evaluable for SVR35 or TSS50 at week 24 if they had a week-24 assessment by the data cutoff date or discontinued treatment after having a week-12 assessment.

(2) Patients are evaluable for hemoglobin increase if they had been on treatment for at least 12 weeks and did not have any transfusions for 12 weeks prior to starting treatment.

(3) Patients are evaluable for conversion to TI if they started treatment at least 24 weeks prior to the data cutoff date or if they had been on treatment for at least 12 weeks by the data cutoff day and achieved the conversion or would have failed to achieve the conversion by week 24.

#### Translational Data

Patients are evaluable for improvement in bone marrow fibrosis if they have a baseline bone marrow biopsy and at least one post-baseline biopsy after 24 weeks. Bone marrow assessments were made based on a local pathology read. The translational data for change in bone marrow fibrosis was as of the September 29, 2020 data cutoff date.

In Arm 3, 16 of 48 evaluable patients (33%) with evaluable samples had at least one grade improvement in bone marrow fibrosis, and in 14 of these 16 patients (88%), the improvements occurred within six months of starting treatment in the trial. Two of the 48 evaluable patients had worsening in bone marrow fibrosis.

In Arm 1, 6 of 29 evaluable patients (21%) with evaluable samples had at least one grade improvement in bone marrow fibrosis, and in five of these six patients (83%), the improvements occurred within six months of starting treatment in the trial. Two of the 29 evaluable patients had worsening in bone marrow fibrosis.

In Arm 2, 16 of 39 evaluable patients (41%) with evaluable samples had at least one grade improvement in bone marrow fibrosis, and in 13 of these 16 patients (81%), the improvements occurred within six months of starting treatment in the trial. Three of the 39 evaluable patients had worsening in bone marrow fibrosis.

#### Clinical Safety Data

As of September 29, 2020, pelabresib, both as monotherapy and in combination with ruxolitinib, appeared to be generally well tolerated in each arm of the MANIFEST trial. In Arm 1, 23 patients remained on active treatment and 23 had discontinued. In Arm 2, 40 patients remained on active treatment and 38 had discontinued. In Arm 3, 66 patients remained on active treatment and 12 had discontinued.

The most common TEAEs of any grade irrespective of causality observed in 46 evaluable patients in Arm 1 were nausea, diarrhea, thrombocytopenia, asthenic conditions, dysgeusia, respiratory tract infections, cough, weight decrease and constipation, each of which occurred in 20% or more of patients. A total of 29 patients (63%) reported at least one grade 3 or higher TEAE. A total of 14 patients reported thrombocytopenia of any grade and seven patients reported anemia of any grade. Of the most common TEAEs, those that were grade 3 were thrombocytopenia (seven patients), diarrhea (two patients) and constipation, respiratory tract infection and weight decrease (one patient each). Other grade 3 or higher TEAEs included anemia (six patients), hyperuricemia (four patients), hyperkalemia (three patients) and dyspnea (three patients). Nine patients discontinued treatment due to TEAEs.

The most common TEAEs of any grade irrespective of causality observed in 78 evaluable patients in Arm 2 were diarrhea, thrombocytopenia, respiratory tract infections, nausea, asthenic conditions, cough and dysgeusia, each of which occurred in 20% or more of patients. A total of 35 patients reported thrombocytopenia of any grade and 11 patients reported anemia of any grade. A total of 45 patients (58%) reported at least one grade 3 or higher TEAE. Of the most common TEAEs, those that were grade 3 or grade 4 were thrombocytopenia (18 patients with grade 3 and two patients with grade 4), respiratory tract infection (four patients with grade 4), diarrhea (three patients with grade 3), asthenic conditions (three patients with grade 3) and nausea (two patients with grade 3). A total of eight patients reported anemia of grade 3 and one patient reported anemia of grade 4. Nine patients discontinued treatment due to TEAEs, including six grade 5 TEAEs. The grade 5 TEAEs consisted of acute

kidney injury, traumatic subdural hematoma (patient tripped and fell), brain stem hemorrhage (no concomitant thrombocytopenia), disease progression, congestive heart failure, and transformation to AML.

The most common TEAEs of any grade irrespective of causality observed in 78 evaluable patients in Arm 3 were anemia, thrombocytopenia, diarrhea, dysgeusia, asthenic conditions, musculoskeletal pain, respiratory tract infections, nausea, abdominal pain and dizziness, each of which occurred in 15% or more of patients. A total of 26 patients reported anemia of any grade and 25 patients reported thrombocytopenia of any grade. A total of 34 patients (44%) reported at least one grade 3 or higher TEAE. Of the most common TEAEs, those that were grade 3 or grade 4 were anemia (22 patients with grade 3 and one patient with grade 4) and thrombocytopenia (four patients with grade 4 and two patients with Grade 4). Four patients discontinued treatment due to TEAEs, including two grade 5 TEAEs. The grade 5 TEAEs consisted of one patient with multiorgan failure due to sepsis secondary to bacterial endocarditis and one patient with multiorgan failure due to sepsis secondary to community acquired pneumonia.

On June 11, 2021, Constellation announced that interim data from the MANIFEST trial were presented at the European Hematology Association (EHA) annual meeting. The data were based on a data cut-off of September 29, 2020. In Arm 3 of the study, an interim efficacy subgroup analysis in JAK-inhibitor-naïve patients was presented. Forty-two of 63 evaluable patients (67%) achieved a SVR35 at 24 weeks, achieving the primary endpoint for Arm 3. Thirty-four of 60 evaluable patients (57%) achieved a  $\geq 50\%$  reduction in Total Symptom Scores (TSS50) at 24 weeks. Strong response was observed with pelabresib, irrespective of baseline risk status or demographic and disease characteristics. Central pathology review of 27 1L patient bone marrow samples showed at least a one-grade improvement in bone marrow fibrosis in 9 out of 27 patients (33%); in all of these patients, improvement was observed within six months of starting treatment. Sixteen out of 27 patients (59%) showed stabilization of bone marrow fibrosis, while only one out of 27 patients (4%) showed worsening. An interim analysis of Arms 1 and 2 suggested that pelabresib monotherapy in JAK-inhibitor-experienced or -ineligible patients, and with pelabresib in combination with ruxolitinib in ruxolitinib-experienced patients, may result in improvements in anemia.

In December 2021, updated data from MANIFEST were presented at the 2021 ASH Annual Meeting. At this meeting, the latest interim data from Arm 3 of MANIFEST evaluating pelabresib as a first-line combination with ruxolitinib for patients with MF who had not previously been treated with a JAK inhibitor (JAK inhibitor-naïve) were presented. As of September 10, 2021, the data cut-off, a total of 84 JAK inhibitor-naïve patients had been enrolled in Arm 3 and received the combination. Based on the interim data, 68% (n=57) of patients treated with the combination achieved an SVR35 response at week 24 and 60% (n=47) had SVR35 response at week 48. Most patients also saw their symptoms reduced, with 56% (n = 46) achieving TSS50 from baseline at week 24. At the time of the data cut-off, 53 patients (63% of the 84 patients) were still on treatment. No new safety signals were identified in the study. The most common hematologic adverse events were thrombocytopenia (12%, grade 3/4) and anemia (34%, grade 3/4). Non-hematological events included dyspnea (5%, grade 3) and respiratory tract infections (8%, grade 3/4).

Additional data from Arm 1 of the ongoing MANIFEST trial were also presented in an oral presentation at the 2021 ASH Annual Meeting: pelabresib is being evaluated as a monotherapy in patients with advanced MF who are ineligible to receive, intolerant of, or refractory to JAK inhibitors, a population with very limited therapeutic options. Patients were divided into two cohorts, TD and non-TD. For the TD cohort, the primary endpoint was conversion to transfusion independence for 12 consecutive weeks. In the non-TD cohort, the primary endpoint was SVR35 at week 24. At week 24, 11% (n = 7) of patients reached SVR35. In addition, 31% of patients had a spleen volume reduction of 25% or more (n = 20) at week 24. Across all cohorts, 28% (n = 18) of patients achieved TSS50. No new safety signals were identified in the study. The most common hematologic adverse events were thrombocytopenia (23%, grade 3/4) and anemia (15%, grade 3). Non-hematological events included diarrhea (6%, grade 3) and respiratory tract infections (5%, grade 3).

MANIFEST-2: MANIFEST-2, a global, double-blinded, randomized phase 3 clinical study, is evaluating pelabresib plus ruxolitinib versus placebo plus ruxolitinib in JAK-inhibitor-naïve patients with primary MF or post-essential thrombocythemia (post-ET) or post-polycythemia (post-PV) MF who have splenomegaly and symptoms requiring therapy. Since the acquisition of Constellation, MorphoSys has optimized the study's design by increasing the number of trial participants to 400 patients. Measures have also been taken to improve the speed of enrollment, including adding new contract research organizations (CROs), improving the interaction with investigators, and expanding the number of countries and sites, as well as other measures. With these activities in place, MorphoSys expects to report primary analysis data from this study in the first half of 2024.

## **Felzartamab**

### **Overview**

Felzartamab is an investigational human monoclonal HuCAL-IgG1-antibody directed against a unique epitope of the target molecule CD38. CD38 is a surface antigen broadly expressed on malignant myeloma cells as well as on antibody-producing plasmablasts and plasma cells, the latter playing an important role in the pathogenesis of antibody-mediated autoimmune

diseases. Preclinical and clinical results suggest that felzartamab may have therapeutic activity in autoantibody-mediated autoimmune diseases, and clinical trials are ongoing in two such diseases – membranous nephropathy (MN) and immunoglobulin A nephropathy (IgAN).

MN occurs when the small blood vessels in a part of the kidney, called glomeruli, which filter wastes from the blood, become inflamed and thickened. Around 80% of MN cases are primary and mediated by autoantibodies, with phospholipase A2 receptor (PLA2R) antibody positive MN accounting for up to 85% of all primary MN (Trujillo, 2019; Pozdizk, 2018; Couser 2017). MN is a leading cause of nephrotic syndrome in adults worldwide (Couser, 2017). Nephrotic syndrome results from excreting too much protein in urine due to a kidney disorder. Although 30–40% of MN patients may experience spontaneous remission, 30% of patients experience persistent proteinuria with long-term preservation of renal function, and another 30–50% progress to renal failure within 10–15 years (Trujillo, 2019; Heaf, 1999; Troyanov, 2004). Even if patients do not progress to renal failure, they have an increased risk of life-threatening thromboembolic and cardiovascular events, and are subject to infections (Wagner, 1983; Heaf, 1999; Lee, 2016). In the U.S., the incidence of MN is estimated at 1.2 per 100,000; about 3,000 adults are newly diagnosed every year (McGrogan, 2011).

There currently is no approved standard treatment for MN.

IgAN is the most common form of glomerulonephritis, a group of renal disorders that causes damage to the glomeruli, hindering their ability to carry out their essential functions. In IgAN, a combination of genetic and environmental factors causes patients to produce galactose-deficient IgA (Gd-IgA), whereupon the patients' immune system reacts by producing specific autoantibodies. The binding of these IgG autoantibodies to Gd-IgA leads to the formation of immune complexes in the circulation. The immune complexes then accumulate in the glomerular mesangium where they induce local inflammation, mesangial proliferation, glomerulosclerosis and loss of renal function. Patients with IgAN may experience different symptoms including blood and/or protein leaking into the urine, high blood pressure, interstitial lung disease, glomerulosclerosis (scarring of the kidneys' blood vessels) and a slow progression to chronic kidney disease. About 40% of patients with IgAN progress to end-stage renal disease within 20 years of diagnosis. Worldwide IgAN incidence is estimated at 2.5 per 100,000. Currently there are no approved treatments that can specifically prevent the production of Gd-IgA nor its corresponding autoantibody.

According to Data Bridge Market Research, the U.S. membranous nephropathy market is projected to grow at a CAGR of 5.0% between 2021 and 2028 and is expected to reach US\$ 153.1 million (€ 135.2 million) by 2028. According to Research and Markets, the IgAN market in the seven major markets (United States, Germany, Spain, Italy, France, United Kingdom and Japan) was US\$ 109.3 million (€ 96.5 million) in 2020 and the prevalence has been shown to increase over time.

In October 2019 we initiated a phase 1/2 trial in anti-PLA2R antibody positive membranous nephropathy (MN). The proof-of-concept trial called M-PLACE was fully enrolled in November 2021. Also in November 2021, we announced the presentation of interim results at the 2021 Annual Meeting of the American Society of Nephrology (ASN).

In February 2021, the first patient was dosed in the New-PLACE study, a phase 2 study evaluating different treatment schedules to identify the regimen for a pivotal study in patients with anti-PLA2R antibody positive MN. Enrollment in this study was completed at the end of 2021, and topline data are expected in the second half of 2022.

In October 2021, the Company announced that the first patient had been dosed in the phase 2 IGNAZ trial evaluating felzartamab in patients with IgAN.

### **Description of Anti-PLA2R Antibody Positive Membranous Nephropathy and Current Treatment**

Membranous nephropathy, or MN, is a chronic inflammatory disease of the glomeruli which is characterized by subepithelial deposition of immune complexes at the glomerular basement membrane. The deposition of complexes results in a dysfunctional permeability of the capillary walls of the glomeruli, leading to proteinuria and very frequently to nephrotic syndrome. MN is the most common cause of nephrotic syndrome in non-diabetic Caucasian adults over 40 years of age. There are about 90,000 patients affected in the U.S., France, Germany, Italy, Spain and United Kingdom (derived from Couser, CJASN, 2017). According to Couser, CJASN, 2017, MN has an estimated annual U.S. incidence of 1:100,000. The disease is very often driven by the presence of autoantibodies targeting the phospholipase A2 receptor 1 (PLA2R), specifically in patients with primary membranous nephropathy. Up to 85% of these patients are PLA2R-positive. The anti-PLA2R antibody titer is also suitable as a prognostic marker to evaluate and monitor the disease course and therapy. There is a significant correlation between the anti-PLA2R antibody titer and the disease activity and severity.

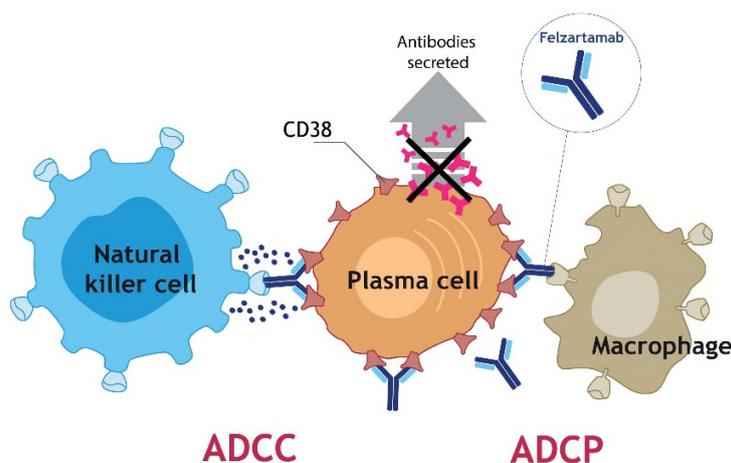
Currently, there are no approved treatments available for patients with MN. Current treatment mainly comprises various non-immunosuppressive drugs (e.g., ACE inhibitors or angiotensin receptor blockers, statins, and diuretics), off-label use of conventional immunosuppressive drugs (e.g., cyclophosphamide combined with steroids, calcineurin inhibitors, mycophenolat-

Mofetil) and off-label use of B-cell depleting agents such as anti-CD20 antibodies (KDIGO 2020; Ronco, 2021). There remains a high unmet need for effective therapy with a favorable risk-benefit profile that can support earlier initiation of immunosuppressive therapy for patients with MN. Thus, targeting plasma cells that produce autoantibodies with an anti-CD38 antibody might provide clinical benefit and serve as a new treatment option for this disease.

### Felzartamab — Suggested Mechanism of Action

Felzartamab is our anti-CD38 antibody candidate, which is currently being developed in MN and by our partner I-Mab in multiple myeloma (MM). The antibody's key activities are antibody-dependent cellular cytotoxicity (ADCC) and antibody-dependent cellular phagocytosis (ADCP). It does not involve complement-dependent cytotoxicity (CDC), an additional mechanism involved in tumor cell killing that has been associated with infusion-related reaction (IRR). In consequence, one of the key features of felzartamab is a low frequency of IIRs, allowing for an infusion time as short as 30 minutes.

The figure below depicts the suggested mechanism of action of felzartamab toward either multiple myeloma (MM) cells or autoantibody-producing plasma cells:



### Development of Felzartamab

We are currently investigating felzartamab in three clinical trials - M-PLACE, a phase 1/2 clinical in patients with MN; New-PLACE, a phase 2 study evaluating different treatment schedules to identify the regimen for a pivotal study in patients with MN; and IGNAZ, a phase 2 trial evaluating felzartamab in patients with IgAN.

### Active Clinical Trials

#### Phase 1/2 and Phase 2 Trials with Felzartamab in MN

M-PLACE: In October 2019, we initiated a phase 1/2 trial in MN. The proof-of-concept trial, called M-PLACE, is an open-label, multicenter trial that is primarily assessing the safety and tolerability of felzartamab. Secondary outcome measures are the effect of felzartamab on serum anti-PLA2R antibodies and evaluation of immunogenicity and PK of felzartamab, while an exploratory objective is to determine clinical efficacy. The trial involves hard-to-treat patients with either high anti-PLA2R titers or patients who have progressed after prior treatment. Patient enrollment was completed in November 2021.

In November 2021, we presented interim results from M-PLACE at the 2021 ASN Annual Meeting. The study included 31 patients with primarily medium or high levels of anti-PLA2R antibody titers at baseline and/or patients who were refractory to previous treatments. Of the 27 treated patients with evaluable results, 24 showed an initial rapid reduction of anti-PLA2R antibody levels one week after the first treatment. After 12 weeks of treatment, most patients showed a substantial reduction in autoantibody titer. The observed titer reduction was independent of cohort and suggests successful depletion of CD38-positive plasma cells. The safety profile was consistent with the proposed mechanism of action of felzartamab, and TEAEs were manageable. An early assessment of urine protein: creatinine ratio (UPCR) results at 6 months of treatment showed a decrease in 6 of 10 patients, with 4 patients having a decrease of  $\geq 50\%$  from baseline. The first patient who had already reached the 12-month time point showed a complete immunologic response and a partial clinical response.

We expect to report additional results from this trial in the second half of 2022.

New-PLACE: In February 2021, the first patient was dosed in the New-PLACE study, a phase 2 study evaluating different treatment schedules to identify the regimen for a pivotal study in patients with anti-PLA2R antibody positive MN. Enrollment in this study was completed at the end of 2021, and topline data are expected in the second half of 2022.

### **Phase 2 Trial with Felzartamab in IgAN**

In October 2021, the first patient was dosed in the phase 2 IGNAZ trial evaluating felzartamab in patients with IgAN. This multi-center, randomized, double-blind, parallel-group, placebo-controlled trial is planned to enroll approximately 48 patients and is designed to assess the efficacy, safety and PK/pharmacodynamics (PD) of felzartamab in patients with IgAN. The primary objective of this study is to evaluate the efficacy of felzartamab compared to placebo. The primary endpoint is relative change in UPCR and will be assessed for each patient 9 months after treatment initiation. Study sites are located in Europe, North America and Asia Pacific, excluding Greater China. We expect to report topline data from the IGNAZ study in the fourth quarter of 2022.

## **CPI-0209**

### **OVERVIEW**

CPI-0209 is a small molecule designed to promote anti-tumor activity by specifically inhibiting EZH2, an enzyme that suppresses target gene expression. We believe that targeting EZH2 has the potential for broad therapeutic application in a variety of tumor types. Patient enrollment in a phase 1/2 clinical trial of CPI-0209 is ongoing. The phase 1 portion of the trial evaluated CPI-0209 as a monotherapy in patients with advanced solid tumors. After determining the recommended phase 2 dose, patients are currently being dosed in the phase 2 expansion cohorts in select tumor indications. In June 2021, preliminary data from this trial were presented at the ASCO Annual Meeting.

Royalty Pharma is entitled to receive 3% of future net sales of CPI-0209.

### **CPI-0209 —POTENTIAL MECHANISM OF ACTION**

Historically, the primary focus of EZH2 as a drug target has been the role of EZH2 mutations or overexpression in cancer. We believe these genetically defined approaches to EZH2 inhibition may underestimate the broader therapeutic potential of the target in cancer. EZH2 genomic aberrations and overexpression are frequently correlated with late-stage cancer and a poor prognosis for a wide variety of cancers. Furthermore, EZH2 also cooperates with other cancer-promoting pathways, such as androgen receptor signaling and immune signaling. Therefore, we believe EZH2 inhibition can synergistically enhance the effectiveness of existing cancer therapies.

EZH2 acts as an epigenetic writer and normally regulates gene expression by placing one or more methyl groups on a histone protein leading to the suppression of gene expression programs. While this effect of EZH2 on gene expression is a normal part of cellular development, some cancers depend on an abnormal pattern of gene expression and re-direct EZH2 to genes that become abnormally repressed. Cancer cells with these abnormal gene expression programs may be more resistant to anti-cancer therapies.

Abnormal EZH2 function has been implicated in cancer in a number of ways:

- Cancer genetics: mutations in the gene encoding EZH2 result in the altered enzymatic activity of EZH2, and cancer cells become dependent on this abnormal activity for tumor growth. Alternatively, mutations in other epigenetic regulators can change the genes expressed by cancer cells and indirectly create a dependence on EZH2 for cancer cell growth;
- Acquired drug resistance: therapeutic agents promote EZH2-mediated gene silencing that may lead to acquired resistance to these agents;
- Immune suppression: EZH2 mediates reprogramming of immune cells within the tumor, e.g., T cells, and tumor cells to create an immune-suppressive tumor microenvironment; and
- Oncogenic driver synergy: EZH2 suppresses the expression of sets of genes and promotes tumor progression in the context of validated oncogenic drivers, such as the androgen receptor signaling pathway in prostate cancer. Combined inhibition of EZH2 and the oncogenic driver pathway may elicit a synergistic impact on tumor growth.

### **DEVELOPMENT OF CPI-0209**

A phase 1/2 clinical trial in advanced solid tumors and in lymphomas is ongoing.

### **ACTIVE CLINICAL TRIAL**

## **PHASE 1/2 TRIAL IN SOLID TUMORS**

Patient enrollment in a phase 1/2 clinical trial of CPI-0209 is ongoing. The phase 1 portion of the trial evaluated CPI-0209 as a monotherapy in patients with advanced solid tumors. After determining the recommended phase 2 dose of 350 mg (oral, once-daily), patients are currently being dosed in the phase 2 expansion cohorts in select tumor indications (urothelial carcinoma (ARID1A mutant), ovarian clear cell carcinoma (ARID1A mutant), endometrial carcinoma (ARID1A mutant), lymphoma, mesothelioma, metastatic castration resistant prostate cancer), and data from this part of the trial are expected in 2022.

As of the data cut off of March 9, 2021, of the 4 BAP1 loss mesothelioma patients, one patient had a PR after four cycles of treatment and two had SD. The high levels of target engagement observed preclinically were corroborated clinically. All 40 patients were evaluated for safety. Across all dose cohorts, 43% of patients had at least one Grade 3 or greater treatment emergent adverse event (TEAE), 28% of patients had at least one serious adverse event (SAE). The most common TEAEs ( $\geq 15\%$ ) included thrombocytopenia (reversible and dose dependent), diarrhea, asthenic conditions, nausea, anemia, dysgeusia, abdominal pain and alopecia. 23% of patients reported a TEAE that led to dose reduction or interruption. Four patients discontinued treatment because of TEAEs. One patient in the highest dose cohort (375mg) experienced Grade 4 thrombocytopenia, and one patient experienced a Grade 5 adverse event due to progressive disease. Based on this preliminary data, CPI-0209 appeared to be generally well tolerated. We expect to report additional results from the trial in 2022.

## **PRECLINICAL DEVELOPMENT**

In preclinical studies, it was observed that CPI-0209 bound to EZH2 more durably and with higher affinity when compared to first-generation EZH2 inhibitors. We believe that these characteristics may enable CPI-0209 to increase the level and duration of EZH2 inhibition compared to that of first-generation EZH2 inhibitors. Product candidates that provide more comprehensive and longer inhibition of EZH2 may treat certain cancer types requiring that effect. We believe that the level of EZH2 inhibition necessary to produce a therapeutic effect varies across cancer types based on our preclinical studies where we have observed that the dose required to affect tumor growth is higher in certain cancer types.

## **CLINICAL DEVELOPMENT THROUGH PARTNERS**

The most advanced programs being developed by partners are outlined below.

## **PROGRAMS IN LATE-STAGE (PHASE 3) CLINICAL DEVELOPMENT**

### **Felzartamab**

#### **OVERVIEW**

We have an exclusive regional licensing agreement for felzartamab with I-Mab for Greater China, where development is currently focused on multiple myeloma (MM), a blood cancer that develops in mature plasma cells in the bone marrow. Under the terms of the agreement signed in November 2017, I-Mab has the exclusive rights to develop and commercialize felzartamab in mainland China, Taiwan, Hong Kong and Macao. Upon signing, we received an immediate upfront payment of US\$ 20 million. We are also entitled to receive additional success-based clinical and commercial milestone payments from I-Mab of up to US\$ 100 million, as well as tiered double-digit royalties on net sales of felzartamab in the agreed regions.

I-Mab is conducting a phase 3 clinical trial in Greater China to evaluate felzartamab in combination with lenalidomide plus dexamethasone in patients with r/r MM. This study is a randomized, open-label, parallel-controlled, multi-center study to evaluate the efficacy and safety of the combination of felzartamab, lenalidomide and dexamethasone versus the combination of lenalidomide and dexamethasone in patients with r/r MM who have received at least one prior line of treatment. The study was initiated in April 2019 at sites in Taiwan and started in mainland China in April 2020 as part of a coordinated effort to accelerate the study. In October 2021, I-Mab announced that patient enrollment in this pivotal phase 3 trial has been completed. I-Mab is also evaluating felzartamab as a third-line therapy in patients with r/r MM in a pivotal phase 2 trial that started in March 2019. At the end of August 2021, I-Mab announced that topline data met primary and secondary endpoints.

On June 25, 2021, I-Mab announced that the Center for Drug Evaluation (CDE) of the China National Medical Products Administration (NMPA) had approved the Investigational New Drug (IND) application to initiate a phase 1b study with felzartamab in patients with systemic lupus erythematosus (SLE). SLE, the most common type of lupus, is an autoimmune disease in which the immune system attacks its own tissues, causing widespread inflammation and tissue damage in the affected organs. It can affect the joints, skin, brain, lungs, kidneys and blood vessels. There is no cure for SLE. The phase 1b multi-center trial is evaluating the safety, tolerability, pharmacokinetics (PK) and pharmacodynamics (PD) of felzartamab in patients with SLE in China. The SLE study start date is scheduled for Q1 2022.

## **DESCRIPTION OF MULTIPLE MYELOMA AND CURRENT TREATMENT**

According to the American Cancer Society, about 34,920 new cases of MM were expected to be diagnosed in 2021 and about 12,410 deaths were expected to occur in US. MM causes cancer cells to accumulate in the bone marrow, where they displace and suppress healthy blood progenitor cell populations. MM is also characterized by destructive lytic bone lesions (rounded, punched-out areas of bone), diffuse osteoporosis, bone pain, and the production of abnormal proteins, which accumulate in the urine. Anemia is also present in most MM patients at the time of diagnosis and during follow-up. Anemia in MM is multifactorial and is secondary to bone marrow replacement by malignant plasma cells, chronic inflammation, relative erythropoietin deficiency, and vitamin deficiency.

In MM treatment, a patient's individual treatment plan is based on such factors as age and general health, results of laboratory and cytogenetic (genomic) tests, symptoms and disease complications, prior myeloma treatment, patient lifestyle, goals, views on quality of life, and personal preferences. In addition, many cancer centers have developed their own guidelines for treating myeloma.

There are several drug classes for the treatment of MM: monoclonal antibodies, immunomodulatory drugs (IMiDs), proteasome inhibitors, chemotherapy, histone deacetylase inhibitor, and steroids. One of the primary treatment regimens is cytoreductive chemotherapies in combination with stem cell transplantation, aimed at achieving a cure, if possible. Moreover, combination therapy with different drug classes is an increasingly important treatment strategy in MM. In addition, myeloma patients require substantial supportive therapy aimed at managing the complications of the disease (such as bone damage) and ameliorating the side effects of treatment.

The introduction of CD38 monoclonal antibodies to the treatment landscape of MM, highlighted by the approval of daratumumab, might be transformative. Based on their suggested mechanisms of action, a generally favorable toxicity profile, and single-agent activity, CD38 antibodies are considered to be attractive partners in combination regimens. Deep responses and prolonged PFS have been achieved in r/r MM patients when CD38 antibodies were combined with immunomodulatory agents or proteasome inhibitors.

## **FELZARTAMAB — SUGGESTED MECHANISM OF ACTION**

For information on the mechanism of action of felzartamab please refer to the above section, "Proprietary Clinical Development - Felzartamab - Suggested Mechanism of Action.

## **DEVELOPMENT OF FELZARTAMAB**

Our partner I-Mab is investigating felzartamab for the treatment of MM in mainland China, Hong Kong, Macao and Taiwan and is currently conducting a phase 2 and a phase 3 trial in this indication, as well as planning a phase 1b trial in the most common form of lupus, systemic lupus erythematosus (SLE).

## **ACTIVE CLINICAL TRIALS**

### **Phase 2 and Phase 3 Trial with Felzartamab in r/r MM**

I-Mab is evaluating felzartamab in a phase 2 study initiated in March 2019 as a third-line therapy for r/r MM as well as a phase 3 study in combination with lenalidomide plus dexamethasone as a second-line therapy for r/r MM initiated in April 2019. In October 2019, we and I-Mab announced that I-Mab had received Investigational New Drug (IND) clearances from the National Medical Products Administration (NMPA) of China for felzartamab allowing the expansion into mainland China of the phase 2 and phase 3 trials, which were ongoing in Taiwan. In April 2020, we and I-Mab announced the dosing of the first patient in the phase 3 clinical study in mainland China. The phase 3 trial is a randomized, open-label, controlled, multi-center study to evaluate the efficacy and safety of the combination of felzartamab, lenalidomide and dexamethasone versus the combination of lenalidomide and dexamethasone in patients with r/r MM who have received at least one prior line of treatment. Both the phase 2 and phase 3 studies are considered relevant for approval in the region.

### **Phase 1b trial in Systemic Lupus Erythematosus (SLE)**

In June 2021, I-Mab announced that the Center for Drug Evaluation (CDE) of the China NMPA had approved an IND application to initiate a phase 1b study with felzartamab in patients with SLE. SLE, the most common type of lupus, is an autoimmune disease in which the immune system attacks its own tissues, causing widespread inflammation and tissue damage in the affected organs. It can affect the joints, skin, brain, lungs, kidneys, and blood vessels. There is no cure for SLE. The phase 1b multicenter trial is evaluating the safety, tolerability, PK and PD of felzartamab in patients with SLE in China.

## COMPLETED CLINICAL TRIALS

### Phase 1/2 Trial with Felzartamab in r/r MM (conducted by MorphoSys)

MorphoSys conducted a first in human phase 1/2a trial in patients with r/r MM. The dose-escalation trial included three arms: felzartamab, felzartamab in combination with lenalidomide and felzartamab in combination with the IMiD pomalidomide, in each case with low-dose dexamethasone. The primary endpoints of the trial were safety, tolerability and recommended dose for felzartamab alone and in combination with IMiDs. Secondary outcome measures were PK and preliminary efficacy based on ORR, DoR, TTP, and PFS. In the trial, felzartamab was administered as a two-hour or shorter infusion up to the highest planned dose of 16 mg/kg. Enrollment in the study completed in August 2017 and primary completion analysis was performed at a data cut-off of December 31, 2017. Data were presented at the ASH Annual Meeting in December 2018, and data from the study were published in 2020 (Raab et al.,2020). In this study, felzartamab induced a distinct reduction of M-protein, an abnormal IgG fragment (paraproteine) secreted by MM cells known to have deleterious effects on kidney and immune system functioning. We believe that the ability of felzartamab to deplete plasma cells was indirectly demonstrated by a reduction of Tetanus Toxoid vaccination titers no later than 2 weeks after treatment start.

### Gantenerumab

Gantenerumab is a HuCAL antibody directed against amyloid beta (A $\beta$ ) that is being developed by Roche for the potential treatment of Alzheimer's disease. A $\beta$  denotes a group of peptides that are crucially involved in Alzheimer's disease (AD) as the main component of the amyloid plaques found in the brains of Alzheimer's patients. In phase 1 clinical trials, gantenerumab has been shown to reduce brain amyloid in mild-to-moderate Alzheimer's disease patients. Gantenerumab is being investigated in several clinical studies to see if there is a positive effect from intervening at an early stage in the disease's progression.

In October 2021, we announced that Roche had received Breakthrough Therapy Designation by the U.S. FDA for gantenerumab for the treatment of Alzheimer's disease. This designation was based on data showing that gantenerumab significantly reduced brain amyloid plaque, a pathological hallmark of this disease, in the SCarlet RoAD and Marguerite RoAD open-label extension trials, as well as other studies.

## TREATMENT OF ALZHEIMER'S DISEASE

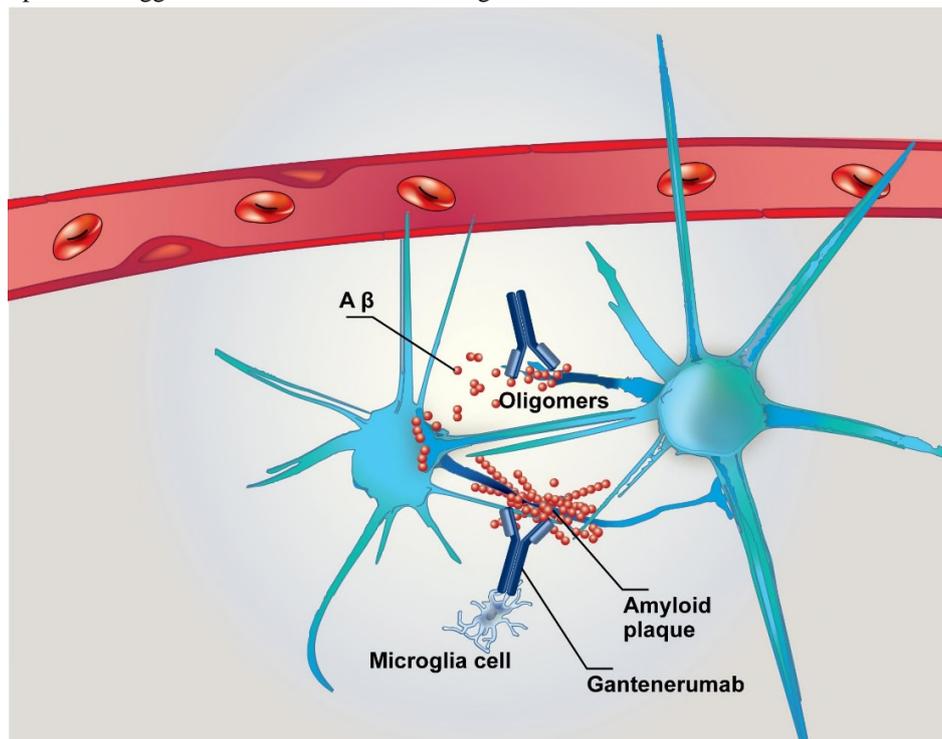
Eight cognitive domains are commonly impaired in Alzheimer's disease: memory, language, reception, attention, constructive ability, orientation, problem-solving, and functional ability. Cognitive impairments in Alzheimer's disease are progressive, and decline is inexorable. Currently available products do not stop, prevent, or modify the progression of Alzheimer's disease; instead, currently available therapies are prescribed with the goal of improving the quality of life of both patients and their caregivers, who must cope with the significant burden of this disease. These products provide only marginal, transient benefits, highlighting the need for new, more effective therapies. Aduhelm (aducanumab) received accelerated approval in 2021. It was the first novel therapy approved for Alzheimer's disease since 2003 and the first treatment directed at the underlying pathophysiology of Alzheimer's disease, the presence of A $\beta$  plaques in the brain.

## GANTENERUMAB FOR TREATMENT OF ALZHEIMER'S DISEASE

### MECHANISM OF ACTION

Gantenerumab is an anti-amyloid- $\beta$  IgG1 antibody and binds to the N-terminus and a section in the middle of the amyloid beta peptide. The antibody removes amyloid beta via microglia-mediated phagocytosis. It has been designed to promote clearance of amyloid plaques in the brain, a pathological hallmark of AD, and has shown downstream effects on multiple biomarkers of AD pathology and neurodegeneration in clinical trials.

The figure below depicts the suggested mechanism of action of gantenerumab:



#### CLINICAL DEVELOPMENT OF GANTENERUMAB

Gantenerumab has been or is currently being studied by Roche in several clinical trials in patients with Alzheimer's disease, including five phase 3 studies.

In 2014, we announced that gantenerumab had failed a futility analysis in the first phase 3 trial. In a later analysis, however, it was established that gantenerumab had been dosed significantly lower when compared to clinical trials conducted with aducanumab, which has similar characteristics (e.g., epitope, affinity or IgG subtype) compared to gantenerumab.

In March 2018, data with gantenerumab were presented in which the antibody was evaluated in an open-label extension study part with considerably higher doses than previously tested.

In June 2018, we announced that Roche had initiated a new phase 3 development program for patients with Alzheimer's disease. The program consists of two phase 3 trials – GRADUATE-1 and GRADUATE-2. The two multicenter, randomized, double-blind, placebo-controlled studies are investigating the efficacy and safety of gantenerumab in more than 2,000 patients with early (prodromal to mild) Alzheimer's disease for more than two years. The primary endpoint for both studies is the assessment of the signs and symptoms of dementia, measured as the clinical dementia rating sum of boxes (CDR-SOB) score. Learnings from the SCarlet RoAD and Marguerite RoAD studies (see below) were incorporated into the optimized design of the phase 3 GRADUATE trials, with patients receiving a significantly higher dose of gantenerumab as a subcutaneous injection than in Roche's previous trials. The GRADUATE-1 and -2 trials are expected to be completed in Q4 2022.

Gantenerumab was also tested in two open-label extension studies based on the phase 2/3 studies, Scarlet RoAD and Marguerite RoAD, as well as in the phase 2/3 DIAN-TU-001 study, conducted by the Washington University School of Medicine, in patients at risk for or suffering from a type of early-onset Alzheimer's disease caused by a genetic mutation. In February 2020, Roche announced that the gantenerumab arm of the DIAN-TU-001 study did not meet its primary endpoint: the study did not show a significant slowing of the rate of cognitive decline in people treated with gantenerumab as measured by the novel DIAN Multivariate Cognitive Endpoint, compared with placebo. Overall, gantenerumab's safety profile in DIAN-TU-001 was consistent with that from other clinical trials and no new safety issues were identified. Further analyses of trial data for gantenerumab were presented at the AAT-AD/PD Focus meeting in April 2020 and demonstrated an improvement in biomarkers of disease activity and progression, including measures of tauopathy and neurodegeneration. Gantenerumab reduced the pathology of amyloid plaques, reduced soluble cerebrospinal fluid (CSF) tau and phospho-tau and slowed increases in the neurofilament light chain (believed to be a marker of neurodegeneration) when compared to placebo. The DIAN-TU (Dominantly Inherited Alzheimer Network-Trials Unit) indicated it thinks these findings are important indicators that gantenerumab can affect the biological course of the disease and have launched a multiyear exploratory open-label extension in collaboration with Roche to continue studying the effects of gantenerumab in this rare form of Alzheimer's disease. The results

from the DIAN-TU-001 study do not impact the ongoing GRADUATE studies, which are being conducted in the broader population of people with Alzheimer's disease that is not directly caused by gene mutations.

In November 2019, Roche's Pharma Research and Early Development held an early drug development investor event and gave an update of its neuroscience portfolio. At the event, Roche communicated the start of a phase 1 study assessing a brain-shuttle version of gantenerumab (RG6102). The brain-shuttle version has gantenerumab coupled to a transporter to enhance brain penetration through transferring receptor-mediated transport across the blood-brain barrier in Alzheimer's patients. According to [www.clinicaltrials.gov](http://www.clinicaltrials.gov), the phase 1 study of the brain-shuttle version of gantenerumab in healthy participants was completed in July 2020 and Roche is currently investigating the asset in a phase 1/2 study in participants with prodromal or mild-to-moderate Alzheimer's Disease, which started in March 2021.

According to [www.clinicaltrials.gov](http://www.clinicaltrials.gov), a phase 2, multicenter, open-label, single-arm study to evaluate the PD effects of once weekly administration of gantenerumab in participants with early (prodromal to mild) Alzheimer's disease has started at year-end 2020 and is currently ongoing.

## **COMMERCIALIZATION OF GANTENERUMAB**

We are entitled to further milestone payments from Roche for certain defined clinical and/or regulatory milestones related to gantenerumab. In addition, if the antibody is ultimately approved and commercialized, we are entitled to receive from Roche tiered royalties of between 5.5% and 7% of the net sales generated with gantenerumab. Under the funding agreement announced in June 2021 between us and Royalty Pharma, Royalty Pharma has the right to receive 60% of future royalties on gantenerumab.

## **Otilimab**

### **OVERVIEW**

Otilimab (formerly MOR103/GSK3196165) is a HuCAL-IgG1-antibody directed against the granulocyte-macrophage colony-stimulating factor (GM-CSF). We discovered and advanced otilimab into clinical development and our partner, GlaxoSmithKline (GSK) is now developing the antibody in rheumatoid arthritis (RA). Due to its diverse functions in the immune system, GM-CSF can be considered a target for a broad spectrum of anti-inflammatory therapies. GSK acquired the rights to otilimab pursuant to an exclusive worldwide development and license agreement that was entered into in June 2013.

We were responsible for two phase 1b/2a clinical trials of otilimab—one in RA, which was completed in June 2012, and one in multiple sclerosis (MS), which was completed in February 2014. GSK is solely responsible, at its own cost, for all other development and commercialization activities. GSK has ongoing a phase 3 program in RA named "ContRAst", comprising three pivotal studies and one long-term extension study and is investigating the antibody in patients with moderate-to-severe RA. In 2020, GSK started a clinical trial (OSCAR) to evaluate the efficacy and safety of otilimab in patients with severe pulmonary COVID-19-associated disease and reported preliminary results in February 2021. The data suggested a potential clinical benefit in a pre-defined sub-group of high-risk patients, and GSK amended the OSCAR study to expand this cohort to confirm these potentially significant findings. The dosing of the first patient in the expanded study triggered milestone payments of €16 million to MorphoSys. In October 2021, GSK provided an update that it had made the decision not to further explore otilimab as a potential treatment for severe pulmonary COVID-19 related disease in patients aged of 70 years and older.

Under the funding agreement we entered with Royalty Pharma in June 2021, Royalty Pharma has the right to receive 80% of future royalties and 100% of future milestone payments on otilimab.

## **DESCRIPTION OF GM-CSF AND RHEUMATOID ARTHRITIS AND CURRENT TREATMENTS**

GM-CSF stimulates stem cells to produce granulocytes and macrophages and can subsequently activate these differentiated immune cells. GM-CSF is part of the natural immune and inflammatory cascade but has also been identified as an inflammatory mediator in autoimmune disorders like RA, leading to increased production of pro-inflammatory cytokines, chemokines and proteases and thereby ultimately to articular destruction.

GM-CSF can act as a pro-inflammatory cytokine mainly by inducing the activation, maturation and differentiation of macrophages and dendritic cells, which are essential for the initiation and propagation of cell-mediated immune responses.

## **RHEUMATOID ARTHRITIS**

RA is a disabling and painful inflammatory condition that can lead to substantial loss of mobility. The disease affects approximately twenty million people worldwide according to estimates from the Global Burden of Diseases, Injuries, and Risk

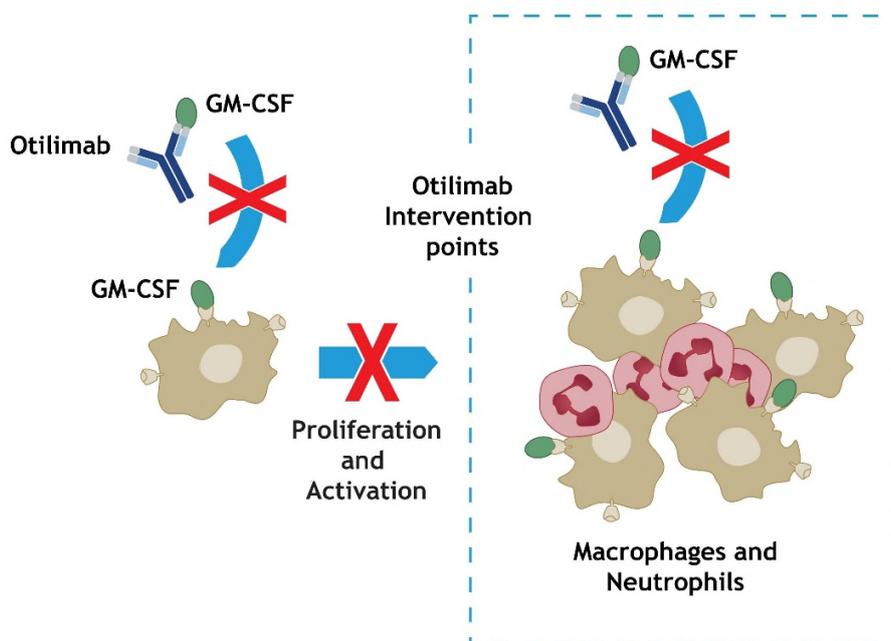
Factors (GBD) Study. In patients with RA, white blood cells move from the bloodstream into the synovium, where they cause inflammation.

Disease-modifying anti-rheumatic drugs (DMARDs) are routinely prescribed as first-line therapies for RA and have become the cornerstone of treatment, often prescribed to patients at all levels of disease severity. For patients not responding to conventional DMARD treatment, TNF- $\alpha$  inhibitors are universally accepted as first-line biologic agents owing to their efficacy and to physician familiarity and comfort with these agents' long-term post-marketing experience. Multiple treatment options with different mechanisms of action are available for patients for whom TNF- $\alpha$  antibodies are contraindicated or who are not responding to TNF- $\alpha$  inhibitor treatment. The availability of JAK inhibitors (Xeljanz<sup>®</sup>, Olumiant<sup>®</sup>), an oral class of agents with efficacy comparable to that of established biologic agents, is also expanding.

## OTILIMAB FOR TREATMENT OF ANTI-INFLAMMATORY DISEASES

### OTILIMAB—MECHANISM OF ACTION

Otilimab is a HuCAL antibody directed against GM-CSF. GM-CSF levels are significantly elevated in several inflammatory disorders and in the joints of RA patients. By neutralizing GM-CSF, otilimab has demonstrated its ability to reduce GM-CSF induced proliferation and activation of inflammatory cells and to intervene in several pathophysiological pathways in preclinical models of RA. The figure below depicts the suggested mechanism of action of otilimab:



### DEVELOPMENT OF OTILIMAB

Otilimab has been investigated in various clinical trials addressing RA, OA and MS. Phase 1/2 trials conducted by us in RA and MS were completed in 2012 and 2014, respectively. GSK has investigated otilimab in clinical trials for the treatment of RA, hand osteoarthritis (OA) and severe pulmonary COVID-19-associated disease.

GSK has ongoing a phase 3 program in RA named “ContRAst,” comprising three pivotal studies and one long-term extension study and is investigating the antibody in patients with moderate-to-severe RA. In 2020, GSK started a clinical trial (OSCAR) to evaluate the efficacy and safety of otilimab in patients with severe pulmonary COVID-19-associated disease and reported preliminary results in February 2021. The data suggested a potential clinical benefit in a pre-defined sub-group of high-risk patients, and GSK amended the OSCAR study to expand this cohort to confirm these potentially significant findings. The dosing of the first patient in the expanded study triggered milestone payments of €16 million to MorphoSys. In October 2021, GSK provided an update that it had made the decision not to further explore otilimab as a potential treatment for severe pulmonary COVID-19 related disease in patients aged of 70 years and older.

### Phase 3 Clinical Program in RA

In July 2019, GSK announced the start of the phase 3 ContRAst program in moderate-to-severe RA. The program includes three pivotal studies and a long-term extension study and compares otilimab against approved drugs—a JAK inhibitor and an

anti-IL6 antibody. GSK plans to enroll 3.500-4.100 patients. Pivotal data from the ContRAst program studies are anticipated in H2 2022.

### **Clinical Trial in Severe Pulmonary COVID-19-Associated Disease**

In 2020, GSK initiated a clinical trial (OSCAR) to evaluate the efficacy and safety of otilimab in patients with severe pulmonary COVID 19-associated disease. This global, randomized, double-blinded, placebo-controlled, multi-center, proof-of-concept phase 2a study assessed the efficacy and safety of a single intravenous infusion of otilimab 90 mg given over an hour or placebo in addition to standard of care in 806 hospitalized adults (ages 18 to 79 years) with severe COVID-19 related pulmonary disease. In March 2021, GSK reported preliminary results from the OSCAR trial. Given these data suggested a potential clinical benefit in a pre-defined sub-group of high-risk patients and the urgent public health need, GSK amended the OSCAR study to expand this cohort to confirm these potentially significant findings. The event of the first patient dosed in the expanded study triggered milestone payments totaling €16 million to MorphoSys. In October 2021, GSK provided an update that it had made the decision not to further explore otilimab as a potential treatment for severe pulmonary COVID-19 related disease in patients aged of 70 years and older.

### **Phase 2b Clinical Trial in RA**

In 2015, GSK announced the start of a phase 2b clinical study to investigate otilimab in RA. The primary objective of the randomized, dose-adaptive, multicenter, double-blind, parallel-group, placebo-controlled study was to assess the efficacy of otilimab, in combination with methotrexate in 210 patients with active moderate-severe RA despite treatment with methotrexate. Data from this study were presented at the American College of Rheumatology (ACR) Annual Meeting in October 2018.

### **Phase 1b/2a Clinical Trial in RA (conducted by MorphoSys)**

In a randomized, double-blind, placebo-controlled phase 1b/2a trial in 96 mild-to-moderate RA patients that was completed by MorphoSys in 2012, otilimab was administered in four weekly doses of 0.3 mg/kg, 1.0 mg/kg or 1.5 mg/kg. The primary aim of the trial was to determine the safety and tolerability of multiple doses of otilimab in patients with active RA. Secondary outcome measures were PK, immunogenicity, and the product candidate's potential to improve clinical signs and symptoms of RA as measured by Disease Activity Score in 28 joints, or DAS28, ACR score measuring 20% / 50% / 70% improvement, or ACR20/50/70, and other criteria.

Data were presented at the 2012 ACR/ARHP Annual Meeting.

The best response was achieved in the 1.0 mg/kg dose cohort with an ACR20 score of 68% at week four, which was significantly higher than in the control arm. Of particular importance was the fast onset of action observed: within two weeks, up to 40% of patients achieved an ACR20 score. Improvement of DAS28 scores was rapid and significant over the treatment period of the study.

A total of 144 TEAEs were reported in 54 (56.3%) subjects (42 subjects (60.9%) in the otilimab groups and 12 (44.4%) in the pooled placebo group). The most common TEAE by preferred term in the active and placebo groups was nasopharyngitis. The incidences of fatigue, cough and AEs related to RA (worsening or flares) in the otilimab group were more than four percentage points higher than in the placebo group. None of the AEs were considered to be probably or definitely related to treatment. AEs possibly related to treatment were reported in seven placebo (14 AEs) and ten otilimab (19 AEs) subjects. Only three AEs (fatigue, scaling and decreased diffusion capacity of the lung for carbon monoxide) were considered possibly related to treatment in more than one subject. All AEs were judged to be of mild or moderate intensity except for one severe AE of hospitalization due to paronychia in the placebo group.

## **Tremfya (guselkumab)**

### **Overview**

Tremfya is a human HuCAL antibody targeting the p19 subunit of IL-23 that is being developed and commercialized by Janssen. It is the first commercial product based on our proprietary technology. It is approved for the treatment of patients with moderate to severe psoriasis (plaque psoriasis) in the United States, Canada, the European Union (EU), Japan, China and a number of other countries. In the U.S. and elsewhere, it is also approved for the treatment of adults with active psoriatic arthritis and in the EU for the treatment of adult patients with active psoriatic arthritis who have had an inadequate response or have not tolerated prior DMARD therapy. In Japan, Tremfya is approved for the treatment of patients with various forms of psoriasis, psoriatic arthritis and palmoplantar pustulosis.

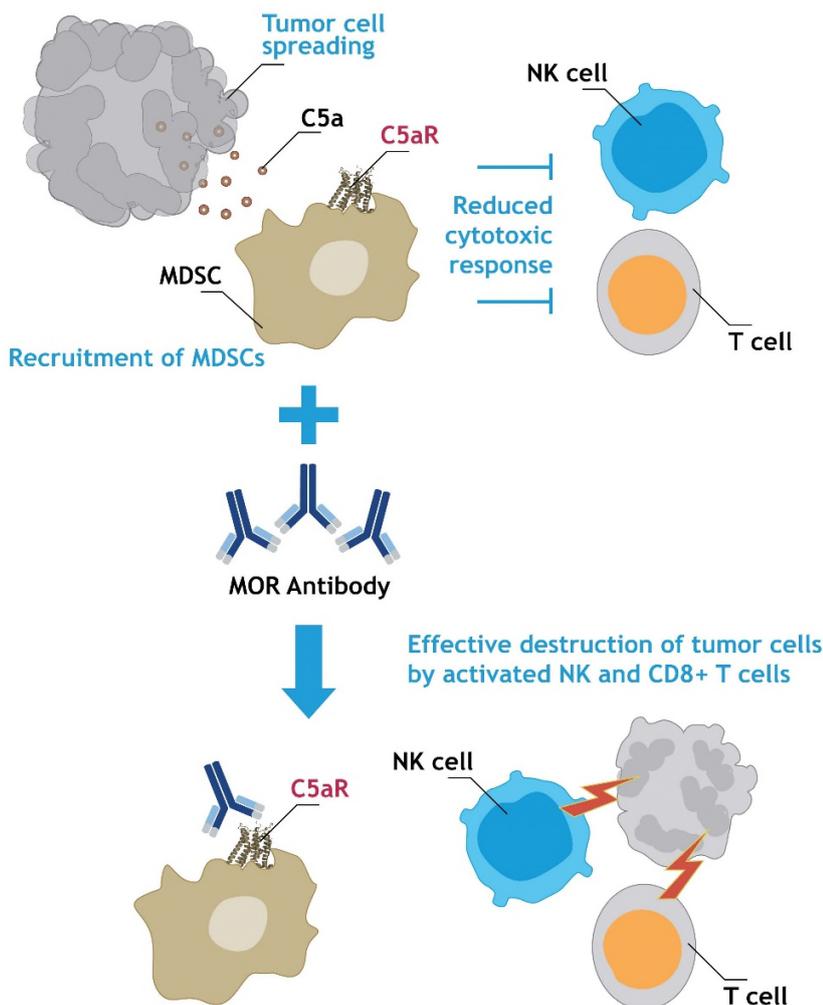
### **Commercialization of Tremfya**

Under an agreement, Janssen is responsible for the global development and commercialization of Tremfya. We have received technology license fees, research and development funding, development and commercial milestone payments as well as royalty payments on net sales of Tremfya. We are eligible to receive additional milestone payments for certain defined clinical and/or regulatory milestones related to the product and royalties on net sales. For more information, see Collaboration and License Agreements – Research and License Agreement with Janssen (formerly Centocor).

Based on our funding agreement with Royalty Pharma announced in June 2021, we continue to record Tremfya royalties on our income statement. Royalty Pharma receives 100% of Tremfya royalties starting with royalties for the second quarter of 2021.

**Other Programs**

**PROGRAMS IN EARLY CLINICAL DEVELOPMENT, I.E. PHASE 1 AND/OR PHASE 2  
MOR210/TJ210**



**Overview**

MOR210/TJ210 is a human antibody directed against C5aR derived from our HuCAL technology. C5aR, the receptor of the complement factor C5a, is being investigated as a potential new drug target in the field of immuno-oncology and autoimmune diseases. Tumors have been shown to produce high amounts of C5a, which, by recruiting and activating myeloid-derived suppressor cells (MDSCs), is assumed to contribute to an immune-suppressive pro-tumorigenic microenvironment. MOR210/TJ210 is intended to block the interaction between C5a and its receptor, thereby being expected to neutralize the immune-suppressive function of the MDSCs and to enable immune cells to attack the tumor.

In January 2021, we and our partner I-Mab announced that the first patient had been dosed in a phase 1 clinical study evaluating the safety, tolerability, PK and PD of MOR210/TJ210 in the United States.

### ***Regional agreement with I-Mab***

In November 2018, we announced that we had entered into an exclusive strategic collaboration and regional licensing agreement for MOR210/TJ210 with I-Mab. Under the agreement, I-Mab has exclusive rights to develop and commercialize MOR210/TJ210 in mainland China, Hong Kong, Macao, Taiwan and South Korea, while we retain rights in the rest of the world. The agreement deepened our existing partnership with I-Mab, building upon the ongoing collaboration for felzartamab.

Under the terms of the agreement, I-Mab will exercise its exclusive license rights for the development and commercialization of MOR210/TJ210 in its territories. With our support, I-Mab will perform and fund all global development activities for MOR210/TJ210, including clinical trials in China and the U.S., towards clinical proof of concept (PoC) in oncology.

In November 2018, MorphoSys received a payment of US\$3.5 million (approximately €3.1 million) and until 2020 milestone payments of US\$1.0 million (approximately €0.8 million). MorphoSys is further eligible to receive performance-related clinical and sales-based milestone payments of up to US\$ 99.0 million (approximately €87.4 million). In addition, MorphoSys will receive tiered royalties in the mid-single-digit percentage range of net sales of MOR210/TJ210 in I-Mab's territories. In return for the execution of a successful clinical PoC study, I-Mab is eligible to receive low-single-digit royalties on net sales generated with MOR210/TJ210 outside its territories and a tiered percentage of sub-licensing revenue.

### **Development of MOR210/TJ210**

#### **U.S. Phase 1 trial in r/r advanced solid tumors**

On January 25, 2021, we and I-Mab announced the dosing of the first patient in a phase 1 dose-finding study evaluating the safety, tolerability, PK and PD of MOR210/TJ210 as monotherapy in patients with r/r advanced solid tumors. The phase 1 clinical trial is an open-label, multiple dose group study being conducted at various clinical centers across the U.S.

I-Mab has announced another phase 1 clinical trial to evaluate the dose-finding and safety for the treatment of patients with advanced solid tumors in 2022 in China.

#### **Bayer:**

- BAY 94-9343 (anetumab ravtansine) (program was discontinued in 2021)
- BAY 2287411 (program was discontinued in 2021)
- BAY 1093884 (program was discontinued in 2019)

#### **Novartis:**

- BYM338, bimagrumab, out-licensed to Versanis Bio
- VAY736, ianalumab
- CMK389, NOV-8
- LKA651, NOV-9
- BPS804, setrusumab, UX143, out-licensed to Mereo, partnered with Ultragenyx
- LJM716, elgentumab
- NOV-11
- MAA868, abelacimab, NOV-12, out-licensed to Anthos Therapeutics
- CSJ117, NOV-14
- NOV-15
- MHU650, NOV-16

#### **Janssen, J&J:**

- CNTO6785, FTC001, sublicensed to Shandong Fontacea for development in China, Hong Kong, Taiwan, Macao and South Korea
- (CNTO3157, formerly PRV-300, Janssen (Provention Bio terminated the sublicense and returned the program to Janssen in November 2019), program was subsequently discontinued by Janssen)

**Pfizer:**

- PF05082566, utomilumab

**Boehringer Ingelheim:**

- BI836845, xentuzumab

**Mereo (formerly Oncomed):**

- OMP-18R5, vanticumab

**Collaboration and License Agreements**

A core component of our business model, and key aspect of our heritage as an antibody discovery and development company, is the entry into collaboration and licenses or partnership agreements with leading global pharmaceutical and biotechnology companies. Many of these research and development, collaboration and license agreements are entered into in the ordinary course of our business and may or may not become significant or material to us, depending primarily on the development of the underlying product candidates.

Generally, our collaboration and license agreements may be for a specific therapeutic program or may be for multiple therapeutic programs across diseases. For programs that we out-license, we may participate in the generation and development of an antibody for a specified target and will have limited preclinical and clinical research and development obligations, with the licensee being primarily responsible for clinical development and commercialization. In general, pursuant to the collaboration agreements we enter into for programs that we out-license, most of our partners have the first right to prosecute, maintain and enforce patents for antibodies (and other patentable technology) developed with our technology. If our partners determine to relinquish any such patent right, we generally have a first right to obtain ownership of such patents. We are generally entitled to milestone payments during the course of development of the therapeutic product and to royalty payments upon the commercial sale of the products. The royalty term generally will be on a product-by-product and country-by-country basis starting on the first commercial sale and ending on the later of: (i) the expiration of certain specified patent rights, (ii) a certain defined period of years following the first commercial sale, or (iii) the expiration of regulatory exclusivity. The agreements will generally terminate or expire once the obligation of the licensee to pay royalties has ceased.

Below is a description of our current significant, or material, collaboration and license agreements.

**Collaboration and License Agreement with Xencor**

In June 2010, we entered into a collaboration and license agreement with Xencor which was subsequently amended (which we refer to, as amended, as the Xencor Collaboration Agreement). Under the Xencor Collaboration Agreement, Xencor granted us an exclusive, worldwide license, including the right to sublicense under certain conditions, for tafasitamab.

Under the terms of the agreement, Xencor initiated and sponsored a phase 1 clinical trial for tafasitamab in patients with CLL which was completed in January 2013. Since the completion of such clinical trial, we have been responsible for all additional clinical development of tafasitamab.

Xencor already received an upfront payment of US\$ 13.0 million and received US\$ 65.5 million for development milestones under the Xencor Collaboration Agreement and is entitled to receive up to an additional US\$ 236.5 million in aggregated milestone payments upon the achievement of certain development events including US\$ 50 million in the aggregate with respect to sales of licensed antibody products. Furthermore, Xencor is also eligible to receive tiered royalty payments of tafasitamab in the mid single-digit to sub-teen double-digit percentage range based upon net sales of licensed antibody sold by us or our licensees. Our royalty obligations continue on a product-by-product and country-by-country basis until the later of the expiration of the last valid claim in the licensed patent covering a licensed product in such country, or 11 years after the first sale of a licensed product following marketing authorization in such country.

Under the Xencor Collaboration Agreement, Xencor retained the rights to prosecute, maintain and enforce certain patents licensed to us, including those patents licensed to us that were already filed as of the effective date of the Xencor Collaboration Agreement and whose claims cover tafasitamab and certain other antibodies. We retain the right to prosecute, maintain and enforce patents that cover tafasitamab and no other antibody. Furthermore, Xencor retained the rights to prosecute, maintain and enforce certain patents directed to inventions developed under the Xencor Collaboration Agreement that were solely invented by or on behalf of Xencor.

The term of the Xencor Collaboration Agreement will continue until all of our royalty payment obligations have expired, unless terminated earlier. The Xencor Collaboration Agreement may be terminated by either party upon written notice to the other party immediately in the event of the other party's insolvency or upon 120 days' written notice for the other party's uncured material breach (or upon 30 days' written notice in the case of a breach of a payment obligation). Moreover, we may terminate the Xencor Collaboration Agreement without cause upon 90 days' advance written notice to Xencor. In the event that (i) we terminate this agreement for convenience or (ii) Xencor terminates due to our material breach, our challenge of Xencor's licensed patents or our insolvency, worldwide rights to develop, manufacture and commercialize licensed products, including tafasitamab, revert back to Xencor.

### **Collaboration and license agreement with Incyte**

On January 13, 2020, we entered into a collaboration and licensing agreement with Incyte to further develop and commercialize our proprietary anti-CD19 antibody tafasitamab globally. Under the terms of the agreement, MorphoSys received an upfront payment of US\$ 750 million. In addition, Incyte has made an equity investment into MorphoSys of US\$ 150 million in new American Depositary Shares (ADS) of MorphoSys at a premium to the share price at signing of the agreement. Depending on the achievement of certain developmental, regulatory and commercial milestones, MorphoSys will be eligible to receive milestone payments amounting to up to US \$1.1 billion. MorphoSys will also receive tiered royalties on ex-U.S. net sales of tafasitamab in a mid-teens to mid-twenties percentage range.

In the U.S., MorphoSys and Incyte co-commercialize Monjuvi, with MorphoSys leading the commercialization strategy and booking all revenues from sales of tafasitamab. Incyte and MorphoSys are jointly responsible for commercialization activities in the U.S. and share profits and losses on a 50:50 basis. Outside the U.S., Incyte has exclusive commercialization rights, and leads the commercialization strategy and books all revenues from sales of tafasitamab, paying MorphoSys royalties on ex-U.S. net sales.

Furthermore, the companies share development costs associated with global and U.S.-specific trials at a rate of 55% (Incyte) and 45% (MorphoSys); Incyte covers 100% of the future development costs for trials that are specific to ex-U.S. countries.

The agreement between MorphoSys and Incyte, including the equity investment, received clearance by the U.S. antitrust authorities under the Hart-Scott-Rodino Act as well as by the German and Austrian antitrust authorities on or before March 2, 2020, and became effective on March 3, 2020.

### **Research and License Agreement with Janssen (formerly Centocor)**

In December 2000, we entered into a research and license agreement with Centocor (now Janssen), which was amended and restated in December 2004 (which we refer to as the Janssen Collaboration Agreement). Under the Janssen Collaboration Agreement, we obtained technology license fees and research and development funding and are now eligible to receive milestone payments, including up to € 21.5 million in aggregated development and commercial milestone payments for therapeutic products, on a per target basis. In addition, we are eligible to receive tiered royalty payments in the mid single-digit percentage range, on a product-by-product and country-by-country basis, until the later of (i) the expiration of the last licensed patent in such country having a valid claim covering such product and (ii) twelve years beginning from the first commercial sale of such product in such country.

Under the Janssen Collaboration Agreement, we shared certain research and development responsibilities with Janssen to generate and develop HuCAL antibodies. Janssen provided funding for our research costs in support of the collaboration at a predetermined fee per full-time equivalent employee involved in research at our facilities. All of our research and development responsibilities have now ceased. Janssen is solely responsible for the further research, development, manufacturing, and commercialization of the products.

Either party may terminate the Janssen Collaboration Agreement for the other party's uncured material breach or bankruptcy. We may terminate certain of Janssen's commercial licenses if Janssen fails to diligently pursue the development of at least one therapeutic antibody product under such licenses, and Janssen may terminate its commercial licenses under the agreement at its sole discretion at any time, in each case after a certain notice period to the other party. Unless earlier terminated, the Janssen Collaboration Agreement will expire when all of Janssen's obligations to pay royalties to us have ceased.

### **Intellectual property**

Our commercial success depends in part on our ability to obtain and maintain proprietary or intellectual property protection for our product candidates and our core technologies and other know-how to operate without infringing, misappropriating or otherwise violating the proprietary rights of others and to prevent others from infringing, misappropriating or otherwise violating our proprietary or intellectual property rights. We protect our proprietary and intellectual property position by, among

other methods, licensing or filing of patent applications covering our proprietary technologies and products in our home country and all major markets, with a particular emphasis on the United States. We also rely on trade secrets, know-how and continuing technological innovation to develop and maintain our proprietary and intellectual property position, which we generally seek to protect through contractual obligations with third-parties.

## **Patents**

Patents, patent applications and other intellectual property rights are important in the sector in which we operate. We consider on a case-by-case basis filing patent applications with a view to protecting certain innovative technologies, products, processes, and methods of treatment. We may also license or acquire rights to patents, patent applications or other intellectual property rights owned by third-parties, academic partners or commercial companies, which are of interest to us or necessary for our business.

As with other biotechnology and pharmaceutical companies, our ability to maintain and solidify our proprietary and intellectual property position for our product candidates and technologies will depend on our success in obtaining effective patent claims and enforcing those claims if granted. However, our pending patent applications, and any patent applications that we may in the future file or license from third-parties may not result in the issuance of patents. We also cannot predict the breadth of claims that may be allowed or enforced in our patents or whether the claims of any issued patent will provide sufficient proprietary protection from competitors. Any issued patents that we may receive or license in the future may be challenged, invalidated or circumvented. For example, we cannot be certain of the priority of our patents and patent applications over third-party patents and patent applications. In addition, because of the extensive time required for clinical development and regulatory review of a product candidate we may develop, it is possible that, before any of our product candidates can be commercialized, any related patent may expire or remain in force for only a short period following commercialization, thereby limiting the protection such patent would afford the respective product and any competitive advantage such patent may provide.

At the end of the financial year 2021, we maintained over 110 different proprietary patent families worldwide in addition to the numerous patent families we pursue with our partners.

## **HuCAL**

Our HuCAL platform patent portfolio is wholly owned, and the platform is protected by several patent families. The basic HuCAL patents covering the composition of the library, methods to isolate antibodies from the library and methods to diversify antibodies isolated from the library expired in August 2016. Additional patent families protecting other technological aspects of the library, such as the specific CDR design (based on WO2008/053275) and certain improved display methods used with the library (based on WO2009/024593) are still in force in major jurisdictions, including Australia, Canada, China, the European Union (EP2190987), Israel, Japan, New Zealand, South Africa and the United States. The last U.S. patent (US9062097) expires on February 18, 2030. Patents in other jurisdictions expire in August 2028. The HuCAL library is also protected by considerable know-how proprietary to us.

## **Ylanthia**

Our Ylanthia antibody library patent portfolio is wholly owned, and the platform is protected by two key patent families covering the composition of the library and nucleic acid collections encoding the library. Patent applications (based on WO2010/136598 and WO2012/066129) are filed in major jurisdictions, including Australia, Canada, China, the European Union, Hong Kong, India, Israel, Japan, Mexico, New Zealand, Russia, Singapore, South Africa, South Korea and the United States. Exemplary patents include EP2640742, US8367586, and US9541559. The patent term is expected to last at least until November 2031. One material U.S. patent, US9541559, expires on May 6, 2032. Additional patent families relate to ancillary technologies, including the Slonomics technology. The Ylanthia library also encompasses considerable know-how proprietary to us.

## **Slonomics**

Our Slonomics technology is protected by several patent families. The patent family covering the key technology, being a method used for the generation of diversified libraries, such as antibody libraries, has an expiry date of March 2029 or later. The most relevant U.S. patent, US9115352, has an expiry date of December 6, 2030. Counterparts in the European Union (EP2110435) and Japan expire in March 2029.

## **Other new technologies**

Various aspects of all our new technologies are the subject of several recently filed patent applications, all of which are wholly owned. Additionally, patent families relating to the Hemibody technology were exclusively licensed from Cherry Biolabs for 6 targets. All aforementioned technologies are also accompanied by a comprehensive set of know-how proprietary to us.

### **Tafasitamab**

The original tafasitamab patent portfolio is exclusively licensed from Xencor. Over the years the portfolio emerged and now comprises over a dozen patent families covering various aspects of the molecule, its compositions, methods of use, combination treatments, and formulation, as well as other aspects. In January 2020, a collaboration and license agreement with Incyte Corporation was signed. The parties file, prosecute and, if necessary enforce and defend, the patent rights jointly. Xencor also has a first right to file, prosecute and enforce certain patent rights related to tafasitamab.

The basic composition-of-matter patent family was in-licensed from Xencor and applications were filed in Australia, Canada, the European Union, Hong Kong, India, Japan and the United States. The expiry date for the composition of matter patent is August 2029 for the United States and August 2027 for the other countries, not including any potential patent term extensions. A corresponding application for patent term extension (PTE) has been filed to extend the patent term in the U.S., while an application for a supplementary protection certificate (SPC) in Europe is being prepared based on the European approval and will be filed in early 2022.

Other patent families were filed and are prosecuted in Australia, Brazil, Canada, China, the European Union, Israel, India, Japan, Mexico, New Zealand, Qatar, Russia, Singapore, South Africa, South Korea, the United States as well as in other additional countries.

### **Pelabresib**

The main patents for pelabresib run until 2032 (U.S.) and 2031 (Europe), not including possible extension through supplemental protection certificates or term extensions. In addition, the use of pelabresib for the treatment of myelofibrosis is patent-protected in the U.S. until 2039.

### **Felzartamab**

Our felzartamab patent portfolio is fully owned. Rights to the Greater Chinese territory were exclusively licensed to I-Mab. The program is currently protected by about ten different patent families covering various aspects of the molecule, its compositions, combination treatments, dosage regimens, radioconjugates, as well as assays utilized in clinical development. The basic composition-of-matter patent expires in October 2026, outside the United States, and in January 2028, in the United States, in both cases not including any potential patent term extensions. Patent applications were filed and are prosecuted in Argentina, Australia, Brazil, Canada, China, the European Union, Hong Kong, Israel, India, Japan, Mexico, New Zealand, Russia, Singapore, South Africa, South Korea, Taiwan and the United States. Rights to the Greater Chinese territory were exclusively licensed to I-Mab.

### **CPI-0209**

The main patents for CPI-0209 have a term until 2039. Here, too, a possible extension through supplementary protection certificates or term extensions is not included.

### **Otilimab**

Our otilimab patent portfolio is wholly owned and exclusively licensed to GSK. The patent portfolio related to otilimab consists of at least eight patent families covering various aspects of the program (composition-of-matter, indications, combination therapy, aspects of patient selection, as well as assays utilized in clinical development). Some of the patents were in-licensed from the University of Melbourne. Patent applications directed to composition-of-matter were filed and are prosecuted in Argentina, Australia, Brazil, Canada, China, the European Union, Hong Kong, India, Israel, Japan, Mexico, New Zealand, Russia, Singapore, South Korea, Taiwan and the United States and have an expected expiration date in May 2026, not including potential patent term adjustments or extensions. Patent families relating to additional aspects were filed and are prosecuted in these and additional jurisdictions.

### **Patent Term**

The term of an individual patent depends upon the legal term for patents in the countries in which such patent is granted. In most countries, including the United States, the patent term is 20 years from the earliest filing date of a non-provisional patent

application to which the patent claims priority. In the United States, a patent's term may, in certain cases, be lengthened by patent term adjustment, which compensates a patentee for administrative delays by the USPTO in examining and granting a patent, or may be shortened if a patent is terminally disclaimed over a commonly owned patent or a patent naming a common inventor and having an earlier expiration date. The Hatch-Waxman Act permits a patent term extension of up to five years beyond the expiration date of a U.S. patent as partial compensation for the length of time the product is under regulatory review while the patent is in force. The length of the patent term extension is related to the length of time the product is under regulatory review. Patent term extension cannot extend the remaining term of a patent beyond a total of 14 years from the date of product approval and only one patent applicable to an approved product may be extended. Similar provisions are available in other jurisdictions to extend the term of a patent that covers an approved product, or to offer similar protection for an extended period, as is the case in the European Union. In the future, if and when our product candidates receive approval from the U.S. FDA or other regulatory authorities, we expect to apply for patent term extensions on patents covering those products where such extensions are available; however there is no guarantee that the applicable authorities, including the U.S. FDA, will agree with our assessment of whether such extensions should be granted and, even if granted, the length of such extensions. For tafasitamab a request for patent term extension was filed in the United States.

### **Trade Secrets**

In addition to patents, we rely upon unpatented trade secrets and know-how and continuing technological innovation to develop and maintain our competitive position. However, trade secrets and know-how can be difficult to protect. We seek to protect our proprietary information, in part, by executing confidentiality agreements with our partners, collaborators, scientific advisors, employees, consultants and other third-parties, and invention assignment agreements with our consultants and employees. We have also executed agreements requiring assignment of inventions with selected scientific advisors and collaborators. The confidentiality agreements we enter into are designed to protect our proprietary information and the agreements or clauses requiring assignment of inventions to us are designed to provide mechanisms to grant us ownership of technologies that are developed through our relationship with the respective counterparty. We cannot guarantee that we have entered into such agreements with each party that may have or have had access to our trade secrets or proprietary technology and processes or that these agreements will afford us adequate protection of our intellectual property and proprietary information rights. If any of the partners, collaborators, scientific advisors, employees and consultants who are parties to these agreements breaches or violates the terms of any of these agreements or otherwise discloses our proprietary information, we may not have adequate remedies for any such breach or violation, and we could lose our trade secrets as a result.

### **Trademarks and Domain Names**

We conduct our business using trademarks with various forms of the "MorphoSys" brand and numerous additional trademarks, as well as domain names incorporating some or all of these trademarks. Key trademarks are protected in all major jurisdictions, including the United States, the European Union, Switzerland, Canada, Australia and Japan. Additionally we have protected the brand names of tafasitamab, Monjuvi and Minjuvi in all key jurisdictions worldwide. Such protection includes the filing of trademarks, as well as the registration of domain names.

### **Manufacturing**

We have adopted a manufacturing strategy of contracting with third-parties in accordance with cGMP for the manufacture of drug substances and products. Additional contract manufacturers are used to fill, label, package and distribute investigational drug products and commercial product. This allows us to maintain a more flexible infrastructure while focusing our expertise on developing our products. We will ultimately depend on contract manufacturers, or CMOs, for the manufacture of our products for commercial sale, as well as for clinical development and technical process development. CMOs are subject to extensive governmental regulation. We currently rely on single source CMOs for our programs, however, for risk mitigation and in order to ensure robust future supply, we have initiated the establishment of additional suppliers for tafasitamab and felzartamab.

We are able to internally manufacture the quantities of our product candidates required for relatively short non-GLP animal studies. We believe that this allows us to accelerate the product development process by not having to rely on third-parties for all of our manufacturing needs. However, we do rely and expect to rely on a number of CMOs to produce sufficient quantities of our product candidates for use in lengthier non-GLP or GLP preclinical research.

We have selected industry-leading partners for warehousing, distribution and logistics in the U.S.

### **U.S. Commercial Operations**

In July 2018, MorphoSys established a subsidiary in the United States – MorphoSys US Inc. – in preparation for the potential marketing approval of tafasitamab. The subsidiary's registered office is located in Boston, Massachusetts, USA. At the end of

2021, MorphoSys US Inc. had 93 people employed as part of, or to support, its commercial structure. MorphoSys' commercial activities are currently focused on Monjuvi in the United States; the Company is co-commercializing this product with Incyte.

On July 31, 2020, Monjuvi (tafasitamab-cxix) in combination with lenalidomide was approved under accelerated approval by the U.S. FDA for the treatment of adult patients with relapsed or refractory (r/r) diffuse large B-cell lymphoma (DLBCL) not otherwise specified, including DLBCL arising from low-grade lymphoma, and who are not eligible for autologous stem cell transplant (ASCT). This was the first U.S. FDA approval of a second-line treatment for adult patients with r/r DLBCL in the U.S. The safety and tolerability profile supports a paradigm shift towards treating patients to progression, which could enable long-term disease control. Monjuvi is accessible to patients in both community care and academic settings as an off-the-shelf intravenous infusion that does not require hospitalization or heavy monitoring. Upon approval, MorphoSys and Incyte launched 'My Mission Support', a robust patient support program offering financial assistance, ongoing education and other resources to eligible patients who are prescribed Monjuvi in the U.S. The program was launched to support patients throughout their treatment journeys and to help lower patient access barriers.

Monjuvi has been included in the National Comprehensive Cancer Network® Clinical Practice Guidelines (NCCN Guidelines®) in Oncology for B-cell Lymphomas since August 2020. The NCCN Guidelines in the United States were updated to include Monjuvi in combination with lenalidomide with a Category 2A designation as an option for the treatment of adult patients with relapsed or refractory (r/r) diffuse large B-cell lymphoma (DLBCL) not otherwise specified, including DLBCL arising from low-grade lymphoma, and who are not eligible for ASCT. Inclusion in these guidelines increases awareness of a product within the oncology community and also drives certain formulary decisions. As of April 1, 2021, Monjuvi was granted a J-code, further simplifying reimbursement for some treatment centers.

In the first half of 2021, commercial performance was adversely impacted by the COVID-19 pandemic. As vaccination rates increased there was a gradual easing of restrictions at sites of care, which allowed sales teams to engage in more face-to-face meetings with physicians and contributed to the positive momentum we observed in the second half of 2021. Many larger facilities, however, opened at a slower pace than community health centers.

In 2021, MorphoSys and Incyte continued to see high penetration in the community setting which drove approximately 70% of Monjuvi prescriptions. Since launch, the Company, along with partner Incyte, has in aggregate received orders from more than 1,000 treatment sites. During the fourth quarter, more than 570 accounts placed orders, with over 70% of those accounts representing repeat accounts. The proportion of accounts that reordered has been consistent from the third quarter through the fourth quarter. The partnership has also made tremendous strides in educating our customers of the value of combination treatment of Monjuvi and lenalidomide for people with r/r DLBCL not otherwise specified, and who are ineligible for ASCT.

## **Competition**

We compete in an industry that is characterized by rapidly advancing technologies, intense competition and a strong emphasis on proprietary products. Our competitors include pharmaceutical companies, biotechnology companies, academic institutions and other research organizations. While we believe that our technology, knowledge, experience and scientific resources provide us with competitive advantages, we compete with these parties for promising targets for antibody-based therapeutics, new technology for identifying or optimizing antibodies and novel antibody formats and in recruiting highly qualified personnel. There are many major pharmaceutical and biotechnology companies developing or marketing treatments for cancer disorders and autoimmune diseases that may compete with us in the search and development of novel therapeutic antibody targets.

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

The key competitive factors affecting the success of all of our therapeutic product candidates, if approved, are likely to be their efficacy, safety, dosing convenience, price, the effectiveness of companion diagnostics in guiding the use of related therapeutics, our marketing capabilities, the level of generic competition and the availability of reimbursement from government and other third-party payors. Our commercial opportunity could be reduced or eliminated if our competitors develop and commercialize products that are safer, more effective, have fewer or less severe side effects, are more convenient or are less expensive than any products that we may develop. Our competitors also may obtain U.S. FDA or other regulatory approval for their products more rapidly than we may obtain approval for ours, which could result in our competitors establishing a strong market position before we are able to enter the market. In addition, our ability to compete may be affected

in many cases by insurers or other third-party payors seeking to encourage the use of biosimilar products. Biosimilar products are expected to become available over the coming years. The regulatory framework to approve biosimilar products has already been created in Europe and the United States.

The most common methods of treating patients with cancer are surgery, radiation and drug therapy. There are a variety of available drug therapies marketed for cancer. In many cases, these drugs are administered in combination to enhance efficacy. While our product candidates may compete with many existing drug and other therapies, to the extent they are ultimately used in combination with or as an adjunct to these therapies, our product candidates could not be competitive with them as such. Some of the currently approved drug therapies are branded and subject to patent protection, and others are available on a generic basis. Many of these approved drugs are well established therapies and are widely accepted by physicians, patients and third-party payors. The commercial opportunity for naked antibody therapies for instance may be reduced by antibody-drug conjugates, bispecific antibodies or cellular therapies such like CAR-Ts. For some of these therapies, naked antibodies could be well suited combination partners, as this requires a safety that allows for combining several drugs for treatment.

While modern biologics are used to treat some autoimmune indications, there is a range of autoimmune indications that are currently under-served with respect to treatment options. Especially several autoimmune indications, that are caused by the presence of autoantibodies, are currently treated by corticosteroids, immunosuppressants, and rituximab. Other targeted therapies are not commonly used in these indications.

In addition to currently marketed therapies, there are also a number of products in late stage clinical development to treat cancer or autoimmune diseases. These product candidates in development may provide efficacy, safety, dosing convenience and other benefits that are not provided by currently marketed therapies or our drugs. As a result, they may provide significant competition for any of our product candidates for which we obtain marketing approval. If our lead product candidates are approved for the indications for which we are currently undertaking clinical studies, they will compete with the therapies and currently marketed drugs discussed elsewhere in this document.

## **Government Regulation**

Government authorities in the United States, at the federal, state and local level, and in the European Union and other countries and jurisdictions, extensively regulate, among other things, the research, development, testing, manufacture, quality control, approval, packaging, storage, recordkeeping, labeling, advertising, promotion, distribution, marketing, post-approval monitoring and reporting, and import and export of pharmaceutical products, including biological products. In addition, some jurisdictions regulate the pricing of pharmaceutical products. The processes for obtaining marketing approvals in the United States and in foreign countries and jurisdictions, along with subsequent compliance with applicable statutes and regulations and other requirements of regulatory authorities, require the expenditure of substantial time and financial resources.

## **Regulation and Procedures Governing Approval of Biological Products in the United States**

In the United States, our product candidates are regulated as biological products, or biologics, under the Public Health Service Act, or PHSA, and the Federal Food, Drug, and Cosmetic Act and their implementing regulations. The failure to comply with the applicable U.S. requirements at any time during the product development process, including during non-clinical testing, clinical testing, the approval process or post-approval process, may subject an applicant to delays in the conduct of a study or regulatory review and approval, and/or to administrative or judicial sanctions and adverse publicity. Sanctions may include, but are not limited to, the U.S. FDA's refusal to allow an applicant to proceed with clinical testing, refusal to approve pending applications, withdrawal of an approval, warning or untitled letters, product recalls, product seizures, total or partial suspension of production or distribution, injunctions, fines, debarment, disgorgement of profits and civil or criminal investigations and penalties brought by the U.S. FDA or the Department of Justice or other governmental entities.

An applicant seeking approval to market and distribute a new biologic in the United States generally must satisfactorily complete each of the following steps:

- Non-clinical laboratory tests, animal studies and formulation studies all performed in accordance with applicable regulations, including the U.S. FDA's good laboratory practices, or GLP, regulations;
- submission to the U.S. FDA of an IND application for human clinical testing, which must become effective before human clinical trials may begin;
- approval by an IRB representing each clinical site before each clinical trial may be initiated;
- performance of adequate and well-controlled human clinical trials to establish the safety, potency and purity of the product candidate for each proposed indication, in accordance applicable regulations, including with Good Clinical Practices, or GCP, regulations;

- preparation and submission to the U.S. FDA of a BLA for a biologic product requesting marketing approval for one or more proposed indications, including submission of detailed information on the manufacture and composition of the product in clinical development, evidence of safety, purity and potency from non-clinical testing and clinical trials, and proposed labeling;
- review of the product by an U.S. FDA advisory committee, if applicable;
- satisfactory completion of one or more U.S. FDA inspections of the manufacturing facility or facilities, including those of third-parties, at which the product, or components thereof, are produced to assess compliance with current Good Manufacturing Practices, or cGMP, requirements and to assure that the facilities, methods and controls are adequate to preserve the product's identity, strength, quality and purity;
- satisfactory completion of any U.S. FDA audits of the clinical study sites to assure compliance with GCPs, and the integrity of clinical data in support of the BLA;
- payment of user fees and securing U.S. FDA approval of the BLA;
- compliance with any post-approval requirements, including the potential requirement to implement a REMS and to conduct any post-approval studies required by the U.S. FDA; and
- compliance with post marketing requirements, or PMR, post marketing commitments, or PMC, and advertising and promotion regulation.

### **Non-clinical Studies and Investigational New Drug Application**

Before testing any biologic product candidate in humans, the product candidate must undergo non-clinical testing. Non-clinical tests include laboratory evaluations of product chemistry, formulation and stability, as well as animal studies to evaluate the potential for activity and toxicity. The conduct of the non-clinical tests and formulation of the compounds for testing must comply with federal regulations and requirements. The results of the non-clinical tests, together with manufacturing information, analytical data, any available clinical data or literature and a proposed clinical protocol, are submitted to the U.S. FDA as part of an IND application. The IND automatically becomes effective 30 days after receipt by the U.S. FDA, unless before that time the U.S. FDA raises concerns or questions about the product or conduct of the proposed clinical trial, including concerns that human research subjects will be exposed to unreasonable health risks, and places the trial on a clinical hold. In that case, the IND sponsor and the U.S. FDA must resolve any outstanding U.S. FDA concerns before the clinical trial can begin.

As a result, submission of the IND may result in the U.S. FDA not allowing the trial to commence or not be conducted on the terms originally specified by the sponsor in the IND. If the U.S. FDA raises concerns or questions either during this initial 30-day period, or at any time during the IND process, it may choose to impose a partial or complete clinical hold. If the U.S. FDA imposes a clinical hold, trials may not recommence without U.S. FDA authorization and then only under terms authorized by the U.S. FDA. A clinical hold issued by the U.S. FDA may therefore delay either a proposed clinical study or cause suspension of an ongoing study, until all outstanding concerns have been adequately addressed and the U.S. FDA has notified the company that investigation may proceed. This could cause significant difficulties in completing planned clinical trials in a timely manner.

The U.S. FDA may impose clinical holds on a biologic product candidate at any time before or during clinical trials due to safety concerns or non-compliance.

### **Human Clinical Trials in Support of a BLA**

Clinical trials involve the administration of the investigational product candidate to healthy volunteers or patients with the disease to be treated under the supervision of a qualified principal investigator in accordance with GCP requirements. Clinical trials are conducted under study protocols detailing, among other things, the objectives of the study, inclusion and exclusion criteria, the parameters to be used in monitoring safety, dosing procedures and the effectiveness criteria to be evaluated. A protocol for each clinical trial and any subsequent protocol amendments must be submitted to the U.S. FDA as part of the IND.

A sponsor who wishes to conduct a clinical trial outside the United States may, but need not, obtain U.S. FDA authorization to conduct the clinical trial under an IND. If a foreign clinical trial is not conducted under an IND, the sponsor may submit data from the clinical trial to the U.S. FDA in support of the BLA so long as the clinical trial is well-designed and well-conducted in accordance with GCP, including review and approval by an independent ethics committee, and the U.S. FDA is able to validate the study data through an onsite inspection, if necessary.

Further, each clinical trial must be reviewed and approved by an IRB either centrally or individually at each institution at which the clinical trial will be conducted. The IRB will consider, among other things, clinical trial design, patient informed consent, ethical factors and the safety of human subjects. An IRB must operate in compliance with U.S. FDA regulations. The U.S.

FDA, IRB, or the clinical trial sponsor may suspend or discontinue a clinical trial at any time for various reasons, including a finding that the clinical trial is not being conducted in accordance with U.S. FDA requirements or that the subjects or patients are being exposed to an unacceptable health risk. Clinical testing also must satisfy extensive GCP rules and the requirements for informed consent. The IRB also approves the form and content of the informed consent that must be signed by each clinical trial subject or his or her legal representative and must monitor the clinical trial until completed.

Additionally, some clinical trials are overseen by an independent group of qualified experts organized by the clinical trial sponsor, known as a data safety monitoring board or committee. This group may recommend the continuation of the study as planned, changes in study conduct, or cessation of the study at designated checkpoints based on access to certain data from the study.

Clinical trials typically are conducted in three sequential phases, but the phases may overlap or be combined. Additional studies may be required after approval.

Phase 1 clinical trials (or phase 1) are initially conducted in a limited population to test the product candidate for safety, including adverse effects, dose tolerance, absorption, metabolism, distribution, excretion and pharmacodynamics in healthy humans or, on occasion, in patients, such as in the case of some products for severe or life-threatening diseases, especially when the product may be too inherently toxic to ethically administer to healthy volunteers.

Phase 2 clinical trials (or phase 2) are generally conducted in a limited patient population to identify possible adverse effects and safety risks, preliminarily evaluate the efficacy of the product candidate for specific targeted indications and determine dose tolerance and optimal dosage. Multiple phase 2 clinical trials may be conducted by the sponsor to obtain information prior to beginning larger phase 3 clinical trials.

Phase 3 clinical trials (or phase 3) proceed if phase 2 clinical trials demonstrate that a certain dose or dose range of the product candidate is potentially effective and has an acceptable safety profile. Phase 3 clinical trials are undertaken within an expanded patient population, often at geographically dispersed clinical trial sites, to gather additional information about safety and effectiveness necessary to evaluate the overall benefit-risk relationship of the product and to provide an adequate basis for physician labeling.

In some cases, the U.S. FDA may approve a BLA for a product candidate but require the sponsor to conduct additional clinical trials to further assess the product candidate's safety and effectiveness after approval. Monjuvi has been approved under accelerated approval by the U.S. FDA. Continued approval may be contingent upon verification and description of clinical benefit in a confirmatory trial. Such post-approval trials are typically referred to as phase 4 clinical trials (or phase 4). These studies may be used to gain additional experience from the treatment of patients in the intended therapeutic indication and to document a clinical benefit in the case of biologics approved under accelerated approval regulations. If the U.S. FDA approves a product while a company has ongoing clinical trials that were not necessary for approval, a company may be able to use the data from these clinical trials to meet all or part of any phase 4 clinical trial requirement or to request a change in the product labeling. Failure to exhibit due diligence with regard to conducting required phase 4 clinical trials could result in withdrawal of approval for products.

During all phases of clinical development, regulatory agencies require extensive monitoring and auditing of all clinical activities, clinical data, and clinical trial investigators. Annual progress reports detailing the results of the clinical trials must be submitted to the U.S. FDA. Written IND safety reports must be promptly submitted to the U.S. FDA and the investigators for serious and unexpected adverse events, any findings from other trials, tests in laboratory animals or in vitro testing that suggest a significant risk for human subjects, or any clinically important increase in the rate of a serious suspected adverse reaction over that listed in the protocol or investigator brochure. The sponsor must submit an IND safety report within 15 calendar days after the sponsor determines that the information qualifies for reporting. The sponsor also must notify the U.S. FDA of any unexpected fatal or life-threatening suspected adverse reaction within seven calendar days after the sponsor's initial receipt of the information. The U.S. FDA or the sponsor or its data safety monitoring board may suspend a clinical trial at any time on various grounds, including a finding that the research subjects or patients are being exposed to an unacceptable health risk. Similarly, an IRB can suspend or terminate approval of a clinical trial at its institution if the clinical trial is not being conducted in accordance with the IRB's or GCP requirements or if the biological candidate has been associated with unexpected serious harm to patients.

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

## **Compliance with cGMP Requirements**

Before approving a BLA, the U.S. FDA typically will inspect the facility or facilities where the product is manufactured. The U.S. FDA will not approve an application unless it determines that the manufacturing processes and facilities are in full compliance with cGMP requirements and adequate to assure consistent production of the product within required specifications. Among other things, the sponsor must develop methods for testing the identity, strength, quality, potency and purity of the final biological product. Additionally, appropriate packaging must be selected and tested and stability studies must be conducted to demonstrate that the biological product does not undergo unacceptable deterioration over its shelf life.

Manufacturers and others involved in the manufacture, packaging and distribution of biological products must also register their establishments with the U.S. FDA and certain state agencies. Both domestic and foreign manufacturing establishments, including MorphoSys US Inc. since it releases as the license holder the commercial product for distribution, must register and provide additional information to the U.S. FDA upon their initial participation in the manufacturing process.

Establishments may be subject to periodic unannounced inspections by government authorities to ensure compliance with cGMPs and other laws. Manufacturers may have to provide, on request, electronic or physical records regarding their establishments. Delaying, denying, limiting, or refusing inspection by the U.S. FDA or having non-compliance with applicable regulations may lead to a product being deemed to be adulterated.

## **Review and Approval of a BLA**

The results of product candidate development, non-clinical testing and clinical trials, including negative or ambiguous results as well as positive findings, are submitted to the U.S. FDA as part of a BLA requesting a license to market the product. The BLA must contain extensive manufacturing information and detailed information on the composition of the product and proposed labeling. The U.S. FDA adjusts the Prescription Drug User Fee Act, or PDUFA, user fees on an annual basis. Fee waivers or reductions are available in certain circumstances, including a waiver of the application fee for the first application filed by a small business. Additionally, no user fees are assessed on BLAs for products designated as orphan drugs, unless the product also includes a non-orphan indication.

The U.S. FDA has 60 days after submission of the application to conduct an initial review to determine whether the BLA is sufficient to accept for filing based on the agency's threshold determination that it is substantially complete so as to permit substantive review. Once the submission has been accepted for filing, the U.S. FDA begins an in-depth review of the application. Under the goals and policies agreed to by the U.S. FDA under PDUFA, the U.S. FDA aims to complete its initial review of a standard application and respond to the applicant within ten months of the 60-day filing date, and for a priority review application within six months. The U.S. FDA does not always meet its PDUFA goal dates for standard and priority BLAs, and its review goals are subject to change from time to time. The review process may often be significantly extended by U.S. FDA requests for additional information or clarification. The review process and the PDUFA goal date may also be extended by three months if the U.S. FDA requests or if the applicant otherwise provides additional information or clarification regarding information already provided in the submission within the last three months before the PDUFA goal date.

The U.S. FDA reviews a BLA to determine, among other things, whether the proposed product is safe and potent, or effective, for its intended use, and has an acceptable purity profile, and whether the product is being manufactured in accordance with cGMP requirements to assure and preserve the product's identity, safety, strength, quality, potency and purity. On the basis of the U.S. FDA's evaluation of the application and accompanying information, including the results of the inspection of the manufacturing facilities and any U.S. FDA audits of clinical trial sites to assure compliance with GCPs, the U.S. FDA may issue an approval letter, denial letter, or a complete response letter. An approval letter authorizes commercial marketing of the product with specific prescribing information for specific indications. Under the PHSA, the U.S. FDA may approve a BLA if it determines that the product is safe, pure and potent and the facility where the product will be manufactured meets standards designed to ensure that it continues to be safe, pure and potent. If the application is not approved, the U.S. FDA may issue a complete response letter, which will contain the conditions that must be met in order to secure final approval of the application, and when possible will outline recommended actions the sponsor might take to obtain approval of the application. If a complete response letter is issued, the applicant may either resubmit the BLA, addressing all of the deficiencies identified in the letter, or withdraw the application.

Sponsors that receive a complete response letter who elect to address the deficiencies may submit to the U.S. FDA information that represents a complete response to the issues identified by the U.S. FDA in the response letter. Such resubmissions are classified under PDUFA as either Class 1 or Class 2, based on the information submitted by an applicant in response to an action letter. Under the goals and policies agreed to by the U.S. FDA under PDUFA, the U.S. FDA aims to review and act on a Class 1 resubmission with two months of receipt and, with respect to a Class 2 resubmission, within six months of receipt. The U.S. FDA will not approve an application until issues identified in the complete response letter have been addressed.

The U.S. FDA may also refer the application to an advisory committee for review, evaluation and recommendation as to whether the application should be approved and under what conditions. In particular, the U.S. FDA may refer applications for novel biologic products or biologic products that present difficult questions of safety or efficacy to an advisory committee. Typically, an advisory committee is a panel of independent experts, including clinicians and other scientific experts. The U.S. FDA is not bound by the recommendations of an advisory committee, but it considers such recommendations carefully when making decisions.

If the U.S. FDA approves a new product, it may limit the approved indications for use of the product, or limit the approval to specific dosages. It may also require that certain contraindications, warnings or precautions be included in the product labeling. In addition, the U.S. FDA may call for post-approval studies, including phase 4 clinical trials, to further assess the product's safety after approval. The agency may also require testing and surveillance programs to monitor the product after commercialization, or impose other conditions, including distribution restrictions or other risk management mechanisms, including REMS, to help ensure that the benefits of the product outweigh the potential risks. REMS can include medication guides, communication plans for healthcare professionals, and elements to assure safe use, or ETASU. ETASU can include but are not limited to special training or certification for prescribing or dispensing, dispensing only under certain circumstances, special monitoring and the use of patent registries. If the U.S. FDA concludes a REMS is needed, the sponsor of the BLA must submit a proposed REMS; the U.S. FDA will not approve the BLA without a REMS, if required. The U.S. FDA may prevent or limit further marketing of a product based on the results of post-market studies or surveillance programs. After approval, many types of changes to the approved product, such as adding new indications, manufacturing changes and additional labeling claims, are subject to further testing requirements and U.S. FDA review and approval.

### **Fast Track, Breakthrough Therapy and Priority Review Designations**

The U.S. FDA may designate certain products for expedited review if they are intended to address an unmet medical need in the treatment of a serious or life-threatening disease or condition. These programs include fast track designation, breakthrough therapy designation and priority review designation.

The U.S. FDA may designate a product for fast track review if it is intended, whether alone or in combination with one or more other products, for the treatment of a serious or life-threatening disease or condition, and if based on nonclinical or clinical data it demonstrates the potential to address unmet medical needs for such a disease or condition. Fast track designation applies to the combination of the product and the specific indication for which it is being studied. The sponsor of a new biologic may request that the U.S. FDA designate the biologic as a fast track product at any time during the clinical development of the product. For fast track products, sponsors may have greater interactions with the U.S. FDA and the U.S. FDA may initiate a review of sections of a fast track product's application before the application is complete. This rolling review may be available if the U.S. FDA determines, after preliminary evaluation of clinical data submitted by the sponsor, that a fast track product may be effective. The sponsor must also provide, and the U.S. FDA must approve, a schedule for the submission of the remaining information and the sponsor must pay applicable user fees. However, the U.S. FDA's time period goal for reviewing a fast track application does not begin until the last section of the application is submitted. Fast track designation may be withdrawn by the U.S. FDA if the U.S. FDA believes that the designation is no longer supported by data emerging in the clinical trial process.

Additionally, a product may be designated by the U.S. FDA as a breakthrough therapy if it is intended, either alone or in combination with one or more other products, to treat a serious or life-threatening disease or condition and preliminary clinical evidence indicates that the product may demonstrate substantial improvement over existing therapies on one or more clinically significant endpoints, such as substantial treatment effects observed early in clinical development. The U.S. FDA may take certain actions with respect to breakthrough therapies, including holding meetings with the sponsor throughout the development process; providing timely advice to the product sponsor regarding development and approval; involving more senior staff in the review process; assigning a cross-disciplinary project lead for the review team; and taking other steps to facilitate the design of clinical trials in an efficient manner.

The U.S. FDA may designate a product for priority review if it is a product that treats a serious condition and, if approved, would provide a significant improvement in safety or effectiveness. The U.S. FDA determines, on a case-by-case basis, whether the proposed product represents a significant improvement when compared with other available therapies. Significant improvement may be illustrated by evidence of increased effectiveness in the treatment of a condition, elimination or substantial reduction of a treatment-limiting product reaction, documented enhancement of patient compliance that may lead to an improvement in serious outcomes and evidence of safety and effectiveness in a new subpopulation. A priority designation is intended to direct overall attention and resources to the evaluation of such applications, and to shorten the U.S. FDA's goal for taking action on a marketing application from ten months to six months.

Fast track designation, priority review and breakthrough therapy designation may expedite the development or approval process, but do not change the standards for approval.

## **Accelerated Approval Pathway**

The U.S. FDA may grant accelerated approval to a product for a serious or life-threatening condition that provides a meaningful therapeutic advantage to patients over existing treatments based upon a determination that the product has an effect on a surrogate endpoint that is reasonably likely to predict clinical benefit. The U.S. FDA may also grant accelerated approval for such a condition when the product has an effect on an intermediate clinical endpoint that can be measured earlier than an effect on irreversible morbidity or mortality, or IMM, and that is reasonably likely to predict an effect on IMM or other clinical benefit, taking into account the severity, rarity, or prevalence of the condition and the availability or lack of alternative treatments. Products granted accelerated approval must meet the same statutory standards for safety and effectiveness as those granted traditional approval.

For the purposes of accelerated approval, a surrogate endpoint is a marker, such as a laboratory measurement, radiographic image, physical sign, or other measure that is thought to predict clinical benefit but is not itself a measure of clinical benefit. Surrogate endpoints can often be measured more easily or more rapidly than clinical endpoints. An intermediate clinical endpoint is a measurement of a therapeutic effect that is considered reasonably likely to predict the clinical benefit of a product, such as an effect on IMM. The U.S. FDA has stated that although it has limited experience with accelerated approvals based on intermediate clinical endpoints, such endpoints generally may support accelerated approval where the therapeutic effect measured by the endpoint is not itself a clinical benefit and basis for traditional approval, if there is a basis for concluding that the therapeutic effect is reasonably likely to predict the ultimate clinical benefit of a product.

The accelerated approval pathway is most often used in settings in which the course of a disease is long and an extended period of time is required to measure the intended clinical benefit of a product. Thus, accelerated approval has been used extensively in the development and approval of products for treatment of a variety of cancers in which the goal of therapy is generally to improve survival or decrease morbidity and the duration of the typical disease course requires lengthy and sometimes large trials to demonstrate a clinical or survival benefit.

The accelerated approval pathway is usually contingent on a sponsor's agreement to conduct, in a diligent manner, additional post-approval confirmatory studies to verify and describe the product's clinical benefit. As a result, a product candidate approved on this basis is subject to rigorous post-marketing compliance requirements, including the completion of phase 4 or post-approval clinical trials to confirm the effect on the clinical endpoint. Failure to conduct required post-approval studies, or confirm a clinical benefit during post-marketing studies, may lead the U.S. FDA to withdraw the product from the market. All promotional materials for product candidates approved under accelerated regulations are subject to prior review by the U.S. FDA.

## **Post-Approval Regulation**

If regulatory approval for marketing of a product or for a new indication for an existing product is obtained, the sponsor will be required to comply with rigorous and extensive post-approval regulatory requirements as well as any post-approval requirements that the U.S. FDA has imposed on the particular product as part of the approval process. The sponsor will be required, among other things, to report certain adverse reactions and production problems to the U.S. FDA, provide updated safety and efficacy information and comply with requirements concerning advertising and promotional labeling. Manufacturers and certain of their subcontractors are required to register their establishments with the U.S. FDA and certain state agencies, and are subject to periodic unannounced inspections by the U.S. FDA and certain state agencies for compliance with ongoing regulatory requirements, including cGMP regulations, which impose certain procedural and documentation requirements upon manufacturers. For certain commercial prescription biologic products, manufacturers and other parties involved in the supply chain must also meet chain of distribution requirements and build electronic, interoperable systems for product tracking and tracing and for notifying the FDA of counterfeit, diverted, stolen and intentionally adulterated products or other products that are otherwise unfit for distribution in the United States. Accordingly, the BLA-holder and its third-party manufacturers must continue to expend time, money and effort in the areas of production and quality control to maintain compliance with cGMP regulations and other regulatory requirements. In addition, changes to the manufacturing process or facility generally require prior U.S. FDA approval before being implemented, and other types of changes to the approved product, such as adding new indications and additional labeling claims, are also subject to further U.S. FDA review and approval.

Once an approval is granted, the U.S. FDA may withdraw the approval if compliance with regulatory requirements and standards is not maintained or if problems occur after the product reaches the market. Later discovery of previously unknown problems with a product, including adverse events of unanticipated severity or frequency, or with manufacturing processes, or failure to comply with regulatory requirements, may result in revisions to the approved labeling to add new safety information; imposition of post-market study requirements or clinical trial requirements to assess new safety risks; or imposition of distribution restrictions or other restrictions under a REMS program. Other potential consequences include, among other things:

- restrictions on the marketing or manufacturing of the product, complete withdrawal of the product from the market or product recalls;
- fines, untitled letters or warning letters or holds on post-approval clinical trials;

- adverse publicity;
- refusal of the U.S. FDA to approve pending applications or supplements to approved applications, or suspension or revocation of product license approvals;
- product seizure or detention, or refusal to permit the import or export of products; or
- injunctions, fines, debarment, disgorgement of profits or the imposition of civil or criminal penalties.

The U.S. FDA strictly regulates marketing, labeling, advertising and promotion of products that are placed on the market. Pharmaceutical products may be promoted only for the approved indications and in accordance with the provisions of the approved label. The U.S. FDA and other 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 significant liability.

### **Orphan Drug Designation**

Orphan drug designation in the United States is designed to encourage sponsors to develop products intended for rare diseases or conditions. In the United States, a rare disease or condition is statutorily defined as a disease or condition that affects fewer than 200,000 individuals in the United States or that affects more than 200,000 individuals in the United States but for which there is no reasonable expectation that the cost of developing and making available the product for the disease or condition will be recovered from sales of the product in the United States.

Orphan drug designation qualifies a company for certain financial incentives, including tax advantages and, if the product receives the first U.S. FDA approval for the indication for which it has orphan designation, market exclusivity for seven years following the date of the product's marketing approval. An application for designation as an orphan product can be made any time prior to the filing of an application for approval to market the product. Once a product receives orphan drug designation from the Office of Orphan Products Development at the U.S. FDA, the product must then go through the review and approval process like any other product.

In addition, a sponsor of a product that is otherwise the same product as an already approved orphan drug may seek and obtain orphan drug designation for the subsequent product for the same rare disease or condition if it can present a plausible hypothesis that its product may be clinically superior to the first product. More than one sponsor may receive orphan drug designation for the same product for the same rare disease or condition, but each sponsor seeking orphan drug designation must file a complete request for designation.

The period of exclusivity begins on the date that the marketing application is approved by the U.S. FDA and applies only to the indication for which the product has been designated. The U.S. FDA may approve a second application for the same product for a different use or a second application for a clinically superior version of the product for the same use. The U.S. FDA cannot, however, approve the same product made by another manufacturer for the same indication during the market exclusivity period unless it has the consent of the sponsor, the manufacturer makes a showing of clinical superiority over the product with orphan exclusivity, or the sponsor is unable to provide sufficient quantities.

Orphan product designation does not convey any advantage in or shorten the duration of the regulatory review and approval process.

### **Pediatric Studies and Exclusivity**

A BLA or supplement thereto must contain data that are adequate to assess the safety and effectiveness of the product for the claimed indications in all relevant pediatric subpopulations, and to support dosing and administration for each pediatric subpopulation for which the product is safe and effective. Sponsors who are planning to submit a marketing application for a biological product that includes a new active ingredient, new indication, new dosage form, new dosing regimen or new route of administration must also submit pediatric study plans prior to the assessment data, and no later than 60 calendar days following an end-of-phase 2 meeting with the U.S. FDA. Pediatric study plans must contain an outline of the proposed pediatric study or studies the sponsor plans to conduct, including study objectives and design, any deferral or waiver requests and other information required by regulation. The applicant, the U.S. FDA, and the U.S. FDA's internal review committee must then review the information submitted, consult with each other and agree upon a final plan. The U.S. FDA or the applicant may request an amendment to the plan at any time.

The U.S. FDA may, on its own initiative or at the request of the applicant, grant deferrals for submission of some or all pediatric data until after approval of the product for use in adults, or full or partial waivers from the pediatric data requirements. Unless otherwise required by regulation, the pediatric data requirements generally do not apply to products with orphan designation.

Pediatric exclusivity is another type of non-patent marketing exclusivity in the United States and, if granted, provides for the attachment of an additional six months of marketing protection to the term of any existing regulatory exclusivity, including the

non-patent and orphan exclusivity. This six-month exclusivity may be granted if a BLA sponsor submits pediatric data that fairly respond to a written request from the U.S. FDA for such data. The data do not need to show the product to be effective in the pediatric population studied; rather, if the clinical trial is deemed to fairly respond to the U.S. FDA's request, the additional protection is granted. If reports of requested pediatric studies are submitted to and accepted by the U.S. FDA within the statutory time limits, whatever statutory or regulatory periods of exclusivity or patent protection cover the product are extended by six months. This is not a patent term extension, but it effectively extends the regulatory period during which the U.S. FDA cannot approve another application.

### **Regulation of Combination Products in the United States**

Certain products may be comprised of components that would normally be regulated under different types of regulatory authorities and frequently by different centers at the U.S. FDA. These products are known as combination products. Specifically, under regulations issued by the U.S. FDA, a combination product may be:

- a product comprised of two or more regulated components that are physically, chemically, or otherwise combined or mixed and produced as a single entity;
- two or more separate products packaged together in a single package or as a unit and comprised of drug and device products, device and biological products, or biological and drug products;
- a drug, or device, or biological product packaged separately that according to its investigational plan or proposed labeling is intended for use only with an approved individually specified drug, or device, or biological product where both are required to achieve the intended use, indication, or effect and where upon approval of the proposed product the labeling of the approved product would need to be changed, e.g., to reflect a change in intended use, dosage form, strength, route of administration, or significant change in dose; or
- any investigational drug, device, or biological product packaged separately that according to its proposed labeling is for use only with another individually specified investigational drug, device, or biological product where both are required to achieve the intended use, indication, or effect.

Under the Federal Food, Drug, and Cosmetic Act, as amended, the U.S. FDA is charged with assigning a center with primary jurisdiction, or a lead center, for review of a combination product. That determination is based on the "primary mode of action" of the combination product. Thus, if the primary mode of action of a device-biologic combination product is attributable to the biologic product, the U.S. FDA center responsible for premarket review of the biologic product would have primary jurisdiction for the combination product. The U.S. FDA has also established an Office of Combination Products to address issues surrounding combination products and provide more certainty to the regulatory review process. That office serves as a focal point for combination product issues for agency reviewers and industry. It is also responsible for developing guidance and regulations to clarify the regulation of combination products, and for assignment of the U.S. FDA center that has primary jurisdiction for review of combination products where the jurisdiction is unclear or in dispute.

### **Regulation and Procedures Governing Approval of Medicinal Products in the European Union**

In order to market any product outside of the United States, a company also must comply with numerous and varying regulatory requirements of other countries and jurisdictions regarding quality, safety and efficacy and governing, among other things, clinical trials, marketing authorization, commercial sales and distribution of products. Whether or not it obtains U.S. FDA approval for a product, an applicant will need to obtain the necessary approvals by the comparable foreign regulatory authorities before it can initiate clinical trials or marketing of the product in those countries or jurisdictions. Specifically, the process governing approval of medicinal products in the European Union generally follows the same lines as in the United States although the approval of a medicinal product in the United States is no guarantee of approval of the same product in the European Union, either at all or within the same timescale as approval may be granted in the United States. It entails satisfactory completion of pharmaceutical development, non-clinical studies and adequate and well-controlled clinical trials to establish the safety and efficacy of the medicinal product for each proposed indication. It also requires the submission to relevant competent authorities for clinical trial authorization for a marketing authorization application, or MAA, and granting of a marketing authorization by these authorities before the product can be marketed and sold in the European Union or its Member States.

The European Commission may also grant a "conditional marketing authorization" prior to obtaining the comprehensive clinical data required for an application for a full marketing authorization. Such conditional marketing authorizations may be granted for product candidates intended for treating, preventing or diagnosing seriously debilitating or life-threatening diseases (including medicines designated as orphan medicinal products), if (i) the risk-benefit balance of the product candidate is positive, (ii) it is likely that the applicant will be in a position to provide the required comprehensive clinical trial data post-

authorization, (iii) the product fulfills an unmet medical need and (iv) the benefit to public health of the immediate availability on the market of the medicinal product concerned outweighs the risk inherent in the fact that additional data are still required. A conditional marketing authorization may contain specific obligations to be fulfilled by the marketing authorization holder, including obligations with respect to the completion of ongoing or new studies, and with respect to the collection of pharmacovigilance data. Conditional marketing authorizations are valid for one year, and may be renewed annually, if the risk-benefit balance remains positive, and after an assessment of the need for additional or modified conditions and/or specific obligations. The timelines for the centralized procedure described above also apply with respect to the review by the CHMP of applications for a conditional marketing authorization. A conditional marketing authorization can be converted into a standard centralized marketing authorization (no longer subject to specific obligations) once the marketing authorization holder fulfills the obligations imposed and the complete data confirm that the medicine's benefits continue to outweigh its risks.

### **Clinical Trial Approval**

In April 2014, the European Union adopted the new Clinical Trials Regulation (EU) No 536/2014, which replaced the Clinical Trials Directive 2001/20/EC on January 31, 2022. The transitory provisions of the new Regulation offer sponsors the possibility to choose between the requirements of the previous Directive and the new Regulation if the request for authorization of a clinical trial is submitted in the year after the new Regulation became applicable. If the sponsor chooses to submit under the Directive, the clinical trial continues to be governed by the previous Directive until three years after the new Regulation became applicable. If a clinical trial continues for more than three years after the Regulation became applicable, the new Regulation will at that time begin to apply to the clinical trial. The new Regulation overhauls the system of approvals for clinical trials in the European Union. Specifically, it is directly applicable in all Member States (meaning that no national implementing legislation in each Member State is required), and aims at simplifying and streamlining the approval of clinical trials in the European Union. The main characteristics of the new Regulation include: a streamlined application procedure via a single-entry point through the Clinical Trials Information System, or CTIS; a single set of documents to be prepared and submitted for the application as well as simplified reporting procedures for clinical trial sponsors; and a harmonized procedure for the assessment of applications for clinical trials, which is divided in two parts (Part I contains scientific and medicinal product documentation and Part II contains the national and patient-level documentation). Part I is assessed by a coordinated review by the competent authorities of all European Union Member States in which an application for authorization of a clinical trial has been submitted (Concerned Member States) of a draft report prepared by a Reference Member State. Part II is assessed separately by each concerned Member State. Strict deadlines have been established for the assessment of clinical trial applications.

### **Marketing Authorization**

To obtain a marketing authorization for a product in the European Union, an applicant must submit a MAA, either under a centralized procedure administered by the EMA or one of the procedures administered by competent authorities in the Member States (decentralized procedure, national procedure, or mutual recognition procedure). A marketing authorization may be granted only to an applicant established in the European Union. Regulation (EC) No. 1901/2006 on medicinal products for pediatric use provides that prior to obtaining a marketing authorization in the European Union in the centralized procedure, an applicant must demonstrate compliance with all measures included in an EMA-approved pediatric investigation plan ("PIP"), covering all subsets of the pediatric population, unless the EMA has granted a product-specific waiver, class waiver, or a deferral for one or more of the measures included in the PIP.

The centralized procedure provides for the grant of a single marketing authorization by the European Commission that is valid across the European Union and the additional Member States of the European Economic Area (Iceland, Norway and Liechtenstein) ("EEA"). Pursuant to Regulation (EC) No. 726/2004, the centralized procedure is compulsory for specific products, including for medicines produced by certain biotechnological processes, products designated as orphan medicinal products, advanced therapy medicinal products (gene-therapy, somatic-cell therapy and tissue-engineered products) and products with a new active substance indicated for the treatment of certain diseases, including products for the treatment of cancer, HIV, AIDS, neurodegenerative disorders, autoimmune and other immune dysfunctions, viral diseases or diabetes. For those products for which the use of the centralized procedure is not mandatory, applicants may elect to use the centralized procedure where either the product contains a new active substance indicated for the treatment of other diseases, or where the applicant can show that the product constitutes a significant therapeutic, scientific or technical innovation, or for which a centralized process is in the interest of public health in the European Union.

Under the centralized procedure, the Committee for Medicinal Products for Human use ("CHMP"), which is the EMA's committee that is responsible for human medicines, is responsible for conducting the assessment of whether a medicine meets the required quality, safety and efficacy requirements, and whether it has a positive benefit-risk profile. Under the centralized procedure, the maximum timeframe for the evaluation of an MAA is 210 days from the receipt of a valid MAA, excluding clock stops when additional information or written or oral explanation is to be provided by the applicant in response to questions of the CHMP. Clock stops may extend the timeframe of evaluation of an MAA considerably beyond 210 days. Where the CHMP gives a positive opinion, it provides the opinion together with supporting documentation to the European

Commission, who makes the final decision to grant a marketing authorisation. Accelerated evaluation may be granted by the CHMP in exceptional cases, when a medicinal product is of major interest from the point of view of public health and, in particular, from the viewpoint of therapeutic innovation.

If the CHMP accepts such a request, the timeframe of 210 days for assessment will be reduced to 150 days (excluding clock stops), but it is possible that the CHMP may revert to the standard time limit for the centralized procedure if it determines that the application is no longer appropriate to conduct an accelerated assessment.

Now that the UK (which comprises Great Britain and Northern Ireland) has left the European Union, Great Britain will no longer be covered by centralized marketing authorizations (under the Northern Ireland Protocol, centralized marketing authorizations will continue to be recognized in Northern Ireland). All medicinal products with a current centralized marketing authorization were automatically converted to Great Britain marketing authorizations on January, 1 2021. For a period of two years from January 1, 2021, the Medicines and Healthcare products Regulatory Agency ("MHRA"), the United Kingdom's medicines regulator, may rely on a decision taken by the European Commission on the approval of a new marketing authorization in the centralized procedure, in order to more quickly grant a new Great Britain marketing authorization. A separate application will, however, still be required.

### **Periods of Authorization and Renewals**

A marketing authorization is valid for five years, in principle, and it may be renewed after five years on the basis of a re-evaluation of the risk-benefit balance by the EMA or by the competent authority of the authorizing Member State for a nationally authorized product. Once renewed, the marketing authorization is valid for an unlimited period, unless the European Commission or the competent authority decides, on justified grounds relating to pharmacovigilance, to proceed with one additional five-year renewal period. Any authorization that is not followed by the placement of the product on the European Union market (in the case of the centralized procedure) or on the market of the authorizing Member State (for a nationally authorized product) within three years after authorization ceases to be valid (the so-called sunset clause.)

### **Regulatory Requirements after Marketing Authorization**

Following approval, the holder of the marketing authorization is required to comply with a range of requirements applicable to the manufacturing, marketing, promotion and sale of the medicinal product. These include compliance with the European Union's stringent pharmacovigilance or safety reporting rules, pursuant to which post-authorization studies and additional monitoring obligations can be imposed. In addition, the manufacturing of authorized products, for which a separate manufacturer's license is mandatory, must also be conducted in strict compliance with the EMA's cGMP requirements and comparable requirements of other regulatory bodies in the European Union, which mandate the methods, facilities and controls used in manufacturing, processing and packing of products to assure their safety and identity. Finally, the marketing and promotion of authorized products, including industry-sponsored continuing medical education and advertising directed toward the prescribers of products are strictly regulated in the European Union under Directive 2001/83EC, as amended. The advertising of prescription-only medicines to the general public is not permitted in the European Union.

### **Orphan Drug Designation and Exclusivity**

Regulation (EC) No. 141/2000 and Regulation (EC) No. 847/2000 provide that a product can be designated as an orphan drug by the European Commission if its sponsor can establish: (1) that the product is intended for the diagnosis, prevention or treatment of a life-threatening or chronically debilitating condition; (2) either (i) such condition affects no more than five in ten thousand persons in the European Union when the application is made, or (ii) without incentives it is unlikely that the marketing of the product in the European Union would generate sufficient return to justify the necessary investment in its development; and (3) there exists no satisfactory method of diagnosis, prevention, or treatment of the condition in question that has been authorized in the European Union or, if such method exists, the product has to be of significant benefit compared to products available for the condition.

An orphan drug designation provides a number of benefits, including fee reductions, regulatory assistance and the possibility to apply for a centralized marketing authorization. Orphan drug designation does not convey any advantage in, or shorten the duration of, the regulatory review and approval process. The grant of a marketing authorization for an orphan drug leads to a ten-year period of market exclusivity. During this market exclusivity period, neither the EMA nor the European Commission or the Member States can accept an application or grant a marketing authorization for the same therapeutic indication in respect of a "similar medicinal product". A "similar medicinal product" is defined as a medicinal product containing a similar active substance or substances as contained in an authorized orphan medicinal product, and which is intended for the same therapeutic indication. The market exclusivity period for the authorized therapeutic indication may, however, be reduced to six years if, at the end of the fifth year, it is established that the product no longer meets the criteria for orphan drug designation because, for example, the product is sufficiently profitable not to justify market exclusivity. There are also limited derogations from the ten-

year period of market exclusivity pursuant to which the European Commission may grant a marketing authorisation for a similar medicinal product in the same therapeutic indication. These are where: (i) the second applicant can establish that although their product is similar to the orphan medicinal product already authorised, the second product is safer, more effective or otherwise clinically superior; (ii) the marketing authorization holder for the authorized orphan product consents to the second orphan medicinal product application; or (iii) the marketing authorization holder for the authorized orphan product cannot supply enough orphan medicinal product.

The aforementioned European Union rules are generally applicable in the EEA.

### **Brexit and the Regulatory Framework in the United Kingdom**

On June 23, 2016, the electorate in the United Kingdom voted in favor of leaving the European Union (commonly referred to as “Brexit”), and the United Kingdom formally left the European Union on January 31, 2020. There was a transition period during which European Union pharmaceutical law remained applicable to the United Kingdom, which ended on December 31, 2020. However, the European Union and the United Kingdom have concluded a trade and corporation agreement, or TCA, which was provisionally applicable since January 1, 2021 and has been formally applicable since May 1, 2021. The TCA includes specific provisions concerning pharmaceuticals, which include the mutual recognition of GMP, inspections of manufacturing facilities for medicinal products and GMP documents issued, but does not foresee wholesale mutual recognition of United Kingdom and European Union pharmaceutical regulations. At present, Great Britain has implemented European Union legislation on the marketing, promotion and sale of medicinal products through the Human Medicines Regulations 2012 (as amended) (under the Northern Ireland Protocol, the EU regulatory framework will continue to apply in Northern Ireland.) The regulatory regime in Great Britain therefore currently broadly aligns with European Union regulations, however it is possible that these regimes will diverge in future now that Great Britain's regulatory system is independent from the European Union and the TCA does not provide for mutual recognition of United Kingdom and European Union pharmaceutical legislation. For example, the new Clinical Trials Regulation which became effective in the European Union on January 31, 2022 and provides for a streamlined clinical trial application and assessment procedure covering multiple EU Member States has not been implemented into United Kingdom law, and a separate application will need to be submitted for clinical trial authorization in the United Kingdom.

### **Coverage, Reimbursement and Pricing**

Significant uncertainty exists as to the coverage and reimbursement status of any product candidates for which we may obtain regulatory approval. Even if our product candidates are approved for marketing, sales of such product candidates will depend, in part, on the extent to which third-party payors, including government health programs in the United States (such as Medicare and Medicaid), commercial health insurers, and managed care organizations, provide coverage and establish adequate reimbursement levels for such product candidates. In the United States, the Member States of the European Union and markets in other countries, patients who are prescribed treatments for their conditions and providers performing the prescribed services generally rely on third-party payors to reimburse all or part of the associated healthcare costs. Reimbursement rules and levels are not harmonized. For example, in the United States, reimbursement decisions vary from payor to payor, including government health programs and commercial health insurers. Similarly, in the European Union policies vary from Member State to Member State. Patients are unlikely to use any product candidates we may develop unless coverage is provided and reimbursement is adequate to cover a significant portion of the cost of such product candidates. The process for determining whether a payor will provide coverage for a product may be separate from the process for setting the reimbursement rate that the payor will pay for the product once coverage is approved. Third-party payors are increasingly challenging the price and examining the medical necessity and cost-effectiveness of medical products and services and imposing controls to manage costs. Factors payors consider in determining reimbursement are based on whether the product is:

- a covered benefit under its health plan;
- safe, effective and medically necessary;
- appropriate for the specific patient;
- cost-effective; and
- neither experimental nor investigational.

In order to secure coverage and reimbursement for any product that might be approved for sale, a company may need to conduct expensive pharmacoeconomic studies in order to demonstrate the medical necessity and cost-effectiveness of the product, and the cost of these studies would be in addition to the costs required to obtain U.S. FDA or other comparable marketing approvals. Even after pharmacoeconomic studies are conducted, product candidates may not be considered medically necessary or cost-effective. A decision by a third-party payor not to cover any product candidates we may develop could reduce physician utilization of such product candidates once approved and have a material adverse effect on our sales, results of operations and financial condition. Additionally, a payor's decision to provide coverage for a product does not imply that an adequate reimbursement rate will be approved. For example, the payor may require co-payments that patients find unacceptably

high. Further, one payor's determination to provide coverage for a product does not assure that such coverage will continue or that other payors will also provide coverage and reimbursement for the product, and the level of coverage and reimbursement can differ significantly from payor to payor. Third-party reimbursement and coverage may not be adequate to enable us to maintain price levels sufficient to realize an appropriate return on our investment in product development and generate revenue.

In the United States, the containment of healthcare costs also has become a priority of federal, and state governments as well as other third-party payors and the prices of pharmaceuticals have been a focus in this effort. Governments and other third-party payors have shown significant interest in implementing cost containment programs, including price controls, restrictions on reimbursement and requirements for substitution of generic products. Adoption of price controls and cost containment measures, and adoption of more restrictive policies with third-party payors with existing controls and measures, could further limit a company's revenue from the sale of any approved products. Coverage policies and third-party reimbursement rates may change at any time. Even if favorable coverage and reimbursement status is attained for one or more products for which a company or its collaborators receive marketing approval, less favorable coverage policies and reimbursement rates may be implemented or coverage may be ended in the future.

Outside the United States, we will face challenges in ensuring obtaining adequate coverage and payment for any product candidates we may develop. Pricing of prescription pharmaceuticals is subject to governmental control in many countries. Pricing negotiations with governmental authorities or other third-party payors such as statutory health insurance funds can extend well beyond the receipt of regulatory marketing approval for a product and may require us to conduct a clinical trial that compares the cost-effectiveness of any product candidates we may develop to other available therapies. The conduct of such a clinical trial could be expensive and result in delays in our commercialization efforts.

In the European Union, pricing and reimbursement schemes vary widely from country to country. Some Member States provide that products may be marketed only after a reimbursement price has been agreed. Some Member States may require the completion of additional studies that compare the cost-effectiveness of a particular product candidate to currently available therapies (so-called health technology assessments) in order to obtain reimbursement or pricing approval. For example, the European Union provides options for its Member States to restrict the range of products for which their national health insurance systems provide reimbursement and to control the prices of medicinal products for human use. European Union Member States may approve a specific price for a product or may instead adopt a system of direct or indirect controls on the profitability of the company placing the product on the market. Other Member States allow companies to fix their own prices for products, but monitor and control prescription volumes and issue guidance to physicians to limit prescriptions. Recently, many countries in the European Union have increased the amount of discounts required on pharmaceuticals and these efforts could continue as countries attempt to manage healthcare expenditures, especially in light of the severe fiscal and debt crises experienced by many countries in the European Union. The downward pressure on healthcare costs in general, particularly prescription products, has become intense. As a result, increasingly high barriers are being erected to the entry of new products. Political, economic and regulatory developments may further complicate pricing negotiations, and pricing negotiations may continue after reimbursement has been obtained. Reference pricing used by various European Union Member States and parallel trade (arbitrage between low-priced and high-priced Member States) can further reduce prices. Special pricing and reimbursement rules may apply to orphan drugs. Inclusion of orphan drugs in reimbursement systems tends to focus on the medical usefulness, need, quality and economic benefits to patients and the healthcare system as for any product. Acceptance of any medicinal product for reimbursement may come with cost, use and often volume restrictions, which again can vary by country. In addition, results based rules of reimbursement may apply. There can be no assurance that any country that has price controls or reimbursement limitations for pharmaceutical products will allow favorable reimbursement and pricing arrangements for any of our products, if approved in those countries.

## **Healthcare Law and Regulation**

Healthcare providers and third-party payors play a primary role in the recommendation and prescription of pharmaceutical products that are granted marketing approval. Our current and future arrangements with providers, researchers, consultants, third-party payors and customers are subject to broadly applicable federal and state fraud and abuse, anti-kickback, false claims, transparency and patient privacy laws and regulations and other healthcare laws and regulations that may constrain our business and/or financial arrangements. Restrictions under applicable federal and state healthcare laws and regulations include, without limitation, the following:

- the U.S. federal Anti-Kickback Statute, which prohibits, among other things, persons and entities from knowingly and willfully soliciting, receiving, offering, or paying remuneration, directly or indirectly, in-cash or in kind, to induce or reward either the referral of an individual for, or the purchase, order or recommendation of, any good or service, for which payment may be made, in whole or in part, under a federal healthcare program such as Medicare and Medicaid. A person or entity does not need to have actual knowledge of the statute or a specific intent to violate it in order to have committed a violation. Moreover, the government may assert that a claim that includes items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the civil False Claims Act. On November 20,

2020, OIG finalized further modifications to the federal Anti-Kickback Statute. Under the final rules, OIG added safe harbor protections under the Anti-Kickback Statute for certain coordinated care and value-based arrangements among clinicians, providers, and others. This rule (with exceptions) became effective January 19, 2021. We continue to evaluate what effect, if any, these rules will have on our business;

- the federal civil and criminal false claims laws, including the civil False Claims Act, and civil monetary penalties laws, which prohibit individuals or entities from, among other things, knowingly presenting, or causing to be presented, to the federal government, claims for payment that are false, fictitious, or fraudulent or knowingly making, using, or causing to be made or used a false record or statement to avoid, decrease, or conceal an obligation to pay money to the federal government;
- the Health Insurance Portability and Accountability Act, or HIPAA, which created additional federal criminal laws that prohibit, among other things, knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program or making false statements relating to healthcare matters. Similar to the federal Anti-Kickback Statute, a person or entity does not need to have actual knowledge of the statute or a specific intent to violate it in order to have committed a violation;
- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act, and their respective implementing regulations, including the Final Omnibus Rule published in January 2013, which impose obligations, including mandatory contractual terms, with respect to safeguarding the privacy, security and transmission of individually identifiable health information without the appropriate authorization by entities subject to the law, such as healthcare providers, health plans and healthcare clearinghouses and their respective business associates;
- the federal transparency requirements known as the federal Physician Payments Sunshine Act, under the ACA, which requires certain manufacturers of drugs, devices, biologics and medical supplies to report annually to the Centers for Medicare & Medicaid Services, or CMS, within the U.S. Department of Health and Human Services, information related to payments and other transfers of value made by that entity to physicians (currently defined to include doctors, dentists, optometrists, podiatrists and chiropractors) and teaching hospitals, as well as ownership and investment interests held by physicians and their immediate family members; effective January 1, 2022, these reporting obligations will extend to include transfers of value made to certain non-physician providers such as physician assistants and nurse practitioners;
- federal consumer protection and unfair competition laws, which broadly regulate marketplace activities and activities that potentially harm consumers;
- federal government price reporting laws, which require us to calculate and report complex pricing metrics to government programs and which may be used in the calculation of reimbursement and/or discounts on marketed products;
- the Foreign Corrupt Practices Act, a U.S. law which prohibits companies and their intermediaries from making, or offering or promising to make improper payments to non-U.S. officials for the purpose of obtaining or retaining business or otherwise seeking favorable treatment (which could include, for example, certain medical professionals); and
- analogous state and foreign laws and regulations, such as state anti-kickback and false claims laws and state price reporting and transparency laws, which may apply to healthcare items or services that are reimbursed by non-governmental third-party payors, including private insurers.

Some state laws require pharmaceutical companies to comply with the pharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government in addition to requiring pharmaceutical manufacturers to report information related to payments to physicians and other healthcare providers or marketing expenditures and pricing information. State and foreign laws also govern the privacy and security of health information in some circumstances, many of which differ from each other in significant ways and often are not pre-empted by HIPAA, thus complicating compliance efforts.

Violations of these laws can subject us to criminal, civil and administrative sanctions including monetary penalties, damages, fines, disgorgement, individual imprisonment and exclusion from participation in government-funded healthcare programs, such as Medicare and Medicaid, additional reporting requirements and oversight if we become subject to a corporate integrity agreement or similar agreement to resolve allegations of non-compliance with these laws, reputational harm, and we may be required to curtail or restructure our operations. Moreover, we expect that there will continue to be federal and state laws and regulations, proposed and implemented, that could impact our future operations and business.

## **Healthcare Reform**

A primary trend in the U.S. healthcare industry and elsewhere is cost containment. There have been a number of federal and state proposals during the last few years to reduce the cost of care through changes in the healthcare system, including limits on the pricing, coverage and reimbursement of pharmaceutical and biopharmaceutical products, especially under government-funded healthcare programs, and increased governmental control of drug pricing.

By way of example, in March 2010, the U.S. Congress enacted the Patient Protection and Affordable Care Act (ACA), which, among other things, includes changes to the coverage and payment for products under governmental and private insurance plans. Among the provisions of the ACA that may be of importance to our potential product candidates are:

- an annual, non-deductible fee on any entity that manufactures or imports specified branded prescription drugs and biologic products, apportioned among these entities according to their market share in certain government healthcare programs, although this fee would not apply to sales of certain products approved exclusively for orphan indications;
- expansion of eligibility criteria for Medicaid programs by, among other things, allowing states to offer Medicaid coverage to certain individuals with income at or below 133% of the federal poverty level, thereby potentially increasing a manufacturer's Medicaid rebate liability;
- expansion of manufacturers' rebate liability under the Medicaid Drug Rebate Program by increasing the minimum rebate for both branded and generic drugs and revising the definition of "average manufacturer price" for calculating and reporting Medicaid drug rebates on outpatient prescription drug prices and extending rebate liability to prescriptions for individuals enrolled in Medicare Advantage plans;
- a new methodology by which rebates owed by manufacturers under the Medicaid Drug Rebate Program are calculated for products that are inhaled, infused, instilled, implanted or injected;
- expanding the types of entities eligible for the 340B drug discount program;
- a new Patient-Centered Outcomes Research Institute to oversee, identify priorities in, and conduct comparative clinical effectiveness research, along with funding for such research; and
- establishment of the Center for Medicare and Medicaid Innovation within CMS to test innovative payment and service delivery models to lower Medicare and Medicaid spending, potentially including prescription product spending (funding has been allocated to support the mission of the Center for Medicare and Medicaid Innovation through 2019).

At this point, healthcare reform and its impacts on us are highly uncertain in many respects. For example, since its enactment, there have been judicial and Congressional challenges to numerous aspects of the ACA. The current Trump administration and U.S. Congress focused on additional executive and legislative changes, including in particular repeal and replacement of certain provisions of the ACA.

Since its enactment, there have been numerous judicial, administrative, executive, and legislative challenges to certain aspects of the ACA, and we expect there will be additional challenges and amendments to the ACA in the future. On June 17, 2021, the U.S. Supreme Court dismissed the most recent judicial challenge to the ACA brought by several states without specifically ruling on the constitutionality of the ACA. Prior to the Supreme Court's decision, President Biden issued an Executive Order to initiate a special enrollment period from February 15, 2021 through August 15, 2021 for purposes of obtaining health insurance coverage through the ACA marketplace. The Executive Order also instructed certain governmental agencies to review and reconsider their existing policies and rules that limit access to healthcare, including among others, reexamining Medicaid demonstration projects and waiver programs that include work requirements, and policies that create unnecessary barriers to obtaining access to health insurance coverage through Medicaid or the ACA. It is unclear whether the ACA will be overturned, repealed, replaced, or further amended. We cannot predict what affect further changes to the ACA would have on our business.

Other legislative changes have been proposed and adopted in the United States since the ACA was enacted:

- On August 2, 2011, the U.S. Budget Control Act of 2011, among other things, led to aggregate reductions to Medicare payments to providers of up to 2% per fiscal year. These reductions went into effect in April 2013 and, due to subsequent legislative amendments to the statute, will remain in effect through 2030, with the exception of a temporary suspension from May 1, 2020 through March 31, 2022 due to the COVID-19 pandemic. Following the temporary suspension, a 1% payment reduction will occur beginning April 1, 2022 through June 30, 2022, and the 2% payment reduction will resume on July 1, 2022
- On January 2, 2013, the American Taxpayer Relief Act of 2012, among other things, further reduced Medicare payments to several providers, including hospitals, imaging centers and cancer treatment centers, and increased the statute of limitations period for the government to recover overpayments to providers from three to five years.
- On April 13, 2017, CMS published a final rule that gives states greater flexibility in setting benchmarks for insurers in the individual and small group marketplaces, which may have the effect of relaxing the essential health benefits required under the ACA for plans sold through such marketplaces.

- On May 30, 2018, the Right to Try Act, was signed into law. The law, among other things, provides a federal framework for certain patients to access certain investigational new drug products that have completed a Phase 1 clinical trial and that are undergoing investigation for FDA approval. Under certain circumstances, eligible patients can seek treatment without enrolling in clinical trials and without obtaining FDA permission under the FDA expanded access program. There is no obligation for a pharmaceutical manufacturer to make its drug products available to eligible patients as a result of the Right to Try Act.
- On May 23, 2019, CMS published a final rule to allow Medicare Advantage Plans the option of using step therapy for Part B drugs beginning January 1, 2020.
- On December 20, 2019, former President Trump signed into law the Further Consolidated Appropriations Act (H.R. 1865), which repealed the Cadillac tax, the health insurance provider tax, and the medical device excise tax. It is impossible to determine whether similar taxes could be instated in the future.

These laws may result in additional reductions in Medicare and other healthcare funding and otherwise affect the prices we may obtain for any of our product candidates for which we may obtain regulatory licensing or the frequency with which any such product candidate is prescribed or used.

Additionally, there has been increasing legislative and enforcement interest in the United States with respect to specialty drug pricing practices. Specifically, there have been several recent U.S. Congressional inquiries and proposed bills 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, explore reimportation of drugs and reform government program reimbursement methodologies for drugs. At a federal level, President Biden signed an Executive Order on July 9, 2021 affirming the administration's policy to (i) support legislative reforms that would lower the prices of prescription drug and biologics, including by allowing Medicare to negotiate drug prices, by imposing inflation caps, and, by supporting the development and market entry of lower-cost generic drugs and biosimilars; and (ii) support the enactment of a public health insurance option. Among other things, the Executive Order also directs HHS to provide a report on actions to combat excessive pricing of prescription drugs, enhance the domestic drug supply chain, reduce the price that the Federal government pays for drugs, and address price gouging in the industry; and directs the FDA to work with states and Indian Tribes that propose to develop section 804 Importation Programs in accordance with the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, and the FDA's implementing regulations. FDA released such implementing regulations on September 24, 2020, which went into effect on November 30, 2020, providing guidance for states to build and submit importation plans for drugs from Canada. On September 25, 2020, CMS stated drugs imported by states under this rule will not be eligible for federal rebates under Section 1927 of the Social Security Act and manufacturers would not report these drugs for "best price" or Average Manufacturer Price purposes. Since these drugs are not considered covered outpatient drugs, CMS further stated it will not publish a National Average Drug Acquisition Cost for these drugs. If implemented, importation of drugs from Canada may materially and adversely affect the price we receive for any of our product candidates. Further, on November 20, 2020 CMS issued an Interim Final Rule implementing the Most Favored Nation, or MFN, Model under which Medicare Part B reimbursement rates would have been calculated for certain drugs and biologicals based on the lowest price drug manufacturers receive in Organization for Economic Cooperation and Development countries with a similar gross domestic product per capita. However, on December 29, 2021 CMS rescinded the Most Favored Nations rule. Additionally, on November 30, 2020, HHS published a regulation removing safe harbor protection for price reductions from pharmaceutical manufacturers to plan sponsors under Part D, either directly or through pharmacy benefit managers, unless the price reduction is required by law. The rule also creates a new safe harbor for price reductions reflected at the point-of-sale, as well as a safe harbor for certain fixed fee arrangements between pharmacy benefit managers and manufacturers. Pursuant to court order, the removal and addition of the aforementioned safe harbors were delayed and recent legislation imposed a moratorium on implementation of the rule until January 1, 2026. Although a number of these and other proposed measures may require authorization through additional legislation to become effective, and the Biden administration may reverse or otherwise change these measures, both the Biden administration and Congress have indicated that they will continue to seek new legislative measures to control drug costs.

There have been, and likely will continue to be, legislative and regulatory proposals at the foreign, federal and state levels directed at broadening the availability of healthcare and containing or lowering the cost of healthcare. Such reforms could have an adverse effect on anticipated revenues from product candidates that we may successfully develop and for which we may obtain marketing approval and may affect our overall financial condition and ability to develop product candidates.

### **C. Organizational Structure**

As of December 31, 2021, we had three subsidiaries. The following table sets out for our subsidiaries, the country of incorporation, and percentage ownership and voting interest held by us (directly or indirectly through subsidiaries).

<b>Company</b>	<b>Country of incorporation</b>	<b>Percentage ownership and voting interest</b>	<b>Main activity</b>
MorphoSys US Inc.	United States	100.00%	Commercialization and selling of products in the field of medicines, pharmaceutical compounds and related intermediate products, as well as operation of all businesses necessary and measures related thereto
Constellation Pharmaceuticals, Inc.	United States	100.00%	Clinical-stage biopharmaceutical company using expertise in epigenetics to discover and develop novel therapeutics for patients with cancers associated with abnormal gene expression or drug resistance, as well as operation of all business necessary and measures related thereto
Constellation Securities Corp.	United States	100.00%	Engaged exclusively in buying, selling, dealing in, or holding securities on its own behalf for investment purposes

#### **D. Property, Plants and Equipment**

Our headquarters are in the suburbs of Munich, Germany, where we occupy office and laboratory space under a ten-year fixed term lease that started on January 1, 2017. In July 2018, we established a wholly owned subsidiary, MorphoSys US Inc., to commercialize Monjuvi in the United States. MorphoSys US Inc. occupies office space in Boston, Massachusetts, USA, under a seven-year fixed term lease. In July 2021, we acquired a wholly owned subsidiary via a cash tender offered followed by an upstream merger, Constellation. The company occupies office space in Cambridge, Massachusetts, USA, for which the lease agreement was terminated and expired in February 2022.

#### **Item 4A. Unresolved Staff Comments**

None.

#### **Item 5. Operating and Financial Review and Prospects**

You should read the following discussion and analysis of the financial condition and results of operations of the Company in conjunction with the annual consolidated financial statements and the related notes thereto included elsewhere in this report. In addition to historical financial information, the following discussion contains forward-looking statements that reflect our plans, estimates and opinions. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences or cause our actual results or the timing of selected events to differ materially from those anticipated in these forward-looking statements include those set forth under "Risk Factors", "Special Note Regarding Forward-Looking Statements" and elsewhere in this report.

Our consolidated financial statements comply with both the IFRSs published by the International Accounting Standards Board (IASB) and those adopted by the EU. The consolidated financial statements also take into account the supplementary provisions under commercial law, which must be applied in accordance with Section 315e (1) of the German Commercial Code (Handelsgesetzbuch—HGB).

MorphoSys has transformed from a research and technology platform focused business into a commercial biopharmaceutical company. As our business model has changed, we will adapt our guidance parameters. Starting 2022, Monjuvi U.S. net product sales, the gross margin of Monjuvi U.S. net product sales, Research and Development expenses, as well as total combined expenses for Selling and General & Administrative will be used as key financial performance indicators, since these indicators are the most significant for steering MorphoSys Group. Monjuvi U.S. net product sales and related gross margin enables management and investors to track operational sales-related performance of our co-commercialized product. At the same time the expense split enables management and investors to put our efforts for commercialization as well as ongoing development of our lead assets into perspective to its (future) outcomes. These indicators are routinely analyzed and evaluated.

As an additional factor, the liquidity position (presented in the following balance sheet items: "Cash and cash equivalents" as well as "Other financial assets (current and non-current)" is also regularly analyzed and evaluated. Liquidity position is not considered to be part of the key financial performance indicators.

In the years ahead, events such as the in-licensing and out-licensing of development candidates and significant milestone payments and royalties from the market maturity of HuCAL and Ylanthia antibodies could have an impact on the Company's net assets and financial position. Such events could cause financial targets to change significantly. Similarly, failures in drug development could have negative consequences for the MorphoSys Group. Negative effects from a further pandemic similar to COVID-19 or from COVID-19 variants are also possible or cannot be excluded. Revenue growth in the near- to medium-term will depend on the Company's ability to successfully commercialize Monjuvi.

#### **A. Operating Results**

The change in the Company's internal management and corresponding financial guidance for the 2021 financial year also prompted changes in the presentation of the consolidated statement of profit or loss. The following changes were implemented for the first time with the reporting of 2021:

- Presentation of the components of revenue "Product Sales", "Royalties" and "Licenses, Milestones and Other"
- Introduction of the item "Gross Profit" on the statement of profit or loss as the difference between revenues and cost of sales

- "Operating Expenses" include research and development, as well as selling, general and administrative expenses. In this context, total operating expenses for 2020 were adjusted by €9.2 million (2019: €12.1 million) as the cost of sales are no longer included in this sum line item in order to provide comparable prior year information.
- Introduction of the item "Impairment of goodwill" on the statement of profit or loss as a component of "Operating expenses". In this context, research and development expenses for 2020 have been adjusted by €(2.1) million to provide comparable information for the comparative period.
- The item "Earnings before Interest and Taxes" (EBIT) on the statement of profit or loss has been discontinued
- Introduction of the item "Operating Profit (+) / Loss (-)" on the statement of profit or loss as the difference between the statement's items "Gross Profit" and "Operating Expenses"

## Revenues

Revenues in the reporting year decreased by 45% or € 148.1 million to € 179.6 million (2020: € 327.7 million). This decrease resulted first and foremost from revenues of € 236.1 million in 2020 stemming from the execution of the collaboration and license agreement with Incyte. Revenues from royalties on net sales amounted to € 65.6 million (2020: € 42.5 million). Revenues from Monjuvi product sales totaled € 66.9 million (2020: € 18.5 million) in its first full year after receiving marketing authorization in August 2020. Revenues in the 2020 financial year were primarily attributable to royalties of € 42.5 million from Janssen on the net sales of Tremfya. In 2021, milestone payments of € 20.0 million (2020: € 4.8 million) were recognized, which were mainly comprised of a single milestone payment from GSK.

On a regional basis, revenues from biotechnology and pharmaceutical companies in the U.S. and Canada decreased by 51%, or € 162.8 million, from € 319.1 million in 2020 to € 156.3 million in the reporting year. This development was driven primarily by revenue from the collaboration and license agreement with Incyte. Revenues with customers in Europe and Asia increased by more than 100%, or € 14.7 million, to € 23.3 million in 2021 (2020: € 8.6 million). This increase resulted mainly from the recognition of a milestone payment from GSK of € 16.0 million in 2021.

In 2021, a total of 59% of the revenues generated were attributable to activities with partners Janssen, Incyte and GSK. In 2020, 93% of the revenues generated were attributable to activities with partners Incyte, Janssen and I-Mab Biopharma. In 2019, 89% of the revenues generated were attributable to activities with partners Janssen, GSK and I-Mab Biopharma.

Revenues in 2020 increased by more than 100%, or € 255.9 million, to € 327.7 million (2019: € 71.8 million). This increase resulted first and foremost from revenues of € 255.8 million stemming from the collaboration and license agreement with Incyte. Revenues from royalties on net sales of Tremfya amounted to € 42.5 million (2019: € 31.8 million). Revenues from Monjuvi product sales totaled € 18.5 million, which were recognized for the first time after receiving marketing authorization in August 2020. Revenues in the 2019 financial year were primarily attributable to royalties of € 31.8 million from Janssen on the net sales of Tremfya and a milestone payment of € 22.0 million from GSK triggered by the dosing of the first patient upon the initiation of a phase 3 clinical development program.

On a regional basis, revenues from biotechnology and pharmaceutical companies in the U.S. and Canada increased by more than 100%, or € 286.8 million, from € 32.3 million in 2019 to € 319.1 million in 2020. This development was driven primarily by revenue from the collaboration and license agreement with Incyte in financial year 2020. Revenues with customers in Europe and Asia decreased by 78%, or € 30.9 million, to € 8.6 million in 2020 (2019: € 39.5 million). This decrease resulted from the recognition of a milestone payment from GSK of € 22.0 million in 2019.

Our revenues are subject to a number of uncertainties, the potential for variability of the Monjuvi product launch, the limited visibility that MorphoSys has on its royalty streams as well as the ongoing COVID-19 pandemic and the impact on our as well as our partner's business operations.

Of central importance for the future development of MorphoSys is the value creation from tafasitamab. Following the approval and launch of Monjuvi (tafasitamab-cxix) in the U.S. in 2020, Incyte received in August 2021 conditional approvals for tafasitamab in the EU and Canada (brand name, Minjuvi). Also, in January 2021, the Swiss Agency for Therapeutic Products (Swissmedic) has accepted the marketing authorization application (MAA) for tafasitamab. Incyte has exclusive commercialization rights to tafasitamab outside the United States and MorphoSys is entitled to royalties. Therefore, revenues related to the commercialization in other regions are dependent from the approval of authorities. In case of non-approval the expected revenues will not be realizable.

Revenues from partnerships could also potentially influence our revenues, in case contractually agreed milestones and royalty thresholds are met.

The majority of our anticipated business transactions are conducted in euros and U.S. dollars and therefore are exposed to potential changes of foreign currency exchange rates. The assessment of the impacts on revenues is described in item 5.D. Trend information.

## Cost of Sales

Cost of sales increased from € 9.2 million in 2020 to € 32.2 million in 2021, mainly due to higher acquisition and manufacturing costs of inventories of € 12.6 million in 2021 (2020: € 5.6 million) and increased impairment, amortization and other expenses for intangible assets of € 7.4 million (2020: € 2.3 million). In the financial year 2021, there were no reversals of impairment losses due to a write-down to net realizable value recognized in previous years (2020: € 9.9 million).

## Gross Profit

Gross Profit amounted to € 147.4 million in 2021 (2020: € 318.5 million). This decrease resulted first and foremost from revenues of € 255.8 million stemming from the collaboration and license agreement with Incyte in 2020.

## Operating Expenses

In 2021, operating expenses increased by more than 100%, or € 355.2 million, to € 655.8 million compared to € 300.6 million in 2020. The year-over-year increase was primarily driven by increased development activities, the inclusion of the operating expenses from Constellation beginning on July 15, 2021 of € 92.3 million, higher personnel costs, transaction costs related to the acquisition of Constellation and an impairment of goodwill.

Research and development expenses increased by 62%, or € 85.8 million, to € 225.2 million in the reporting year (2020: € 139.4 million). The year-over-year increase was primarily driven by expenses, partially related to the first time inclusion of Constellation, for external services for development activities and personnel costs.

In 2021, selling expenses amounted to € 121.5 million compared with € 107.7 million in 2020. The main items responsible for this increase were higher expenses for personnel and other operating costs.

General and administrative (G&A) expenses increased by 52%, or € 26.9 million, from € 51.4 million in 2020 to € 78.3 million in 2021. The year-over-year increase was mainly driven by higher expenses, related and unrelated to Constellation for external services and personnel costs. Embedded in G&A expenses are transaction-related costs due to the acquisition of Constellation. Total transaction costs in G&A were € 19.7 million.

Furthermore, operating expenses were negatively impacted by the recognition of an impairment of goodwill amounting to € 230.7 million (2020: € 2.1 million). For further details, please refer to the section "Impairment of goodwill". For transparency purposes current year's impairment was separately presented in operating result. Prior year numbers were adjusted accordingly, since the amount was previously presented as part of Research and Development expenses.

In 2020, operating expenses increased by 79%, or € 132.8 million, from € 167.8 million in 2019 to € 300.6 million in 2020. An increase in research and development expenses, selling expenses and general and administrative expenses contributed to this development. Research and development expenses increased by 29%, or € 30.9 million, to € 139.4 million in 2020 (2019: € 108.4 million). In 2020, selling expenses amounted to € 107.7 million compared with € 22.7 million in 2019. The main items responsible for this increase were higher expenses for personnel and external services as the company prepared for the launch of Monjuvi in 2020. G&A expenses increased by 40%, or € 14.7 million, from € 36.7 million in 2019 to € 51.4 million in 2020, which was also largely due to increased personnel expenses and expenses for external services.

MorphoSys will invest a significant portion of its financial resources in the development and commercialization of its proprietary programs as it pursues its ambition to become a leader in hematology/oncology. This will require significant capital and result in significant net losses over the next several years..

A significant part of our future business activities will be denominated in U.S. dollars and therefore is exposed to potential fluctuations in foreign currency exchange rates.

## Research and Development

Research and development expenses increased by 62%, or € 85.8 million, to € 225.2 million in 2021 (2020: € 139.4 million) mainly due to higher expenses for external laboratory services. Expenses for external laboratory services and legal and scientific consulting services increased from € 77.8 million in the previous year to € 131.5 million in the reporting year, mainly due to higher expenses for external laboratory services in connection with the development of tafasitamab and felzartamab. Research and Development expenses related to Constellation's lead compounds pelabresib, CPI-0209 and personnel were recorded for the first time starting from July 15, 2021 and onwards. Overall, personnel expenses were higher, rising from € 32.3 million in the previous year to € 65.9 million in the reporting year, partially driven by the addition of Constellation.

Expenses for intangible assets amounted to € 7.9 million in 2021 (2020: € 18.1 million). In 2020, these were influenced by impairment losses of € 11.7 million in connection with an impairment of the MOR107 in-process research and development program. Depreciation, amortization and other expenses for infrastructure increased from € 8.7 million in 2020 to € 11.8 million

in 2021, mainly due to higher lease expenses and utilities. Other expenses increased from € 2.5 million in 2020 to € 4.1 million in 2021. Expenses for consumables increased from € 3.2 million in the previous year to € 4.1 million in 2021.

In 2020, research and development expenses increased by 29%, or € 30.9 million, to € 139.4 million (2019: € 108.4 million). This increase was mainly the result of higher expenses for external laboratory services. Expenses for external laboratory services and legal and scientific consulting services increased from € 62.4 million in 2019 to € 77.8 million in 2020, mainly due to higher expenses for external laboratory services in connection with the development of tafasitamab. Personnel expenses were also higher, rising from € 28.5 million in 2019 to € 32.3 million in 2020.

Expenses for intangible assets amounted to € 18.1 million in 2020 (2019: € 5.6 million). In 2020, these were influenced by impairment losses of € 11.7 million in connection with an impairment of the MOR107 in-process research and development program. Depreciation, amortization and other expenses for infrastructure increased from € 5.9 million in 2019 to € 8.7 million in 2020, mainly due to higher expenses for insurance. Other expenses decreased from € 3.1 million in 2019 to € 2.5 million in 2020. Expenses for consumables increased from € 2.9 million in 2019 to € 3.2 million in 2020.

## **Selling**

Selling expenses increased by 13%, or € 13.8 million, to € 121.5 million in 2021 (2020: € 107.7 million). Mainly due to higher personnel expenses (2021: € 63.5 million; 2020: € 52.8 million) and other operating costs (2021: € 5.7 million; 2020: € 3.4 million). The personnel expenses increased by € 10.7 million to € 63.5 million in 2021 due to the full year impact of marketing activities for Monjuvi. Other operating costs primarily increased due to database subscriptions. Additional selling expenses of € 1.3 million related to Constellation were recorded since the acquisition date.

In 2020, selling expenses increased by more than 100% or € 85.1 million to € 107.7 million (2019: € 22.7 million). This was mainly due to higher expenses for external services and personnel expenses. The expenses for external services increased by € 36.4 million to € 50.7 million in 2020 due to the commercialization of Monjuvi (2019: € 14.3 million). Personnel expenses increased to € 52.8 million (2019: € 6.8 million) due to the marketing activities for Monjuvi.

## **General and Administrative (G&A)**

G&A expenses increased by 52%, or € 26.9 million, in 2021 and amounted to € 78.3 million (2020: € 51.4 million). The year-over-year increase was mainly driven by higher expenses, partially related Constellation inclusion, for external services and personnel costs. Embedded in G&A expenses were transaction related costs due to the acquisition of Constellation. Total transaction costs in G&A were € 19.7 million. Costs relating to the acquisition of Constellation were the main driver for the increase from € 15.6 million in the previous year to € 35.9 million of external services in the reporting year. Personnel expenses increased from € 29.9 million in the previous year to € 32.6 million in the reporting year. Higher expenses for salaries, retention and severance payments were primarily responsible for this increase, which was partially offset by lower deferred compensation expenses. Depreciation, amortization and other expenses for infrastructure increased from € 4.1 million in the previous year to € 6.9 million in 2021, mainly resulting from increased insurance costs.

G&A expenses increased by 40%, or € 14.7 million, in 2020 and amounted to € 51.4 million (2019: € 36.7 million). The main reasons for this increase were higher personnel expenses and expenses for external services. Personnel expenses increased from € 22.6 million in 2019 to € 29.9 million in 2020. Higher expenses for salaries were primarily responsible for this increase. Expenses for external services increased from € 10.0 million in 2019 to € 15.6 million in 2020, which was particularly related to the commercialization of Monjuvi. Other expenses decreased from € 1.9 million in 2019 to € 1.3 million in 2020, mainly due to lower travel expenses.

## **Impairment of Goodwill**

Goodwill resulting from the Constellation acquisition are comprised of assets which are not separately recognizable, such as workforce, preclinical studies, increasing probabilities of success rates for clinical stage assets, market share, access to new indications as well as the Constellation epigenetics platform (early pipeline).

MorphoSys decided to focus its research efforts on the most advanced discovery and technology programs and also to centralize all laboratory activities at its German research hub in Planegg, Germany.

Consequently, all US-based activities relating to discovery biology and drug discovery departments were abandoned. Therefore, any early pipeline projects cannot be realized anymore and the expected cash flows from these projects will not materialize accordingly. Since the early pipeline was part of the goodwill acquired as of July 15, 2021, an impairment test was performed as of December 31, 2021, based on the latest cashflow projections, which resulted in a need for impairment on the goodwill in the amount of € 230.7 million.

In 2020, an impairment of goodwill in the amount of € 2.1 million was recorded on the goodwill associated with the acquisition of Sloning BioTechnology GmbH in 2010.

For transparency purposes current year's impairment was separately presented in the operating result. Prior year numbers were adjusted accordingly since the amount was previously presented as part of Research and Development expenses.

### **Other Income**

Other income decreased by 44%, or € 6.4 million, to € 8.2 million in the reporting year (2020: € 14.6 million) and mainly resulted from exchange rate gains of € 7.6 million (2020: € 13.7 million).

Other income increased by more than 100%, or € 13.8 million, to € 14.6 million in 2020 (2019: € 0.8 million) and mainly resulted from exchange rate gains from operating activities of € 13.7 million (2019: € 0.2 million). In 2020, one-off gains from the disposal of the Lanthio companies amounted to € 0.4 million.

### **Other Expenses**

In the 2021 reporting year, other expenses increased by 23%, or € 1.2 million, from € 5.2 million in 2020 to € 6.4 million in 2021. This increase was mainly the result of currency losses of € 5.9 million (2020: € 4.6 million) and other expenses of € 0.4 million (2020: € 0.6 million).

Other expenses increased by more than 100%, or € 4.5 million, from € 0.6 million in 2019 to € 5.2 million in 2020. This increase was mainly the result of currency losses of € 4.6 million (2019: € 0.4 million) and other expenses of € 0.6 million (2019: € 0.2 million).

### **Finance Income**

Finance income increased by 5%, or € 4.6 million, to € 96.6 million in the reporting year (2020: € 92.0 million) and resulted from items amounting to € 75.7 million (2020: € 82.0 million) in connection with the changes in plan assumptions of financial assets and financial liabilities from collaborations. These items included effects from differences between planning assumptions and actual figures and the fair value measurement (refer to Note 5.18 titled "Financial Assets and Liabilities from Collaborations" contained in the Notes to the Consolidated Financial Statements). Also included is finance income from the investment of cash and cash equivalents and foreign currency translation gains from investing of funds amounting to € 20.9 million (2020: € 9.4 million). No income from financial derivatives was recognized in 2021 (2020: € 0.7 million).

Finance income increased by more than 100%, or € 89.2 million, to € 92.0 million in 2020 (2019: € 2.8 million) and resulted from items amounting to € 82.0 million (2019: € 0 million) in connection with the measurement of financial assets and financial liabilities from collaborations. These items included effects from currency translation and fair value measurement (refer to Note 5.18 titled "Financial Assets and Liabilities from Collaborations" contained in the Notes to the Consolidated Financial Statements). Also included is finance income from the investment of cash and cash equivalents and foreign currency translation gains from investing of funds amounting to € 9.4 million (2019: € 1.3 million). Income of € 0.7 million (2019: € 1.5 million) from financial derivatives was also recognized.

Finance income could be positively and negatively affected by the changes in the planning assumptions of the financial assets and financial liabilities from collaborations and of financial liabilities from future payments to Royalty Pharma. Future changes in the foreign currency exchange rate might impact this profit or loss line item significantly, since a significant portion of our business transactions and investments in cash and cash equivalents are denominated in US dollars. Moreover, the amounts presented under financial assets and financial liabilities from collaborations and to a certain extent also for liabilities from future payments to Royalty Pharma are denominated in US dollars, and are therefore sensitive to changes in the euro / US dollar exchange rate.

### **Finance Expenses**

Finance expenses increased by 89%, or € 85.2 million, to € 181.5 million in the reporting year (2020: € 96.2 million). This increase was mainly due to the effects from Financial Liabilities from future payments to Royalty Pharma of € 94.7 million (2020: € 0) resulting from differences between planning assumptions and actual figures, foreign currency effects and the application of the effective interest method (also refer to note 5.19 "Financial Liabilities from Future Payments to Royalty Pharma" contained in the Notes to the Consolidated Financial Statements). Furthermore, the finance expense effects from Financial Liabilities from Collaborations of € 59.7 million (2020: € 45.4 million), specifically from the fx revaluation effects as well as the application of the effective interest method, contributed to the increase (refer to Note "5.18 titled "Financial Assets and Liabilities from Collaborations" contained in the Notes to the Consolidated Financial Statements). Furthermore, this line item included finance expenses from the investment of cash and cash equivalents and foreign currency translation losses from financing activities of € 11.4 million (2020: € 46.1 million). This included losses of € 3.5 million (2020: € 5.0 million) from financial derivatives. Other finance expenses amounted to € 15.6 million (2020: € 4.6 million) in 2021, mainly relating to interest on the convertible bond issued in October 2020 in the amount of € 12.1 million (2020: € 2.5 million) as well as

€ 1.2 million (2020: € 1.2 million) in interest expenses from the compounding of non-current lease liabilities were also recognized in the reporting year.

Finance expenses increased by more than 100%, or € 93.9 million, to € 96.2 million in 2020 (2019: € 2.3 million). This increase was mainly due to the effects of financial assets and financial liabilities from collaborations of € 45.4 million (2019: € 0 million) and specifically from the difference in the planning assumptions versus the actual results. The application of the effective interest method and foreign currency valuation (refer to Note 5.18 “Financial Assets and Liabilities from Collaborations” contained in the Notes to the Consolidated Financial Statements) also contributed to the increase. Furthermore, this line item included finance expenses from the investment of cash and cash equivalents and foreign currency translation losses from financing activities of € 46.1 million (2019: € 1.0 million). This included losses of € 5.0 million (2019: € 0.2 million) from financial derivatives. € 1.2 million (2019: € 0.9 million) in interest expenses from the compounding of non-current lease liabilities were also recognized in 2020.

Finance expenses could be positively and negatively affected by the changes in the planning assumptions of the financial assets and financial liabilities from collaborations and of financial liabilities from future payments to Royalty Pharma. Future changes in the foreign currency exchange rate might impact this profit or loss line item significantly, since a significant portion of our business transactions and investments in cash and cash equivalents are denominated in US Dollars. Moreover, the amounts presented under financial assets and financial liabilities from collaborations and to a certain extent also for liabilities from future payments to Royalty Pharma are denominated in US dollars and are therefore sensitive to changes in the Euro / US Dollar exchange rate.

### **Income Tax Expenses**

The Group recorded total income tax benefits of € 76.6 million in 2021 (2020: income tax benefits of € 75.4 million), which consisted of current tax income of € 1.2 million, mainly due to a loss carry back, (2020: expense € 67.1 million) and deferred tax income of € 75.4 million (2020: € 142.5 million). The effective income tax rate equaled 13.0% in the reporting year (2020: (335.2)%). The difference compared to the expected tax rate of 26.7% is primarily due to the permanent difference on the impairment of goodwill as well as the effect of the non-recognition of deferred tax assets on temporary differences and current year tax losses for the US tax group, whereas in 2020 the variance between effective and expected tax rate was mainly due to the recognition of deferred tax assets on prior year losses and temporary differences.

### **Consolidated Net Profit/Loss for the Period**

In 2021, the consolidated net loss amounted to € 514.5 million (2020: consolidated net profit of € 97.9 million; 2019: consolidated net loss of € 103.0 million).

## **B. Liquidity and Capital Resources**

### **Sources of Funding**

We have funded our operations primarily through cash proceeds from ongoing business operations, including upfront fees, milestone payments, license fees, royalties, and service fees from strategic partners and government grants.

The acquisition of Constellation also triggered the enforcement of the royalty purchase agreement and the revenue participation agreement with Royalty Pharma on July 15, 2021. The agreements primarily serve to finance the acquisition of Constellation and to further develop the MorphoSys and Constellation product pipelines.

Under the terms of the agreements, Royalty Pharma made a non-refundable payment of US\$1,425.0 million (equivalent to €1,206.7 million) to MorphoSys. In addition, a contingent purchase price payment from Royalty Pharma to MorphoSys of up to US\$100.0 million (€84.7 million) was agreed, which is subject to the achievement of certain clinical, regulatory and commercial milestones for otilimab from GSK, gantenerumab from Roche and pelabresib from Constellation.

In return, MorphoSys has agreed in the royalty purchase agreement to pass on the following to Royalty Pharma: 100% of MorphoSys' entitlement since April 1, 2021, for royalties from net sales of Tremfya from Janssen, 80% of future royalties as well as 100% of the future milestone payments for otilimab from GSK and 60% of future royalties for gantenerumab from Roche. Constellation will pass on 3% of future net sales of clinical-stage compounds (pelabresib and CPI-0209) to Royalty Pharma based on the revenue participation agreement. If revenues based on net sales of pelabresib exceed 30.0 million (25.4 million) in any fiscal year, an additional purchase price of 50.0 million (42.3 million) will be due. However, the rights to the underlying intellectual property of pelabresib and CPI-0209 will remain with MorphoSys.

The future license income in the form of royalties and milestones of Tremfya, otilimab, gantenerumab and of shares of future net sales of the product candidates pelabresib and CPI-0209 will not result in a cash inflow and outflow at MorphoSys, as the

agreed royalty percentages and milestones are paid directly by Janssen, GSK and Roche to Royalty Pharma. The associated royalties, milestones and net sales will still be presented as revenues in MorphoSys profit or loss statement.

In addition, the development funding bond agreement with Royalty Pharma became effective on July 15, 2021. Under the terms of this agreement, MorphoSys must draw at least US\$150.0 million (equivalent to €127.0 million) and can draw down a maximum of US\$350.0 million (equivalent to €296.4 million) within one year. Repayment will be made at 2.2 times the amount drawn according to a fixed payment schedule within ten years and nine months after the first drawdown without any repayment in the first two years after a drawdown. To date, no partial amount of the bond has been called.

Cash and Other Financial Assets (previously referred to as “Liquidity”) is defined as the sum of the balance sheet items “cash and cash equivalents” and “other financial assets”.

On December 31, 2021, cash and cash equivalents amounted to € 123.2 million and other financial assets amounted to € 853.7 million. On December 31, 2020, cash and cash equivalents amounted to € 109.8 million and other financial assets amounted to € 937.7 million.

Cash in excess of immediate working capital requirements is invested in accordance with our investment policy, primarily with a view to liquidity and capital preservation. Investments are primarily made in money market funds, corporate bonds and term deposits with fixed or variable interest.

Our functional currency is the euro. Nevertheless, we have liquidity in U.S. dollars, which could lead to exchange rate gains or losses in our financial results depending on the fluctuation of the euro/U.S. dollar exchange rate.

We are not subject to any operating covenants or capital requirements.

### **Uses of Funding**

We primarily use cash and other financial assets to fund the research and development costs related to the development of our product candidates and to commercialize Monjuvi. Our primary future funding requirements include the development and commercialization of our proprietary clinical pipeline, particularly in relation to tafasitamab and pelabresib and, to a lesser extent, felzartamab and CPI-0209.

We believe that we have sufficient existing cash and other financial assets (including cash invested in various financial assets as described above) to cover our expected operating expenses for at least the next twelve months.

We have based this estimate on assumptions that may prove to be incorrect, and it is possible that we may utilize our capital resources more quickly than anticipated. The process of investigating product candidates in clinical trials and their commercialization is fundamentally an expensive process. Both the timing and progress of development trials as well as the success of commercialization cannot be predicted with certainty.

As our product candidates are in various stages of development and the outcome of our activities is uncertain, we cannot estimate the amounts required in their entirety to successfully complete the development and commercialization of our product candidates.

Additional capital may be required in the short term to implement our various projects, particularly proprietary development programs, as well as in-licensing and potential M&A transactions. If we cannot generate revenue quickly enough to cover pipeline developments, we may rely in the short to medium term on non-dilutive capital measures such as out-licensing for financing. Generally, we take public and private equity and bond issues, including convertible bonds, into consideration when funding our future financing needs. Additional capital may not be available at reasonable terms, if at all. If we are unable to raise additional capital in sufficient amounts or on terms acceptable to us, we may have to significantly delay, scale back or discontinue the development or commercialization of one or more of our product candidates. If we issue debt or equity instruments to raise additional capital, it may result in the dilution of our existing shareholders, increase our fixed payment obligations, or result in securities that have rights senior to those of our ordinary shares or ADSs. If we incur debt, we could become subject to covenants restricting our operations and potentially impairing our competitiveness, such as limitations on our ability to incur additional debt, acquire, sell or license intellectual property rights or other operational restrictions that could adversely impact our ability to conduct business.

## Contractual Obligations

The following table summarizes our contractual obligations at December 31, 2021.

(in € thousands)	Payments due by period				
	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Leases	49,565	4,256	8,375	8,375	28,559
Other	16,602	578	16,024	0	0

The item "Other" consists of future minimum payments under performance share unit programs and contracts for insurance and other services.

## Lease Obligations

We enter into long-term leases for facilities, company cars and equipment. The majority of these leasing contracts can be renewed on a yearly or quarterly basis, and some agreements may be terminated prematurely.

## Other Commitments

Other commitments may become due for future payments for outsourced studies. As of December 31, 2021, we expected to incur approximately € 236.5 million of expenses for outsourced studies, of which approximately € 138.9 million will be paid in the next 12 months.

If certain milestones are achieved by MorphoSys (for example, submitting an investigational new drug (IND) application for specific target molecules), this may trigger milestone payments to licensors of up to an aggregate of US\$236.5 million (approximately €208.8 million) related to regulatory events or the achievement of sales targets.

We do not currently have any off-balance-sheet arrangements and did not have such arrangements in the years 2021 or 2020 that have or are reasonably likely to have a material current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, cash requirements or capital resources.

As of the date of this Annual Report, we do not have any off-balance sheet arrangements other than operating leases as described under this "Item 5. Operating and Financial Review and Prospects—E. Critical Accounting Estimates Disclosure" above.

## Cash Flows

### Net Cash Provided by/ (Used in) Operating Activities

In 2021, net cash used by operating activities amounted to € 481.4 million and was mainly attributable to the consolidated net loss of € 514.5 million and changes in operating assets and liabilities, including income taxes paid, totaling € 177.6 million. This was offset by non-cash items totaling € 210.6 million. The consolidated net loss of € 514.5 million resulted mainly from expenses incurred to finance MorphoSys' ongoing operations, specifically cost of sales, research and development expenses, selling expenses, and general and administrative expenses. Prior year's net profit resulted mainly from revenues from the collaboration and license agreement with Incyte, which was not recurring in 2021. Non-cash items included mainly income tax benefits in the amount of € 76.6 million (2020: € 75.4 million) and the net change in financial assets / liabilities from collaborations in the amount of € 16.0 million (2020: € 36.6 million). These were offset by the net change in financial liabilities from future payments to Royalty Pharma in the amount of € 42.8 million (2020: € 0), scheduled depreciation and amortization as well as impairments of tangible and intangible assets and right-of-use assets amounting to € 246.0 million (2020: € 24.8 million) and the full year non cash effective change of bonds amounting to € 12.1 million (2020: € 2.5 million). Changes in operating assets and liabilities in 2021 mainly included an increase in inventories, prepaid expenses and other assets of € 30.3 million (2020: increase of € 8.5 million), partially offset by a decrease in accounts receivable of € 10.5 million (2020: decrease of € 69.6 million). Accounts payable and accrued liabilities decreased by € 90.8 million (2020: increase of € 77.5 million). The main reason for this decline relates to accounts payable and accrued expenses of Constellation, which were included for the first time due to the acquisition on July 15, 2021. The accrued expenses and accounts payable of Constellation mainly comprised share-based payment obligations to Constellation's employees that became due on the date of the acquisition by MorphoSys as well as accrued transaction costs. Their subsequent payment in 2021 led to the decrease presented in this cash flow item. The year-on-year decrease in accounts receivable was mainly due to lower outstanding receivables at the end of the year 2021. The increase in inventories, prepaid expenses and other assets was due in particular to the higher inventories for the commercialization of Monjuvi in the U.S. Furthermore, MorphoSys paid € 64.6 million of income taxes in financial year 2021 due to net profit in 2020 (2020: € 0.3 million).

In the previous year, net cash provided by operating activities amounted to € 35.3 million and was mainly attributable to the consolidated net profit of € 97.9 million. This was offset by non-cash income totaling € 62.6 million. The consolidated net profit of € 97.9 million resulted mainly from revenues from the collaboration and license agreement with Incyte, which was largely offset by expenses incurred to finance MorphoSys' ongoing operations, specifically cost of sales, research and development expenses, selling expenses, and general and administrative expenses. Non-cash income included income tax benefits in the amount of € 75.4 million, income from the reversal of impairment of inventory in the amount of € 13.3 million related to the receipt of regulatory approval for Monjuvi and the net change in financial assets / liabilities from collaborations in the amount of € 36.6 million. These were offset by scheduled and unscheduled depreciation and amortization of tangible and intangible assets and rights of use amounting to € 24.8 million, net losses from other financial assets amounting to € 21.8 million, net losses from derivative financial instruments amounting to € 4.3 million and expenses for share-based incentive programs amounting to € 9.0 million. Changes in operating assets and liabilities in 2020 mainly included an increase in accounts receivable of € 69.6 million and in inventories, prepaid expenses and other assets of € 8.5 million. Accounts payable and accrued liabilities increased by € 77.5 million. The year-over-year increase in accounts receivable was mainly due to lower outstanding receivables at the end of the year. The increase in inventories, prepaid expenses and other assets was due in particular to the recognition of inventories as a result of the marketing authorization for Monjuvi in the U.S. The increase in external laboratory services outstanding at year-end, in particular related to tafasitamab, was the main reason for the higher trade payables and accrued liabilities.

In 2019, the net cash used in operating activities amounted to € 81.1 million, primarily driven by the consolidated net loss of € 103.0 million, which was partially offset by non-cash expenses of € 9.5 million, and changes in operating assets and liabilities and taxes paid of € 12.4 million. The consolidated net loss of € 103.0 million was largely due to expenses we incurred to fund our ongoing operations, particularly the cost of sales, research and development expenses, selling expenses, and general and administrative expenses. The main contributors to non-cash charges were expenses for share-based payment of € 6.7 million and depreciation and amortization of tangible and intangible assets and of right-of-use assets of € 6.2 million, offset by income tax benefits of € 3.5 million. Changes in operating assets and liabilities for 2019 consisted primarily of an increase in accounts payable and accruals by € 13.2 million as well as a decrease in accounts receivable by € 2.7 million. This was offset by an increase in prepaid expenses and other assets by € 4.4 million. The increase in external laboratory services outstanding at the end of 2019, primarily related to tafasitamab, was the primary driver of the higher trade payables and accrued liabilities. The contract liability incurred during the year was largely related to prepayments received from contract partners. The decrease in accounts receivable was due to a comparatively lower level of receivables outstanding at year-end 2019. The increase in prepaid expenses and other assets stemmed mainly from higher prepayments and higher receivables due from tax authorities from input tax surplus.

#### **Net Cash Provided by/ (Used in) Investing Activities**

In 2021, net cash used in investing activities amounted to € 831.0 million, primarily driven by payments to acquire other financial assets amounting to € 2,188.3 million. These were offset by proceeds from the sale of other financial assets amounting to € 2,592.0 million. This net cash outflow from investing activities was mainly due to a shift in the composition of our investment portfolio, as securities matured and were sold and new, comparable securities were acquired. The cash outflow relating to the acquisition of 100% shares in Constellation, net of acquired cash, in 2021 amounted to € 1,206.6 million. In addition, € 22.3 million was used for the acquisition of intangible assets in 2021.

In 2020, net cash used in investing activities amounted to € 879.6 million, primarily driven by payments to acquire other financial assets amounting to € 1,745.7 million. These were offset by proceeds from the sale of other financial assets amounting to € 900.8 million. The cash outflow from investing activities was mainly due to a shift in the composition of our investment portfolio, as securities matured and were sold and new, comparable securities were acquired. In addition, € 44.9 million was used for the acquisition of intangible assets in 2020.

In 2019, net cash provided by investing activities was € 79.5 million, primarily driven by proceeds from the sale of other financial assets in the amount of € 371.9 million, partially offset by the purchase of other financial assets in the amount of € 274.8 million. Cash provided by investing activities primarily related to shifts in the composition in our investment portfolio as financial assets matured and were sold and new, similar financial assets were purchased. Additionally, in 2019, € 15.0 million were used to purchase a minority interest of 13.4% in Vivoryon Therapeutics AG.

#### **Net Cash Provided by/ (Used in) Financing Activities**

Net cash provided by financing activities amounted to € 1,322.9 million in 2021 and consisted primarily of the cash receipts from the contracts with Royalty Pharma in the amount of € 1,206.7 million and the proceeds from the issuance of shares of € 84.7 million to Royalty Pharma as well as proceeds of € 40.0 million from financing collaborations from Incyte.

Net cash provided by financing activities amounted to € 907.2 million in 2020 and consisted primarily of proceeds in the amount of € 80.6 million from the issuance of shares, as well as proceeds of € 510.2 million from financing collaborations, both in connection with the collaboration and license agreement with Incyte. Further proceeds came from the issuance of convertible bonds in the amount of € 319.9 million, which were partially offset by lease payments of € 2.8 million and interest payments of € 1.4 million.

In 2019, net cash provided by financing activities was € 0.4 million and mainly related to proceeds from the exercise of convertible bonds by related parties in the amount of € 3.7 million offset by lease and interest payments in the amount of € 3.4 million.

## **Investments**

In 2021, MorphoSys invested € 3.7 million in property, plant and equipment (2020: € 4.3 million), mainly laboratory equipment (i.e., machinery) and tenant fixtures. Depreciation of property, plant and equipment in 2021 increased to € 2.8 million (2020: € 2.5 million).

MorphoSys invested € 22.5 million in intangible assets in the reporting year (2020: € 44.9 million). Of this amount, € 11.5 million was spent on internally generated intangible assets and € 10.4 million on in-process R&D programs. Amortization of intangible assets amounted to € 3.6 million in 2021 (2020: € 2.2 million). In 2020, impairment losses of € 14.0 million were recognized on intangible assets, thereof € 11.7 million on in-process R&D programs.

In the course of the acquisition of Constellation in 2021, MorphoSys acquired € 719.4 million in intangible assets and € 1.6 million in property, plant and equipment.

## **Net Assets**

### **Assets**

At € 2,556.3 million, total assets as of December 31, 2021 were € 896.7 million higher compared to December 31, 2020 (€ 1,659.5 million). Current assets decreased by € 73.8 million to € 1,133.0 million. This change was mainly due to the decrease in other financial assets, related to the financing of the acquisition of Constellation as well as the decline of financial assets from collaborations. This was partially set off by the increase of prepayments and other assets, cash and cash equivalents as well as inventories mainly of Monjuvi for sale in the U.S. Other financial assets amounted to € 853.7 million (December 31, 2020: € 937.7 million), which was primarily invested in term deposits with fixed or variable interest rates and in money market funds.

Non-current assets changed from a balance of € 452.7 million as of December 31, 2020 to € 1,423.3 million as of December 31, 2021. The majority of the increase was driven by an increase in intangible assets by € 768.9 million to a balance of € 838.3 million as of December 31, 2021. This increase resulted from the allocation of consideration to the in-process R&D programs of Constellation. Furthermore, internally generated intangible assets in connection with the development of tafasitamab of € 11.5 million as of December 31, 2021 (December 31, 2020: € 0) were capitalized. As of December 31, 2021, goodwill amounted to € 335.6 million (December 31, 2020: € 1.6 million) and is mainly attributable to goodwill resulting from the purchase price allocation of the Constellation acquisition. At the end of the 2021 financial year, an impairment test identified the need to recognize an impairment loss on the goodwill of Constellation in the amount of € 230.7 million. Please refer to the section "Impairment of Goodwill".

In contrast, the long-term other financial assets were completely shifted to short-term other financial assets and therefore the balance sheet line item decreased from € 196.6 million as of December 31, 2020 to € 0.0 million as of December 31, 2021.

In addition, "deferred tax assets" in the amount of € 186.5 million were recognized, largely as a result of capitalizing deferred tax benefits on current period tax losses.

### **Liabilities**

Current liabilities increased from € 200.5 million in the prior year to € 284.5 million as of December 31, 2021, mainly as a result of € 59.5 million increase in the line item "accounts payable and accruals" and of first-time recognition of the current portion of liabilities from future payments to Royalty Pharma of € 88.4 million (see section 5.19 "Financial Liabilities from Future Payments to Royalty Pharma" of the Notes to the Consolidated Financial Statements). In contrast, the tax liabilities were reduced by € 65.2 million to € 0.5 million as of December 31, 2021 mainly due to the settlement of income taxes for 2020 in Germany.

Non-current liabilities (December 31, 2021: € 2,026.8 million; December 31, 2020: € 837.7 million) increased primarily as a result of the first-time recognition of the line item "financial liabilities from future payments to Royalty Pharma" in the amount

of € 1,167.8 million as of December 31, 2021 from the sale of future royalties and the revenue participation agreement with Royalty Pharma. Deferred tax liabilities amounted to € 22.1 million as of December 31, 2021, compared to € 5.1 million as of December 31, 2020. The carrying amount of the convertible bond issued in October 2020 was € 282.8 million as of December 31, 2021. The long-term portion of the financial liabilities from collaborations declined from € 516.4 million ending 2020 to € 513.3 million as of December 31, 2021.

### **Stockholders' Equity**

As of December 31, 2021, Group equity totaled € 244,875,943 compared to € 621,322,017 on December 31, 2020. The Company's equity ratio as of December 31, 2021 amounted to 10% compared to 37% on December 31, 2020. This decrease in the equity ratio resulted mainly from the first-time recognition of a financial liability from future payments to Royalty Pharma in 2021 under the royalty purchase agreement and the revenue participation agreement with Royalty Pharma as well as the consolidated net loss of the financial year 2021, which was mainly influenced by the impairment of goodwill.

The number of shares issued totaled 34,231,943 as of December 31, 2021, of which 34,148,789 shares were outstanding (December 31, 2020: 32,890,046 shares issued and 32,758,632 shares outstanding). Common stock was higher as a result of the purchase of 1,337,552 shares by Royalty Pharma, as well as the exercise of 4,345 stock options from employees.

On December 31, 2021, the Company held 83,154 treasury shares with a value of € 3,085,054 – a decrease of € 1,783,690 compared to December 31, 2020 (131,414 shares, € 4,868,744). The reason for this decrease was the transfer of 45,891 treasury shares amounting to € 1,696,131 to the Management Board and selected employees of the Company (beneficiaries) from the 2017 Long-Term Incentive Plan (LTI Plan). The vesting period for this LTI Plan expired on April 1, 2021 and offered beneficiaries a six-month period until October 13, 2021 to receive a total of 45,891 shares. In addition, 2,369 treasury shares for an amount of € 87,558 from the 2019 Long-Term Incentive Plan were transferred to certain employees of MorphoSys US Inc.

### **Financial Opportunities**

Exchange rate and interest rate developments can positively or negatively affect our financial results. Interest rate and financial market developments are continuously monitored to promptly identify and take advantage of opportunities.

### **C. Research and Development; Patents and Licenses**

See "Item 4.A. History and Development of the Company" and "Item 4.B. Business Overview."

### **D. Trend Information**

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events for the period from January 1, 2021 to December 31, 2021 that are reasonably likely to have a material adverse effect on our net revenues, income, profitability, liquidity or capital resources, or that caused the disclosed financial information to be not necessarily indicative of future operating results or financial conditions.

### **Changes in the Business Environment**

In January 2022, the International Monetary Fund (IMF) forecast that the global economy would grow by 4.4% for 2021 (report "World Economic Outlook Update January 2022"). Following from the IMF's previous report in October 2021, supply disruptions continued into the fourth quarter, hindering global manufacturing, especially in Europe and the United States. A resurgence in COVID-19 cases (particularly in Europe) also held back a broader recovery. Although there were signs of a global turnaround in November with a pickup in international trade and upside surprises for services activity and industrial production data, this only partially offset earlier declines.

The IMF's growth forecast for the advanced economies in 2021 was +5.0%, compared to a decline of 4.5% in 2020, and the forecast for the emerging and developing economies was +6.5% (2020: -2.0%). The IMF's forecast for growth in the euro area in 2021 was +5.2% (2020: -6.4%), compared to +2.7% for Germany (2020: -4.6%); +5.6% for the U.S. (2020: -3.4%); +8.1% for China (2020: +2.3%); +4.5% for Russia (2020: -2.7%) and +4.7% for Brazil (2020: -3.9%).

When managing its business activities, MorphoSys takes a number of potential macroeconomic risks and opportunities into consideration.

Lastly, MorphoSys AG has implemented a business continuity plan to prevent the collapse of critical business processes to a large extent or to enable the resumption of critical business processes in case a natural disaster, public health emergency, such as the COVID-19 pandemic, or other serious event occurs. However, depending on the severity of the situation, it may be

difficult or in certain cases impossible for us to continue our business for a significant period of time. Our contingency plans for disaster recovery and business continuity may prove inadequate in the event of a serious disaster or similar event and we may incur substantial costs that could have a material adverse effect on our business.

### **Currency Development**

The EUR/USD exchange rate has fluctuated between 1.22 and 1.12 over the last year, currently around 1.12, with inflation expectations and interest rate differences being the main drivers, in addition to trade conflicts and ongoing geopolitical tensions.

The majority of our business transactions are conducted in euros and U.S. dollars. With the acquisition of Constellation we have significantly expanded our footprint in the US. Primarily driven by the additional ongoing clinical studies, U.S. dollar expenses are expected to exceed the U.S. dollar revenues for the next financial year. Therefore, strengthening of the U.S. dollar against the euro, all other things remaining equal, would have a negative impact on our operating result. We manage this risk through various mechanisms, such as optimizing our U.S. dollar assets against our U.S. dollar liabilities and maintaining an adequate (currently around 20%) amount of U.S. dollars in our bank accounts.

### **E. Critical Accounting Estimates**

Not applicable.

## **Item 6. Directors, Senior Management and Employees**

### **A. Directors and Senior Management**

We are a German stock corporation and, in accordance with the German Stock Corporation Act, we have a two-tier board structure consisting of our Supervisory Board and a separate Management Board.

Our Supervisory Board supervises the policies of the Management Board and the general course of the affairs of our business. The Supervisory Board advises the Management Board and is guided by the interests of the business when performing its duties. The Management Board is in charge of managing us under the supervision of the Supervisory Board. The Management Board provides the Supervisory Board with such necessary information as the Supervisory Board requires to perform its duties.

#### ***Supervisory Board***

The Supervisory Board consists of six professionally qualified members who represent our shareholders. The Chairman of the Supervisory Board (Marc Cluzel, M.D., Ph.D.), coordinates the Board's activities, chairs the Supervisory Board meetings and represents the interests of the Supervisory Board externally. All Supervisory Board members are independent, as defined in the German Corporate Governance Code and the Nasdaq Listing Rules, and have many years of experience in the biotechnology and pharmaceutical industries. The Chairman of the Supervisory Board is not a former member of our Management Board. The members of the Supervisory Board and its committees are listed in the table below.

Name	Year of birth	End of current period	Principal business activities performed outside of MorphoSys
Marc Cluzel (Chairman), M.D., Ph.D.	1955	2024	Consultant and business professional; member of the board of directors of Moleac Pte. Ltd.; member of the board of directors of Griffon Pharmaceuticals Inc.
George Golumbeski, Ph.D. (Deputy Chairman)	1957	2023	Business consultant in the life science and healthcare industries; chairman of the board of directors of Carrick Therapeutics Ltd.; chairman of the board of directors of Ananke Therapeutics Inc., member of the board of directors of Sage Therapeutics Inc.; chairman of the board of directors of Shattuck Labs Inc.
Krisja Vermeylen	1962	2024	Business consultant in the life science and healthcare industries; member of the board of directors of Diaverum AB
Michael Brosnan	1955	2023	Consultant in the life sciences and healthcare industries; member of the board of directors of Daimler Truck AG; member of the board of directors of Daimler Truck Holding AG
Sharon Curran	1968	2024	Non-Executive Director in life sciences and healthcare industries; member of the board of directors of Circassia Pharmaceuticals plc.; member of the board of directors of Clinigen Group plc.; member of the board of directors of CAT Capital Topco Ltd.; member of the board of directors of CAT
Wendy Johnson	1952	2022	Consultant in the life sciences and healthcare industries; managing director of Gemini Advisors; member of the board of directors of Exagen Inc.

The following is a brief summary of the business experience of the members of our Supervisory Board:

**Marc Cluzel, M.D., Ph.D.**, has been a member of our Supervisory Board since 2012 and Chairman of the Supervisory Board since the AGM 2018. He was Executive Vice President of Product Development at HUYÀ Bioscience International, LLC from 2011 to 2012. Prior to that, between 1993 and 2010, he held several positions at Sanofi-Aventis, including Executive Vice President of Research and Development. Marc Cluzel received his Ph.D. in Biochemistry and his Doctor of Medicine from the University of Montpellier, France.

**George Golumbeski, Ph.D.**, has been a member of our Supervisory Board since 2018. He currently serves as a Partner at DROIA Ventures and as a self-employed business consultant in the life science and healthcare industries. Prior to that he held the position as President of Grail Inc., and from April 2018 to March 2020 he served as the leader of Business Development, Collaboration and M&A activities at Celgene Corporation. Over the last 27 years, he has held leadership roles in business and corporate development, partnering and M&A with global pharmaceutical and life science companies, including Celgene Corporation, Novartis, Elan Corporation (today: Perrigo), and Schwarz Pharma (today: UCB). Dr. Golumbeski obtained his Doctorate in Genetics from the University of Wisconsin in Madison, USA and holds a degree in Biology from the University of Virginia, Charlottesville, USA.

**Krisja Vermeylen** has been a member of our Supervisory Board since 2017. From 1997 to October 2018, Mrs. Vermeylen held several positions at Novo Nordisk, including positions as General Manager of major EU markets and the position as Senior Vice President Corporate People & Organization. Prior to that, she held several positions at Pharmacia and Upjohn. Mrs. Vermeylen graduated with a Master in Pharmaceutical Sciences from the University of Antwerp, Belgium and is a certified Independent Director from INSEAD, France.

**Michael Brosnan** has been a member of our Supervisory Board since 2018. Currently he serves as a consultant in the life sciences and healthcare industries. Mr. Brosnan has over 40 years of experience in finance, controlling and auditing. From 2010 to 2019, he served as Chief Financial Officer of Fresenius Medical Care Management AG, a company with a dual listing in Germany (Frankfurt) and the United States (NYSE). Over the last 20 years, he has worked in various leadership and executive positions for Fresenius Medical Care in the United States and Germany. Prior to joining Fresenius Medical Care, he held senior

financial positions at Polaroid Corporation and was an audit partner at KPMG. Mr. Brosnan holds a degree in Business Administration and Accounting from Northeastern University, Boston, Massachusetts, USA.

**Sharon Curran** has been elected as a new member of our Supervisory Board during the AGM 2019. Ms. Curran currently serves as a Non-Executive Director in the life sciences and healthcare industries. Prior to that, Ms. Curran worked for AbbVie Inc., Illinois, USA as Vice President, Global Specialty Franchise and Customer Excellence and has also held a number of other senior positions in her career including Vice President Global Marketing Specialty, AbbVie; Global Brand and Commercial Director, Abbott MBO and Division Head, Eli Lilly UK & Ireland. Ms. Curran brings extensive commercial and specialty pharmaceutical experience to the Company. She holds an Executive Master of Science, Business Administration from Trinity College Dublin, Ireland, and a Bachelor of Science in Biotechnology from Dublin City University, Ireland.

**Wendy Johnson** has been a member of our Supervisory Board since 2015. Mrs. Johnson currently serves as a consultant in the life sciences and healthcare industries and as Managing Director of Gemini Advisors. Mrs. Johnson was the Founder, President and Chief Executive Officer of Aires Pharmaceuticals, Inc. from 2007 to 2014. Mrs. Johnson was also a Venture Partner in ProQuest Investments (2005 to 2014), Senior Vice President Corporate Development at Salmedix, Inc. (2001 to 2005), Vice President Business Development at Women First HealthCare (1998 to 2000), Vice President Corporate Development & Operations at Selective Genetics (1994 to 1998), Vice President Business Development & Regulatory Affairs at Cytel Corp. (1990 to 1994), Manager Business Development at Synbiotics Corp. (1988 to 1990) and International Business Development & Regulatory Affairs Manager at Murex Corp. (1986 to 1988). Prior to that, Mrs. Johnson served as Assistant Director at the Center for Devices & Radiological Health at the U.S. Food and Drug Administration from 1976 to 1986. Mrs. Johnson graduated with a Master in Business Administration from Loyola Marymount University, USA, a Master in Science in Clinical Microbiology from Hahnemann University Hospital, USA and a Bachelor of Science in Microbiology from the University of Maryland, USA.

## Management Board

The following table sets forth the names and function of the current members of our Management Board and their year of birth and terms:

Name	Year of birth	End of current period	Position
Jean-Paul Kress, M.D.	1965	August 31, 2022	Chief Executive Officer
Sung Lee	1970	January 31, 2024	Chief Financial Officer
Malte Peters, M.D.	1962	June 30, 2022	Chief Research and Development Officer
Roland Wandeler, Ph.D.	1972	December 31, 2021	Former Chief Operating Officer

A schedule of responsibilities currently defines the different areas of responsibility as follows:

- **Jean-Paul Kress, M.D.**, Chief Executive Officer: Strategy & Planning, Business Development & Alliance Management, Human Resources, Legal, Compliance & Intellectual Property, Corporate Communications, Technical Operations, Information Technology & Facilities, Quality Assurance & Internal Audit, Global Oversight of U.S. Operations, Strategic Marketing & Market Access, Forecasting & Insights, as well as for coordinating the individual areas of responsibility for each Management Board member and representing the Management Board vis-à-vis the Supervisory Board and the public.
- **Sung Lee**, Chief Financial Officer (**from February 2, 2021**): Accounting & Taxes, Global Controlling & Internal Controls, Corporate Development & M&A, Central Purchasing & Logistics, Investor Relations, and Environmental Social Governance (ESG).
- **Malte Peters, M.D.**, Chief Research and Development Officer: Research, Preclinical Development, Clinical Development, Clinical Operations, Biostatistics & Data Management, Drug Safety & Pharmacovigilance, Regulatory Affairs, Medical Affairs, and Global Program Teams.
- **Roland Wandeler, Ph.D.**, Chief Operating Officer (**until December 31, 2021**): Global oversight of U.S. Operations; Strategic Marketing & Market Access; Forecasting & Insights.

### Jean-Paul Kress, M.D.

Jean-Paul Kress, M.D., joined MorphoSys in September 2019. He has a strong track record of strategic and operational leadership in various senior management roles in North America and Europe. His focus has been on operations, corporate development and especially the commercialization of innovative products addressing unmet medical needs across diverse disease indications. Prior to joining MorphoSys, Kress, M.D., served as President and Chief Executive Officer at Syntimmune, a clinical-stage biotechnology company developing differentiated drug candidates in a wide range of autoimmune diseases,

which was acquired by Alexion in November 2018. Among other assignments, he was Executive Vice President, President of International and Head of Global Therapeutic Operations at Biogen, and Senior Vice President, Head of North America at Sanofi Genzyme, where he was instrumental in launching Dupilumab, the first biologic agent approved in atopic dermatitis. Previously, he was President and Chief Executive Officer of Sanofi Pasteur MSD, and gained further experience in positions at Gilead, Abbvie and Eli Lilly. Kress, M.D., received an M.D. degree from Faculté Necker-Enfants Malades in Paris, and graduate and post-graduate degrees in biochemistry and in molecular and cellular pharmacology from Ecole Normale Supérieure in Paris.

Jean-Paul Kress, M.D., is also a chairman of the Board of Directors at Erytech Pharma SA, Lyon, (publicly listed company).

### **Sung Lee (from February 2, 2021)**

Sung Lee came to MorphoSys in February 2021 and leads all corporate finance functions of the company. He has more than 20 years of finance leadership experience in biopharmaceutical and technology businesses. He joined MorphoSys from Sangamo Therapeutics, Inc., where he served as Chief Financial Officer. Prior to that role, Mr. Lee spent nearly 14 years at Gilead Sciences where he most recently led the global Financial Planning & Analysis and Investor Relations functions. He started his career in the tax advisory business at PricewaterhouseCoopers LLP. He received a Master of Business Taxation from the University of Southern California and a B.A. in Economics from the University of California, Irvine.

### **Malte Peters, M.D.**

Malte Peters, M.D., joined MorphoSys in March 2017. Prior to his time at MorphoSys, Peters, M.D., served as the Global Head of Clinical Development of the Biopharmaceuticals Business Unit at Sandoz International. Prior to this position, he served as Clinical Head and Site Head for Basel and East Hanover in the Department of Oncology Translational Medicine at Novartis. Peters, M.D., held teaching appointments in Internal Medicine and Biochemistry at the University of Mainz, Germany. Peters, M.D., also served as Research Scientist at the Amgen Research Institute in Toronto, Canada, as Director of Cancer Research at Merck KGaA and as Medical Director at Micromet AG. Peters, M.D., received his Doctor of Medicine from the Freie Universität Berlin, Germany, and was trained at the Universities of Padova, Italy, and Bochum and Berlin, Germany. After scientific work at different universities he habilitated in Internal Medicine at the University of Mainz, Germany.

Malte Peters, M.D., is also a member of the Board of Directors of Tango Therapeutics, Cambridge, MA, USA (publicly listed company).

### **Roland Wandeler, Ph.D. (until December 31, 2021)**

Roland Wandeler, Ph.D., joined MorphoSys in May 2020. He has more than 15 years of commercial leadership and general management experience in the pharmaceutical and biotechnology industry, with a strong track record of building and leading sizable affiliates and U.S. franchises across multiple therapeutic areas, including oncology and hematology. Prior to MorphoSys, Wandeler, Ph.D., held positions of increasing responsibility at Amgen, Inc., including General Manager positions, before serving as Corporate Vice President and General Manager of Amgen's US Bone Health and Cardiology Business Unit in Thousand Oaks, California. Wandeler, Ph.D., holds a M.Sc. in Chemical Engineering and a Doctorate in Technical Sciences from ETH Zurich.

In November 2021, Roland Wandeler announced his resignation as COO and member of the Management Board of the Company. He left MorphoSys effective December 31, 2021.

### **Board Diversity**

Based on the diversity concepts for the Management Board and the Supervisory Board, our evaluation of nominees for the Management Board and the Supervisory Board includes consideration of their ability to contribute to the diversity of personal and professional experiences, opinions, perspectives and backgrounds on our Supervisory Board or Management Board. Nominees are not discriminated against based on race, color, religion, sex, ancestry, national origin, sexual orientation, disability or any other basis prescribed by law.

<b>Board Diversity Matrix (As of March 9, 2022)</b>				
Country of Principal Executive Office	Germany			
Foreign Private Issuer	Yes			
Disclosure Prohibited Under Home Country Law	No			
Total Number of Directors	9			
	<b>Female</b>	<b>Male</b>	<b>Non-Binary</b>	<b>Did Not Disclose Gender</b>
<b>Part I: Gender Identity</b>				
Directors	<b>3</b>	<b>6</b>	<b>0</b>	<b>0</b>
<b>Part II: Demographic Background</b>				
Underrepresented Individual in Home Country Jurisdiction	<b>0</b>			
LGBTQ+	<b>0</b>			
Did Not Disclose Demographic Background	<b>0</b>			

### Service Agreements

The service agreements with our Management Board members generally have a total term of three years. The current service agreement of our Chief Executive Officer member Kress, M.D., runs until August 31, 2022. The service agreement of our Chief Financial Officer Sung Lee runs until January 31, 2024. The current service agreement of our Chief Research & Development Officer Malte Peters, M.D., runs until June 30, 2022. The current service agreement of our Chief Operating Officer Roland Wandeler, Ph.D., was originally agreed until April 30, 2023. In November 2021, Roland Wandeler announced his resignation as COO and member of the Management Board of the Company. He left MorphoSys effective December 31, 2021.

In the event of a change of control, our Management Board members are entitled to exercise a right to terminate their service contracts and receive any outstanding fixed salary and annual bonus for the remainder of the fixed contract period, however, that such amount shall be at least 200% of the annual remuneration.

### B. Compensation

The following Remuneration Report provides an explanation and a clear and comprehensible presentation of the remuneration individually awarded and due to the current and former members of the Management Board and the Supervisory Board of MorphoSys AG (“the Company”) in the 2021 financial year. The Remuneration Report complies with the requirements of Section 162 of the German Stock Corporation Act (Aktiengesetz, “AktG”).

Beyond the requirements of Section 162 (3) sentence 1 and 2 AktG, the Management Board and the Supervisory Board decided to have the Remuneration Report audited not only formally but also materially by the appointed auditor.

The masculine form is used in this Remuneration Report for convenience purposes only, and refers equally to all genders.

#### a. Review of the 2021 Financial Year

##### I. [Economic Environment in the 2021 Financial Year](#)

The 2021 financial year was a transformative year for MorphoSys AG and its employees. The Company focused its effort on the execution of Monjuvi sales in the U.S., advancing its clinical programs and expansion of the clinical pipeline. The latter was achieved through the acquisition of Constellation Pharmaceuticals, Inc. which accelerated the Company’s transition to a business model focused on proprietary drug development and commercialization. MorphoSys AG is well positioned to execute on its growth strategy to become a leader in the areas of hematology and oncology and create long-term shareholder value.

The remuneration of the members of the Management Board of MorphoSys AG shall appropriately reward outstanding performance and decrease significantly if targets are not achieved (“Pay for Performance”). For this reason, the success and milestones achieved in the 2021 financial year were also reflected in the variable remuneration of the members of the Management Board.

For further detailed information on the economic framework during the 2021 financial year please refer to the Annual Report of MorphoSys AG.

## II. Resolution on the Approval of a Remuneration System for the Members of the Management Board

The Company’s Supervisory Board submitted a remuneration system for the members of the Company’s Management Board (“Remuneration System 2021”) to the Company’s Annual General Meeting on May 19, 2021 for resolution. The Remuneration System 2021 was not approved at the Annual General Meeting 2021. The Supervisory Board will therefore submit a reviewed and revised remuneration system to the Annual General Meeting 2022 for resolution. When revising the remuneration system, the Supervisory Board paid particular attention to disclose the performance targets for the variable remuneration in an even more transparent and comprehensible manner and to further limit the discretion of the Supervisory Board.

The Remuneration System 2021 does not apply to the current members of the Company’s Management Board, as the service agreements with all current Management Board members had already been concluded at the time of the resolution on the remuneration system. Accordingly, there were no deviations from the Remuneration System 2021 within the meaning of Section 162 (1) no. 5 AktG.

## III. Resolution on the Approval of a Remuneration System for the Members of the Supervisory Board

The Company’s Annual General Meeting on May 19, 2021, also confirmed the remuneration of the members of the Supervisory Board as last approved by the Annual General Meeting 2020 and adopted a corresponding remuneration system.

## IV. Changes in the Composition of the Management Board and the Supervisory Board

The following changes of the Management Board occurred in the 2021 financial year:

Sung Lee became a member of the Management Board and Chief Financial Officer of the Company on February 2, 2021. Roland Wandeler, Ph.D., resigned as Management Board member and Chief Operating Officer of the Company effective at the end of December 31, 2021.

There were no changes in the composition of the Supervisory Board in the 2021 financial year, except for the reappointment of Marc Cluzel, M.D., Ph.D., Krisja Vermeulen and Sharon Curran as Supervisory Board members.

### b. Remuneration of the Members of the Management Board of MorphoSys AG

#### I. Overview of the Main Remuneration Components

The remuneration of the members of the Management Board comprises of a fixed non-performance-related remuneration, the annual base salary as well as marked standard fringe benefits and pension contributions, and a variable, performance-related remuneration, the annual bonus and the long-term, share-based variable remuneration. In individual cases, special benefits may also be granted to Management Board members in connection with the commencement and termination of their position as member of the Management Board.

The amount of remuneration for Management Board members depends largely on the member’s area of responsibility, the member’s individual performance and the performance of the Management Board as a whole. It also takes into account the economic and financial success of MorphoSys AG, and is intended to provide an incentive for long-term and sustainable corporate governance, while linking the interests of the Management Board members to those of the Company’s shareholders.

Although in the 2021 financial year the Remuneration System 2021 did not apply to the existing service agreements of the Management Board members, the essential basic principles of the Remuneration System 2021 were already taken into account when granting the variable remuneration for the 2021 financial year to the current members of the Management Board. Thus, the long-term variable remuneration in the 2021 financial year was granted exclusively in the form of performance share units, and an environment social governance (ESG) target was included in the Performance Share Unit Program 2021. In the 2021 financial year, no extraordinary bonus payments were granted to the members of the Management Board.

The remuneration of the Management Board members is regularly reviewed by the Supervisory Board, with the support of its Remuneration and Nomination Committee, and with the assistance of an external remuneration expert, for scope and appropriateness and compared with the result of a Management Board remuneration analysis.

## II. Non-Performance-Related Remuneration Components

### Base Remuneration

As agreed in their service agreements, the members of the Management Board receive a fixed base remuneration, which is generally paid in monthly installments. The annual base remuneration in the 2021 financial year for the individual members of the Management Board was as follows:

Name of Management Board member	Role	Fixed base remuneration in €
<b>Jean-Paul Kress, M.D.</b>	Chief Executive Officer	770,000
<b>Sung Lee*</b>	Chief Financial Officer	466,100
<b>Malte Peters, M.D.</b>	Chief Research and Development Officer	504,925
<b>Roland Wandeler, Ph.D.**</b>	Chief Operating Officer	472,013

\* Basic remuneration for Sung Lee was awarded in the 2021 financial year on a pro rata basis from February 2, 2021, the date on which he took over as a member of the Management Board

\*\* The compensation of Roland Wandeler, Ph.D. is paid in US\$ and converted with a foreign exchange rate of € 1.00 = US\$ 1.1827. Only the amount in € will be subsequently shown. The average base compensation of US\$ 558,250.00 (last adjusted as of July 1, 2021) corresponds to an amount of € 472,013.00.

### Fringe Benefits

In addition to their fixed base salary, the Management Board members receive market standard fringe benefits that mainly include the professional and private use of company cars, subsidies for or reimbursement of health, social and accident insurance costs, and reimbursement of legal advice in connection with employment contracts.

The Management Board members may also be granted special one-time benefits, such as sign-on bonuses in case of the first appointment as a member of the Management Board, the reimbursement of work-related relocation expenses, or the reimbursement of double household costs.

### Company Pension Scheme

The Management Board members participate in a pension plan in the form of a provident fund. In addition, the members of the Management Board receive an amount equivalent to a maximum of 10% of their fixed annual (gross) base salary that shall be used by the Management Board members for their individual retirement plan. This amount can also be invested in the provident fund pension plan. Dr. Malte Peters uses both the provident fund and as well an individual pension plan for this purpose (this individual part is not shown in the following table). The pension benefits for Roland Wandeler, Ph.D., who is domiciled in the USA, deviate from this to take into account U.S. particularities. Nevertheless, the above maximum limit for individual retirement benefits of 10% of the fixed annual base salary is also complied with in the case of Roland Wandeler, Ph.D. In addition, the Management Board members receive an optional supplement to their company pension in the form of deferred compensation. Jean-Paul Kress, M.D., has not made use of this form to date.

	Jean-Paul Kress, M.D. <b>Chief Executive Officer</b>		Sung Lee <b>Chief Financial Officer</b>	
	2021	2020	2021	2020
	in € thousands	in € thousands	in € thousands	in € thousands
<b>Contribution to private pension scheme</b>	124.4	<b>120.3</b>	78.5	—
<b>Employer subsidy for deferred compensation</b>	—	—	0.4	—
Total	124.4	120.3	79.0	—
	Malte Peters, M.D. <b>Chief Research and Development Officer</b>		Roland Wandeler, Ph.D.* <b>Chief Operating Officer</b>	
	2021	2020	2021	2020
	in € thousands	in € thousands	in € thousands	in € thousands
<b>Contribution to private pension scheme</b>	53.3	<b>51.5</b>	27.3	<b>14.8</b>
<b>Employer subsidy for deferred compensation</b>	0.5	<b>0.5</b>	—	—
Total	53.8	52.0	27.3	14.8

\* For Roland Wandeler Ph.D. contributions were paid into the U.S. pension plan.

### III. Performance-Related Remuneration Components

#### Annual Bonus (Short-Term Incentive STI)

The members of the Management Board receive a short-term variable remuneration in the form of an annual bonus (STI), which rewards the operational implementation of the Company's corporate strategy in the respective financial year as a basis for the long-term positive development of the Company and the MorphoSys Group. The amount of the annual bonus is calculated on the basis of various financial and non-financial performance criteria (so-called "Company Goals") as determined by the Supervisory Board uniformly for all members of the Management Board for the respective upcoming financial year.

For this purpose, a target amount that determines the amount of the bonus payment in the event of a 100% target achievement has been set for each Management Board member. For the Chairman of the Management Board (CEO), the target amount is 80% of the annual base salary, and for all other Management Board members the target amount is 70% of the annual base salary.

At the beginning of the subsequent financial year, the Supervisory Board assesses the degree of target achievement of the set targets and determines the amount of the annual bonus. For the CEO, the maximum payout amount is limited to 160% of the annual base salary, and for all other Management Board members the maximum payout amount is limited to 140% of the annual base salary.

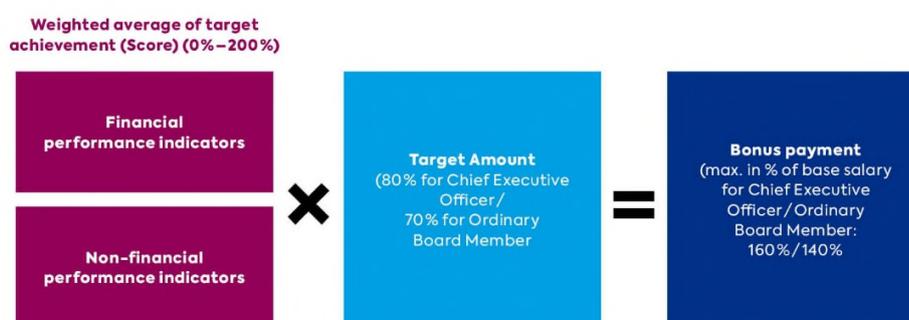
The degree of target achievement is measured as follows:

For each Company Goal, the Supervisory Board determines the percentage of target achievement, which can range from 0% to 125%. The percentage target achievement is converted into a target achievement level (the so-called "Score"), which can range from 0% to 200%, whereby the target achievement and the corresponding Score increase linearly between the percentage points.

**Target achievement of performance targets (0%–125%)      Corresponding Score (0%–200%)**

125%	200%
112.5%	150%
100%	100%
85%	75%
70%	50%
under 70%	0%

On the basis of the calculated target achievement levels of each performance target and the respective weighting of the performance targets as defined by the Supervisory Board, the Supervisory Board calculates the overall degree of target achievement for the respective financial year as follows:



As the annual bonus 2020 was not paid out to the members of the Management Board until the 2021 financial year, the annual bonus 2020 is allocated to the remuneration awarded and due within the meaning of Section 162 (1) sentence 1 AktG in the 2021 financial year, and is consequently disclosed in this Remuneration Report. The amount of the annual bonus (STI) for the 2021 financial year will be determined and paid out in the 2022 financial year, and is therefore allocated to the remuneration awarded and due within the meaning of Section 162 (1) sentence 1 AktG in the 2022 financial year. In order to ensure a transparent and comprehensive disclosure of the remuneration granted to the members of the Management Board for a financial year, the annual bonus for the 2021 financial year is also disclosed voluntarily in this Remuneration Report.

**Annual Bonus 2020**

For the 2020 financial year, the Supervisory Board has defined the following performance targets and their weighting uniformly for all Management Board members:

Performance criteria	Evaluation criteria	Weighting
TARGET 1: STRATEGY AND TRANSFORMATION	<ul style="list-style-type: none"> <li>• Execute on partnership for the commercialization of tafasitamab</li> <li>• Define in-licensing criteria and evaluate opportunities accordingly</li> <li>• Successfully implement new operating model and organizational structure</li> </ul>	20%
TARGET 2: TAFASITAMAB APPROVAL	<ul style="list-style-type: none"> <li>• Achieve FDA approval in the U.S.</li> <li>• Complete Marketing Authorization Application (MAA) submission in the EU</li> <li>• B-MIND: Complete enrollment of 450 patients according to plan by year-end 2020</li> <li>• Re-MIND2 results available to support Marketing Authorization Application (MAA) in EU</li> <li>• Execution of Expanded Access Program (EAP) according to project plans</li> </ul>	20%
TARGET 3: TAFASITAMAB LAUNCH	<ul style="list-style-type: none"> <li>• U.S. commercial organization in place according to plan to enable mid-2020 launch</li> <li>• Execution of Marketing and Sales launch activities according to plan</li> <li>• Medical Affairs launch activities according to plan</li> <li>• Timely product availability at third-party logistics provider after FDA approval in support of tafasitamab/Monjuvi launch in U.S.</li> <li>• U.S.-Market uptake as planned</li> </ul>	20%
TARGET 4: PIPELINE	<ul style="list-style-type: none"> <li>• Tafasitamab <ul style="list-style-type: none"> <li>• Front-line: Phase 1b trial complete enrollment, phase 3 study to start first trimester of 2021</li> <li>• Follicular lymphoma: Phase III study start on track</li> <li>• Completion of EMA and FDA scientific advice on the 1st line diffuse large B-cell lymphoma (DLBCL) and follicular lymphoma (FL) phase-III programs</li> </ul> </li> <li>• Felzartamab <ul style="list-style-type: none"> <li>• Achieve proof-of-concept (PoC) for anti-PLA2R-positive membranous nephropathy (MN) trial according to plan</li> </ul> </li> <li>• Early Research &amp; Development <ul style="list-style-type: none"> <li>• One successful compound transition to development</li> </ul> </li> </ul>	20%
TARGET 5: FINANCIAL TARGET	<ul style="list-style-type: none"> <li>• Revenues and Earnings Before Interest and Taxes (EBIT) figures to stay within guidance as published in March 2020</li> </ul>	20%

Despite the Covid-19 pandemic, the 2020 financial year was a successful year for the Company. The accelerated approval and successful market launch of Monjuvi in the U.S. were important milestones, which enabled the transformation of the Company into a fully integrated biopharmaceutical company with its own sales infrastructure. In January 2020, the conclusion of a global collaboration and licensing agreement with Incyte was announced. The co-promotion of Monjuvi with Incyte in the U.S. will leverage the newly established MorphoSys sales team as well as Incyte's established market position. In 2020, the build-up of commercial structures in the U.S. continued successfully. Since approval, the team has been focused on making Monjuvi available to patients, despite the challenges of introducing a therapy during the COVID-19 pandemic. The Company adapted sales and clinical development activities and overcame many hurdles, for example by using digital technologies to engage healthcare providers. As a result, most clinical trials continued as planned. In May 2020, the marketing authorization application for tafasitamab plus lenalidomide was validated for the EU and subsequently granted approval in August 2021.

After the end of the 2020 financial year, the target achievement for the annual bonus was as follows:

Performance criteria	Evaluation	Weighting	Target achievement
TARGET 1: STRATEGY AND TRANSFORMATION	Flawless execution of several strategic assessments and closing of transformational deals with Incyte, Xencor and Cherry Labs that provided US\$ 750 million funds and additional pipeline opportunities. Adaptation of operating model and management structure to suit a global integrated pharmaceutical operation.	20%	125%
TARGET 2: TAFASITAMAB APPROVAL	Received first and only approval in 2L DLBCL one month ahead of PDUFA date, Marketing Authorization Application (MAA) submission in the EU six months ahead of plan. Tafasitamab clinical program executed despite COVID-19 pandemic impact in healthcare systems worldwide.	20%	112%
TARGET 3: TAFASITAMAB LAUNCH	Accelerated launch plans to enable commercial launch and product availability to patients ahead of original PDUFA date. Successfully adapted launch plans to virtual setting due to COVID-19 pandemic.	20%	116%
TARGET 4: PIPELINE	Patient enrollment timelines and clinical milestones were successfully met ahead of schedule despite COVID-19 pandemic. Early pipeline rejuvenation through in-licensing of Cherry Biolabs' hemibody technology	20%	112%
TARGET 5: FINANCIAL TARGET	Achieved revenue of roughly € 320 million, and Earnings Before Interest and Taxes (EBIT) of € 27 million while significantly strengthening the balance sheet	20%	125%

Taking into account the defined weighting for the respective performance targets, the overall target achievement (Score) amounted to 172%, which resulted in the following payout amounts:

in € thousands	Target amount (100% target achievement)	Maximum payout (160% of base salary)	Maximum payout (140% of base salary)	Total target achievement (Score)	STI payout
<b>Jean-Paul Kress, M.D.</b>	578.7	1,157.3	—	172.0%	995.3
<b>Sung Lee*</b>	—	—	—	—%	—
<b>Malte Peters, M.D.</b>	336.4	—	672.8	172.0%	578.6
<b>Roland Wandeler, Ph.D.**</b>	211.6	—	423.2	172.0%	363.9
<b>Jens Holstein</b>	329.7	—	659.4	172.0%	567.0
<b>Markus Enzelberger, Ph.D.</b>	39.8	—	79.6	172.0%	68.4

\* During the financial year 2020, Sung Lee was not yet a member of the Management Board.

\*\* Based on an average conversion range of € 1.00 = US\$ 1.1827

The annual bonus 2020 was paid out to the members of the Management Board in February 2021 and is therefore allocated to the remuneration awarded and due within the meaning of Section 162 (1) sentence 1 AktG in the 2021 financial year.

### Annual Bonus 2021

For the 2021 financial year, the Supervisory Board defined the following performance criteria and their weighting for the annual bonus uniformly for all Management Board members:

Performance criteria	Evaluation criteria	Weighting
TARGET 1: FULLY EXPLOIT THE POTENTIAL OF TAFASITAMAB	<ul style="list-style-type: none"> <li>• Successful market launch in relapsed/refractory (r/r) diffuse large B-cell lymphoma (DLBCL)</li> <li>• Develop tafasitamab, strengthen its position in r/r DLBCL and advance strategy as a standard combination therapy</li> <li>• Safeguard the tafasitamab supplier network through additional contract manufacturers and scheduled technology transfer</li> </ul>	35%
TARGET 2: EXPAND THE PIPELINE FOR SUSTAINABLE GROWTH	<ul style="list-style-type: none"> <li>• Evaluate and execute on business development and licensing opportunities and/or merger and acquisition targets</li> <li>• Internally drive forward innovation and achieve a balanced pipeline</li> </ul>	30%
TARGET 3: DEVELOPMENT OF FELZARTAMAB IN THE FIELD OF AUTOIMMUNE DISEASES	<ul style="list-style-type: none"> <li>• Achieve proof-of-concept (PoC) in the main indication of antibody-mediated membranous nephropathy (MN) in the M-PLACE study and make interdisciplinary progress as planned with the felzartamab program</li> </ul>	15%
TARGET 4: MEET FINANCIAL TARGETS AND BUILD A COMPELLING GLOBAL BUSINESS MODEL	<ul style="list-style-type: none"> <li>• Manage financial performance within forecast published in March 2021</li> <li>• Continue to drive organizational transformation and implement concrete initiatives related to corporate culture (ESPRIT), efficiency (LEAN) and automation (DIGITALIZATION)</li> </ul>	20%

The 2021 financial year was a transformative year for MorphoSys AG. Through the acquisition of Constellation Pharmaceuticals, Inc., MorphoSys AG expanded its clinical pipeline in the areas of hematology and oncology, and the financing partnership agreement with Royalty Pharma secured financial resources to fund its growth strategy. The integration of Constellation Pharmaceuticals, Inc. into MorphoSys Group commenced in the 2021 financial year and will be finalized in the 2022 financial year. The Company executed on commercialization of Monjuvi in the U.S. against difficulties in connection with the COVID-19 pandemic, especially in the first half of 2021. Furthermore, Minjuvi received market approval in Europe. Despite the impact of the COVID-19 pandemic on healthcare systems worldwide, MorphoSys AG continued to ensure the continuity of all clinical programs and meet, and in some cases exceed, all clinical development targets.

In the 2021 financial year, the target achievement for the annual bonus was as follows:

Performance criteria	Evaluation	Weighting	Target achievement
TARGET 1: FULLY EXPLOIT THE POTENTIAL OF TAFASITAMAB	Progress on strategic launch objectives of tafasitamab in the U.S.. Overall sales below target at 85%. Earlier EU approval in August 2021 compared to scheduled fourth quarter 2021. FrontMIND development program advanced according to plan. Secured additional Contract Manufacturing Organizations and significant reduction of Cost of Goods.	35%	107.8%
TARGET 2: EXPAND THE PIPELINE FOR SUSTAINABLE GROWTH	Acquisition of Constellation Pharmaceuticals, Inc. and financing deal with Royalty Pharma. Closing and integration completed in less than six months.	30%	125%
TARGET 3: DEVELOPMENT OF FELZARTAMAB IN THE FIELD OF AUTOIMMUNE DISEASES	Progressed three clinical trials in parallel despite COVID-19 pandemic, completed enrollment and achieved Proof-of-Concept (PoC) in the main indication of antibody-mediated membranous nephropathy (MN) in the M-PLACE study	15%	110%
TARGET 4: MEET FINANCIAL TARGETS AND BUILD A COMPELLING GLOBAL BUSINESS MODEL	Delivered on financial guidance, including OPEX targets for the year*. Continued organizational transformation with successful digitalization and cultural programs.	20%	125%

\* The 2021 pay-out amount was based on preliminary final financial numbers. On March 10th, 2022 an Ad Hoc was released describing a non-cash impairment charge related to goodwill after consolidation of research and discovery functions as a one-time accounting effect with no cash impact. The impact of this charge will be considered in the 2022 STI evaluation.

In the future, starting with the 2022 STI, the financial targets will be evaluated only based on audited and accepted financial statements.

Taking into account the defined weighting for the individual performance targets, the overall target achievement amounted to 167.2%, which resulted in the following payout amounts:

in € thousands	Target amount based on 100% target achievement (Score)	Maximum payout (160% of base salary)	Maximum payout (140% of base salary)	Total target achievement (Score)	STI payout
<b>Jean-Paul Kress, M.D.</b>	616.0	1,232.0	—	167.2%	1,030.0
<b>Sung Lee*</b>	298.1	—	596.2	167.2%	498.4
<b>Malte Peters, M.D.</b>	353.4	—	706.9	167.2%	591.0
<b>Roland Wandeler, Ph.D.**</b>	330.4	—	660.8	167.2%	560.6

\* Annual bonus for Sung Lee was awarded in the 2021 financial year on a pro rata basis from February 2, 2021, the date on which he took over as a member of the Management Board

\*\* Based on an average conversion range of € 1.00 = US\$ 1.1827

The annual bonus 2021 was paid out to Management Board members in February 2022 and is therefore attributed to remuneration awarded and due within the meaning of Section 162 (1) sentence 1 AktG in the 2022 financial year. The annual bonus 2021 is voluntarily presented in this remuneration report.

### Outlook for the Annual Bonus 2022

For the 2022 financial year, the Supervisory Board has defined the following performance targets and their weighting for the annual bonus:

Performance criteria	Evaluation criteria	Weighting
TARGET 1: COMMERCIAL TARGET	<ul style="list-style-type: none"> <li>• Achieve US Net Sales for Monjuvi as communicated in Company's financial guidance</li> </ul>	25%
TARGET 2: FINANCIAL TARGET	<ul style="list-style-type: none"> <li>• Manage operating expenses within budget as communicated in Company's financial guidance</li> </ul>	25%
TARGET 3: DEVELOPMENT TARGET	<ul style="list-style-type: none"> <li>• Advance clinical development of phase 3 programs: <ul style="list-style-type: none"> <li>• Pelabresib - Accelerate recruitment of MANIFEST-2: Achieve enrollment of 50%</li> <li>• Pelabresib - Complete recruitment of MF patients in MANIFEST-1: 100%</li> <li>• Tafasitamab - Achieve frontMIND enrollment of 75%</li> <li>• Tafasitamab - Achieve First Patient First Visit for MINDway study</li> </ul> </li> </ul>	30%
TARGET 4: DEVELOPMENT/DISCOVERY TARGET	<ul style="list-style-type: none"> <li>• Execute at least one partnership for early or mid-stage MorphoSys program while advancing the pipeline</li> </ul>	20%

### Long-Term Incentive (LTI)

The members of the Management Board also receive a long-term variable remuneration in the form of participation in the Company's various long-term remuneration programs. These are various share-based programs whose payout is subject to a waiting period of four years. This provides an incentive to the respective Management Board members to contribute to the long-term sustainable development of the Company, while linking the interests of the Management Board members to those of the shareholders.

In the 2021 financial year, the stock options granted in the 2017 financial year under the Stock Option Program 2017 and the performance shares granted under the Performance Share Plan 2017 became exercisable. The relevant performance targets under both the Stock Option Program 2017 and the Performance Share Plan 2017 were the absolute and the relative share price performance of MorphoSys AG. In addition, performance share units were granted to the members of the Management Board in the 2021 financial year under the Performance Share Unit Program 2021.

The inflow from the Stock Option Program 2017 and the Performance Share Plan 2017 in the 2021 financial year is allocated to the remuneration awarded and due within the meaning of Section 162 (1) sentence 1 AktG in the 2021 financial year. The performance share units are subject to a waiting period of four years and the achievement of the performance targets of the absolute and relative share price performance of MorphoSys AG as well as an ESG target until they are paid out. The payout of the final number of performance share units granted to the members of the Management Board in the 2021 financial year will occur after the end of the waiting period and will therefore only be disclosed in the remuneration report for the 2025 financial year.

### Settlement of the Stock Option Program 2017

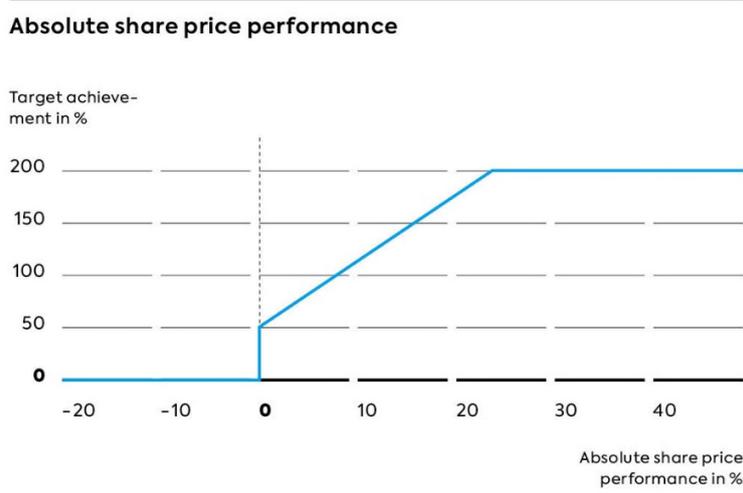
In the 2021 financial year, stock options granted to the former members of the Management Board, Simon Moroney Ph.D., Marlies Sproll, Ph.D., Markus Enzelberger, Ph.D., and Jens Holstein, as well as to the current member of the Management Board Malte Peters, M.D., became exercisable for a duration of three years following both the approval of the consolidated annual financial statements of the Company for the last financial year prior to the expiry of the waiting period. and the expiry of the waiting period.

The performance targets for the Stock Option Plan 2017 were defined as the absolute share price performance of the share of MorphoSys AG and the relative share price performance of the share of MorphoSys AG compared to a benchmark index, consisting in equal parts of the NASDAQ Biotechnology Index and the TecDAX Index. Each performance target was weighted with 50% within the overall target achievement.

To determine the level of performance target achievement for each performance target, the waiting period was divided into four identical periods of one year each. From the performance target achievement level derived in this manner for each yearly period of the waiting period, an arithmetic mean was formed that determines the final percentage target achievement for each performance target. Thereafter, these final percentage target achievements for each of both performance targets were added and divided by two. The result forms the overall target achievement, which determines the final number of exercisable stock options, whereby depending on the degree of target achievement one stock option grants a subscription right for up to two shares in the Company.

### Absolute Share Price Performance

The absolute share price performance of the share of MorphoSys AG within one yearly period is determined by comparing the average closing price of the share of MorphoSys AG in Xetra trading on the Frankfurt Stock Exchange prior to the beginning and prior to the end of the respective yearly period. If in the respective yearly period the share price declines, the achievement of the performance target is 0%. If the share price performance of the share of MorphoSys AG is 0%, the performance target is achieved by 50%. Subsequent increases in the performance target are linear. An 8% increase of the share price of the share of MorphoSys AG during a yearly period results in a performance target achievement level of 100%; a 16% increase of the share price during a yearly period results in a performance target achievement level of 150 and a 24% increase of the share price results in a performance target achievement level of 200%. Any further increase of the performance target achievement is not possible (cap).

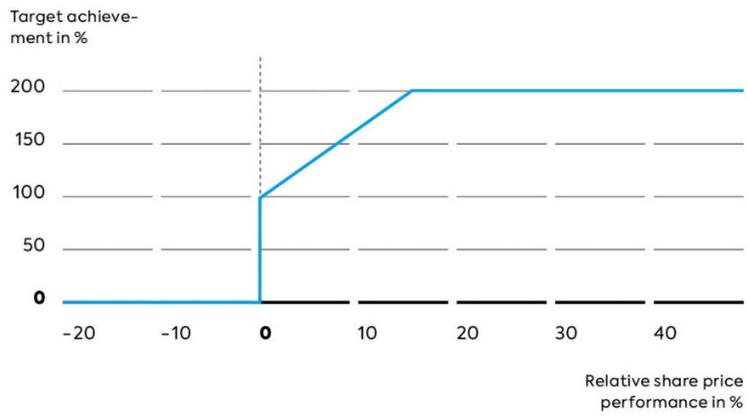


**Relative Share Price Performance**

For the relative performance target, within each yearly period, the market price of the MorphoSys shares is compared to the performance of the NASDAQ Biotech Index and the TecDAX Index (collectively the “Benchmark Index”) and the respective values are put into proportion. Within the Benchmark Index, the NASDAQ Biotech Index and the TecDAX Index are each weighted 50% in a way that the percentage performance per index and per yearly period is added and divided by two. The relevant share price for MorphoSys shares is the average closing price in Xetra trading on the Frankfurt Stock Exchange 30 trading days prior to the start and the end of the respective yearly period. The relevant share price of the NASDAQ Biotech Index and the TecDAX Index, respectively, is the average closing price of the NASDAQ Biotech Index and the TecDAX Index, respectively, on the NASDAQ Stock Exchange and on the Frankfurt Stock Exchange, respectively, during the 30 trading days prior to the start and prior to the end of the respective yearly period. If in the respective yearly period the share price declines compared to the Benchmark Index, the achievement of the performance target is 0%. If the share price of the MorphoSys share is 0% compared to the Benchmark Index, the performance target is achieved by 100%. Subsequent increases in the performance target are linear. An 8% increase of the MorphoSys share price compared to the Benchmark Index results in a performance target achievement level of 150%, and a 16% increase of the MorphoSys share price compared to the Benchmark Index results in a performance target achievement level of 200%. Any further increase of the performance target achievement is not possible (cap).

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### Relative share price performance



During the waiting period, the performance targets were achieved as follows:

	Average price at the beginning of the annual period*	Average price at the end of the annual period*	Share price development	Target achievement after the end of the waiting period
Absolute share price performance**				+98.50%
MorphoSys AG				
<b>First annual period</b>	55.52	81.04	+45.96 %	
<b>Second annual period</b>	81.04	87.86	+8.41 %	
<b>Third annual period</b>	87.86	93.66	+6.61 %	
<b>Fourth annual period</b>	93.66	81.01	(13.49)%	
Relative share price performance***				+121.25%
MorphoSys AG				
<b>First annual period</b>	55.52	81.04	+45.96 %	
<b>Second annual period</b>	81.04	87.86	+8.41 %	
<b>Third annual period</b>	87.86	93.66	+6.61 %	
<b>Fourth annual period</b>	93.66	81.01	(13.49)%	
TecDAX Index				
<b>First annual period</b>	1,953.36	2,606.23	+33.26 %	
<b>Second annual period</b>	2,606.23	2,642.31	+1.47 %	
<b>Third annual period</b>	2,642.31	2,689.41	+1.69 %	
<b>Fourth annual period</b>	2,689.41	3,368.32	+25.25 %	
NASDAQ Biotechnology				
<b>First annual period</b>	3,090.28	3,462.52	+12.07 %	
<b>Second annual period</b>	3,462.52	3,509.60	+1.34 %	
<b>Third annual period</b>	3,509.60	3,484.14	(1.47)%	
<b>Fourth annual period</b>	3,484.14	4,853.42	+40.35 %	
Overall target achievement				+110.00%

\* Average closing price of the share of MorphoSys AG in Xetra trading on the Frankfurt Stock Exchange during the 30 trading days prior to the beginning and the end of the respective annual period, respectively.

\*\* The target achievement for the absolute share price performance on the basis of the above values amounted during the respective annual periods as follows: +200,00% during the first annual period, +103,00% during the second annual period, +91,00% during the third annual period and +0,00% during the fourth annual period.

\*\*\* The target achievement for the relative share price performance on the basis of the above values amounted during the respective annual periods as follows: +200,00% during the first annual period, +144,00% during the second annual period, +141,00% during the third annual period and +0,00% during the fourth annual period.

The overall target achievement of 110% resulted in the following final number of exercisable stock options (original number of stock options multiplied with the overall target achievement of 110%):

Management Board member	Exercise price (in €)	Original number of stock options	Final number of stock options	Quantitative Change
<b>Malte Peters, M.D.</b>	55.52	8,197	9,017	820
<b>Simon Moroney Ph.D.</b>	55.52	12,511	13,763	1,252
<b>Marlies Sproll Ph.D.</b>	55.52	6,148	6,763	615
<b>Jens Holstein</b>	55.52	8,197	9,017	820
<b>Markus Enzelberger, Ph.D.</b>	55.52	5,266	5,793	527

In the 2021 financial year, neither Malte Peters, M.D., nor former member of the Management Board, who has been granted stock options under the Stock Option Program 2017, exercised the stock options that were granted. The other current members of the Management Board were not members of the Company's Management Board at the time the stock options were issued under the Stock Option Program 2017. As a result, no stock options under this program became exercisable for these Management Board members in the 2021 financial year.

#### Settlement of the Performance Share Plan 2017

Further, in the 2021 financial year, performance shares which were granted under the Performance Share Plan 2017 for the 2017 financial year to the former Management Board members Simon Moroney, Ph.D., Marlies Sproll, Ph.D., Markus Enzelberger, Ph.D., and Jens Holstein, as well as to the current member of the Management Board Malte Peters, M.D., became exercisable for a time period of six months after the expiry of the waiting period.

The performance targets for the Performance Share Plan 2017 were defined as the absolute share price performance of the MorphoSys share and relative share price performance of the MorphoSys share price compared to a benchmark index, consisting in equal parts of the NASDAQ Biotechnology Index and the TecDAX Index. Each performance target is weighted with 50% within the overall target achievement.

To determine the level of performance target achievement for each performance target, the waiting period was divided into four identical periods of one year each. From the performance target achievement level derived in this manner for each annual period of the waiting period, an arithmetic mean was formed that determines the final percentage target achievement for each performance target. Thereafter, these final percentage target achievements for each of both performance targets were added and divided by two. The result forms the overall target achievement, which determines the number of exercisable performance shares, whereby, depending on the level of target achievement, one performance share entitles to the subscription of up to two shares in the Company.

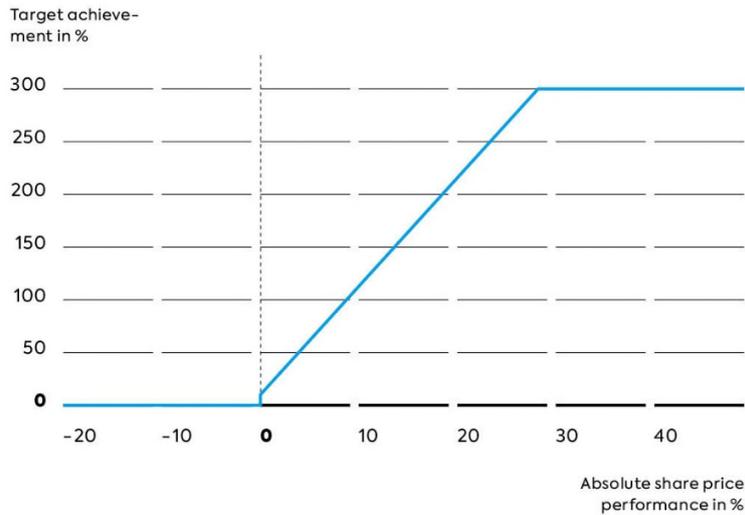
The number of exercisable Performance Shares will further be multiplied with a Company Factor between 0 and 2 as determined by the Supervisory Board. For the Performance Share Plan 2017, the Supervisory Board determined the Company Factor with 1.

After the expiry of the waiting period, the Company fulfills the exercisable performance shares at its discretion in cash or in treasury shares.

#### Absolute Share Price Performance

For the absolute performance target, within each yearly period, the 30 days closing price of the MorphoSys shares on the Frankfurt Stock Exchange prior to the beginning of the respective yearly period is compared to the 30 days closing price of the MorphoSys shares on the Frankfurt Stock Exchange prior to the end of the respective yearly period. If in the respective yearly period the share price declines, the achievement of the performance target is 0%. If the share price of the MorphoSys share increases by between 0% and less than 1%, the achievement of the performance target absolute share price performance in this yearly period is 10%. For each percentage hurdle that the share price development during a yearly period meets or exceeds, the target achievement increases by another 10%. If the share price development of the MorphoSys share during the respective yearly period is 29%, the target achievement of the performance target is 300%. Any further increase of the performance target achievement is not possible (cap).

### Absolute share price performance

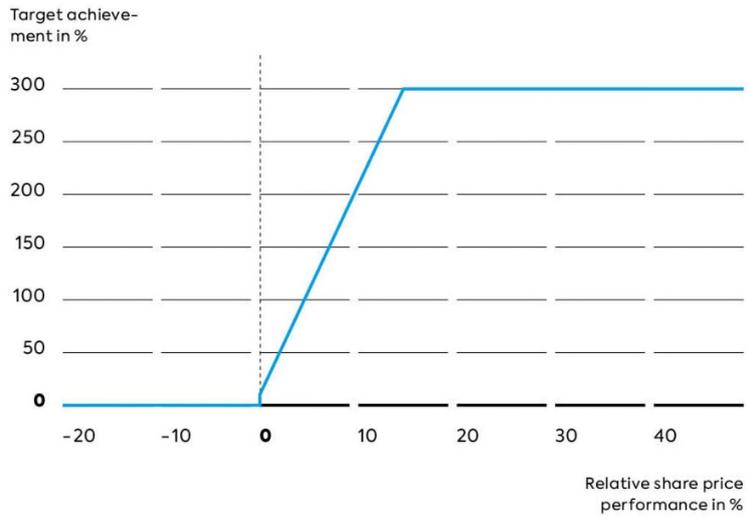


### Relative Share Price Performance

For the relative performance target, within each yearly period, the market price of the MorphoSys shares at the beginning of the yearly period is compared to the performance of the NASDAQ Biotech Index and the TecDAX Index (collectively the "Benchmark Index") and the respective values are put into proportion. Within the Benchmark Index, the NASDAQ Biotech Index and the TecDAX Index are each weighted 50% in a way that the percentage performance per index and per yearly period is added and divided by two. The relevant share price for MorphoSys shares is the average closing auction price in Xetra trading on the Frankfurt Stock Exchange 30 trading days prior to the start and the end of the respective yearly period, respectively. The relevant price of the NASDAQ Biotech Index and the TecDAX Index, respectively, is the average closing price of the NASDAQ Biotech Index and the TecDAX Index, respectively, on the NASDAQ Stock Exchange and on the Frankfurt Stock Exchange, respectively, 30 trading days prior to the start and prior to the end of the respective yearly period. If in the respective yearly period the share price declines compared to the Benchmark Index, the achievement of the performance target is 0%. If the share price of the MorphoSys share increases by between 0% and less than 0.5% compared to the Benchmark Index, the target achievement of the performance target relative share price performance for the respective yearly period is 10%. For each half-percentage hurdle that the share price development during a yearly period meets or exceeds, the target achievement increases by another 10%. If the share price of the MorphoSys share during one yearly period increases by 14.5% compared to the Benchmark Index, the target achievement is 300%. Any further increase in the MorphoSys share price compared to the Benchmark Index does not result in a further increase of the performance target (cap).

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### Relative share price performance



During the waiting period, the performance targets were achieved as follows:

	Average price at the beginning of the annual	Average price at the end of the annual period*	Share price development (in %)	Target achievement after the end of
Absolute share price performance**				+115.00 %
MorphoSys AG				
<b>First annual period</b>	55.52	81.04	+45.96 %	
<b>Second annual period</b>	81.04	87.86	+8.41 %	
<b>Third annual period</b>	87.86	93.66	+6.61 %	
<b>Fourth annual period</b>	93.66	81.01	(13.49)%	
Relative share price performance***				+145.00 %
MorphoSys AG				
<b>First annual period</b>	55.52	81.04	+45.96 %	
<b>Second annual period</b>	81.04	87.86	+8.41 %	
<b>Third annual period</b>	87.86	93.66	+6.61 %	
<b>Fourth annual period</b>	93.66	81.01	(13.49)%	
TecDAX Index				
<b>First annual period</b>	1,953.36	2,606.23	+33.26 %	
<b>Second annual period</b>	2,606.23	2,642.31	+1.47 %	
<b>Third annual period</b>	2,642.31	2,689.41	+1.69 %	
<b>Fourth annual period</b>	2,689.41	3,368.32	+25.25 %	
NASDAQ Biotechnology Index				
<b>First annual period</b>	3,090.28	3,462.52	+12.07 %	
<b>Second annual period</b>	3,462.52	3,509.60	+1.34 %	
<b>Third annual period</b>	3,509.60	3,484.14	(1.47)%	
<b>Fourth annual period</b>	3,484.14	4,853.42	+40.35 %	
Overall target achievement				+130.00 %

\* Average closing price of the share of MorphoSys AG in Xetra trading on the Frankfurt Stock Exchange during the 30 trading days prior to the beginning and the end of the respective annual period, respectively.

\*\* The target achievement for the absolute share price performance on the basis of the above values amounted during the respective annual periods as follows: +300,00% during the first annual period, +90,00% during the second annual period, +70,00% during the third annual period and +0,00% during the fourth annual period.

\*\*\* The target achievement for the relative share price performance on the basis of the above values amounted during the respective annual periods as follows: +300,00% during the first annual period, +150,00% during the second annual period, +130,00% during the third annual period and +0,00% during the fourth annual period.

As regards the Management Board members who left the Management Board prematurely, Simon Moroney, Ph.D., Marlies Sproll, Ph.D., Jens Holstein and Markus Enzelberger, Ph.D., the degree of overall target achievement was evaluated based on the yearly periods that were already completed prior to their departure. As regards Malte Peters, M.D., the overall target achievement of 130% was decisive.

The individual target achievement resulted in a final number of exercisable performance shares (original number of performance shares multiplied with the individual target achievement) as follows:

Management Board member	Original number of performance shares	Target achievement	Final number of performance shares	Quantitative change
<b>Malte Peters, M.D.</b>	3,187	130.00 %	4,143	956
<b>Simon Moroney Ph.D.</b>	4,864	200.00 %	9,728	4,864
<b>Marlies Sproll Ph.D.</b>	2,390	200.00 %	4,780	2,390
<b>Jens Holstein</b>	3,187	173.33 %	5,524	2,337
<b>Markus Enzelberger, Ph.D.</b>	2,047	200.00 %	4,094	2,047

Malte Peters, M.D., and all former members of the Management Board, which were granted performance shares under the Performance Share Plan 2017, have exercised the performance shares they were granted during the exercise period from April 14, 2021, until October 13, 2021, following the expiry of the waiting period on March 31, 2021. The performance shares were settled in treasury shares of the Company. The other current members of the Management Board were not members of the Company's Management Board at the time the performance shares were issued under the Performance Share Plan 2017. As a result, no performance shares under this plan became exercisable for these Management Board members in the 2021 financial year.

### Performance Share Unit Program 2021

In the 2021 financial year, Management Board members were granted a total of 54,232 performance share units under the Company's Performance Share Unit Program 2021. Upon the expiry of the four-year waiting period and subject to the achievement of the defined performance targets, the performance share units will be at the election of the Company settled either in cash or through the transfer of treasury shares of the Company, or by a combination of both.

The following table shows the performance share units allocated to Management Board members in the 2021 financial year:

Management Board member	Allocation amount in € thousands	Allocation price (in €)	Number of allocated PSUs	Maximum number of final PSUs
<b>Jean-Paul Kress, M.D.</b>	1,808	81.02	22,315	44,630
<b>Sung Lee</b>	1,201	81.02	14,824	29,648
<b>Malte Peters, M.D.</b>	693	81.02	8,547	17,094
<b>Roland Wandeler, Ph.D.</b>	693	81.02	8,547	17,094

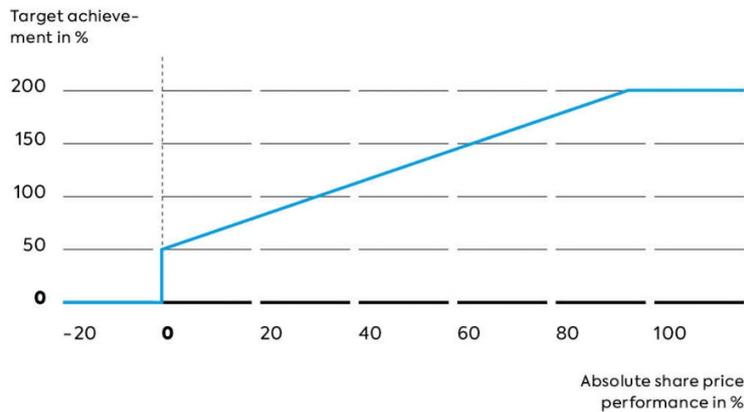
\*The allocation of performance share units to Sung Lee includes 6,277 performance share units granted to him upon joining the Management Board of MorphoSys AG.

The performance targets for the Performance Share Unit Program 2021 as defined by the Supervisory Board are the absolute share price development of the MorphoSys share as well as the relative share price development of the MorphoSys share compared to the development of the EURO STOXX Total Market Pharmaceuticals & Biotechnology and one ESG target, the workforce engagement within MorphoSys Group compared to the beginning of the four-year waiting period and compared to a benchmark value as predefined by the Supervisory Board. Within the overall target achievement at the end of the waiting period, the performance target of the absolute and the relative share price performance are each weighted with 40% and the ESG target is weighted with 20%.

### Absolute Share Price Performance

The absolute performance of MorphoSys AG shares is measured by comparing the average closing price of the MorphoSys AG shares in Xetra trading on the Frankfurt Stock Exchange during the 30 trading days prior to the beginning of the four-year waiting period and the three months prior to the end of the four-year waiting period. If the share price declines during the four-year waiting period, the degree of target achievement for the absolute share price performance target is 0%. If the share price performance of the shares of MorphoSys AG during the waiting period is 0%, the degree of target achievement of the performance target is 50%. Thereafter, the degree of target achievement increases linearly. If the MorphoSys AG share price increases by 32% during the four-year waiting period, the degree of target achievement is 100%. If the share price increases by 64% during the four-year waiting period, the degree of target achievement is 150%. If the share price increases by 96% during the four-year waiting period, the degree of target achievement is 200%. A further increase of the degree of target achievement is not possible (cap). Within the overall target achievement, the absolute share price performance is weighted with 40%.

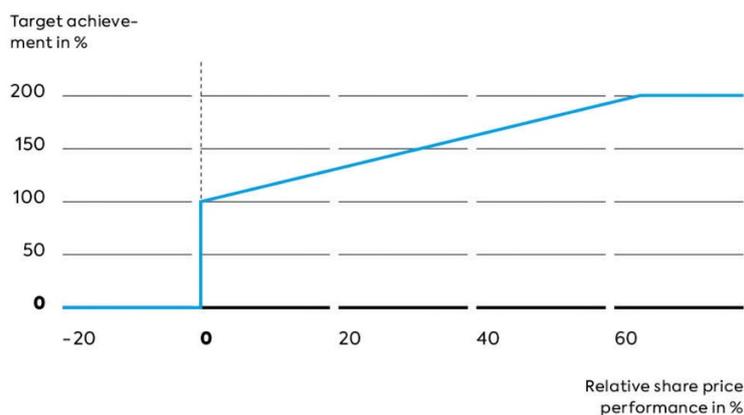
### Absolute share price performance



### Relative Share Price Development

The relative performance of MorphoSys AG shares is measured by comparing the performance of the MorphoSys AG share price during the waiting period to the performance of the EURO STOXX Total Market Pharmaceuticals & Biotechnology index as the benchmark index. The relevant stock exchange price for MorphoSys AG shares is the average closing price of the shares in Xetra trading on the Frankfurt Stock Exchange during the 30 trading days prior to the beginning of the four-year waiting period and the three months prior to the end of the four-year waiting period. The relevant share price of the EURO STOXX Total Market Pharmaceuticals & Biotechnology index is the average closing price of this index during the 30 trading days prior to the beginning of the four-year waiting period and the three months prior to the end of the four-year waiting period. If the MorphoSys AG share price declines compared to the benchmark index during the four-year waiting period, the degree of target achievement of the relative share price performance target is 0%. If MorphoSys AG's share price performance is 0% compared to the benchmark index, the degree of target achievement of the performance target is 100%. Thereafter, the degree of target achievement increases linearly. If the share price of MorphoSys AG increases by 32% versus the benchmark index, the degree of target achievement is 150%. If the share price of MorphoSys AG increases by 64% versus the benchmark index, the degree of target achievement is 200%. A further increase in the degree of target achievement is not possible (cap). Within the overall target achievement, the relative share price performance is weighted at 40%.

### Relative share price performance

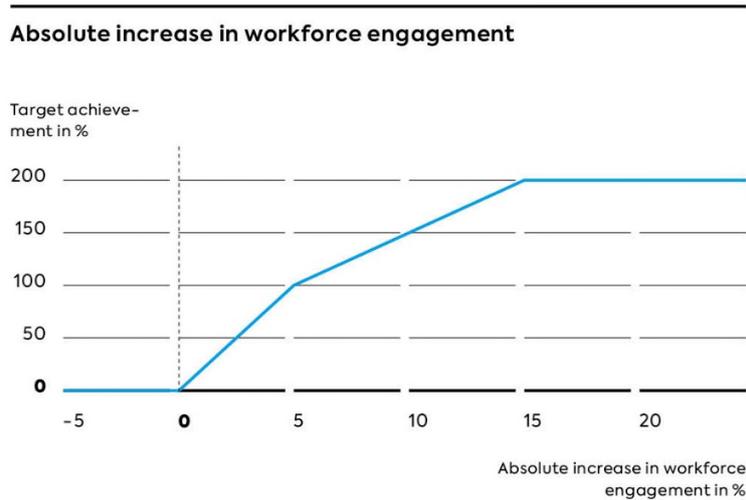


### Development of the Workforce Engagement within the MorphoSys Group

In addition to the absolute and relative share price performance targets, the Supervisory Board has also defined the development of the workforce engagement within the MorphoSys Group during the waiting period as a non-financial target weighted at 20% within the overall target achievement for the Performance Share Unit Program 2021. The target achievement is evaluated as follows:

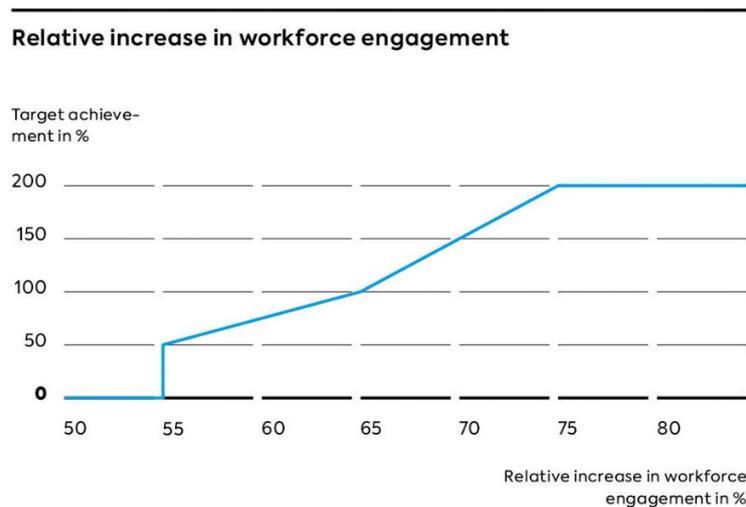
### Absolute Workforce Engagement

For the performance target of absolute workforce engagement, the workforce engagement of the MorphoSys Group at the beginning of the waiting period is compared to the workforce engagement at the end of the four-year waiting period. If the workforce engagement declines during the waiting period, the target achievement for the absolute workforce engagement is 0%. If the workforce engagement increases by 5% during the waiting period, the target achievement for the absolute workforce engagement is 100%. If the workforce engagement increases by 10%, the target achievement for absolute workforce engagement is 150%. And, finally, if the workforce engagement increases by 15%, the target achievement is 200%. A further increase in the degree of target achievement is not possible (cap). Between the percentage points, the target achievement increases linearly. Within the workforce engagement target, the absolute workforce engagement is weighted with 50%.



### Relative Workforce Engagement

For the relative workforce engagement target, the MorphoSys Group's workforce engagement at the end of the four-year waiting period is compared to a benchmark of 55% set by the Supervisory Board. If the workforce engagement at the end of the waiting period is below 55%, the target achievement for the relative workforce engagement is 0%. If the workforce engagement at the end of the waiting period is 55%, the target achievement for the relative workforce engagement is 50%. If the workforce engagement is 65% at the end of the waiting period, the target achievement for the relative workforce engagement is 100%. If the workforce engagement is 75% at the end of the waiting period, the target achievement for the relative workforce engagement is 200%. A further increase in the degree of target achievement is not possible (cap). Between the percentage points, the target achievement increases linearly. Within the workforce engagement target, the relative workforce engagement is weighted with 50%.



The overall target achievement for the 2021 Performance Share Unit Program, including the resulting final number of performance share units and the payout amount, will be disclosed in the remuneration report for the 2025 financial year.

#### **IV. Further Remuneration Provisions**

##### **Compliance with the Maximum Remuneration**

The maximum remuneration as defined in the Remuneration System 2021 does not yet apply to the current members of the Management Board. Nevertheless, there are maximum limits for the annual bonus and the Performance Share Unit Program 2021. The maximum limit for the annual bonus was not exceeded in the 2021 financial year, and the Company ensures that the defined maximum limit for the Performance Share Unit Program 2021 will also not be exceeded.

Compliance with the maximum remuneration will be reported for the first time for the members of the Management Board Jean-Paul Kress, M.D., and Malte Peters, M.D., in the remuneration report for the 2022 financial year.

##### **Malus and Clawback Provisions**

Currently, only the service agreement of Management Board member Sung Lee and the terms and conditions of the Performance Share Unit Program 2021 provide for malus and clawback provisions entitling the Company to withhold or reclaim variable remuneration, in particular in the event of compliance violations or breaches of legal obligations. The Company had no reason to make use of this possibility in the 2021 financial year.

##### **Benefits upon Termination of the Service Agreements**

###### **Severance Provisions**

The service agreements of the Management Board members contain severance provisions that comply with the requirements of the German Corporate Governance Code. In the event of the premature termination of a Management Board member's service agreement, payments by the Company to the Management Board member, including fringe benefits, shall not exceed the value of two years' annual remuneration (severance payment cap) and shall compensate no more than the remaining term of the service agreement. If the service agreement is terminated for good cause for which the Management Board member is responsible, no payments will be made to the Management Board member. The severance payment cap is calculated on the basis of the total remuneration for the previous full financial year and, where appropriate, also the expected total remuneration for the current financial year.

On the occasion of his departure from the Company with effect as of the end of December 31, 2021, Roland Wandeler, Ph.D., secured a severance payment in the amount of € 806,296, payable in 16 monthly installments. Further, all of the 16,908 Performance Share Units that have been granted to him became fully vested.

##### **Change of Control**

In the event of a change of control, Management Board members may terminate their service agreements by giving three months' notice against payment of a severance payment. In the case of Jean-Paul Kress, M.D., and Malte Peters, M.D., the amount of the severance payment equals the amount of the fixed base salary and annual bonus still outstanding until the regular end of the service agreement and at least 200% of the gross annual fixed salary and annual bonus. Under the service agreement of Sung Lee, severance payments in the event of an early termination of his service agreement in case of a change of control are limited to the above severance payment cap in accordance with the new requirements of the German Corporate Governance Code.

Further, in the event of a change of control, all stock options, performance share units and performance shares that have been granted will vest with immediate effect and may be exercised upon the expiry of their respective waiting periods.

##### **Non-Compete Clause**

With all members of the Management Board, non-compete clauses for a period of six months after their departure have been agreed upon. In return, MorphoSys AG is required to pay remuneration in the amount of 100% of the annual base salary for the duration of the non-compete clause following the termination of the service agreement. In the case of Jens Holstein and Roland Wandeler, Ph.D., however, the Company has waived the agreed non-compete clauses.

#### **V. Individual Disclosure of Management Board Remuneration for the 2021 Financial Year**

##### **Target Remuneration of the Current Management Board Members for the 2021 Financial Year**

The following table shows the respective target remuneration for Management Board members for the 2021 financial year. This includes the target remuneration defined for the 2021 financial year, which will be granted in the case the target is fully (100%) achieved. Target remuneration is based on the assumption of continued service of all members of the Management Board throughout the entire 2021 financial year.

		Jean-Paul Kress, M.D. Chief Executive Officer				Sung Lee Chief Financial Officer			
		2021		2020		2021		2020	
		in € thou- sands	in % of total	in € thou- sands	in % of total	in € thou- sands	in % of total	in € thou- sands	in % of total
Fixed remuneratio n	<b>Base compensation</b>	770.0	22.9%	723.3	24.0%	466.1	22.2%	—	—
	+ <b>Fringe benefits</b>	170.0	5.1%	216.3	7.2%	104.7	5.0%	—	—
	+ <b>Pension contributions</b>	0.0	0.0%	0.0	0.0%	0.0	0.0%	—	—
	<b>Total</b>	940.0	27.9%	939.6	31.1%	570.8	27.2%	—	—
Variable remuneratio n	Short-term incentive (STI)								
	+ <b>Bonus</b>	616.0	18.3%	578.7	19.2%	326.3	15.6%	—	—
	+ Long-term incentive (LTI)								
	<b>PSUP</b>	1,808.0	53.7%	600.0	19.9%	1,201.0	57.2%	—	—
	<b>SOP</b>	—	—	900.0	29.8%	—	—	—	—
	<b>Total target remuneration</b>	3,364.0	100.0%	3,018.3	100.0%	2,098.0	100.0%	—	—
		Malte Peters, M.D. Chief Research and Development Officer				Roland Wandeler, Ph.D.* Chief Operating Officer			
		2021		2020		2021		2020	
		in € thou- sands	in % of total	in € thou- sands	in % of total	in € thou- sands	in % of total	in € thou- sands	in % of total
Fixed remuneratio n	<b>Base compensation</b>	504.9	31.2%	480.5	30.5%	472.0	27.5%	465.0	26.3%
	+ <b>Fringe benefits</b>	36.1	2.2%	31.5	2.0%	194.6	11.3%	53.7	3.0%
	+ <b>Pension scheme</b>	33.0	2.0%	33.0	2.1%	27.3	1.6%	22.4	1.3%
	<b>Total</b>	574.0	35.4%	545.0	34.6%	693.9	40.4%	541.2	30.6%
Variable remuneratio n	Short-term incentive (STI)								
	+ <b>Bonus</b>	353.4	21.8%	336.4	21.4%	330.4	19.2%	325.5	18.4%
	+ Long-term incentive (LTI)								
	<b>PSUP</b>	692.5	42.7%	277.0	17.6%	692.5	40.3%	899.6	50.9%
	<b>SOP</b>	—	—	415.5	26.4%	—	—	—	—
	<b>Total target remuneration</b>	1,619.9	100.0%	1,573.9	100.0%	1,716.8	100.0%	1,766.3	100.0%

\* On the occasion of his appointment as member of the Management Board in the 2020 financial year, Roland Wandeler, Ph.D., received a sign-on bonus totaling US\$ 500 thousand (US\$ 400 thousand in May 2020 and US\$ 100 thousand in May 2021), which is not included in the table.

## Remuneration Awarded and Due to Current Management Board Members in the 2021 Financial Year Pursuant to Section 162 AktG

The following tables present the fixed and variable remuneration components awarded and due to the current Management Board members in the 2020 and 2021 financial years in accordance with Section 162 (1) sentence 1 AktG. The tables include all remuneration amounts actually received by the individual Management Board members in these financial years (“awarded”) and all remuneration legally due but not yet received (“due”).

The amount of the annual bonus (STI) for the 2021 financial year will be determined and paid out during the 2022 financial year and will therefore be included in the remuneration awarded and due within the meaning of Section 162 (1) sentence 1 AktG in the 2022 financial year. In contrast, the remuneration awarded and due within the meaning of Section 162 (1) sentence 1 AktG in the 2021 financial year also includes the annual bonus for the 2020 financial year which was paid out in February 2021.

Furthermore, in the 2021 financial year, the stock options and performance shares granted in the 2017 financial year became exercisable. The value (in €) of the quantitative change of the number of stock options, i.e. the difference between the final and the originally granted number of stock options, is attributed to the remuneration awarded and due within the meaning of Section 162 (1) sentence 1 AktG, based on the fair value of the stock options at the time of their grant in the 2021 financial year. Further, the value of the MorphoSys shares transferred to fulfill the performance shares which became exercisable and were exercised during the 2021 financial year is attributed to the remuneration awarded and due within the meaning of Section 162 (1) sentence 1 AktG, based on the share price of the MorphoSys AG share at the time of the transfer of the shares.

In addition to the remuneration amounts, the relative percentage share of total remuneration of all fixed and variable remuneration components is also disclosed in accordance with Section 162 (1) sentence 2 no. 1 AktG. These relative percentage shares relate to the remuneration components awarded and due within the meaning of Sec. 162 (1) sentence 1 AktG in the respective financial year.

		Jean-Paul Kress, M.D.* Chief Executive Officer				Sung Lee Chief Financial Officer			
		2021		2020		2021		2020	
		in € thou- sands	in % of total	in € thou- sands	in % of total	in € thou- sands	in % of total	in € thou- sands	in % of total
Fixed remuneration	<b>Base compensation</b>	770.0	39.8%	723.3	23.8%	425.9	87.2%	—	—
	+ <b>Fringe benefits</b>	170.0	8.8%	1,216.3	40.1%	62.8	12.8%	—	—
	+ <b>Pension contributions</b>	0.0	0.0%	0.0	0.0%	0.0	0.0%	—	—
	= <b>Total</b>	940.0	48.6%	1,939.6	63.9%	488.6	100.0%	—	—
Variable remuneration	+ Short-term incentive (STI)	—	—	—	—	—	—	—	—
	+ <b>Bonus</b>	995.3	51.4%	196.0	—	—	—	—	—
	+ Long-term incentive (LTI)	—	—	—	—	—	—	—	—
	+ <b>PSUP</b>	—	—	—	—	—	—	—	—
	+ <b>SOP</b>	—	—	900.0	—	—	—	—	—
	+ <b>PSP (closeout value)</b>	—	—	—	—	—	—	—	—
	+ <b>SOP (closeout value)</b>	—	—	—	—	—	—	—	—
	= Total remuneration as defined by Section 162 AktG	1,935.3	100.00%	3,035.6	100.00%	488.6	100.0%	—	—
		Malte Peters, M.D.* Chief Research and Development Officer				Roland Wandeler, Ph.D.** Chief Operating Officer			
		2021		2020		2021		2020	
		in € thou- sands	in % of total	in € thou- sands	in % of total	in € thou- sands	in % of total	in € thou- sands	in % of total
Fixed remuneration	<b>Base compensation</b>	504.9	33.4%	480.5	26.6%	471.9	42.3%	302.3	44.7%
	+ <b>Fringe benefits</b>	36.1	2.4%	531.5	29.4%	279.2	25.0%	373.7	55.3%
	+ <b>Pension contributions</b>	33.0	2.2%	33.0	1.8%	0.0	0.0%	0.0	0.0%
	= <b>Total</b>	574.0	38.0%	1,045.0	57.8%	751.0	67.4%	676.0	100.0%
Variable remuneration	+ Short-term incentive (STI)	—	—	—	—	—	—	—	—
	+ <b>Bonus</b>	578.6	38.3%	347.5	19.2%	363.9	32.6%	—	—
	+ Long-term incentive (LTI)	—	—	—	—	—	—	—	—
	+ <b>PSUP</b>	—	—	—	—	—	—	—	—
	+ <b>SOP</b>	—	—	415.5	23.0%	—	—	—	—
	+ <b>PSP (closeout value)</b>	312.1	20.7%	—	—	—	—	—	—
+ <b>SOP (closeout value)</b>	45.5	—	—	—	—	—	—	—	

	Total remuneration as defined by Section 162 AktG	1,510.2	100.0%	1,808.0	100.0%	1,115.0	100.0%	676.0	100.0%
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\* The fringe benefits for Jean-Paul Kress M.D. and Malte Peters M.D. include a special bonus of € 1,000,000 and € 500,000, respectively, in 2020.

\*\* The remuneration of Roland Wandeler, Ph.D., is fully paid by MorphoSys US Inc. 30% of the remuneration are attributable to his position as member of the Management Board of the Company and 70% are attributable to his position as Chief Commercial Officer of MorphoSys US Inc. The fringe benefits include a Sign-On Bonus.

### Remuneration Awarded and Due to Former Management Board Members in the 2021 Financial Year Pursuant to Section 162 AktG

The following table shows the remuneration awarded and due within the meaning of Section 162 (1) para. 1 sentence 1 AktG to the former members of the Management Board. In accordance with Section 162 (5) AktG, personal information regarding former members of the Management Board will not be disclosed if they left the Management Board prior to December 31, 2011.

	Simon Moroney Ph.D. (until August 2019)		Jens Holstein* (until November 2020)		Markus Enzelberger, Ph.D. (until February 2020)		Marlies Sproll Ph.D.** (until October 2017)		
	in € thousands	in % of total	in € thousands	in % of total	in € thousands	in % of total	in € thousands	in % of total	
<b>Fixed and variable remuneration</b>	<b>Bonus</b>	—	—%	567.0	17.0%	68.4	25.5%	—	—%
	<b>Other</b>	—	—%	2,309.0	69.2%	—	—%	—	—%
<b>LTI</b>	<b>PSP</b>	716.8	91.2%	414.2	12.4%	170.9	63.6%	190.2	84.8%
	<b>SOP</b>	69.5	8.8%	45.5	1.4%	29.3	10.9%	34.1	15.2%
	<b>Total</b>	<u>786.3</u>	100.0%	<u>3335.8</u>	100.0%	<u>268.6</u>	100.0%	<u>224.4</u>	100.0%

\* For Jens Holstein, a severance payment of € 2,300.0 thousand is included in Other.

\*\* The Management Board activities of Marlies Sproll were suspended in the period from April 15, 2017 to October 31, 2017. Stock options and performance shares were therefore only granted on a pro rata basis in the 2017 financial year.

#### c. Remuneration of the Members of the Supervisory Board

The Company's Annual General Meeting on May 19, 2021, adopted a remuneration system for the Supervisory Board.

In addition to reimbursement of their expenses, Supervisory Board members receive an annual fixed base remuneration amounting to € 98,210.00 for the chair of the Supervisory Board, € 58,926.00 for the deputy chair, and € 39,284.00 for all other members of the Supervisory Board.

In addition, the chair of the Supervisory Board receives € 4,000.00 for each Supervisory Board meeting chaired, and the other Supervisory Board members receive € 2,000.00 for each Supervisory Board meeting attended. For committee work, the chair of the Audit Committee receives € 18,000.00, the chair of another committee receives € 12,000.00, and the other committee members each receive € 6,000.00. Committee members also receive € 1,200.00 for each committee meeting attended. Depending on the domicile of the Supervisory Board member and the location of the Supervisory Board meeting, a lump-sum expense allowance of € 2,000.00 may be paid in addition.

In the 2021 financial year, the members of the Supervisory Board received a total of € 625,872.

The fixed annual base remuneration and the remuneration for work on committees are due and payable to Supervisory Board members in equal quarterly installments. Attendance fees and expense allowances for participation in Supervisory Board meetings are due and payable at the end of each calendar year in which the respective meetings took place.

		Base compensation		Committee compensation		Attendance fee		Total remuneration
		in € thousands	in % of total	in € thousands	in % of total	in € thousands	in % of total	in € thousands
<b>Marc Cluzel, M.D., Ph.D.</b>	2021	98.2	59.5%	6.0	3.6%	60.8	36.8%	165.0
	2020	98.2	61.1%	6.0	3.7%	56.4	35.1%	160.6
<b>George Golumbeski, Ph.D.</b>	2021	58.9	57.7%	12.0	11.8%	31.2	30.6%	102.1
	2020	53.3	55.5%	12.0	12.5%	30.8	32.0%	96.1
<b>Krisja Vermeylen</b>	2021	39.3	39.7%	18.0	18.2%	41.6	42.1%	98.9
	2020	39.3	41.1%	18.0	18.8%	38.4	40.1%	95.7
<b>Michael Brosnan</b>	2021	39.3	44.1%	18.0	20.2%	31.8	35.7%	89.1
	2020	39.3	45.8%	18.0	21.0%	28.4	33.1%	85.7
<b>Sharon Curran</b>	2021	39.3	52.6%	6.0	8.0%	29.4	39.4%	74.7
	2020	39.3	52.2%	6.0	8.0%	30.0	39.8%	75.3
<b>Wendy Johnson</b>	2021	39.3	40.9%	12.0	12.5%	44.8	46.6%	96.1
	2020	39.3	44.2%	10.3	11.6%	39.2	44.2%	88.8

#### d. Comparison of Remuneration and Earnings Development

Pursuant to Section 162 (1) sentence 2 no. 2 AktG, the following table presents the earnings development of MorphoSys AG, the annual change in the remuneration of the members of the Management Board and the Supervisory Board, and the annual change in the average remuneration of the employees of MorphoSys AG on a full-time equivalent basis over the last five financial years. With regard to the financial years 2016 to 2019, the average remuneration of the Management Board and the Supervisory Board members is based on the remuneration disclosed in the remuneration report for the respective financial year, whereas for the financial years 2020 and 2021 the remuneration awarded and due within the meaning of Section 162 para. 1 sentence 1 AktG in the respective financial year was used.

The development of earnings is presented by using the net profit/loss of MorphoSys AG for the year as performance indicator.

The average employee remuneration is calculated based on MorphoSys AG's workforce in Germany, which had an average of 431 active employees (full-time equivalents, excluding trainees) in the 2021 financial year.

The average employee remuneration includes personnel expenses for wages and salaries, fringe benefits, employer contributions to social security, any short-term variable remuneration components attributable to the financial year, as well as amounts of share-based remuneration.

The employee remuneration therefore corresponds, in principle, to remuneration awarded and due within the meaning of Section 162 (1) sentence 1 AktG in accordance with the remuneration of the Management Board and the Supervisory Board.

Financial year	2016	change	2017	change	2018	change	2019	change	2020	change	2021
<b>Company earnings performance (in € thousands)</b>											
Net profit/loss	(60,210.2)	(10.1)%	(66,272.2)	(1.1)%	(67,033.8)	(23.9)%	(83,078.5)	(30.7)%	(108,622.3)	(185.8)%	(310,482.2)
<b>Average employee remuneration (in € thousands)</b>											
Average remuneration	93.4	22.4 %	114.3	(7.5)%	105.7	(3.3)%	102.3	10.8 %	113.3	17.6 %	133.2
<b>Management Board remuneration (in € thousands)</b>											
Jean-Paul Kress, M.D.	—	-	—	-	—	-	3,567.9	(14.9)%	3,035.6	(36.2)%	1,935.3
Sung Lee	—	-	—	-	—	-	—	-	—	***	488.6
Malte Peters, M.D.	—	-	1,518.3	4.9 %	1,592.2	13.9 %	1,813.2	(0.3)%	1,808.0	(16.5)%	1,510.2
Roland Wandeler, Ph.D.	—	-	—	-	—	-	—	-	676.0	64.9 %	1,115.0
<b>Former Management Board members (in € thousands)</b>											
Simon Moroney, Ph.D. (until August 31, 2019)	1,448.5	19.0 %	1,723.6	32.3 %	2,280.8	13.9 %	2,596.7	(14.9)%	2,209.8	(64.4)%	786.3
Jens Holstein (until November 13, 2020)*	1,000.8	24.8 %	1,249.3	32.5 %	1,655.5	12.9 %	1,869.3	83.6 %	3,432.7	(2.8)%	3,335.8
Markus Enzelberger, Ph.D. (until February 29, 2020)	—	-	1,029.8	33.6 %	1,376.1	6.2 %	1,461.8	(55.7)%	647.6	(58.5)%	268.6
Marlies Sproll, Ph.D. (until October 31, 2017)**	967.1	(24.7)%	728.6	(100.0)%	—	-	—	-	—	-	224.4
Arndt Schottelius M.D., Ph.D. (until February 28, 2017)	967.2	(78.9)%	204.0	(100.0)%	—	-	—	-	—	-	—

\* For Jens Holstein, a severance payment of €2,300.0 thousand is included in 2021.

\*\* The Management Board activities of Dr. Marlies Sproll were suspended in the period from April 15, 2017 to October 31, 2017.

\*\*\* The display of a change to fiscal 2020 is not possible due to the entry of Sung Lee in February 2021.

Financial year	2016	change	2017	change	2018	change	2019	change	2020	change	2021
<b>Company earnings development (in € thousands)</b>											
Net profit/loss	(60,210.2)	(10.1)%	(66,272.2)	(1.1)%	(67,033.8)	(23.9)%	(83,078.5)	(30.7)%	(108,622.3)	(185.8)%	(310,482.2)
<b>Average employee remuneration (in € thousands)</b>											
Average remuneration	93.4	22.4 %	114.3	(7.5)%	105.7	(3.3)%	102.3	10.8 %	113.3	17.6 %	133.2
<b>Supervisory Board remuneration (in € thousands)</b>											
Marc Cluzel, M.D., Ph.D.	86.8	(9.0)%	79.0	38.2 %	109.1	36.2 %	148.6	8.1 %	160.6	2.7 %	165.0
George Golumbeski, Ph.D.	—	— %	—	— %	54.2	53.0 %	82.9	16.0 %	96.1	6.2 %	102.1
Krisja Vermeyleylen	—	— %	45.0	65.3 %	74.3	20.7 %	89.7	6.7 %	95.7	3.3 %	98.9
Michael Brosnan	—	— %	—	— %	47.6	79.3 %	85.3	0.5 %	85.7	4.0 %	89.1
Sharon Curran	—	— %	—	— %	—	— %	39.4	91.1 %	75.3	(0.8)%	74.7
Wendy Johnson	80.0	5.3 %	84.2	(0.7)%	83.6	(0.4)%	83.2	6.7 %	88.8	8.2 %	96.1
<b>Former Supervisory Board members (in € thousands)</b>											
Frank Morich, M.D. (until April 2020)	84.0	(4.3)%	80.4	4.7 %	84.2	24.1 %	104.5	(68.8)%	32.6	(100.0)%	—
Karin Eastham (until May 2017)	76.6	(55.1)%	34.4	(100.0)%	—	— %	—	— %	—	— %	—
Dr. Metin Colpan (until May 2012)	—	— %	—	— %	—	— %	—	— %	—	— %	—
Klaus Kühn (until May 2018)	67.6	0.9 %	68.2	(64.6)%	24.1	(100.0)%	—	— %	—	— %	—
Dr. Walter Blättler (until August 2015)	—	— %	—	— %	—	— %	—	— %	—	— %	—
Dr. Daniel Camus (until August 2015)	—	— %	—	— %	—	— %	—	— %	—	— %	—
Dr. Geoffrey Vernon (until August 2015)	—	— %	—	— %	—	— %	—	— %	—	— %	—

### e. Other Disclosures

MorphoSys maintains directors and officers liability insurance for Management Board members. This insurance covers the personal liability risk in the event that claims are made against members of the Management Board for pecuniary loss in the course of their duties. The insurance includes a deductible for Management Board members that complies with the requirements of the German Stock Corporation Act.

### f. Supplementary Notes

This report is also available in German. In the event of any discrepancies, the German version shall be authoritative.

## C. Board Practices

To ensure good corporate governance, a guiding principle of the cooperation between our Management Board and Supervisory Board is the open, comprehensive and regular communication of information. The dual board system prescribed by the German Stock Corporation Act clearly differentiates between a company's management and supervision. The responsibility of both boards is clearly stipulated by law, by the Articles of Association and by the boards' bylaws. The boards work closely together to make decisions and take actions for our benefit. Their stated objective is to sustainably increase our value.

Management Board members each have their own area of responsibility as defined in the schedule of responsibilities. They regularly report to their Management Board colleagues, their cooperation being governed by the bylaws. The Supervisory Board ratifies both the schedule of responsibilities and the bylaws.

Further, the Company has established the so-called Executive Committee. Under the leadership of the Chief Executive Officer of the Company, the Executive Committee is responsible for strategy development, the operational management of the Company and the achievement of its objectives and results. It shall prepare decisions for the resolutions of the Management Board and adopt decisions together with the Management Board, unless they fall within the sole competence of the Management Board by virtue of the law or a resolution of the Supervisory Board. The Executive Committee consists of the members of the Management Board and senior leadership persons of the Company from the core areas of the Company such as Business Development & Licensing und Alliance Management, Technical Operations, Human Resources as well as Legal, Compliance & Intellectual Property. Currently, besides the members of the Management Board, the members of the Executive Committee are Barbara Krebs-Pohl, Ph.D. (Senior VP, Head of Global BD&L and Alliance Management), Daniel Palmacci (Senior VP, Global Head of Technical Operations), Maria Castresana (Senior VP, Global Head of Human Resources), Charlotte Lohmann (Senior VP, General Counsel, Legal, Compliance & IP) and Joe Horvart (US General Manager).

Meetings of the Executive Committee in general take place weekly and at least every two weeks and at any time required in the interest of the Company. Management Board meetings shall in general take place at least once per month and if this is required in the interest of the Company and are chaired by the Chief Executive Officer. During these meetings, resolutions are passed concerning dealings and transactions that, under the bylaws, require the approval of the entire Management Board. At least half of the Management Board's members must be present to pass a resolution. Management Board resolutions are passed by a simple majority and, in the event of a tied vote, the Chief Executive Officer's vote decides. For material events, each Management Board or Supervisory Board member can call an extraordinary meeting of the entire Management Board. Management Board resolutions can also be passed outside of meetings by an agreement made orally, by telephone or in writing (also by e-mail). Minutes are taken of each meeting of the full Management Board, are submitted for approval to the full Management Board and for signature by the Chief Executive Officer at the following meeting.

In addition to the regularly scheduled meetings, Management Board strategy workshops are also held for developing and prioritizing the Group-wide strategic objectives.

The Management Board promptly and comprehensively informs the Supervisory Board in writing and at Supervisory Board meetings about planning, business development, the Group's position, risk management and other compliance issues. Extraordinary meetings of the Supervisory Board are also called for material events. The Management Board involves the Supervisory Board in the strategy, planning and all fundamental Company issues. In addition to regular Supervisory Board meetings, a strategy meeting generally takes place between the Management Board and Supervisory Board once annually to discuss our strategic direction. The Management Board's bylaws specify that material business transactions require the approval of the Supervisory Board. Detailed information on the cooperation of the Management Board and Supervisory Board and important items of discussion during the 2021 financial year can be found in the Report of the Supervisory Board.

The Supervisory Board holds a minimum of two meetings per calendar half-year. The Supervisory Board has supplemented the Articles of Association with bylaws that apply to its duties. In accordance with these bylaws, the Chairperson of the Supervisory Board coordinates the activities of the Supervisory Board, chairs the Supervisory Board meetings and represents the interests of the Supervisory Board externally. The Supervisory Board typically passes its resolutions in meetings, but resolutions may also be passed outside of meetings in writing (also by e-mail), by telephone or video conference.

The Supervisory Board has a quorum when at least two-thirds of its take part in the vote. Resolutions of the Supervisory Board are generally passed with a simple majority. In the event of a tied vote, the vote of the Chairperson of the Supervisory Board is decisive.

Minutes are completed for Supervisory Board meetings and resolutions passed outside of meetings. A copy of the Supervisory Board's minutes is made available to all Supervisory Board members. The Supervisory Board regularly conducts an evaluation regularly in accordance with the recommendations of the German Corporate Governance Code on how effective the Supervisory Board and its committees fulfill their tasks. The members of the Management Board also participate in this evaluation.

### **Composition and Working Practices of the Management Board and Supervisory Board Committees**

The Management Board has not formed any committees.

The Supervisory Board has established three permanent committees: The Audit Committee, the Remuneration and Nomination Committee and the Science and Technology Committee. The members of the three committees formed by the Supervisory Board are professionally qualified.

The members of the Science and Technology Committee also serve as members of the Ad-Hoc Committee, which meets in this capacity if necessary. In the reporting year, the Ad-Hoc Committee dealt with the acquisition of Constellation.

### **Audit Committee**

The main task of the Audit Committee is to support the Supervisory Board in fulfilling its supervisory duties with respect to the accuracy of the annual statutory and consolidated financial statements, the activities of the auditor and internal control functions, such as risk management, compliance and internal auditing. The Audit Committee submits a recommendation to the Supervisory Board for the election at the Annual General Meeting of an independent auditor. The members of the Audit Committee are Michael Brosnan (Chair), Sharon Curran and Krisja Vermeylen. Currently, Michael Brosnan meets the prerequisite of an independent financial expert.

### **Remuneration and Nomination Committee**

The Remuneration and Nomination Committee is responsible for preparing and reviewing the Management Board's compensation system annually before its final approval. When necessary, the Committee searches for suitable candidates to appoint to the Management Board and Supervisory Board and submits appointment proposals to the Supervisory Board. The Committee also prepares the contracts made with Management Board members. The members of the Remuneration and Nomination Committee are Krisja Vermeylen (Chairperson), Marc Cluzel, M.D., Ph.D., and Wendy Johnson.

### **Science and Technology Committee**

The Science and Technology Committee advises the Supervisory Board on matters concerning proprietary drug and technology development and prepares the relevant Supervisory Board resolutions. The members of the Science and Technology Committee are George Golumbeski, Ph.D. (Chairperson) and Wendy Johnson.

In line with Section C.14 of the German Corporate Governance Code, the Supervisory Board members' biographies are published on our website under About us—Leadership—Supervisory Board.

### **Corporate Governance Practices**

At MorphoSys, responsible, sustainable and value-oriented corporate governance is a high priority. Good corporate governance is an essential aspect of our corporate management and forms the framework for the Group's management and supervision, which includes the Group's organization, commercial principles and tools for its guidance and control.

The German Corporate Governance Code (the "Code") provides a standard for the transparent monitoring and management of companies that strongly emphasizes shareholder interests. The German Federal Ministry of Justice originally published the Code in 2002; it was last amended on December 16, 2019, (Code "2020"), which came into force on March 20, 2020. In particular, the Code contains principles, recommendations and suggestions for the Management Board and the Supervisory Board that are intended to ensure that the company is managed in the enterprise's best interests. Further, the objective of the Code is to make the dual German corporate governance system transparent and understandable. Against this background, the Code aims to promote confidence in the management and supervision of German listed companies by investors, customers, employees and the general public.

There is no obligation to comply with the recommendations or suggestions of the Code. The German Stock Corporation Act requires only that the Management Board and Supervisory Board of a German listed company issue an annual declaration that either (i) states that the company has complied with the recommendations of the Code or (ii) lists the recommendations that the company has not complied with and explains its reasons for deviating from the recommendations of the Code. In addition, a listed company is also required to state in this annual declaration whether it intends to comply with the recommendations or list the recommendations it does not plan to comply with in the future. These declarations have to be published permanently on the company's website. If the company changes its policy on certain recommendations between such annual declarations, it must disclose this fact and explain its reasons for deviating from the recommendations. Non-compliance with suggestions contained in the Code need not be disclosed.

Many of the corporate governance principles contained in the Code have been practiced at MorphoSys for many years. Our corporate governance is detailed in the Statement on Corporate Governance pursuant to Section 289f HGB and the Group Statement on Corporate Governance pursuant to 315d HGB. The statement also contains the annual Declaration of Conformity, relevant information on corporate governance practices and a description of the Management Board and Supervisory Board's working practices. Additional information can be found in the Corporate Governance Report of the 2021 Annual Report.

## Independence

The Supervisory Board considers it appropriate that at least four of its members are independent (Section C.6 of the German Corporate Governance Code and the Nasdaq listing rules). Members of the Supervisory Board are considered independent when they have no personal or business relationship with MorphoSys, its management, a controlling shareholder or an affiliate that may give rise to a material and more than temporary conflict of interest. All six current members of the Supervisory Board meet the criteria to be classified as independent. Therefore, the Supervisory Board currently meets the quota of four independent members.

Significant and more than temporary conflicts of interest should be avoided, especially when it involves work for major competitors. It should be noted, however, that conflicts of interest in certain cases cannot be excluded. Any potential conflicts of interest must be disclosed to the Chairperson of the Supervisory Board and remedied appropriately. There are currently no conflicts of interest.

## D. Employees

On December 31, 2021, the MorphoSys Group had 732 employees (December 31, 2020: 615). The MorphoSys Group employed an average of 678 employees in 2021 (2020: 564).

Of the current 732 employees, 7 worked in production, 504 in research and development, 127 in general and administrative positions and 94 in sales and marketing. All of these employees are based at our locations in Germany and the United States. We do not have collective wage agreements with our employees, and there were no employee strikes during the reporting year.

At the end of the reporting year 2021, our workforce comprised employees representing 43 different nationalities (2020: 39).

## E. Share Ownership

The members of the Management Board and the Supervisory Board hold more than 1% of the shares issued by the Company. All shares, performance shares and stock options held by each member of the Management Board and the Supervisory Board are listed below.

### Directors' Holdings

#### Ordinary Shares

	1/1/2021	Additions	Sales	12/31/2021
<b>Management Board</b>				
Jean-Paul Kress, M.D.	0	0	0	0
Sung Lee <sup>1</sup>	—	2,250	0	2,250
Malte Peters, M.D.	3,313	4,143	0	7,456
Roland Wandeler, Ph.D. <sup>2</sup>	0	0	0	0
<b>Total</b>	<b>3,313</b>	<b>6,393</b>	<b>0</b>	<b>9,706</b>
<b>Supervisory Board</b>				
Marc Cluzel, M.D., Ph.D	750	250	0	1,000
Michael Brosnan	0	5,000	0	5,000
Sharon Curran	0	0	0	0
George Golumbeski, Ph.D.	0	0	0	0
Wendy Johnson	500	63	0	563
Krisja Vermeylen	350	650	0	1,000
<b>Total</b>	<b>1,600</b>	<b>5,963</b>	<b>0</b>	<b>7,563</b>

## Stock Options

	1/1/2021	Additions	Forfeitures	Exercises	12/31/2021
<b>Management Board</b>					
Jean-Paul Kress, M.D.	81,989	0	0	0	81,989
Sung Lee <sup>1</sup>	—	0	0	0	0
Malte Peters, M.D.	33,110	0	0	0	33,110
Roland Wandeler, Ph.D. <sup>2</sup>	0	0	0	0	0
<b>Total</b>	<b>115,099</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>115,099</b>

## Performance Shares

	1/1/2021	Additions	Adjustment due to Performance Criteria <sup>3</sup>	Forfeitures	Allocations <sup>4</sup>	12/31/2021
<b>Management Board</b>						
Jean-Paul Kress, M.D.	0	0	0	0	0	0
Sung Lee <sup>1</sup>	—	0	0	0	0	0
Malte Peters, M.D.	9,047	0	(1,799)	0	(4,143)	3,105
Roland Wandeler, Ph.D. <sup>2</sup>	0	0	0	0	0	0
<b>Total</b>	<b>9,047</b>	<b>0</b>	<b>(1,799)</b>	<b>0</b>	<b>(4,143)</b>	<b>3,105</b>

<sup>1</sup> Sung Lee has joined the Management Board of MorphoSys AG on February 2, 2021.

<sup>2</sup> Roland Wandeler, Ph.D., resigned as a member of the Management Board with effect from the end of December 31, 2021. Changes in the number of shares after his departure from the Management Board are not presented.

<sup>3</sup> Adjustments based on determined performance criteria. For performance criteria that have not yet been met, 100 % target achievement is assumed.

<sup>4</sup> Allocations are made as soon as performance shares are transferred within the six-month exercise period after the end of the four-year vesting period.

The members of our Supervisory Board do not hold stock options, convertible bonds or performance shares.

A detailed description of the stock option plans and long-term-incentive programs granted to members of our Management Board can be found in the Notes (sections 8.1 and 8.3).

## Item 7. Major Shareholders and Related Party Transactions

### A. Major Shareholders

The following table sets forth information, as of February 25, 2022, regarding the beneficial ownership of our ordinary shares for:

- members of our Supervisory Board;
- members of our Management Board;
- members of our supervisory and Management Boards as a group; and
- each person who has reported to us that such person beneficially owns 3% or more of our outstanding ordinary shares pursuant to applicable German law or 5% or more of our outstanding shares pursuant to applicable U.S. law.

Beneficial ownership is determined in accordance with the rules of the SEC. These rules generally attribute beneficial ownership of securities to persons who possess sole or shared voting power or investment power with respect to those securities and include ordinary shares that can be acquired within 60 days of February 25, 2022. The percentage of shares beneficially owned is computed on the basis of 34,231,943 issued shares as of February 25, 2022. Except as otherwise indicated, all of the shares reflected in the table are ordinary shares and all persons listed below have sole voting and investment power with respect to the shares beneficially owned by them, subject to applicable community property laws. The information is not necessarily indicative of beneficial ownership for any other purpose.

Except as otherwise indicated in the table below, the address of each of the directors, executive officers and named beneficial owners is Semmelweisstrasse 7, 82152 Planegg, Germany.

Shareholders with 3% or more	Numbers	%
JP Morgan Chase & Co (1)	2,275,456	6.65 %
Baillie Gifford & Co (2)	2,048,414	6.23 %
The Goldman Sachs Group, Inc. (3)	1,814,453	5.30 %
T. Rowe Price Group, Inc. (4)	1,559,758	3.94 %
Royalty Pharma Investments 2019 ICAV (5)	1,337,552	3.91 %
T. Rowe Price International Funds, Inc.(6)	1,160,994	3.53 %
BlackRock Inc.(7)	1,196,110	3.49 %
Ministry of Finance on behalf of the State of Norway (8)	1,020,786	3.10 %
<b>Members of Supervisory Board and Management Board</b>		
Jean-Paul Kress, M.D.	0	*
Sung Lee	2,250	*
Malte Peters, M.D.	7,456	*
Marc Cluzel, M.D., Ph.D	2,500	*
Michael Brosnan	5,000	*
Sharon Curran	0	*
George Golumbeski, Ph.D.	0	*
Wendy Johnson	563	*
Krisja Vermeylen	1,000	*
<b>Members of Supervisory Board and Management Board (as a group)</b>	<b>18,769</b>	<b>*</b>

\* Indicates holdings of less than 1%

- (1) The information is based solely on a notification provided by JPMorgan Chase & Co. pursuant to the German Securities Trading Act (Wertpapierhandelsgesetz). MorphoSys issued a respective voting rights announcement on February 23, 2022. The principal business address of JPMorgan Chase & Co. is 880 Powder Mill Rd., Wilmington, Delaware 19807, United States.
- (2) The information is based solely on a notification provided by Baillie Gifford & Co. pursuant to the German Securities Trading Act (Wertpapierhandelsgesetz). MorphoSys issued a respective voting rights announcement on March 23, 2020. The principal business address of Baillie Gifford & Co. is Calton Square, 1 Greenside Row, Edinburgh EH1 3AN, United Kingdom.
- (3) The information is based solely on a notification provided by The Goldman Sachs Group, Inc. pursuant to the German Securities Trading Act (Wertpapierhandelsgesetz). MorphoSys issued a respective voting rights announcement on December 14, 2021. The principal business address of The Goldman Sachs Group, Inc. is Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle, Delaware, United States
- (4) The information is based solely on a notification provided by T. Rowe Price Group, Inc. pursuant to the German Securities Trading Act (Wertpapierhandelsgesetz). MorphoSys issued a respective voting rights announcement on February 21, 2022. The principal business address of T. Rowe Price Group is 100 East Pratt Street, Baltimore, Maryland 21202.
- (5) The information is based solely on a notification provided by Royalty Pharma PLC pursuant to the German Securities Trading Act (Wertpapierhandelsgesetz). MorphoSys issued a respective voting rights announcement on August 2, 2021. The principal business address of Royalty Pharma plc is The Pavilions, Bridgewater Road, Bristol, England, BS13 8AE.
- (6) The information is based solely on a notification provided by T. Rowe Price International Funds, Inc. pursuant to the German Securities Trading Act (Wertpapierhandelsgesetz). MorphoSys issued a respective voting rights announcement on April 19, 2021. The principal business address of T. Rowe Price Group is 100 East Pratt Street, Baltimore, Maryland 21202.
- (7) The information is based solely on a notification provided by BlackRock Inc. pursuant to the German Securities Trading Act (Wertpapierhandelsgesetz). MorphoSys issued a respective voting rights announcement on December 23, 2021. The principal business address of BlackRock, Inc. is 55 East 52nd Street, New York, NY 10055.
- (8) The information is based solely on a notification provided by Ministry of Finance on behalf of the State of Norway pursuant to the German Securities Trading Act (Wertpapierhandelsgesetz). MorphoSys issued a respective voting rights

announcement on June 25, 2020. The principal business address of Ministry of Finance on behalf of the State of Norway is Akersgata 40, 0180 Oslo, Norway.

Our ordinary shares are issued only in bearer form. Accordingly, we cannot determine the identity of our shareholders or how many shares a particular shareholder owns and the number of ordinary shares directly held by persons with U.S. addresses.

All of our shareholders have the same voting rights. We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

## **B. Related Party Transactions**

Since January 1, 2021, there has not been, nor is there currently proposed, any material transaction or series of similar material transactions to which we were or are a party in which any of the members of our Supervisory or Management Boards, executive officers, holders of more than 10% of any class of our voting securities, or any member of the immediate family of any of the foregoing persons, had or will have a direct or indirect material interest, other than the compensation and shareholding arrangements we describe in the “Directors, Senior Management and Employees” and “Major Shareholders” sections of this report.

## **C. Interests of Experts and Counsel**

Not applicable.

## **Item 8. Financial Information**

### **A. Consolidated Statements and Other Financial Information**

#### **Consolidated Financial Statements**

Our consolidated financial statements are appended at the end of this annual report on Form 20-F, starting at page F-1, and incorporated herein by reference.

#### **Legal Proceedings**

From time to time, we are subject to various legal proceedings and claims that arise in the ordinary course of our business activities. Although the results of litigation and claims cannot be predicted with certainty, as of the date of this report, we do not believe we are party to any claim or litigation, the outcome of which, if determined adversely to us, would individually or in the aggregate be reasonably expected to have a material adverse effect on our business. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

Within the past twelve months, we have not been party to any litigation, arbitration proceedings or administrative proceedings that may have a material effect on our financial condition or profitability, and we are not aware of any such proceedings being pending or threatened. For further details also refer to Notes (section 7.2 Contingent Liabilities)

#### **Dividend Distribution Policy**

We have not paid any dividends on our ordinary shares since our inception, and we currently intend to retain any future earnings to finance the growth and development of our business. Therefore, we do not anticipate that we will declare or pay any cash dividends in the foreseeable future. Except as required by law, any future determination to pay cash dividends will be at the discretion of our Management Board and Supervisory Board and will be dependent upon our financial condition, results of operations, capital requirements, and other factors our Management Board and Supervisory Board deem relevant.

### **B. Significant Changes**

A detailed description of the significant changes can be found in the Notes (section 9.5).

## **Item 9. The Offer and Listing**

### **A. Offer and Listing Details**

The ADS have been listed on Nasdaq Global Market under the symbol “MOR” since April 23, 2018. Prior to that date, there was no public trading market for ADSs. Our ordinary shares have been trading on the Frankfurt Stock Exchange under the symbol “MOR” since March, 1999. Prior to that date, there was no public trading market for ADSs or our ordinary shares.

### **B. Plan of Distribution**

Not applicable.

### **C. Markets**

The ADS have been listed on Nasdaq Global Market under the symbol “MOR” since April 23, 2018 and our ordinary shares have been listed on the Frankfurt Stock Exchange under the symbol “MOR” since March 1999.

### **D. Selling Shareholders**

Not applicable.

### **E. Dilution**

Not applicable.

### **F. Expenses of the Issue**

Not applicable.

## **Item 10. Additional Information**

### **A. Share Capital**

Not applicable.

### **B. Memorandum and Articles of Association**

The information set forth in our Registration Statement on Form F-1 (File No. 333-223843), automatically effective upon filing with the SEC on March 22, 2018, under the heading “Description of Share Capital” as supplemented by the section titled “Description of Share Capital” in the final prospectus supplement on Form 424(b)(4) dated April 18, 2018 filed with the SEC on April 19, 2018 is incorporated herein by reference.

### **C. Material Contracts**

We have not entered into any material contracts other than in the ordinary course of business and other than those described in “Item 4. Business Overview” or elsewhere in this annual report.

### **D. Exchange Controls**

There are currently no legal restrictions in Germany on international capital movements and foreign exchange transactions, except in limited embargo circumstances (Teilembargo) relating to certain areas, entities or persons as a result of applicable resolutions adopted by the United Nations and the EU. Restrictions currently exist with respect to, among others, Belarus, Congo, Egypt, Eritrea, Guinea, Guinea-Bissau, Iran, Iraq, Ivory Coast, Lebanon, Liberia, Libya, North Korea, Somalia, South Sudan, Sudan, Syria, Tunisia and Zimbabwe.

For statistical purposes, there are, however, limited notification requirements regarding transactions involving cross-border monetary transfers. With some exceptions, every corporation or individual residing in Germany must report to the German Central Bank (Deutsche Bundesbank) (i) any payment received from, or made to, a non-resident corporation or individual that exceeds € 12,500 (or the equivalent in a foreign currency) and (ii) in case the sum of claims against, or liabilities payable to, non-residents or corporations exceeds € 5,000,000 (or the equivalent in a foreign currency) at the end of any calendar month. Payments include cash payments made by means of direct debit, checks and bills, remittances denominated in euros and other currencies made through financial institutions, as well as netting and clearing arrangements.

## **E. Taxation**

The following discussion is a summary of certain U.S. and German tax consequences of owning and disposing of the ADSs.

### **German Taxation**

The following discussion addresses certain German tax consequences of acquiring, owning or disposing of the ADSs. With the exception of the subsection “Taxation of Holders Tax Resident in Germany” below, which provides an overview of dividend taxation to holders that are residents of Germany, this discussion applies only to U.S. treaty beneficiaries (defined below) that acquire ADSs.

This discussion is based on domestic German tax laws, including, but not limited to, circulars issued by German tax authorities, which are not binding on the German courts, and the Treaty (defined below). It is based upon tax laws in effect at the time of filing of this report. These laws are subject to change, possibly with retroactive effect. For example, certain member states of the European Union are considering introducing a financial transaction tax (*Finanztransaktionssteuer*) which, if and when introduced, may also be applicable on sales and/or transfer of ADSs. In addition, in Germany, for example, there are currently ongoing discussions on the raise of the top tax rate, which may also have an effect on the German tax consequences of acquiring, owning and disposing of the ADSs. Furthermore, there are discussion on a retroactive implementation of certain measures of the EU Anti-Tax Avoidance-Directive” (“Draft Law”; Council Directives 2016/1164 of 12 July 2016, and 2017/952 of 29 May 2017, “ATAD I and II”) with retroactive effect from January 1, 2020. There is no assurance that German tax authorities will not challenge one or more of the tax consequences described in this discussion.

In addition, this discussion is based upon the assumption that each obligation in the deposit agreement and any related agreement will be performed in accordance with its terms. It does not purport to be a comprehensive or exhaustive description of all German tax considerations that may be of relevance in the context of acquiring, owning and disposing of ADSs.

The tax information presented in this report is not a substitute for tax advice. Prospective holders of ADSs should consult their own tax advisors regarding the German tax consequences of the purchase, ownership, disposition, donation or inheritance of ADSs in light of their particular circumstances, including the effect of any state, local, or other foreign or domestic laws or changes in tax law or interpretation. The same applies with respect to the rules governing the refund of any German dividend withholding tax (*Kapitalertragsteuer*) withheld. Only an individual tax consultation can appropriately account for the particular tax situation of each investor.

MorphoSys does not assume any responsibility for withholding tax at source.

### **Taxation of MorphoSys**

MorphoSys’ taxable income, whether distributed or retained, is generally subject to corporate income tax (*Körperschaftsteuer*) at a uniform rate of 15% plus the solidarity surcharge (*Solidaritätszuschlag*) of 5.5% thereon, resulting in a total corporate income tax liability of 15.825%.

Dividends (*Gewinnanteile*) and other distributions received by MorphoSys from domestic or foreign corporations are exempt from corporate income tax, inter alia, if MorphoSys held at the beginning of the calendar year at least 10% of the registered share capital (*Grundkapital* or *Stammkapital*) of the distributing corporation which did not deduct the distributions from its own tax base; however, 5% of such revenue is treated as a non-deductible business expense and, as such, is subject to corporate income tax plus the solidarity surcharge. The acquisition of a participation of at least 10% in the course of a calendar year is deemed to have occurred at the beginning of such calendar year for the purpose of this rule. Participations in the share capital of other corporations which MorphoSys holds through a partnership, including co- entrepreneurships (*Mitunternehmenschaften*), are attributable to MorphoSys only on a pro rata basis at its entitlement to the profits of the relevant partnership. Subject to the above-mentioned requirements, 95% of the amount of dividends and other distributions that MorphoSys receives from corporations are exempt from corporate income tax. The same applies, in general and irrespective of the size of the shareholding, to profits earned by MorphoSys from the sale of shares in another domestic or foreign corporation. Losses incurred from the sale of such shares are not deductible for tax purposes.

In addition, MorphoSys is subject to trade tax (*Gewerbesteuer*) with respect to its taxable trade profit (*Gewerbeertrag*) from its permanent establishments in Germany (*inländische gewerbesteuerliche Betriebsstätten*). Trade tax is generally based on the taxable income as determined for corporate income tax purposes taking into account, however, certain add-backs and deductions.

The trade tax rate depends on the local municipalities in which MorphoSys maintains its permanent establishments. Dividends received from other corporations and capital gains from the sale of shares in other corporations are treated in principle in the same manner for trade tax purposes as for corporate income tax purposes. However, dividends received from domestic and foreign corporations are effectively 95% exempt from trade tax only if MorphoSys held at least 15% of the registered share capital (*Grundkapital* or *Stammkapital*)—in the event of foreign corporations—of the nominal capital (*Nennkapital*) of the distributing corporation at the beginning of the relevant tax assessment period.

Tax-loss carryforwards can be used to fully offset taxable income for corporate income tax and trade tax purposes up to an amount of EUR 1 million. If the taxable profit for the year or taxable profit subject to trade taxation exceeds this threshold, only up to 60% of the amount exceeding the threshold may be offset by tax-loss carryforwards. The remaining 40% is subject to tax (minimum taxation) (*Mindestbesteuerung*). The rules also provide for a tax carryback to the previous year with regard to corporate income tax. As a response to the COVID-19 pandemic tax carryback options for corporate income tax purposes were extended for fiscal years 2020 and 2021. Unused tax-loss carryforwards may be generally carried forward indefinitely and used in subsequent assessment periods to offset future taxable income in accordance with this rule.

However, unused losses, loss carryforwards and interest carryforwards are fully forfeited in full if within five years more than 50% of the subscribed capital, membership interests, equity interests or voting rights of MorphoSys are transferred, whether directly or indirectly, to an acquiring party or affiliated individuals/entities, or a similar change of ownership occurs (harmful acquisition) (*schädlicher Beteiligungserwerb*). A group of acquirers with aligned interests is also considered to be an acquiring party for these purposes. In addition, any current year losses incurred prior to the acquisition will not be deductible. A capital increase shall be deemed as equivalent to a transfer of the subscribed capital to the extent that it causes a change of the interest ratio in the capital of the corporation. By the decision dated August 29, 2017, the Lower Tax Court of Hamburg (Finanzgericht Hamburg) submitted to the German Federal Constitutional Court the question as to whether the change of ownership rule stipulating a full forfeiture of unused losses, loss carryforwards and interest carryforwards is unconstitutional. Unused losses, loss carryforwards, and interest carryforwards are not forfeited (i) in the event of certain intra-group transactions, (ii) or to the extent that they are covered at the time of the harmful acquisition by certain built-in gains (*stille Reserven*) which are subject to tax in Germany. Alternatively to (i) and (ii), MorphoSys may, under certain requirements, opt for the continuity of business exemption (*Fortführungsgebundener Verlustvortrag*) to preserve unused losses, loss carryforwards and interest carryforwards.

## **German Taxation of ADS Holders**

### **General**

Based on the circular issued by the German Federal Ministry of Finance (BMF-Schreiben), dated May 24, 2013, reference number IV C 1-S2204/12/10003, in respect of the taxation of American Depositary Shares (ADSs) on domestic shares or the “ADS Tax Circular,” for German tax purposes, the ADSs represent a beneficial ownership interest in the underlying shares of MorphoSys and qualify as ADSs for the purpose of the ADS Tax Circular. If the ADSs qualify as ADSs under the ADS Tax Circular, dividends would accordingly be attributable to holders of the ADSs for tax purposes, and not to the legal owner of the ordinary shares (i.e., the financial institution on behalf of which the ordinary shares are stored at a domestic depository for the ADS holders). Furthermore, holders of the ADSs should be treated as beneficial owners of the capital of MorphoSys with respect to capital gains (see below in section “German Taxation of Capital Gains of the U.S. Treaty Beneficiaries of the ADSs”). However, investors should note that circulars published by the German tax authorities (including the ADS Tax Circular) are not binding on German courts, including German tax courts, and it is unclear whether a German court would follow the ADS Tax Circular in determining the German tax treatment of the ADSs. For the purpose of this German tax section, it is assumed that the ADSs qualify as ADSs within the meaning of the ADS Tax Circular. There may be a more detailed scrutiny with respect to ADSs because some fraudulent cases involving ADSs came to the attention of the German tax authorities in fall 2018. In those cases owners of ADSs requested tax refunds although there were no underlying shares with respect to these ADSs. Therefore, it also cannot be excluded that the tax authorities want to treat ADSs differently in the future.

The German Federal Ministry of Finance issued a circular (BMF-Schreiben), dated December 18, 2018, reference number IV C 1—S 2204/12/10003, to address such fraudulent tax refund requests. The circular mandates that the issuance of a tax certificate (*Steuerbescheinigung*), a prerequisite to claim German withholding tax relief, requires the depository agent (*Hinterlegungsstelle*) to confirm that only ADSs were issued for which underlying shares were deposited with the depository agent at the issuances of the ADSs. This circular may result in a double withholding on dividends paid in the case the ADSs are being held by a non-tax resident or by a German tax resident in an account with a German (custody) bank (because the circular prohibits the issuance of so-called “collective tax certificates” (“*Sammelsteuerbescheinigungen*”) which are generally the

requirement to refrain from the “second withholding”), i.e. in such case the ADS Holders would need to request two tax certificates (Steuerbescheinigungen) in order to be able to fully reclaim (or credit) the tax withheld on the “second withholding”.

### **Taxation of Holders Not Tax Resident in Germany**

The following discussion describes the material German tax consequences for a holder that is a U.S. treaty beneficiary of acquiring, owning and disposing of the ADSs. For purposes of this discussion, a “U.S. treaty beneficiary” is a resident of the United States for purposes of the Agreement between the Federal Republic of Germany and United States of America for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and on Capital as of June 4, 2008 (*Abkommen zwischen der Bundesrepublik Deutschland und den Vereinigten Staaten von Amerika zur Vermeidung der Doppelbesteuerung und zur Verhinderung der Steuerverkürzung auf dem Gebiet der Steuern vom Einkommen und vom Vermögen und einiger anderer Steuern in der Fassung vom 4. Juni 2008*), hereinafter referred to as the “Treaty”, who is fully eligible for benefits under the Treaty.

A holder will be a U.S. treaty beneficiary entitled to full Treaty benefits in respect of the ADSs if it is, inter alia:

- the beneficial owner of the ADSs (and the dividends paid with respect thereto);
- a U.S. holder;
- not also a resident of Germany for German tax purposes; and
- not subject to the limitation on benefits (i.e., anti-treaty shopping) article of the Treaty that applies in limited circumstances.

Special rules apply to pension funds and certain other tax-exempt investors.

This discussion does not address the treatment of ADSs that are (i) held in connection with a permanent establishment or fixed base through which a U.S. treaty beneficiary carries on business or performs personal services in Germany or (ii) part of business assets for which a permanent representative in Germany has been appointed.

### **General Rules for the Taxation of Holders Not Tax Resident in Germany**

Non-German resident holders of ADSs are subject to German taxation with respect to German sourced income (*beschränkte Steuerpflicht*). According to the ADS Tax Circular, income from the shares should be attributed to the holder of the ADSs for German tax purposes. As a consequence, income from the ADSs should be treated as German source income.

The full amount of a dividend distributed by MorphoSys to a non-German resident holder which does not maintain a permanent establishment or other taxable presence in Germany is subject to (final) German withholding tax at an aggregate rate of 26.375%. German withholding tax is withheld and remitted to the German tax authorities by the disbursing agent (i.e., the German credit institution, financial services institution, securities trading enterprise or securities trading bank (each as defined in the German Banking Act (*Kreditwesengesetz*) and in each case including a German branch of a foreign enterprise, but excluding a foreign branch of a German enterprise)) that holds or administers the underlying shares in custody and disburses or credits the dividend income from the underlying shares or disburses or credits the dividend income from the underlying shares on delivery of the dividend coupons or disburses such dividend income to a foreign agent or the central securities depository (*Wertpapiersammelbank*) in terms of the German Depository Act (*Depotgesetz*) holding the underlying shares in a collective deposit, if such central securities depository disburses the dividend income from the underlying shares to a foreign agent, regardless of whether a holder must report the dividend for tax purposes and regardless of whether or not a holder is a resident of Germany.

Pursuant to the Treaty, the German withholding tax may not exceed 15% of the gross amount of the dividends received by U.S. treaty beneficiaries. The excess of the total withholding tax, including the solidarity surcharge, over the maximum rate of withholding tax permitted by the Treaty is refunded to U.S. treaty beneficiaries upon application. For example, for a declared dividend of 100, a U.S. treaty beneficiary initially receives 73.625 (100 minus the 26.375% withholding tax including solidarity surcharge). The U.S. treaty beneficiary is entitled to a partial refund from the German tax authorities in the amount of 11.375% of the gross dividend (of 100). As a result, the U.S. treaty beneficiary ultimately receives a total of 85 (85% of the declared dividend) following the refund of the excess withholding. However, investors should note that it is unclear how the German tax authorities will apply the refund process to dividends on the ADSs with respect to non-German resident holders of the ADSs. Further, such refund is subject to the German anti-avoidance treaty shopping rule (as described below in the section “— Withholding Tax Refund for U.S. Treaty Beneficiaries”).

## **German Taxation of Capital Gains of the U.S. Treaty Beneficiaries of the ADSs**

The capital gains from the disposition of the ADSs realized by a non-German resident holder which does not maintain a permanent establishment or other taxable presence in Germany would be treated as German source income and be subject to German tax if such holder at any time during the five years preceding the disposition, directly or indirectly, owned 1% or more of MorphoSys' share capital, irrespective of whether through the ADSs or shares of MorphoSys. If such holder had acquired the ADSs without consideration, the previous owner's holding period and quota would be taken into account.

Pursuant to the Treaty, U.S. treaty beneficiaries are not subject to German tax even under the circumstances described in the preceding paragraph and therefore should not be taxed on capital gains from the disposition of the ADSs.

German statutory law requires the disbursing agent to levy withholding tax on capital gains from the sale of ADSs or other securities held in a custodial account in Germany. With regard to the German taxation of capital gains, disbursing agent means a German credit institution, a financial services institution, a securities trading enterprise or a securities trading bank (each as defined in the German Banking Act and, in each case including a German branch of a foreign enterprise, but excluding a foreign branch of a German enterprise) that holds the ADSs in custody or administers the ADSs for the investor or conducts sales or other dispositions and disburses or credits the income from the ADSs to the holder of the ADSs. The German statutory law does not explicitly condition the obligation to withhold taxes on capital gains being subject to taxation in Germany under German statutory law or on an applicable income tax treaty permitting Germany to tax such capital gains.

However, a circular issued by the German Federal Ministry of Finance, dated January 18, 2016, reference number IV C 1-S2252/08/10004 :017, provides that taxes need not be withheld when the holder of the custody account is not a resident of Germany for tax purposes and the income is not subject to German taxation. The circular further states that there is no obligation to withhold such tax even if the non-resident holder owns 1% or more of the share capital of a German company. While circulars issued by the German Federal Ministry of Finance are only binding on the German tax authorities but not on the German courts, in practice, the disbursing agents nevertheless typically rely on guidance contained in such circulars. Therefore, a disbursing agent would only withhold tax at 26.375% on capital gains derived by a U.S. treaty beneficiary from the sale of ADSs held in a custodial account in Germany in the event that the disbursing agent did not follow the above-mentioned guidance. In this case, the U.S. treaty beneficiary may be entitled to claim a refund of the withholding tax from the German tax authorities under the Treaty, as described below in the section “—Withholding Tax Refund for U.S. Treaty Beneficiaries”.

## **Withholding Tax Refund for U.S. Treaty Beneficiaries**

U.S. treaty beneficiaries are generally eligible for treaty benefits under the Treaty, as described above in Section “—Taxation of Holders Not Tax Resident in Germany”. Accordingly, U.S. treaty beneficiaries are in general entitled to claim a refund of the portion of the otherwise applicable 26.375% German withholding tax (corporate income tax including solidarity surcharge) on dividends that exceeds the applicable Treaty rate. However, such refund is only possible, provided that pursuant to special rules on the restriction of withholding tax credit, the following three cumulative requirements are met: (i) the shareholder must qualify as beneficial owner of the ADSs for an uninterrupted minimum holding period of 45 days within a period starting 45 days prior to and ending 45 days after the due date of the dividends, (ii) the shareholder has to bear at least 70% of the change in value risk related to the ADSs during the minimum holding period as described under (i) of this paragraph and has not entered into (acting by itself or through a related party) hedging transactions which lower the change in value risk by more than 30%, and (iii) the shareholder must not be obliged to fully or largely compensate directly or indirectly the dividends to third-parties. If these requirements are not met, then for a shareholder not being a tax-resident in Germany who applied for a full or partial refund of the withholding tax pursuant to a double taxation treaty, no refund is available. This restriction generally does only apply, if (i) the tax underlying the refund application is below a tax rate of 15% based on the gross amount of the dividends or capital gains and (ii) the shareholder does not directly own 10% or more in the shares of the company and is subject to income taxes in its state of residence, without being tax exempt.

In general, as previously discussed, investors should note that it is unclear how the German tax administration will apply the refund process to dividends on the ADSs. Further, such refund is subject to the German anti-avoidance treaty shopping rule. Generally, this rule requires that the U.S. treaty beneficiary (in case it is a non-German resident company) maintains its own administrative substance and conducts its own business activities. In particular, a foreign company has no right to a full or partial refund to the extent persons holding ownership interests in MorphoSys would not be entitled to the refund if they derived the income directly and the gross income realized by the foreign company is not caused by the business activities of the foreign company, and there are either no economic or other considerable reasons for the interposition of the foreign company, or the foreign company does not participate in general commerce by means of a business organization with resources appropriate to its business purpose. However, this shall not apply if the foreign company's principal class of stock is regularly traded in substantial volume on a recognized stock exchange, or if the foreign company is subject to the provisions of the German Investment Tax Act (Investmentsteuergesetz). Whether or not and to which extent the anti-avoidance treaty shopping

rule applies, has to be analyzed on a case-by-case basis taking into account all relevant tests. In addition, the interpretation of these tests is disputed and to date there have been no published decisions from the German Federal Finance Court in this regard.

On January 20, 2021 the government draft of the German “Law on the modernization of German withholding tax” was released. The draft proposes changes to the German anti-avoidance treaty shopping rule. Those changes suggest a broader scope of the anti-avoidance treaty shopping rule. It is inter alia proposed to delete the escape for foreign companies that are subject to the provisions of the German Investment Tax Act (*Investmentsteuergesetz*).

Due to the legal structure of the ADSs, only limited guidance from the German tax authorities exists on the practical application of this procedure with respect to the ADSs.

### **Taxation of Holders Tax Resident in Germany**

This subsection provides an overview of dividend taxation with regard to the general principles applicable to MorphoSys’ holders that are tax resident in Germany. A holder is a German tax resident if, in case of an individual, he or she maintains a domicile (*Wohnsitz*) or a usual residence (*gewöhnlicher Aufenthalt*) in Germany or if, in case of a corporation, it has its place of management (*Geschäftsleitung*) or registered office (*Sitz*) in Germany.

The German dividend and capital gains taxation rules applicable to German tax residents require a distinction between ADSs held as private assets (*Privatvermögen*) and ADSs held as business assets (*Betriebsvermögen*).

#### **ADSs as Private Assets (*Privatvermögen*)**

If the ADSs are held as private assets by a German tax resident, dividends and capital gains are taxed as investment income and are principally subject to 25% German flat income tax on capital income (*Abgeltungsteuer*) (plus a 5.5% solidarity surcharge (*Solidaritätszuschlag*) thereon, resulting in an aggregate rate of 26.375%), which is levied in the form of withholding tax (*Kapitalertragsteuer*). In other words, once deducted, the shareholder’s income tax liability on the dividends will be settled.

Shareholders may apply to have their capital investment income assessed in accordance with the general rules and with an individual’s personal income tax rate if this would result in a lower tax burden in which case actually incurred expenses are not deductible. The holder would be taxed on gross personal investment income (including dividends or gains with respect to ADSs), less the saver’s allowance of €801 for an individual or €1,602 for a married couple and a registered civil union (*eingetragene Lebenspartnerschaft*) filing taxes jointly. The deduction of expenses related to the investment income (including dividends or gains with respect to ADSs) is generally not possible for private investors.

Losses resulting from the disposal of ADSs can only be offset by capital gains from the sale of any shares (*Aktien*) and other ADSs. If, however, a holder directly or indirectly held at least 1% of the share capital of the company at any time during the five years preceding the sale, 60% of any capital gains resulting from the sale are taxable at the holder’s personal income tax rate (plus 5.5% solidarity surcharge thereon). Conversely, 60% of any capital losses are recognized for tax purposes.

Church tax generally has to be withheld, if applicable, based on an automatic data access procedure, unless the shareholder has filed a blocking notice (*Sperrvermerk*) with the Federal Central Tax Office. Where church tax is not levied by way of withholding, it is determined by means of income tax assessment.

#### **ADSs as Business Assets (*Betriebsvermögen*)**

In case the ADSs are held as business assets, the taxation depends on the legal form of the holder (i.e., whether the holder is a corporation or an individual). Irrespective of the legal form of the holder, dividends are subject to the aggregate withholding tax rate of 26.375%. The withholding tax is credited against the respective holder’s income tax liability, provided that pursuant to special rules on the restriction of withholding tax credit, the following three cumulative requirements are met: (i) the shareholder must qualify as beneficial owner of the ADSs for an uninterrupted minimum holding period of 45 days occurring within a period starting 45 days prior to and ending 45 days after the due date of the dividends, (ii) the shareholder has to bear at least 70% of the change in value risk related to the ADSs during the minimum holding period as described under (i) of this paragraph and has not entered into (acting by itself or through a related party) hedging transactions which lower the change in value risk for more than 30%, and (iii) the shareholder must not be obliged to fully or largely compensate directly or indirectly the dividends to third-parties. If these requirements are not met, three-fifths of the withholding tax imposed on the dividends must not be credited against the shareholder’s (corporate) income tax liability, but may, upon application, be deducted from the shareholder’s tax base for the relevant tax assessment period. Such requirements also apply to ADSs, which lead to domestic income in Germany and which are held by a non-German depository bank. A shareholder that is generally subject to German income tax or corporate income tax and that has received gross dividends without any deduction of withholding tax due to a tax exemption without qualifying for a full tax credit under the aforementioned requirements has to notify the competent local tax office accordingly and has to make a payment in the amount of the omitted withholding tax deduction. The special rules on the

restriction of withholding tax credit do not apply to a shareholder whose overall dividend earnings within an assessment period do not exceed €20,000 or that has been the beneficial owner of the ADSs in the Company for at least one uninterrupted year upon receipt of the dividends.

To the extent the amount withheld exceeds the income tax liability, the withholding tax will be refunded, provided that certain requirements are met (including the aforementioned requirements).

Special rules apply to credit institutions (*Kreditinstitute*), financial services institutions (*Finanzdienstleistungsinstitute*), financial enterprises (*Finanzunternehmen*), life insurance and health insurance companies, and pension funds.

With regard to holders in the legal form of a corporation, dividends and capital gains are in general 95% tax exempt from corporate income tax (including solidarity surcharge), inter alia, if the shareholder held at least 10% of the registered share capital (*Grundkapital* oder *Stammkapital*) of MorphoSys at the beginning of the calendar year. The remaining 5% is treated as non-deductible business expense and, as such, is subject to corporate income tax (including solidarity surcharge). The acquisition of a participation of at least 10% in the course of a calendar year is deemed to have occurred at the beginning of such calendar year for the purpose of this rule. Participations in the share capital of other corporations which MorphoSys holds through a partnership, including co-entrepreneurships (*Mitunternehmerschaften*), are attributable to MorphoSys only on a pro rata basis at the ratio of its entitlement to the profits of the relevant partnership. Moreover, actual business expenses incurred to generate the dividends may be deducted.

However, the amount of any dividends after deducting business expenses related to the dividends is subject to the trade tax, unless the corporation held at least 15% of MorphoSys' registered share capital at the beginning of the relevant tax assessment period. In the latter case, the aforementioned exemption of 95% of the dividend income also applies for trade tax purposes. Losses from the sale of ADSs are generally not tax deductible for corporate income tax and trade tax purposes.

With regard to individuals holding ADSs as business assets, 60% of dividends and capital gains are taxed at the individual's personal income tax rate (plus 5.5% solidarity surcharge thereon). Correspondingly, only 60% of business expenses related to the dividends and capital gains as well as losses from the sale of ADSs are principally deductible for income tax purposes.

### **German Inheritance and Gift Tax (*Erbschaft- und Schenkungsteuer*)**

The transfer of ADSs to another person by inheritance or gift should be generally subject to German inheritance and gift tax only if:

- (1) the decedent or donor or heir, beneficiary or other transferee maintained his or her domicile or a usual residence in Germany or had its place of management or registered office in Germany at the time of the transfer, or is a German citizen who has spent no more than five consecutive years outside of Germany without maintaining a domicile in Germany or is a German citizen who serves for a German entity established under public law and is remunerated for his or her service from German public funds (including family members who form part of such person's household, if they are German citizens) and is only subject to estate or inheritance tax in his or her country of domicile or usual residence with respect to assets located in such country (special rules apply to certain former German citizens who neither maintain a domicile nor have their usual residence in Germany);
- (2) at the time of the transfer, the ADSs are held by the decedent or donor as business assets forming part of a permanent establishment in Germany or for which a permanent representative in Germany has been appointed; or
- (3) the ADSs subject to such transfer form part of a portfolio that represents at the time of the transfer 10% or more of the registered share capital of the company and that has been held directly or indirectly by the decedent or donor, either alone or together with related persons.

The Agreement between the Federal Republic of Germany and the United States of America for the avoidance of double taxation with respect to taxes on inheritances and gifts as of December 21, 2000 (*Abkommen zwischen der Bundesrepublik Deutschland und den Vereinigten Staaten von Amerika zur Vermeidung der Doppelbesteuerung auf dem Gebiet der Nachlass-, Erbschaft- und Schenkungssteuern in der Fassung vom 21. Dezember 2000*), hereinafter referred to as the "United States-Germany Inheritance and Gifts Tax Treaty", provides that the German inheritance tax or gift tax can, with certain restrictions, only be levied in the cases of (1) and (2) above. Special provisions apply to certain German citizens living outside of Germany and former German citizens.

### **Other Taxes**

No German transfer tax, value-added tax, stamp duty or similar taxes are assessed on the purchase, sale or other transfer of ADSs. Provided that certain requirements are met, an entrepreneur may, however, opt for the payment of value-added tax on transactions that are otherwise tax-exempt. Net wealth tax (*Vermögensteuer*) is currently not imposed in Germany. Certain

member states of the European Union are considering introducing a financial transaction tax (*Finanztransaktionssteuer*) which, if and when introduced, may also be applicable on sales and/or transfer of ADSs.

## **U.S. Taxation**

The following discussion is a summary of U.S. federal income tax considerations to U.S. holders (as defined below) of owning and disposing of the ADSs.

The information provided below is based on the Internal Revenue Code of 1986, as amended, or the Code, Treasury Regulations, the Treaty, Internal Revenue Service, or IRS, rulings and pronouncements, and judicial decisions all as now in effect and all of which are subject to change or differing interpretations, possibly with retroactive effect. There can be no assurance that the IRS or a court will not take a contrary position with respect to any U.S. federal income tax considerations described below.

This discussion does not provide a complete analysis of all potential U.S. tax considerations that may be relevant to a decision to purchase ADSs by any particular investor. In particular, this discussion does not address tax considerations applicable to a U.S. holder (as defined in “—U.S. Taxation” below) that may be subject to special tax rules, including, without limitation, dealers or traders in securities, notional principal contracts or currencies, financial institutions, insurance companies, U.S. expatriates and inverted companies, certain stapled companies, tax-exempt organizations, tax-deferred or other retirement accounts, regulated investment companies, real estate investment trusts, a person that holds ADSs as part of a hedge, straddle, conversion or other integrated transaction for tax purposes, a person that purchases or sells ADSs as part of a wash sale for tax purposes, a person whose functional currency for tax purposes is not the U.S. dollar, a person who does not hold the ADSs as capital assets for tax purposes, a person subject to special tax accounting rules as a result of any item of gross income with respect to the ADSs being taken into account in an applicable financial statement; or a person that owns or is deemed to own 10% or more of the company’s shares by vote or value. In addition, the summary does not address the 3.8% Medicare tax imposed on certain net investment income, the alternative minimum tax or any aspect of U.S. federal estate and gift tax laws or any foreign, state or local laws that may be applicable to a holder.

For purposes of this summary, a “U.S. holder” is a beneficial owner of ADSs that for U.S. federal income tax purposes is (1) an individual who is a citizen or resident of the United States, (2) a corporation, or an entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States or any state of the United States, including the District of Columbia, (3) an estate, the income of which is subject to U.S. federal income taxation regardless of its source, or (4) a trust (i) the administration of which is subject to the primary supervision of a U.S. court and which has one or more U.S. persons who have the authority to control all substantial decisions of the trust or (ii) that has otherwise elected to be treated as a U.S. person under the applicable regulations.

If a partnership (including an entity or arrangement, domestic or foreign, treated as a partnership for U.S. federal income tax purposes) holds ADSs, the tax treatment of a partner in the partnership will depend upon the status of the partner and the activities of the partnership. A holder of ADSs that is a partnership, and partners in such partnership, should consult their own tax advisors about the U.S. federal income tax consequences of owning and disposing of the ADSs.

In general, a holder of ADSs should be treated as the owner of our ordinary shares for U.S. federal income tax purposes. Holders should consult their own tax advisors concerning the tax consequences of converting ADSs to ordinary shares.

*Each prospective holder of ADSs should consult its own tax advisors regarding the U.S. federal, state and local or other tax consequences of acquiring, owning and disposing of the company’s ADSs in light of their particular circumstances. U.S. holders should also review the discussion under “—German Taxation” for the German tax consequences to a U.S. holder of the ownership of the ADSs.*

## **Distributions**

Subject to the discussion below under “—PFIC Rules,” the gross amount of any distribution that is actually or constructively received by a U.S. holder with respect to its ADSs without reduction for any German taxes withheld will be a dividend to the extent the amount of such distribution is paid out of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. To the extent the amount of such distribution exceeds our current or accumulated earnings and profits, such amount will be treated first as a non-taxable return of capital to the extent of such U.S. holder’s adjusted tax basis in its ADSs, and to the extent the amount of such distribution exceeds such adjusted tax basis, will be treated as capital gain from the sale of the ADSs. Because we do not intend to determine our earnings and profits on the basis of U.S. federal income tax principles, any distribution we pay will generally be reported as dividend income for U.S. federal income tax purposes. If you are a non-corporate U.S. holder, dividends paid to you that constitute “qualified dividend income” (discussed below) should be taxable to you at a preferential rate (rather than the higher rates of tax generally applicable to items of ordinary income).

Dividends paid to a non-corporate U.S. holder generally will constitute qualified dividend income if (i) we are a “qualified foreign corporation” (discussed below), (ii) you are not under any obligation to make related payments with respect to positions in substantially similar or related property, and (iii) you hold our ADSs for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and your risk of loss with respect to the ADSs is not otherwise diminished. A non-U.S. corporation (other than a corporation that is classified as a PFIC for the taxable year in which the dividend is paid or the preceding taxable year) generally will be considered to be a qualified foreign corporation (i) if it is eligible for the benefits of a comprehensive tax treaty with the United States which the Secretary of Treasury of the United States determines is satisfactory for purposes of this provision and which includes an exchange of information provision, or (ii) with respect to any dividend it pays on ADSs that are readily tradable on an established securities market in the United States. We are incorporated under the laws of Germany, and we believe that we qualify as a resident of Germany for purposes of, and are eligible for the benefits of, the Treaty, although there can be no assurance in this regard. Further, the IRS has determined that the Treaty is satisfactory for purposes of the qualified dividend rules and that it includes an exchange-of-information program. In addition, our ADSs are listed on the Nasdaq Global Market, which is an established securities market in the United States, and we expect the ADSs to be readily tradable on the Nasdaq Global Market. However, there can be no assurance that the ADSs will be considered readily tradable on an established securities market in the United States. Accordingly, subject to the discussion below with respect to the PFIC rules, any dividends paid on our ADS to non-corporate U.S. holders will generally be expected to be “qualified dividend income.” If we are a PFIC (as discussed below under—PFIC Rules”) during the year of a distribution or the year preceding a distribution, such distributions paid by us with respect to our ADSs will not be eligible for the preferential income tax rate. Prospective investors should consult their own tax advisors regarding the taxation of distributions under these rules.

Dividends paid on our ADSs will not be eligible for the dividends-received deduction generally available to corporate U.S. holders.

Subject to applicable limitations, non-refundable German taxes withheld from dividends on the ADSs can be generally claimed as a credit against the U.S. holder’s U.S. federal income tax liability. For purposes of the U.S. foreign tax credit rules, dividends with respect to our ADSs should constitute income from sources outside of the United States and should generally be passive income for purposes of computing the foreign tax credit allowable to the U.S. holder. The amount of the qualified dividend income, if any, paid to a U.S. holder that is subject to the reduced dividend income tax rate and that is taken into account for purposes of calculating the U.S. holder’s U.S. foreign tax credit limitation must be reduced by the rate differential portion of the dividend. In lieu of claiming a foreign tax credit, U.S. holders may, at their election, deduct foreign taxes, including any German income tax, in computing their taxable income, subject to generally applicable limitations under U.S. law. An election to deduct foreign taxes instead of claiming foreign tax credits applies to all foreign taxes paid or accrued in the taxable year. The rules applicable to foreign tax credits are complex. Prospective investors should consult their tax advisors regarding the implications of the foreign tax credit provisions for them, in light of their particular situation.

The gross amount of any dividend paid in foreign currency will be included in the gross income of a U.S. holder in an amount equal to the U.S. dollar value of the foreign currency calculated by reference to the exchange rate in effect on the date the dividend distribution is includable in the U.S. holder’s income, regardless of whether the payment is in fact converted into U.S. dollars. If the foreign currency is converted into U.S. dollars on the date of receipt by the depositary, a U.S. holder generally should not be required to recognize foreign currency gain or loss in respect of the dividend. If the foreign currency received is not converted into U.S. dollars on the date of receipt, a U.S. holder will have a basis in the foreign currency equal to its U.S. dollar value on the date of receipt. Any gain or loss on a subsequent conversion or other disposition of the foreign currency will be treated as ordinary income or loss, and will generally be income or loss from sources within the United States for foreign tax credit limitation purposes.

### **Sales or Other Taxable Dispositions**

A U.S. holder will generally recognize a gain or loss for U.S. federal income tax purposes upon the sale or other disposition of ADSs in an amount equal to the difference between the U.S. dollar value of the amount realized from such sale or other disposition and the U.S. holder’s tax basis in such ADSs. Subject to the discussion below under “—PFIC Rules,” such gain or loss generally will be capital gain or loss. Capital gains of individuals and certain other non-corporate U.S. holders recognized on the sale or other disposition of ADSs held for more than one year are generally eligible for a reduced rate of taxation. The gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes. The deductibility of capital losses is subject to limitations.

A U.S. holder’s adjusted tax basis in the ADSs will generally equal the U.S. dollar value of the purchase price for the ADSs, based on the prevailing exchange rate on the date of such purchase. The amount realized on a disposition of the ADSs in exchange for foreign currency, will generally equal the U.S. dollar value of such currency translated at the spot exchange rate in effect on the date of the disposition. If, however, the ADSs are treated as traded on an “established securities market” for U.S. federal income tax purposes, a cash basis U.S. holder (or, if it elects, an accrual basis U.S. holder) will determine the U.S. dollar

value of the purchase price for the ADSs or the amount realized on a disposition of the ADSs in exchange for non-U.S. currency, as the case may be, by translating the amount paid or received at the spot exchange rate in effect on the settlement date of the purchase or disposition, as the case may be. Any such election by an accrual basis U.S. holder must be applied consistently from year to year and cannot be changed without the consent of the IRS. A U.S. holder's tax basis in any non-U.S. currency received on a disposition of the ADSs will generally equal the U.S. dollar value of such currency on the date of receipt. Any gain or loss realized by a U.S. holder on a subsequent conversion or other disposition of the non-U.S. dollar currency will generally be foreign currency gain or loss and treated as U.S. source ordinary income or loss. U.S. holders should consult their tax advisors regarding the sale or other taxable disposition of the ADSs under their particular circumstances.

### **PFIC Rules**

A non-U.S. corporation will be classified as a passive foreign investment company, or PFIC, for U.S. federal income tax purposes for any taxable year, if either (i) 75% or more of its gross income for such year consists of certain types of "passive" income or (ii) 50% or more of the value of its assets (determined on the basis of a quarterly average) during such year produce or are held for the production of passive income. Passive income generally includes dividends, interest, royalties, rents, annuities, net gains from the sale or exchange of property producing such income and net foreign currency gains. In addition, a non-U.S. corporation will be treated as owning its proportionate share of the assets and earning its proportionate share of the income of any other corporation in which it owns, directly or indirectly, more than 25% (by value) of the stock.

Based on the current composition of our income and valuation of our assets, we believe that we could be treated as a PFIC for the 2021 taxable year, and we may also be treated as a PFIC in any future taxable year. However, a separate determination must be made after the close of each taxable year as to whether we are a PFIC for that year. As a result, our PFIC status may change. In particular, the total value of our assets for purposes of the asset test generally will be calculated taking into account the market price of our ADSs or ordinary shares, which may fluctuate considerably. Fluctuations in the market price of the ADSs and ordinary shares may result in our being a PFIC for any taxable year. Even if we determine that we are not a PFIC for a taxable year, there can be no assurance that the IRS will agree with our conclusion and that the IRS would not successfully challenge our position.

If we are classified as a PFIC for any taxable year during which a U.S. holder holds ADSs, unless the U.S. holder makes a "mark-to-market" election or a "qualified electing fund" election (as described below), the U.S. holder will generally be subject to special tax rules that have a generally penalizing effect, regardless of whether we remain a PFIC, on (i) any excess distribution that we make to the U.S. holder (which generally means any distribution paid during a taxable year to a U.S. holder 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 its ADSs), and (ii) any gain realized on the sale or other disposition of its ADSs.

If we are a PFIC for any taxable year during which a U.S. holder holds ADSs and any of our subsidiaries is also a PFIC, such U.S. holder will be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC. U.S. holders should consult their tax advisors regarding the application of the PFIC rules to any of our subsidiaries.

If we were to be classified as a PFIC, a U.S. holder may make a mark-to-market election with respect to its ADSs provided the ADSs are treated as regularly traded on a qualified exchange or other market as defined in applicable Treasury Regulations. Because, as a technical matter, a mark-to-market election cannot be made for any lower-tier PFICs that we may own, however, a U.S. holder may continue to be subject to the PFIC rules with respect to such holder's indirect interest in any investments held by us that are treated as an equity interest in a PFIC for U.S. federal income tax purposes. U.S. holders should consult their tax advisors regarding the potential availability and consequences of a mark-to-market election in case we are classified as a PFIC in any taxable year.

We do not intend to make available the information necessary for a U.S. holder to make a "qualified electing fund" election. If a U.S. holder makes an effective qualified electing fund election, the U.S. holder will be required to include in gross income each year, whether or not we make distributions, as capital gains, such U.S. holder's pro rata share of our net capital gains and, as ordinary income, such U.S. holder's pro rata share of our earnings in excess of our net capital gains. However, a U.S. holder can only make a qualified electing fund election with respect to ADSs of in a PFIC if such company agrees to furnish such U.S. holder with certain tax information annually. We cannot offer any assurance that we will make available the information necessary for a U.S. holder to make a "qualified electing fund" election.

If a U.S. holder holds ADSs in any year in which we are treated as a PFIC with respect to such U.S. holder, such U.S. holder will generally be required to file IRS Form 8621 and such other forms as may be required by the U.S. Treasury Department.

U.S. holders should consult their own tax advisors regarding the application of the PFIC rules to their investment in our ADSs and the elections discussed above.

## **Information with Respect to Foreign Financial Assets**

Owners of “specified foreign financial assets” with an aggregate value in excess of US\$50,000 (and in some circumstances, a higher threshold) may be required to file IRS Form 8938 (Statement of Specified Foreign Financial Assets) with respect to such assets on their tax returns. “Specified foreign financial assets” may include financial accounts maintained by foreign financial institutions, as well as any of the following, if they are held for investment and 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 are urged to consult their tax advisors regarding the application of these rules to their ownership of the ADSs.

## **F. Dividends and Paying Agents**

Not applicable.

## **G. Statement by Experts**

Not applicable.

## **H. Documents on Display**

We are subject to certain reporting requirements of the Exchange Act. As a “foreign private issuer”, we are exempt from the rules under the Exchange Act prescribing certain disclosure and procedural requirements for proxy solicitations, and our officers, directors and principal shareholders are exempt from the reporting and “short-swing” profit recovery provisions contained in Section 16 of the Exchange Act, with respect to their purchases and sales of shares. In addition, we are not required to file reports and Financial Statements with the SEC as frequently or as promptly as companies that are not foreign private issuers whose securities are registered under the Exchange Act. However, we are required to file with the SEC, within 4 months after the end of each fiscal year, an Annual Report on Form 20-F containing Financial Statements audited by an independent accounting firm and interactive data comprising Financial Statements in extensible business reporting language. We publish unaudited interim financial information after the end of each quarter. We furnish this quarterly financial information to the SEC under cover of a Form 6-K.

The SEC maintains a website at <http://www.sec.gov> that contains reports and other information regarding registrants that are required to file electronically with the SEC.

## **I. Subsidiary Information**

Not applicable.

## **Item 11. Quantitative and Qualitative Disclosures about Market Risk**

Market risk represents the risk that changes in market prices, such as foreign exchange rates, interest rates or equity prices, will affect the Group’s results of operations or the value of the financial instruments held. The Group is exposed to both currency and interest rate risks.

### **Currency Risk**

The consolidated financial statements are prepared in euros. Both revenues and expenses of the Group are incurred in euros and US dollars. Throughout the year, the Group monitors the necessity to hedge foreign exchange rates to minimize currency risk and addresses this risk by using derivative financial instruments.

The use of derivatives is subject to a Group guideline approved by the Management Board, which represents a written guideline for dealing with derivatives. In accordance with the Group’s hedging policy, only highly probable future cash flows and clearly determinable receivables that can be realized within a period of twelve months are hedged. MorphoSys enters into foreign exchange option and forward exchange contracts to hedge its foreign exchange exposure arising from US dollar cash flows.

As of December 31, 2021, there was no unsettled foreign exchange forward agreement (December 31, 2020: no unsettled foreign exchange forward agreement; December 31, 2019: one unsettled foreign exchange forward agreements). The unrealized gross gains in prior years from foreign exchange forward agreements were recorded in the finance result in the respective years (2021: €0.0 million; 2020: €0.4 million; 2019: €0.4 million).

The financial liabilities from future payments to Royalty Pharma are dependent on future royalty income, which is determined on the basis of sales in US dollars. The transfer of assigned license revenues is settled in Euros. Refer to Note 5.19 for a sensitivity analysis on the impact of a change in the foreign exchange rate.

Different foreign exchange rates and their impact on financial assets and liabilities were simulated in a sensitivity analysis to determine the effects on profit or loss. Positive amounts would increase a consolidated net profit or decrease a consolidated net loss. Negative amounts would decrease a consolidated net profit or increase a consolidated net loss. The amounts for 2020 and 2019 have been adjusted compared with the 2020 financial reporting.

<u>in million €</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Increase of the Euro by 10%	39.3	16.8	(8.7)
Decrease of the Euro by 10%	(48.0)	(25.6)	10.4

### **Interest Rate Risk**

The Group's risk exposure to changes in interest rates mainly relates to fixed-term deposits and corporate bonds. Changes in the general level of interest rates may lead to an increase or decrease in the fair value of these securities. The Group's investment focus places the safety of an investment ahead of its return and the ability to plan future cash flows. Interest rate risks are limited because all securities can be liquidated within a maximum of two years and due to the mostly fixed interest rates during the term in order to ensure that planning is possible. In addition, changes in interest rates may affect the fair value of financial assets from collaborations.

Different interest rates and their effect on existing other financial assets with variable interest rates and on financial assets from collaborations were simulated in a sensitivity analysis in order to determine the effect on profit or loss. Positive amounts would increase a consolidated net profit or decrease a consolidated net loss. Negative amounts would decrease a consolidated net profit or increase a consolidated net loss.

<u>in million €</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Increase of the variable Interest Rate by 0.5%	0.8	1.2	(0.3)
Decrease of the variable Interest Rate by 0.5%	(0.8)	(1.4)	0.3

The Group is currently not subject to significant interest rate risks from the account payables reported on the balance sheet.

## **Item 12. Description of Securities Other than Equity Securities**

### **A. Debt Securities**

On October 16, 2020, we placed unsubordinated, unsecured convertible bonds maturing on October 16, 2025 for a nominal amount of € 325.0 million, divided into 3,250 bonds with a par value of € 100,000 each. The convertible bonds were issued at 100% of their nominal amount and carry a semi-annual coupon of 0.625% per year.

### **B. Warrants and Rights**

Not applicable.

### **C. Other Securities**

Not applicable.

### **D. American Depository Shares**

The Bank of New York Mellon, as depository, registers and delivers ADSs. Each ADS represents one-quarter (1/4) of a deposited share with The Bank of New York Mellon SA/N.V., as custodian for the depository in Frankfurt. Each ADS also represents any other securities, cash or other property which may be held by the depository. The depository's office at which the ADSs will be administered is located at 101 Barclay Street, New York, New York 10286. The Bank of New York Mellon's principal executive office is located at 225 Liberty Street, New York, New York 10286.

A deposit agreement among us, the depository and the ADS holders sets out the ADS holder rights as well as the rights and obligations of the depository. New York law governs the deposit agreement and the ADSs. A copy of the deposit agreement is incorporated by reference as an exhibit to this annual report.

## Fees and Expenses

<u>Persons depositing or withdrawing shares or ADS holders must pay:</u>	<u>For:</u>
\$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)	Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property
	Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates
\$0.5 (or less) per ADS	Any cash distribution to ADS holders
A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of ADSs	Distribution of securities distributed to holders of deposited securities (including rights) that are distributed by the depositary to ADS holders
\$0.5 (or less) per ADS per calendar year	Depository services
Registration or transfer fees	Transfer and registration of shares on our share register to or from the name of the depositary or its agent when you deposit or withdraw shares
Expenses of the depositary	Cable and facsimile transmissions (when expressly provided in the deposit agreement)
	Converting foreign currency to U.S. dollars
Taxes and other governmental charges the depositary or the custodian has to pay on any ADSs or shares underlying ADSs, such as stock transfer taxes, stamp duty or withholding taxes	As necessary
Any charges incurred by the depositary or its agents for servicing the deposited securities	As necessary

The depositary collects its fees for delivery and surrender of ADSs directly from investors depositing ordinary shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depository services by deduction from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The depositary may collect any of its fees by deduction from any cash distribution payable (or by selling a portion of securities or other property distributable) to ADS holders that are obligated to pay those fees. The depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

From time to time, the depositary may make payments to us to reimburse us for costs and expenses generally arising out of establishment and maintenance of the ADS program, waive fees and expenses for services provided to us by the depositary or share revenue from the fees collected from ADS holders. In performing its duties under the deposit agreement, the depositary may use brokers, dealers, foreign currency dealers or other service providers that are owned by or affiliated with the depositary and that may earn or share fees, spreads or commissions.

The depositary may convert currency itself or through any of its affiliates and, in those cases, acts as principal for its own account and not as agent, advisor, broker or fiduciary on behalf of any other person and earns revenue, including, without limitation, transaction spreads, that it will retain for its own account. The revenue is based on, among other things, the difference between the exchange rate assigned to the currency conversion made under the deposit agreement and the rate that the depositary or its affiliate receives when buying or selling foreign currency for its own account. The depositary makes no representation that the exchange rate used or obtained in any currency conversion under the deposit agreement will be the most favorable rate that could be obtained at the time or that the method by which that rate will be determined will be the most

favorable to ADS holders, subject to the depository's obligations under the deposit agreement. The methodology used to determine exchange rates used in currency conversions is available upon request.

## PART II

### **Item 13. Defaults, Dividend Arrearages and Delinquencies**

None.

### **Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds**

None.

### **Item 15. Controls and Procedures**

#### *Disclosure Controls and Procedures*

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has performed an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report, as required by Rule 13a-15(b) under the Exchange Act. Based upon this evaluation, our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has concluded that, as of the end of the period covered by this annual report, our disclosure controls and procedures were effective in ensuring that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in by the SEC's rules and forms, and that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

#### *Management's Annual Report on Internal Control over Financial Reporting*

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Our internal control over financial reporting is a process designed by or under the supervision of the Chief Executive Officer and Chief Financial Officer, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external reporting purposes in accordance with International Financial Reporting Standards.

As of December 31, 2021, our management conducted an assessment of the effectiveness of the Company's internal control over financial reporting based on the criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this assessment, our management has determined that the Company's internal control over financial reporting as of December 31, 2021 is effective.

Management's evaluation of internal control over financial reporting did not include the internal control over financial reporting related to Constellation which was acquired by MorphoSys in 2021 in a purchase business combination due to a transition period outlined by the SEC staff for newly acquired businesses. Total assets and revenues for Constellation represent approximately 5% and 0%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2021.

Our internal control over financial reporting includes policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of our assets; (2) provide reasonable assurances that our transactions are recorded as necessary to permit preparation of financial statements in accordance with International Financial Reporting Standards as issued by the IASB, and that our receipts and expenditures are being made only in accordance with authorizations of management; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitation, internal control over financial reporting, no matter how well designed, cannot provide absolute assurance of achieving financial reporting objectives and may not prevent or detect misstatements. Therefore, even if the internal control over financial reporting is determined to be effective it 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.

#### ***Attestation Report of the Registered Public Accounting Firm***

The effectiveness of our internal control over financial reporting as of December 31, 2021 has been audited by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, an independent registered public accounting firm. Their report is included on page F-2. PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft is a member of the Chamber of Public Accountants (*Wirtschaftsprüferkammer*), Berlin, Germany.

#### ***Changes in Internal Control over Financial Reporting***

We regularly review our system of internal control over financial reporting and make changes to our processes and systems to further strengthen controls and increase efficiency, while ensuring that we maintain an effective internal control environment.

During the fiscal year ended December 31, 2021, we implemented processes and controls in relation to the accounting of the purchase price allocation of the acquired business from Constellation and the accounting of the financing agreements with Royalty Pharma. Moreover, processes and controls were refined around the accounting assessment of tax related considerations for the aforementioned transactions.

Other than the aforementioned changes, there were no changes in our internal control over financial reporting (as required by Rules 13a 15(d) and 15d 15(d) of the Exchange Act) that occurred during the fiscal year ended December 31, 2021, which 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 Michael Brosnan is an audit committee financial expert as defined by SEC rules and has the requisite financial sophistication under the applicable rules and regulations of the Nasdaq Stock Market. Michael Brosnan is independent as such term is defined in Rule 10A-3 under the Exchange Act and under the listing standards of the Nasdaq Stock Market.

#### **Item 16B. Code of Ethics**

We have adopted a written code of business conduct and ethics, or code of conduct, which outlines the principles of legal and ethical business conduct under which we do business. The code of conduct applies to all of our Management Board members and employees. In 2021 we focused on full awareness and training of our workforce, including the many new employees who joined in the course of the year, with mandatory e-trainings. The full text of the code of conduct is available on our website at [www.morphosys.com](http://www.morphosys.com). If we make any amendment to our code of conduct or grant any waivers, including any implicit waiver, from a provision of the code of ethics, we will disclose the nature of such amendment or waiver on our website to the extent required by the rules and regulations of the SEC.

#### **Item 16C. Principal and Accountant Fees and Services**

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft has served as our independent registered public accounting firm for the years ending December 31, 2021 and 2020. The following table sets out the aggregate fees for professional audit services and other services rendered by PricewaterhouseCoopers and their member firms and / or affiliates in 2021 and 2020:

Year ended December 31 (in 000' €)	2021	2020
Audit Fees	2,141	1,561
Fees for Other Assurance Services	116	70
Tax Service Fees	—	—
Other Fees for Other Services	2	2
<b>Total</b>	<b>2,258</b>	<b>1,633</b>

Audit fees relate to the audit of the financial statements as set out in this Annual Report, certain procedures on our quarterly results, audit of our internal control over financial reporting and services related to our statutory and regulatory filings of our subsidiaries.

Fees for other assurance services in 2021 and 2020 relate to services in connection with the non-financial group report as well as the audit of the content of the remuneration report.

The Audit Committee has approved the audit fees and all of the fees for other assurance services and other fees for other services for the years 2021 and 2020. The Audit Committee monitors compliance with the German and U.S. rules on non-audit services provided by an independent registered public accounting firm. On a yearly basis, the Audit Committee pre-approves non-audit services performed by the independent registered public accounting firm up to a limit in line with EU regulation.

#### **Item 16D. Exemptions from the Listing Standards for Audit Committees**

Not applicable.

#### **Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

None.

#### **Item 16F. Change in Registrant's Certifying Accountant**

None.

#### **Item 16G. Corporate Governance**

In general, Nasdaq Stock Market Rule 5615(a)(3) permits foreign private issuers such as us, to follow home country corporate governance practices instead of certain provisions of the Nasdaq Stock Market Rules without having to seek individual exemptions from Nasdaq. In addition, we also may qualify for certain exemptions under the Nasdaq Stock Market Rules as a foreign private issuer that may affect our corporate governance practices.

The significant differences between the corporate governance practices that we follow and those set forth in the Nasdaq Stock Market Rules are described below:

**Distribution of Annual and Interim Reports.** Nasdaq Listing Rule 5250(d) requires that our annual and interim reports be distributed or made available to shareholders within a reasonable period of time following filing with the SEC. Consistent with applicable rules and regulations in Germany, we do not distribute annual and interim reports automatically to shareholders. Instead, our annual and interim reports are available to shareholders on our website and delivery of printed versions thereof can be requested online. Furthermore, our annual and interim reports are also filed with the German Company Register (*Unternehmensregister*).

**Code of Conduct.** Nasdaq Listing Rule 5610 requires companies to adopt one or more codes of conduct applicable to all directors, officers and employees. Although there is no requirement under German law for a company to have a code of conduct, we nevertheless have one in place applying to our Management Board and employees but not to our Supervisory Board.

**Proxy Solicitation.** Nasdaq Listing Rule 5620(b) requires companies that are not a limited partnership to solicit proxies and provide proxy statements for all meetings of shareholders and to provide copies of such proxy solicitation to Nasdaq. Under German law, there is no requirement for companies to solicit proxies in connection with a meeting of shareholders. Shareholders have the right to exercise their voting rights in the shareholders' meeting through proxies appointed by them in writing. The proxies appointed by us are obligated to vote only in accordance with the instructions of the represented shareholder.

**Shareholder Approval Requirements.** Nasdaq Listing Rule 5635 requires companies to obtain shareholder approval before undertaking any of the following transactions:

- acquiring the stock or assets of another company, where such acquisition results in the issuance of 20% or more of our outstanding share capital or voting power;
- entering into any change of control transaction;
- establishing or materially amending any equity compensation arrangement; and

- entering into any transaction other than a public offering involving the sale, issuance or potential issuance by us of shares (or securities convertible into or exercisable for shares) equal to 20% or more of our outstanding share capital or 20% or more of the voting power outstanding before the issuance for less than the greater of book or market value of the stock.

Consistent with the German Stock Corporation Act (*Aktiengesetz*), approval by the shareholders' meeting is generally required for the issuance of any shares as well as any securities granting the respective holder the right to acquire shares (including options and convertibles).

**Item 16H. Mine Safety Disclosure**

Not applicable.

**Item 16I. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections**

Not applicable.

**PART III**

**Item 17. Financial Statements**

Not applicable.

**Item 18. Financial Statements**

See pages F-1 through F-[85](#) of this Annual Report on Form 20-F.

**Item 19. Exhibits**

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## **Report of Independent Registered Public Accounting Firm**

To the Supervisory Board and Stockholders of MorphoSys AG

### ***Opinions on the Financial Statements and Internal Control over Financial Reporting***

We have audited the accompanying consolidated balance sheet of MorphoSys AG and its subsidiaries (the “Company”) as of December 31, 2021 and 2020 and the related consolidated statements of profit or loss, comprehensive income, changes in stockholders’ equity and cash flows for each of the three years in the period ended December 31, 2021, including the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control—Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board and International Financial Reporting Standards as adopted by the European Union. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021 based on criteria established in *Internal Control—Integrated Framework* (2013) issued by the COSO.

### ***Basis for Opinions***

The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management’s Annual Report on Internal Control over Financial Reporting appearing under Item 15. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As described in Management’s Annual Report on Internal Control over Financial Reporting, management has excluded Constellation Pharmaceuticals, Inc., USA, and its 100% subsidiary Constellation Securities Corporation, USA, (hereinafter jointly “Constellation”) from its assessment of internal control over financial reporting as of December 31, 2021 because it was acquired by the Company in a purchase business combination during 2021. We have also excluded Constellation from our audit of internal control over financial reporting. Constellation is a wholly-owned subsidiary whose total assets and total revenues excluded from management’s assessment and our audit of internal control over financial reporting represent 5% and 0%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2021.

### ***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 (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) 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 (iii) 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.

### ***Critical Audit Matters***

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters 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 matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

### ***Subsequent measurement of the financial asset and the financial liability arising from the Incyte collaboration and license agreement***

As described in Notes 2.7.1 and 5.18 to the consolidated financial statements, as of December 31, 2021, the Company has recorded a current financial asset from collaboration of € 16.7 million and a current and non-current financial liability from collaboration of € 514.4 million related to the collaboration and license agreement with Incyte Corporation, USA, (hereinafter "Incyte"). The financial asset represents MorphoSys's current reimbursement claim against Incyte from the expected future losses associated with the US commercialization activities. The current and non-current financial liability represent Incyte's prepaid entitlement to future profit sharing on sales of Monjuvi® (tafasitamab-cxix) in the US. The financial asset is subsequently measured at fair value through profit or loss and the financial liability at amortized cost using the effective interest method. The basis for the valuation is the corporate planning and its shared profits and losses thereof in connection with the commercialization activities of MorphoSys and Incyte in the US for the years ahead. Management's significant assumptions include the forecasted number of patients, the expectations on selling price and costs associated with the sale of Monjuvi® (tafasitamab-cxix) as well as the probability of cash outflows and inflows.

The principal considerations for our determination that performing procedures relating to the subsequent measurement of the financial asset and financial liability from the Incyte collaboration and license agreement is a critical audit matter are that the outcome of the subsequent measurement of the financial asset and financial liability is dependent to a large extent on the assumptions made by management with respect to the future risk adjusted cash outflows and inflows, the forecasted number of patients, the expectations on selling price, the costs associated with the sale of Monjuvi® (tafasitamab-cxix) as well as the probability of cash outflows and inflows and is therefore subject to significant judgement by management and considerable uncertainty. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating audit evidence related to management's cash flow projections and significant assumptions. In addition, the audit effort involved the use of professionals with specialized skill and knowledge to assist in performing these procedures and evaluating the audit evidence obtained.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the subsequent measurement of the financial asset and the financial liability from the Incyte collaboration and license agreement. Our procedures also included, among others, testing management's process for determining the fair value of the financial asset and the subsequent measurement of the financial liability, including evaluating the reasonableness of management's significant assumptions regarding the risk adjusted cash outflows and inflows, the forecasted number of patients, the expectations on selling price, the costs associated with the sale of Monjuvi® (tafasitamab-cxix) as well as the probability of cash outflows and inflows, and testing the completeness, accuracy, and relevance of underlying data used in the model. Professionals with specialized skill and knowledge were involved to assist in evaluating the reasonableness of the assumptions including the assessment of the risk adjusted forecasted cash flows.

### ***Valuation of the intangible asset pelabresib - Constellation acquisition***

As described in Notes 2.5, 3, 5.10 and 5.11 to the consolidated financial statements, as of December 31, 2021, Constellation was acquired via a cash tender offer. A total purchase price of USD 1,635.2 million (€ 1,384.7 million) was paid in cash for the acquisition of the shares. As part of the acquisition of Constellation, not yet available for use research and development programs in development (pelabresib and CPI-0209) in the amount of € 717.4 million (pelabresib) and € 2.0 million (CPI-0209) and goodwill of € 541.6 million were identified and capitalized in 2021. Management applied significant judgment in estimating the fair value of the intangible asset pelabresib acquired, which involved the use of several assumptions and

estimates relating to the forecasted number of patients, the expectations on selling price, the probability of successful product development as well as the discount rate.

The principal considerations for our determination that performing procedures relating to the determination of the fair value of the acquired intangible asset pelabresib is a critical audit matter are that the outcome of the valuation of this intangible asset not yet available for use is dependent to a large extent on the assumptions made by management with respect to the forecasted number of patients, the expectations on selling price, probability of successful product development and the discount rate and is therefore subject to significant judgement by management and considerable uncertainty. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating audit evidence on management's cash flow projections and significant assumptions. In addition, the audit effort involved the use of professionals with specialized skill and knowledge to assist in performing these procedures and evaluating the audit evidence obtained.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to determination of the fair value of the acquired intangible assets not available for use pelabresib. Our procedures also included, among others, testing management's process for determining the fair values, evaluating the completeness, accuracy and relevance of the underlying data used in the models and assessing the reasonableness of the key assumptions used by management relating to the forecasted number of patients, the expectations on selling price, the probability of successful product development and the discount rate. Professionals with specialized skill and knowledge were involved to assist in evaluating the reasonableness of the assumptions including the assessment of the cash flows and discount rates.

#### ***Recoverability of goodwill of the group of CGUs Constellation and the intangible asset pelabresib***

As described in Notes 2.7.9, 5.10 and 5.11 to the consolidated financial statements, during 2021 goodwill of € 541.6 million and research and development programs in development not yet available for use (pelabresib) in the amount of € 717.4 million were identified and capitalized from the acquisition of Constellation. The goodwill was allocated to the group of CGUs Constellation, as goodwill is monitored at this level. Goodwill of the group of CGUs and the intangible asset not yet available for use were subject to an annual impairment test. The recoverable amount of the group of CGUs Constellation and the intangible asset was determined on the basis of value-in-use calculations. The cash flow projections included expected payments from the commercialization of pelabresib and other compounds, the cash outflows for anticipated research and development, and the costs for pelabresib's and the other compounds' commercialization. The calculation showed that the value-in-use was lower than the carrying amount of the group of CGUs Constellation and an impairment of € 230.7 million was recognized as a result. After impairment, the carrying amount of goodwill amounts to € 334.0 million as of December 31, 2021. For pelabresib (carrying amount of € 731.8 million as of December 31, 2021) this analysis did not reveal any need for impairment.

The principal considerations for our determination that performing procedures relating to the assessment of impairment of the goodwill of the group of CGUs Constellation and the pelabresib intangible asset not available for use is a critical audit matter are that the outcome of the impairment test of the goodwill of the group of CGUs Constellation and the intangible asset pelabresib that is not available for use is dependent to a large extent on the assumptions made by management with respect to the future cash flows, the expected payments from the commercialization of pelabresib and other compounds as well as the costs for commercialization of pelabresib's and the other compounds, the forecasted number of patients, the expectation on selling price, the probability of successful product development and the discount rate and is therefore subject to significant judgement by management and considerable uncertainty. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating audit evidence related to management's cash flow projections and significant assumptions. In addition, the audit effort involved the use of professionals with specialized skill and knowledge to assist in performing these procedures and evaluating the audit evidence obtained.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the assessment of impairment of the goodwill of the group of CGUs Constellation and the pelabresib intangible asset not available for use. Our procedures also included, among others, testing management's process for determining the recoverable amounts, evaluating the completeness, accuracy and relevance of the underlying data used in the models and assessing the reasonableness of the key assumptions used by management, relating to the forecasted number of patients, the expectation on selling price, the probability of successful product development and the discount rate. Professionals with specialized skill and knowledge were involved to assist in evaluating the reasonableness of the assumptions as the assessment of the cash flows and discount rates.

***Measurement of the financial liabilities from the agreements with Royalty Pharma on the sale of future license income and revenues***

As described in Notes 2.7.1 and 5.19 to the consolidated financial statements, as of December 31, 2021, financial liabilities amounting to € 1,193.3 million were recognized due to the royalty purchase agreement and the revenue participation agreement with Royalty Pharma plc, USA, and Royalty Pharma USA Inc., USA, (hereinafter jointly “Royalty Pharma”) and Constellation. The financial liabilities represent Royalty Pharma's right to receive certain future license income in the form of royalties and milestones of Tremfya, otilimab, gantenerumab and future revenues of the product candidates pelabresib and CPI-0209. The planning assumptions are influenced by estimates and mainly relate to the probability of successful product development, the expected license income and revenues from Tremfya, otilimab, gantenerumab, pelabresib and CPI-0209 and the initial effective discount rate. Revenues are influenced by variable factors such as forecasted number of patients and the expectations on selling price. The financial liabilities are subsequently measured at amortized cost using the effective interest method.

The principal considerations for our determination that performing procedures relating to the measurement of the financial liabilities from the agreements with Royalty Pharma is a critical audit matter are that the outcome of the measurement of the financial liabilities are dependent to a large extent on the assumptions made by management with respect to future license income in the form of royalties and milestones of Tremfya, otilimab, gantenerumab and future revenues of the product candidates pelabresib and CPI-0209, including i) forecasted number of patients, ii) expectations on selling price, iii) probability of successful product development and the initial effective discount rate and is therefore subject to significant judgement by management and considerable uncertainty. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating audit evidence related to management’s cash flow projections and significant assumptions. In addition, the audit effort involved the use of professionals with specialized skill and knowledge to assist in performing these procedures and evaluating the audit evidence obtained.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the measurement of the financial liabilities arising from the agreements with Royalty Pharma. Our procedures also included, among others, testing management's process for determining the measurement of the financial liabilities evaluating the completeness, accuracy and relevance of the underlying data used in the models and assessing the reasonableness of the key assumptions used by management, relating to the probability of successful product development, the expected license income and revenues from Tremfya, otilimab, gantenerumab, pelabresib and CPI-0209, the initial effective discount rate, forecasted number of patients and expectations on selling price. Professionals with specialized skill and knowledge were involved to assist in evaluating the reasonableness of the assumptions including the assessment of the cash flows and discount rates.

Munich, Germany  
March 15, 2022

PricewaterhouseCoopers GmbH  
Wirtschaftsprüfungsgesellschaft

/s/Stefano Mulas  
Wirtschaftsprüfer  
(German Public Auditor)

/s/Holger Lutz  
Wirtschaftsprüfer  
(German Public Auditor)

We have served as the Company’s auditor since 2011.

## **MorphoSys-Group:**

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## Consolidated Statement of Profit or Loss (IFRS)

in €	Note	2021	2020 <sup>1</sup>	2019 <sup>1</sup>
Product Sales		66,860,637	18,523,670	0
Royalties		65,576,120	42,467,924	31,787,847
Licenses, Milestones and Other		47,175,087	266,706,871	39,967,456
<b>Revenues</b>	2.6.1, 4.1	<b>179,611,844</b>	<b>327,698,465</b>	<b>71,755,303</b>
Cost of Sales	2.6.2, 4.2	(32,194,705)	(9,174,146)	(12,085,198)
<b>Gross Profit</b>	2.1.1	<b>147,417,139</b>	<b>318,524,319</b>	<b>59,670,105</b>
<b>Operating Expenses</b>				
Research and Development	2.6.3, 4.3.1	(225,211,206)	(139,369,832)	(108,431,600)
Selling	2.6.3, 4.3.2	(121,542,621)	(107,742,684)	(22,671,481)
General and Administrative	2.6.3, 4.3.3	(78,292,297)	(51,403,257)	(36,664,666)
Impairment of Goodwill	2.7.9, 4.3.5, 5.11	(230,714,620)	(2,057,000)	0
<b>Total Operating Expenses</b>	2.1.1	<b>(655,760,744)</b>	<b>(300,572,773)</b>	<b>(167,767,747)</b>
<b>Operating Profit / (Loss)</b>	2.1.1	<b>(508,343,605)</b>	<b>17,951,546</b>	<b>(108,097,642)</b>
Other Income	4.4	8,189,829	14,584,829	804,739
Other Expenses	4.4	(6,368,762)	(5,175,177)	(626,678)
Finance Income	4.4	96,612,146	92,047,221	2,799,473
Finance Expenses	4.4	(181,456,484)	(96,214,409)	(2,272,369)
Income from Reversals of Impairment Losses / (Impairment Losses) on Financial Assets	2.3.1	316,000	(702,000)	872,000
Income Tax Benefit / (Expenses)	2.6.4, 4.5	76,590,860	75,398,566	3,506,419
<b>Consolidated Net Profit / (Loss)</b>		<b>(514,460,016)</b>	<b>97,890,576</b>	<b>(103,014,058)</b>
Earnings per Share, Basic and Diluted	2.6.5, 4.6	(15.40)	—	(3.26)
Earnings per Share, Basic	2.6.5, 4.6	—	3.01	—
Earnings per Share, diluted	2.6.5, 4.6	—	2.97	—
Shares Used in Computing Earnings per Share, Basic and Diluted	2.6.5, 4.6	33,401,069	—	31,611,155
Shares Used in Computing Earnings per Share, Basic	2.6.5, 4.6	—	32,525,644	—
Shares Used in Computing Earnings per Share, Diluted	2.6.5, 4.6	—	33,167,852	—

<sup>1</sup> The consolidated statement of profit or loss has been adjusted to present comparable information for the previous years. For details we refer to the section "Structural Changes to the Consolidated Statement of Profit or Loss" in section 2.1.1 of the notes.

The Notes are an integral part of these consolidated financial statements.

## Consolidated Statement of Comprehensive Income (IFRS)

in €	2021	2020	2019
Consolidated Net Profit / (Loss)	(514,460,016)	97,890,576	(103,014,058)
Items that will not be reclassified to Profit or Loss			
Change in Fair Value of Shares through Other Comprehensive Income	—	1,260,132	(1,160,160)
Items that may be reclassified to Profit or Loss			
Foreign Currency Translation Differences from Consolidation	50,546,172	2,247,005	75,332
Other Comprehensive Income	50,546,172	3,507,137	(1,084,828)
<b>Total Comprehensive Income</b>	<b>(463,913,844)</b>	<b>101,397,713</b>	<b>(104,098,886)</b>

The Notes are an integral part of these consolidated financial statements.

## Consolidated Balance Sheet (IFRS)

in €	Note	12/31/2021	12/31/2020 <sup>1</sup>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	2.7.1, 5.1	123,248,256	109,794,680
Other Financial Assets	2.7.1, 5.2	853,686,102	937,651,314
Accounts Receivable	2.7.1, 5.3	75,911,054	83,354,276
Financial Assets from Collaborations	2.7.1, 5.18	16,729,924	42,870,499
Income Tax Receivables	2.7.2, 5.6	1,089,078	401,826
Other Receivables	2.7.2, 5.4	2,226,912	2,159,475
Inventories	2.7.3, 5.5	20,755,187	9,962,657
Prepaid Expenses and Other Assets	2.7.4, 5.7	39,323,437	20,621,493
<b>Total Current Assets</b>		<b>1,132,969,950</b>	<b>1,206,816,220</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	2.7.5, 5.8	7,106,783	6,323,753
Right-of-Use Assets	2.7.6, 5.9	42,485,275	44,417,767
Intangible Assets	2.7.7, 5.10	838,322,389	69,375,149
Goodwill	2.7.8, 5.11	335,574,009	1,619,233
Other Financial Assets	2.7.1, 5.2	0	196,587,542
Deferred Tax Asset	2.7.13, 4.5, 5.12	186,545,176	132,806,097
Prepaid Expenses and Other Assets	2.7.4, 5.7	13,250,634	1,567,259
<b>Total Non-Current Assets</b>		<b>1,423,284,266</b>	<b>452,696,800</b>
<b>Total Assets</b>		<b>2,556,254,216</b>	<b>1,659,513,020</b>

<sup>1</sup> The consolidated balance sheet has been adjusted to present comparable information for the previous year. For details we refer to the section "Structural Changes to the Consolidated Balance Sheet" in section 2.1.1 of the notes.

The Notes are an integral part of these consolidated financial statements.

in €	Note	12/31/2021	12/31/2020 <sup>1</sup>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>Current Liabilities</b>			
Accounts Payable and Accruals	2.7.1, 2.7.10, 5.13	188,077,185	128,554,203
Lease Liabilities	2.7.6, 5.9	3,238,111	3,055,608
Tax Liabilities	2.7.12, 5.14	528,217	65,727,675
Provisions	2.7.10, 5.14	2,549,397	0
Contract Liability	2.7.11, 5.15	223,862	2,543,903
Bonds	2.7.1, 5.17	422,945	422,945
Financial Liabilities from Collaborations	2.7.1, 5.18	1,097,295	154,895
Financial Liabilities from Future Payments to Royalty Pharma	2.7.1, 5.19	88,401,374	0
<b>Total Current Liabilities</b>		<b>284,538,386</b>	<b>200,459,229</b>
<b>Non-Current Liabilities</b>			
Lease Liabilities	2.8.6, 5.9	39,345,777	41,963,794
Provisions	2.7.10, 5.14	1,576,379	1,527,756
Contract Liability	2.7.11, 5.15	28,731	71,829
Deferred Tax Liability	2.7.13, 4.5, 5.16	22,065,419	5,057,465
Bonds	2.7.1, 5.17	282,784,505	272,759,970
Financial Liabilities from Collaborations	2.7.1, 5.18	513,264,290	516,350,960
Financial Liabilities from Future Payments to Royalty Pharma	2.7.1, 5.19	1,167,774,786	0
<b>Total Non-Current Liabilities</b>		<b>2,026,839,887</b>	<b>837,731,774</b>
<b>Total Liabilities</b>		<b>2,311,378,273</b>	<b>1,038,191,003</b>
<b>Stockholders' Equity</b>			
Common Stock	2.7.14, 5.20.1	34,231,943	32,890,046
Treasury Stock (83,154 and 131,414 shares for 2021 and 2020, respectively), at Cost	2.7.14, 5.20.4	(3,085,054)	(4,868,744)
Additional Paid-in Capital	2.7.14, 5.20.5	833,320,689	748,978,506
Other Comprehensive Income Reserve	2.7.14, 5.20.6	52,757,591	2,211,419
Accumulated Deficit	2.7.14, 5.20.7	(672,349,226)	(157,889,210)
<b>Total Stockholders' Equity</b>		<b>244,875,943</b>	<b>621,322,017</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>		<b>2,556,254,216</b>	<b>1,659,513,020</b>

<sup>1</sup> The consolidated balance sheet has been adjusted to present comparable information for the previous year. For details we refer to the section "Structural Changes to the Consolidated Balance Sheet" in section 2.1.1 of the notes.

The Notes are an integral part of these consolidated financial statements.

## Consolidated Statement of Changes in Stockholders' Equity (IFRS)<sup>1</sup>

	Common Stock		Treasury Stock		Additional Paid-in Capital	Other Comprehensive Income Reserve	Accumulated Deficit	Total Stockholders' Equity
	Shares	€	Shares	€	€	€	€	€
Balance as of January 1, 2019	31,839,572	31,839,572	281,036	(10,398,773)	619,908,453	(210,890)	(152,765,728)	488,372,634
Expenses through Share-based Payment Transactions and Issue of Convertible Instruments	6.1 - 6.4	0	0	0	6,654,470	0	0	6,654,470
Exercise of Convertible Bonds Issued to Related Parties		118,386	118,386	0	0	3,655,168	0	3,773,554
Transfer of Treasury Stock for Long-Term Incentive		0	0	(52,328)	1,934,043	(1,934,043)	0	0
Transfer of Treasury Stock to Members of the Management Board		0	0	(2,908)	107,480	(107,480)	0	0
Reserves:								
Change in Fair Value of Shares through Other Comprehensive Income		0	0	0	0	(1,160,160)	0	(1,160,160)
Foreign Currency Translation Differences from Consolidated Net Loss		0	0	0	0	75,332	0	75,332
Total Comprehensive Income		0	0	0	0	(1,084,828)	(103,014,058)	(104,098,886)
Balance as of December 31, 2019	31,957,958	31,957,958	225,800	(8,357,250)	628,176,568	(1,295,718)	(255,779,786)	394,701,772
Balance as of January 1, 2020	31,957,958	31,957,958	225,800	(8,357,250)	628,176,568	(1,295,718)	(255,779,786)	394,701,772
Capital Increase, Net of Issuance Cost		907,441	907,441	0	79,590,657	0	0	80,498,098
Equity Component of the Convertible Bond		0	0	0	36,483,050	0	0	36,483,050
Expenses through Share-based Payment Transactions and Issue of Convertible Instruments	6.1 - 6.5	0	0	0	7,455,761	0	0	7,455,761
Exercise of Convertible Bonds Issued to Related Parties		24,647	24,647	0	0	760,976	0	785,623
Transfer of Treasury Stock for Long-Term Incentive	6.2.1	0	0	(94,386)	3,488,506	(3,488,506)	0	0
Reserves:								
Change in Fair Value of Shares through Other Comprehensive Income		0	0	0	0	1,260,132	0	1,260,132
Foreign Currency Translation Differences from Consolidated Net Profit		0	0	0	0	2,247,005	0	2,247,005
Total Comprehensive Income		0	0	0	0	3,507,137	97,890,576	101,397,713
Balance as of December 31, 2020	32,890,046	32,890,046	131,414	(4,868,744)	748,978,506	2,211,419	(157,889,210)	621,322,017
Balance as of January 1, 2021	32,890,046	32,890,046	131,414	(4,868,744)	748,978,506	2,211,419	(157,889,210)	621,322,017
Capital Increase, Net of Issuance Cost	2.7.14, 5.20.1, 5.20.5	1,337,552	1,337,552	0	83,301,053	0	0	84,638,605
Expenses through Share-based Payment Transactions and Issue of Convertible Instruments	6.1 - 6.6	0	0	0	2,587,931	0	0	2,587,931
Exercise of Stock Options Issued	2.7.14, 6.1.1	4,345	4,345	0	0	236,889	0	241,234
Transfer of Treasury Stock for Long-Term Incentive Programs	2.7.14, 6.2.2, 6.3	0	0	(48,260)	1,783,690	(1,783,690)	0	0
Reserves:								
Foreign Currency Translation Differences from Consolidated Net Loss	5.20.6	0	0	0	0	50,546,172	0	50,546,172
Total Comprehensive Income	5.20.7	0	0	0	0	50,546,172	(514,460,016)	(463,913,844)
Balance as of December 31, 2021	34,231,943	34,231,943	83,154	(3,085,054)	833,320,689	52,757,591	(672,349,226)	244,875,943

<sup>1</sup> The consolidated statement of changes in stockholders' equity has been adjusted to present comparable information for the previous years. For details we refer to the section "Structural Changes to the Consolidated Statement of Changes in Stockholders' Equity" in section 2.1.1 of the notes.

The Notes are an integral part of these consolidated financial statements.

## Consolidated Statement of Cash Flows (IFRS)

in €	Note	2021	2020 <sup>1</sup>	2019 <sup>1</sup>
<b>Operating Activities:</b>				
Consolidated Net Profit / (Loss)		(514,460,016)	97,890,576	(103,014,058)
<b>Adjustments to Reconcile Consolidated Net Profit / (Loss) to Net Cash Provided by / (Used in) Operating Activities:</b>				
Impairments of Assets	5.7, 5.8, 5.10, 5.11	235,916,060	16,480,272	2,317,489
Depreciation and Amortization of Tangible and Intangible Assets and of Right-of-Use Assets	5.8, 5.9, 5.10	10,090,958	8,329,559	6,245,162
Net (Gain) / Loss of Other Financial Assets	5.2	(3,376,711)	21,780,429	(46,305)
(Income) from Reversals of Impairments / Impairments on Financial Assets	5.1, 5.2	(316,000)	702,000	(872,000)
Net (Gain) / Loss on Derivative Financial Instruments	2.3.1	3,495,651	4,252,171	(1,261,618)
Non Cash Effective Net Change in Financial Assets / Liabilities from Collaborations	5.18	(16,007,722)	(36,551,618)	0
Non Cash Effective Net Change in Financial Liabilities from Future Payments to Royalty Pharma	5.19	42,766,283	0	0
Non Cash Effective Change of Bonds	5.17	12,055,784	2,453,561	0
(Income) from Reversals of Impairments on Inventories		0	(13,270,968)	0
Gain from Deconsolidation of Subsidiaries		0	(379,173)	0
Net (Gain) / Loss on Sale of Property, Plant and Equipment		0	0	(21,408)
Share-based Payment	4.3.4, 6.1 - 6.6	2,585,426	8,955,307	6,654,470
Income Tax Benefit	4.5	(76,590,860)	(75,398,566)	(3,506,419)
<b>Changes in Operating Assets and Liabilities:</b>				
Accounts Receivable	5.3	10,532,824	(69,619,751)	2,667,232
Inventories, Prepaid Expenses and Other Assets, Tax Receivables and Other Receivables	5.4, 5.5, 5.6, 5.7	(30,348,390)	(8,485,396)	(4,422,409)
Accounts Payable and Accruals, Lease Liabilities, Tax Liabilities and Provisions	5.9, 5.13, 5.14	(90,815,610)	77,505,284	13,202,429
Other Liabilities		0	0	316,288
Contract Liability	5.15	(2,363,139)	930,004	733,473
<b>Income Taxes Paid</b>		<b>(64,609,622)</b>	<b>(303,974)</b>	<b>(62,560)</b>
<b>Net Cash Provided by / (Used in) Operating Activities</b>		<b>(481,445,084)</b>	<b>35,269,717</b>	<b>(81,070,234)</b>

<sup>1</sup> The consolidated statement of cash flows has been adjusted to present comparable information for the previous years. For details we refer to the section "Structural Changes to the Consolidated Statement of Cash Flows" in section 2.1.1 of the notes.

The Notes are an integral part of these consolidated financial statements.

in €	Note	2021	2020 <sup>1</sup>	2019 <sup>1</sup>
<b>Investing Activities:</b>				
Cash Payments to Acquire Other Financial Assets		(2,188,341,595)	(1,745,700,529)	(274,767,300)
Cash Receipts from Sales of Other Financial Assets		2,591,975,683	900,777,383	371,879,814
Cash Payments for Derivative Financial Instruments		(3,495,651)	(4,950,427)	(214,188)
Cash Receipts from Derivative Financial Instruments		0	1,094,522	1,145,783
Acquisitions, Net of Cash Acquired	3.0	(1,206,609,948)	—	—
Cash Payments to Acquire Property, Plant and Equipment	5.8	(3,810,210)	(4,455,323)	(3,103,330)
Cash Receipts from Sales of Property, Plant and Equipment		0	0	20,469
Cash Payments to Acquire Intangible Assets	5.1	(22,345,955)	(44,881,207)	(562,314)
Cash Payments for Acquisitions of Shares		0	0	(15,004,996)
Cash Receipts from Sales of Shares at Fair Value through Other Comprehensive Income		0	14,804,287	0
Cash Receipts from Sales of Subsidiaries		0	2,477,760	0
Interest Received		1,617,544	1,210,668	90,156
<b>Net Cash Provided by / (Used in) Investing Activities</b>		<b>(831,010,132)</b>	<b>(879,622,866)</b>	<b>79,484,094</b>
<b>Financing Activities:</b>				
Cash Proceeds from Issuing Shares	5.20.1, 5.20.5	84,730,022	80,598,468	0
Cash Payments for Costs from Issuing Shares	5.20.5	(91,417)	(100,370)	0
Cash Proceeds in Connection with Exercised Stock Options (2021) and Convertible Bonds (2020, 2019)	5.20.1, 5.20.5	241,234	773,300	3,714,361
Cash Receipts from Financing from Collaborations	5.18	40,004,094	510,186,974	0
Cash Receipts from Contracts with Royalty Pharma	5.19	1,206,706,749	0	0
Cash Payments for Costs in Connection with Contracts with Royalty Pharma	5.19	(796,003)	0	0
Cash Proceeds from Issuing Convertible Bonds		0	319,946,211	0
Cash Payments for Principal Elements of Lease Payments	5.9	(3,126,348)	(2,786,972)	(2,349,801)
Interest Paid	5.17	(4,744,851)	(1,431,487)	(1,011,321)
<b>Net Cash Provided by / (Used in) Financing Activities</b>		<b>1,322,923,480</b>	<b>907,186,124</b>	<b>353,239</b>
Effect of Exchange Rate Differences on Cash		2,985,312	3,397,655	87,115
<b>Increase / (Decrease) in Cash and Cash Equivalents</b>		<b>13,453,576</b>	<b>66,230,630</b>	<b>(1,145,786)</b>
Disposal of Cash and Cash Equivalents due to Deconsolidation of Subsidiaries		0	(750,000)	0
Cash and Cash Equivalents at the Beginning of the Period		109,794,680	44,314,050	45,459,836
Cash and Cash Equivalents at the End of the Period		123,248,256	109,794,680	44,314,050

<sup>1</sup> The consolidated statement of cash flows has been adjusted to present comparable information for the previous years. For details we refer to the section "Structural Changes to the Consolidated Statement of Cash Flows" in section 2.1.1 of the notes.

The Notes are an integral part of these consolidated financial statements.

## Notes

### 1 General Information

#### Business Activities and the Company

MorphoSys AG (“the Company” or “MorphoSys”) is a commercial-stage biopharmaceutical company dedicated to the discovery, development and commercialization of therapeutic antibodies for patients suffering from cancer and autoimmune diseases. The Company has a proprietary portfolio of compounds and a pipeline of compounds developed with partners from the pharmaceutical and biotechnology industry. MorphoSys was founded as a German limited liability company in July 1992. In June 1998, MorphoSys became a German stock corporation. In March 1999, the Company completed its initial public offering on Germany’s “Neuer Markt”: the segment of the Deutsche Börse designated, at that time, for high-growth companies. On January 15, 2003, MorphoSys AG was admitted to the Prime Standard segment of the Frankfurt Stock Exchange. On April 18, 2018, MorphoSys completed an IPO on the Nasdaq Global Market through the issue of American Depositary Shares (ADS). Each ADS represented 1/4 of a MorphoSys ordinary share. MorphoSys AG’s registered office is located in Planegg (district of Munich), and the registered business address is Semmelweisstrasse 7, 82152 Planegg, Germany. The MorphoSys AG consolidated and separate financial statements can be viewed at this address. The Company is registered in the Commercial Register B of the District Court of Munich under the number HRB 121023.

### 2 Summary of Significant Accounting Policies

#### 2.1 Basis of and Changes in Accounting Standards

##### 2.1.1 Basis of Application

These consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (“IFRS”), taking into account the recommendations of the International Financial Reporting Standards Interpretations Committee (IFRS IC). We have applied all standards and interpretations that were in force as of December 31, 2021 and adopted by the European Union (EU). As of December 31, 2021, there were no standards or interpretations that affected our consolidated financial statements for the years ended December 31, 2021, 2020 and 2019 that were in effect, but not yet endorsed into European law. As a result, our consolidated financial statements comply with both the IFRSs published by the International Accounting Standards Board (IASB) and those adopted by the EU. These consolidated financial statements also take into account the supplementary provisions under commercial law, which must be applied in accordance with Section 315e (1) of the German Commercial Code (Handelsgesetzbuch – HGB). In accordance with the regulations of the United States Securities and Exchange Commission, the statement of profit or loss is presented for a comparative period of three years. This extends beyond the comparative period of two years in accordance with the requirements of IFRS as adopted by the EU.

The consolidated financial statements as of the reporting dates of December 31, 2021 and 2020, as well as the periods from January 1 through December 31 for the years 2021, 2020 and 2019, comprise MorphoSys AG and its subsidiaries (collectively, the “MorphoSys Group” or the “Group”). MorphoSys AG prepares the consolidated financial statements for the largest and the smallest consolidated group.

All figures in this report were rounded to the nearest euro, thousand euros or million euros.

By virtue of MorphoSys’ business model, the COVID-19 pandemic has had a limited impact on MorphoSys’ net assets and financial position in 2021. The ongoing COVID-19 pandemic, however, has had a negative impact on the results of operations especially in 2021, specifically on lower than expected sales of Monjuvi. Furthermore, this also extends the uncertainties of planning assumptions relating to future Monjuvi-sales, which have significant effects on the financial assets and liabilities from collaborations. In addition, the adherence to the time schedule of the clinical studies was associated with higher expenses. There have been no material asset impairments that have been recognized in connection with COVID-19.

#### Structural Changes to the Segment Reporting

As of the first quarter of 2021, MorphoSys no longer presents the previous segment information for the Proprietary Development and Partnered Discovery segments as part of the regular internal reporting to the Management Board as the Company’s chief operating decision-maker. Internal reporting focuses exclusively on the key value drivers of future revenues from product sales, further market approvals for tafasitamab, and Group royalties. The previous segment reporting was published for the last time for external purposes as of December 31, 2020. Reporting now comprises only the consolidated statement of profit or loss and no longer includes separate segment reporting. With the acquisition of Constellation, efforts related to the marketing approvals of pelabresib and CPI-0209 will expand, but this does not result in any changes in the assessment of the segment reporting.

### **Structural Changes to the Consolidated Statement of Profit or Loss**

The change in the Company's internal management and corresponding financial guidance for the 2021 financial year also prompted changes in the presentation of the consolidated statement of profit or loss. The following changes were implemented for the first time with the reporting of 2021:

- Presentation of the components of revenue "Product Sales", "Royalties" and "Licenses, Milestones and Other"
- Introduction of the item "Gross Profit" on the statement of profit or loss as the difference between revenues and cost of sales
- "Operating Expenses" include research and development, as well as selling, general and administrative expenses. In this context, total operating expenses for 2020 were adjusted by €9.2 million (2019: €12.1 million) as the cost of sales are no longer included in this sum line item in order to provide comparable prior year information.
- Introduction of the item "Impairment of goodwill" on the statement of profit or loss as a component of "Operating expenses". In this context, research and development expenses for 2020 have been adjusted by €2.1 million to provide comparable information for the comparative period.
- The item "Earnings before Interest and Taxes" (EBIT) on the statement of profit or loss has been discontinued
- Introduction of the item "Operating Profit (+) / Loss (-)" on the statement of profit or loss as the difference between the statement's items "Gross Profit" and "Operating Expenses"

The prior year's presentation of the figures has been adjusted accordingly in order to provide comparable information for the previous years.

### **Structural Changes to the Consolidated Balance Sheet**

To improve readability, adjustments were made to the presentation in the consolidated balance sheet. The following changes were implemented for the first time for the reporting in 2021:

- Consolidation of the asset items "Financial Asset at Fair Value through Profit or Loss" and "Other Financial Assets at Amortized Cost" into the item "Other Financial Assets"
- Asset items "Inventories, Net", "Property, Plant and Equipment, Net" and "Right-of-Use Assets, Net" have the term "Net", "Prepaid Expenses and Other Current Assets" has the term "Current" and "Prepaid Expenses and Other Assets, Net of Current Portion" has the term "Net of Current Portion" deleted
- Consolidation of the asset items "Patents, net", "Licenses, net", "Licenses for Marketed Products", "In-process R&D Programs" and "Software, net" into the item "Intangible Assets"
- Change in the name of current and non-current liability line items "Other Provisions" to "Provisions" and "Convertible Bond" to "Bonds"
- Deletion of the term "current portion" for all current liability items and "excluding current portion" for all non-current liability items

The prior year's presentation of the figures has been adjusted accordingly in order to provide comparable information for the previous years.

### **Structural Changes to the Consolidated Statement of Changes in Stockholders' Equity**

To improve readability, adjustments were made to the consolidated statement of changes in stockholders' equity. The following changes were implemented for the first time for the reporting in 2021:

- Change in the name of "Compensation Related to the Grant of Stock Options and Performance Shares" to "Expenses through Share-based Payment Transactions and Issue of Convertible Instruments"
- Change in the name of "Transfer of Treasury Stock to Related Parties" to "Transfer of Treasury Stock to Members of the Management Board" and of "Exercise of Convertible Bonds Issued" to "Exercise of Convertible Bonds Issued to Related Parties"

The prior year's presentation of the figures has been adjusted accordingly in order to provide comparable information for the previous years.

## Structural Changes to the Consolidated Statement of Cash Flows

The aggregation of items and changes in the titles of balance sheet items resulted in corresponding changes in the cash flow statement:

- Consolidation of the items "Net (Gain) / Loss of Financial Assets at Fair Value through Profit or Loss" and "Net (Gain) / Loss of Financial Assets at Amortized Cost" into the item "Net (Gain) / Loss of Other Financial Assets"
- Consolidation of the items "Recognition of Contract Liability" and "Contract Liability" into the item "Contract Liability"
- Consolidation of the items "Cash Payments to Acquire Financial Assets at Fair Value through Profit or Loss" and "Cash Payments to Acquire Other Financial Assets at Amortized Cost" into the item "Cash Payments to Acquire Other Financial Assets"
- Consolidation of the items "Cash Receipts from Sales of Financial Assets at Fair Value through Profit or Loss" and "Cash Receipts from Sales of Other Financial Assets at Amortized Cost" into the item "Cash Receipts from Sales of Other Financial Assets"
- Split of the item "Cash Receipts from (+) / Cash Payments for (–) Derivative Financial Instruments" into "Cash Receipts from Derivative Financial Instruments" and "Cash Payments for Derivative Financial Instruments"
- Change in the name of "Non Cash Effective Change of Financial Liabilities at Amortized Cost" to "Non Cash Effective Change of Bonds", "Accounts Payable and Accruals, Lease Liabilities, Tax Liabilities and Other Provisions" to "Accounts Payable and Accruals, Lease Liabilities, Tax Liabilities and Provisions", of "Cash Payments for Acquisitions of Shares at Fair Value through Other Comprehensive Income" to "Cash Payments for Acquisitions" and of "Cash Proceeds in Connection with Convertible Bonds Granted to Related Parties" to "Cash Proceeds in Connection with Exercised Stock Options and Convertible Bonds"

The prior year's presentation of the figures has been adjusted accordingly in order to provide comparable information for the previous years.

Unless stated otherwise, the accounting policies set out below were applied consistently to all periods presented in these consolidated financial statements.

### 2.1.2 Changes in Accounting Standards and Disclosures

The accounting standards applied generally correspond to the policies used in the prior year.

#### New or Revised Standards and Interpretations Adopted for the first Time in the Financial Year

<u>Standard / Interpretation</u>		<u>Mandatory Application for financial years starting on</u>	<u>Adopted by the European Union</u>	<u>Possible Impact on MorphoSys</u>
IFRS 16 (A)	Covid-19-Related Rent Concessions beyond 30 June 2021	01/01/2021	yes	none
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (A)	Interest Rate Benchmark Reform – Phase 2	01/01/2021	yes	yes
IFRS 4 (A)	Deferral of IFRS 9	01/01/2021	yes	none

(A) Amendments

The impact on the consolidated financial statements from the amendment to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 is not considered to be material and are therefore not explained separately. Standards with the remark "none" do not have an impact on the consolidated financial statements.

#### New or Revised Standards and Interpretations not yet Mandatorily Applicable

The following new or revised standards that were not yet mandatory in the reporting period or have not yet been adopted by the European Union, have not been applied prematurely. The effects on the consolidated financial statements of standards marked with "yes" are considered probable and are currently being examined by the Group. Only significant effects are described in more detail. The impact on the consolidated financial statements of the amendments to IAS 1, IAS 8 and IAS 12 are not considered material and, therefore, not explained separately. Standards with the comment "none" are not expected to have a material impact on the consolidated financial statements.

<u>Standard / Interpretation</u>		<u>Mandatory Application for financial years starting on</u>	<u>Adopted by the European Union</u>	<u>Possible Impact on MorphoSys</u>
IFRS 3 (A)	Reference to the Conceptual Framework	01/01/2022	yes	none
IFRS 17 and IFRS 17 (A)	Insurance Contracts and Amendments to IFRS 17	01/01/2023	yes	none
IFRS 17 (A)	Initial Application of IFRS 17 and IFRS 9 — Comparative	01/01/2023	no	none
IAS 1 (A)	Classification of Liabilities as Current or Non-current	01/01/2023	no	yes
IAS 1 (A)	Disclosure of Accounting Policies	01/01/2023	no	yes
IAS 8 (A)	Definition of Accounting Estimates	01/01/2023	no	yes
IAS 12 (A)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	01/01/2023	no	yes
IAS 16 (A)	Property, Plant and Equipment — Proceeds before Intended Use	01/01/2022	yes	none
IAS 37 (A)	Amended by Onerous Contracts — Cost of Fulfilling a Contract	01/01/2022	yes	none
	Annual Improvements to International Financial Reporting Standards, 2018 – 2020	01/01/2022	yes	none

(A) Amendments

## 2.2 Consolidation Principles

### 2.2.1 Consolidated Companies and Scope of Consolidation

MorphoSys AG, as the ultimate parent company, is located in Planegg, near Munich. MorphoSys AG has one wholly owned subsidiary, MorphoSys US Inc. (Boston, Massachusetts, USA). MorphoSys US Inc. in turn has a wholly owned subsidiary - Constellation Pharmaceuticals, Inc. (Cambridge, Massachusetts, USA). Constellation Pharmaceuticals, Inc. also has a wholly owned subsidiary, Constellation Securities Corp. (Cambridge, Massachusetts, USA). Constellation Pharmaceuticals, Inc. and Constellation Securities Corp. are collectively referred to as “Constellation”, and all entities constitute the “MorphoSys Group” or “Group”.

Following the acquisition on July 15, 2021, Constellation Pharmaceuticals, Inc. was merged into MorphoSys Development Inc., which was incorporated as a wholly owned subsidiary of MorphoSys US Inc. on May 28, 2021, in accordance with the merger agreement. From this upward merger, Constellation Pharmaceuticals, Inc. remained as a wholly owned subsidiary of MorphoSys US Inc.

The consolidated financial statements as of December 31, 2021, were prepared by the Management Board on March 15, 2022, by resolution of the Management Board, authorized for issue, and forwarded to the Supervisory Board for review and approval. The members of the Group’s Management Board are Jean-Paul Kress, M.D., as Chief Executive Officer (Chair of the Management Board), Sung Lee as Chief Financial Officer and Malte Peters, M.D., as Chief Research and Development Officer.

Sung Lee assumed the position as Chief Financial Officer on February 2, 2021.

Roland Wandeler, Ph.D., stepped down as a member of the Management Board with effect from the end of December 31, 2021.

### 2.2.2 Consolidation Methods

The following Group subsidiaries are included in the scope of consolidation, as shown in the table below.

<u>Company</u>	<u>Purchase of Shares / Establishment</u>	<u>Included in Basis of Consolidation since</u>
Constellation Pharmaceuticals, Inc., Cambridge, Massachusetts, USA	July 2021	07/15/2021
Constellation Securities Corp., Cambridge, Massachusetts, USA	July 2021	07/15/2021
MorphoSys US Inc., Boston, Massachusetts, USA	July 2018	07/02/2018

These subsidiaries are fully consolidated as they are direct or indirect wholly owned subsidiaries. MorphoSys controls the subsidiaries due to its full power over the investees. Additionally, MorphoSys is subject to risk exposure and has rights to variable returns from its involvement with the investees. MorphoSys also has unlimited capacity to exert power over the investees to influence its returns.

The Group does not have any entities consolidated as joint ventures using the equity method, nor does it exercise a significant influence.

The assets and liabilities of the fully consolidated international entities are recognized using Group-wide uniform accounting and valuation methods. The consolidation methods applied have not changed from the previous year.

Upon consolidation, the carrying amounts of the parent company's investments in each subsidiary are offset against the parent's share in the equity of each subsidiary. Inter-company assets and liabilities, income and expenses, and profits or losses arising from transactions between Group companies are eliminated in full.

### **2.3 Principles of Foreign Currency Translation**

The Group's consolidated financial statements are presented in euros, which is also the parent company's functional currency. For each entity, the Group determines the functional currency. The items included in the financial statements of each entity are measured using that functional currency.

#### **Transactions and Balances**

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized in other income or expenses. For monetary items relating to investing and financing activities, differences are recognized in finance income or finance expenses.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

#### **Group Companies**

On consolidation, the assets and liabilities of foreign operations are translated into euros at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at average exchange rates. The exchange differences arising on translation for consolidation are recognized in "Other Comprehensive Income Reserve" (equity).

### **2.4 Key Estimates and Assumptions**

In preparing the consolidated financial statements, it is necessary to make estimates and assumptions that affect the carrying amounts of assets, liabilities and contingent liabilities at the balance sheet date and the amounts of income and expense recognized in the period under report. The actual results may differ from these estimates. The estimates and underlying assumptions are subject to continuous review and are based on historical experience and other factors, including the expectation of future events that are believed to be realistic under the prevailing circumstances. Any changes in estimates are recognized in the period in which the changes are made and in all relevant future periods. The resulting accounting-related estimates will, by definition, seldom correspond to the actual results.

The estimates and assumptions that carry a significant risk of causing material adjustments to the carrying amounts of assets and liabilities in the next financial year are addressed below.

#### **Revenues**

Revenues from product sales, royalties, license fees, milestones are subject to assumptions regarding variable consideration components, probabilities of occurrence and individual selling prices within the scope of the accounting and measurement principles explained in Note 2.6.1. Accruals in connection with revenues from product sales are also affected by estimates and assumptions.

#### **Impairment of Financial Assets**

Impairment losses on financial assets in the form of debt instruments and accounts receivable are based on assumptions about credit risk. The Group exercises discretion in making these assumptions and in selecting the inputs to calculate the impairment based on past experience, current market conditions and forward-looking estimates at the end of each reporting period.

### **Financial Assets and Liabilities from Collaborations**

For details on estimates and assumptions in connection with financial assets and liabilities from collaborations refer to Note 5.18.

### **Leases**

In determining the lease term, all facts and circumstances are considered that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

### **Licenses for Marketed Products**

The acquired licenses are amortized over their estimated useful life. An impairment loss is recognized when events or changes in circumstances indicate that the licenses are impaired.

### **Intangible assets not yet available for use and Goodwill**

The Group performs an annual review to determine whether in-process R&D programs (intangible assets not yet available for use) or goodwill is subject to impairment in accordance with the accounting policies discussed in Note 2.7.9. The recoverable amounts from in-process R&D programs and cash-generating units have been determined using value-in-use calculations and are subjected to a sensitivity analysis. These calculations require the use of estimates (see Notes 5.10 and 5.11).

### **Accruals**

The Group has entered into various research and development contracts with research institutions and other companies. These agreements are generally cancellable, and related costs are recorded as research and development expenses as incurred. The Group recognizes accruals for estimated ongoing research costs that have been incurred. When evaluating the appropriateness of the deferred expenses, the Group analyzes the progress of the studies, including the phase and completion of events, invoices received and contractually agreed costs. Significant judgments and estimates are made in determining the deferred balances at the end of any reporting period. Actual results may differ from the Group's estimates. The Group's historical accrual estimates have not been materially different from the actual costs.

### **Financial Liabilities from Future Payments to Royalty Pharma**

For details on estimates and assumptions in connection with the financial liabilities from future payment to Royalty Pharma refer to Note 5.19.

### **Income Taxes**

Income taxes comprise taxes levied in the individual countries on taxable profit and changes in deferred taxes. The income taxes reported are recognized on the basis of the statutory regulations in force or enacted as of the reporting date in the amount in which they are expected to be paid or refunded. Deferred taxes are recognized for tax-deductible or temporary taxable differences between the carrying amounts of assets and liabilities in the IFRS balance sheet and the tax base, as well as for tax effects arising from consolidation measures and tax reduction claims arising from loss carryforwards that are likely to be realized in subsequent years. Goodwill is excluded.

The assessment of the recoverability of deferred tax assets considers the currently achieved total results of a legal entity as well as the expected future taxable results, derived from the corporate planning. The recognition of deferred tax assets on tax loss carryforwards requires management to make estimates and judgments about the amount of future taxable profit available against which the tax loss carryforwards can be utilized. Deferred tax assets on loss carryforwards are only recognized to the extent that sufficient taxable income is expected in the future.

Uncertain tax positions are analyzed on an ongoing basis and, if taxes are sufficiently probable, risk provisions are recognized in an appropriate amount in each case. Uncertainties arise, among other things, from matters that are being discussed in ongoing tax audits but have not yet resulted in final findings or are under discussion due to disputed legal situations or new case law.

As the estimates can change over time, for example, as a result of findings in the course of the tax audit or current case law, there will also be a corresponding effect on the amount of the required assessment of the risk provision. The amount of the expected tax liability or tax receivable reflects the amount representing the best estimate or the expected value, taking into account any existing tax uncertainties.

For the assessment of the impairment of deferred tax assets, the planning assumptions are influenced by key estimates and mainly include the profit forecasts of the respective legal entities.

## **Effects of Climate Change on Financial Reporting**

In fiscal year 2021, the company analyzed potential sustainability risks in the areas of climate change and water scarcity. In both areas, the Company has not identified any material risks to its business model. Therefore, the Company does not currently expect any material impact of sustainability risks on its financial reporting.

### **2.5 Business Combinations**

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred.

Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Acquisition related costs are expensed in the general and administrative expenses as incurred.

The excess of the consideration transferred over the fair value of the net identifiable assets acquired is recorded as goodwill and allocated to a cash-generating unit. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

### **2.6 Accounting Policies applied to Line Items of the Statement of Profit or Loss**

#### **2.6.1 Revenues**

Recognizing revenue from contracts with customers requires the following five-stage approach:

- Identification of the contract
- Identification of performance obligations
- Determination of the transaction price
- Allocation of the transaction price
- Revenue recognition

The Group's revenues typically include revenue from product sales, royalties, license fees, milestone payments and service fees.

#### **Revenues from Product Sales**

Revenues from the sale of MorphoSys products are recognized at the transaction price at the time the customer obtains control of the product. This is defined as the point at which the customer receives the product. As a result, revenues are recognized based on a specific point in time. The transaction price represents the consideration expected by MorphoSys in exchange for the product and takes into account variable components. The variable consideration is only included in the transaction price if it is highly probable that there will not be a subsequent material adjustment to the transaction price.

The most common elements of variable consideration related to product sales at MorphoSys are listed below and are determined according to the expected value approach.

- Rebates and discounts agreed with government agencies, buying groups, specialty distributors and specialty pharmacies are accrued and deducted from revenues at the time the related revenues are recognized. They are calculated based on actual discounts and rebates granted, specific regulatory requirements, specific terms in individual agreements, product pricing and/or the anticipated sales channel mix. Because the Company recognizes revenue upon transfer of control of the product to specialty distributors and specialty pharmacies, and not upon transfer to the end-user (patient), for certain rebates the Company is required to estimate the mix of product sales between its sales channels in determining the amount of rebate that will ultimately be paid.
- Discounts offered to customers are intended to encourage prompt payment and are deferred and recognized as revenue deductions at the time the related revenues are recognized.
- Accruals for product returns are recognized as revenue deductions at the time the corresponding revenues are recognized.

Variable consideration is deducted from trade receivables, in case these are directly paid to the direct customer. In case payments are to be made to another party, these are presented as accruals. Accruals for revenue deductions are adjusted to the

actual amounts when rebates and discounts and cash discounts are realized. The accruals represent estimates of the related obligations, meaning that management's judgment is required in estimating the impact of these revenue deductions.

### **Royalties**

Revenue recognition for royalties (income based on a percentage of sales of a marketed product) is based on the same revenue recognition principles that apply to sales-based milestones, as described below.

### **License Fees and Milestone Payments**

The Group recognizes revenues from license fees for intellectual property (IP) both at a point in time and over a period of time. The Group must make an assessment as to whether such a license represents a right-to-use the IP (at a point in time) or a right to access the IP (over time). Revenue for a right-to-use license is recognized by the Group when the licensee can use and benefit from the IP after the license term begins, e.g., the Group has no further obligations in the context of the out-licensing of a drug candidate or technology. A license is considered a right to access the intellectual property when the Group undertakes activities during the license term that significantly affect the IP, the customer is directly exposed to any positive or negative effects of these activities, and these activities do not result in the transfer of a good or service to the customer. Revenues from the right to access the IP are recognized on a straight-line basis over the license term.

Milestone payments for research and development are contingent upon the occurrence of a future event and represent variable consideration. The Group's management estimates at the contract's inception that the most likely amount for milestone payments is zero. The most likely amount method of estimation is considered the most predictive for the outcome since the outcome is binary; e.g. achieving a specific success in clinical development (or not). The Group includes milestone payments in the total transaction price only to the extent that it is highly probable that a significant reversal of accumulated revenue will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Sales-based milestone payments included in contracts for IP licenses are considered by the Group to be sales-based license fees because they are solely determined by the sales of an approved drug. Accordingly, such milestones are recognized as revenue once the sales of such drugs occur or at a later point if the performance obligation has not been fulfilled.

### **Service Fees**

Service fees for the assignment of personnel to research and development collaborations are recognized as revenues in the period the services were provided. If a Group company acts as an agent, revenues are recognized on a net basis.

### **Agreements with multiple Performance Obligations**

A Group company may enter into agreements with multiple performance obligations that include both licenses and services. In such cases, an assessment must be made as to whether the license is distinct from the services (or other performance obligations) provided under the same agreement. The transaction price is allocated to separate performance obligations based on the relative stand-alone selling price of the performance obligations in the agreement. The Group company estimates stand-alone selling prices for goods and services not sold separately on the basis of comparable transactions with other customers. The residual approach is the method used to estimate a stand-alone selling price when the selling price for a good or service is highly variable or uncertain.

### **Principle-Agent Relationships**

In agreements involving two or more independent parties who contribute to the provision of a specific good or service to a customer, the Group company assesses whether it has promised to provide the specific good or service itself (the company acting as a principal) or to arrange for this specific good or service to be provided by another party (the company acting as an agent). Depending on the result of this assessment, the Group company recognizes revenues on a gross (principal) or net (agent) basis. A Group company is an agent and recognizes revenue on a net basis if its obligation is to arrange for another party to provide goods or services, i.e., the Group company does not control the specified good or service before it is transferred to the customer. Indicators to assist a company in determining whether it does not control the good or service before it is provided to a customer and is, therefore, an agent, include, but are not limited to, the following criteria:

- Another party is primarily responsible for fulfilling the contract.
- The company does not have inventory risk.
- The company does not have discretion in establishing the price.

No single indicator is determinative or weighted more heavily than other indicators. However, some indicators may provide stronger evidence than others, depending on the individual facts and circumstances. A Group company's control needs to be

substantive; obtaining the legal title to a good or service only momentarily before it is transferred to the customer does not necessarily indicate that a Group company is a principal. Generally, an assessment as to whether a Group company is acting as a principal or an agent in a transaction requires a considerable degree of judgment.

Based on the relevant facts and circumstances, the assessment of an agreement may lead to the conclusion that the counterparty is a cooperation partner or partner rather than a customer because the contract parties share equally in the risk of co-developing a drug and in the future profits from the marketing of the approved drug.

### **2.6.2 Cost of Sales**

The cost of sales includes the acquisition and production cost of inventories recognized as an expense, personnel expenses, inventory write-downs, reversals of inventory write-downs, impairments and scheduled depreciation and other expenses for intangible assets, costs for external services as well as other costs. Cost of sales are recognized as an expense as incurred.

### **2.6.3 Operating Expenses**

Operating expenses are allocated to the functional costs on the basis of cost centers or percentage allocation keys.

#### **Research and Development Expenses**

Research costs are expensed in the period in which they occur. Development costs are generally expensed as incurred. Development costs are recognized as an intangible asset when the criteria such as the probability of expected future economic benefits, as well as the reliability of cost measurement, are met.

This line item contains personnel expenses, consumable supplies, impairment charges, impairment reversals, amortization and other costs related to intangible assets (additional information can be found in Note 5.10), costs for external services, infrastructure costs and depreciation as well as other costs.

#### **Selling Expenses**

The line item includes personnel costs, consumable supplies, amortization of intangible assets (software; additional information can be found in Note 5.10), costs for external services, infrastructure costs and depreciation as well as other costs. This item also includes all expenses for services provided by Incyte in connection with the joint US sales activities.

#### **General and Administrative Expenses**

The line item includes personnel costs, consumable supplies, amortization of intangible assets (software; additional information can be found in Note 5.10), costs for external services, infrastructure costs and depreciation as well as other costs.

#### **Expenses through Share-based Payment Transactions and Issue of Convertible Instruments**

The Group spreads the compensation expenses from the estimated fair values of share-based payments on the reporting date over the period in which the beneficiaries provide the services that triggered the granting of the share-based payments. Personnel expense is recognized in the respective functional area to which the beneficiary is allocated.

Share-based compensation is considered when the Group acquires goods or services in exchange for shares or stock options ("settlement in equity instruments") or other assets that represent the value of a specific number of shares or stock options ("cash settlement"). Additional information can be found in Note 6.

### **2.6.4 Income Tax Expenses / Benefits**

Current income taxes are calculated based on the respective local taxable income and local tax rules for the period. In addition, current income taxes presented for the period include adjustments for uncertain tax payments or tax refunds for periods not yet finally assessed, excluding interest expenses and penalties on the underpayment of taxes. In the event that amounts included in the tax returns are considered unlikely to be accepted by the tax authorities (uncertain tax positions), a provision for income taxes is recognized. Tax refund claims from uncertain tax positions are recognized when it is probable that they can be realized. Current taxes reflect the expected tax liability on the taxable income for the year, based on the enacted or substantially enacted tax rates, as well as adjustments to the tax liability for previous years.

Deferred tax assets or liabilities are calculated for temporary differences between the tax bases and the financial statement carrying amounts, including differences from consolidation, unused tax loss carryforwards, and unused tax credits. Measurement is based on enacted or substantively enacted tax rates and tax rules.

Deferred tax assets are offset against deferred tax liabilities when the taxes are levied by the same taxation authority, and the entity has a legally enforceable right to offset current tax assets against current tax liabilities according to their maturity.

Assessments as to the recoverability of deferred tax assets require the use of judgment regarding assumptions related to estimated future taxable profits. This includes the amounts of taxable future profits, the periods in which those profits are expected to occur, and the availability of tax planning opportunities. The Group records a deferred tax asset only when it is probable that a corresponding amount of taxable profit will be available against which the deductible temporary differences relating to the same taxation authority and the same taxable entity can be utilized.

The analysis and forecasting required in this process are performed for individual jurisdictions by qualified local tax and financial professionals. Given the potential significance surrounding the underlying estimates and assumptions, group-wide policies and procedures have been designed to ensure consistency and reliability around the recoverability assessment process. Forecast operating results are based upon approved business plans, which are themselves subject to a well-defined process of control. As a matter of policy, especially strong evidence supporting the recognition of deferred tax assets is required if an entity has suffered a loss in either the current or the preceding period.

Changes in deferred tax assets and liabilities are generally recognized through profit and loss in the consolidated statement of profit or loss, except for changes recognized directly in equity, and changes recognized in connection with a business combination, where the purchase price allocation results in deferred tax assets and liabilities being recognized as an offset against goodwill. Deferred tax assets are recognized only to the extent that it is likely that there will be future taxable income to offset. Deferred tax assets are reduced by the amount that the related tax benefit is no longer expected to be realized.

### **2.6.5 Earnings per Share**

The Group reports basic and diluted earnings per share. Basic earnings per share are computed by dividing the net profit or loss attributable to parent company shareholders by the weighted-average number of ordinary shares outstanding for the reporting period. Diluted earnings per share are calculated in the same manner with the exception that the net profit or loss attributable to parent company shareholders and the weighted-average number of ordinary shares outstanding are adjusted for any dilutive effects resulting from stock options and restricted stock units granted to the Management Board and employees and convertible bonds. The potentially dilutive shares are excluded from the calculation of the dilutive earnings per share, if the dilutive effect would result in a decline in the loss per share for the respective year.

## **2.7 Accounting Policies applied to Line Items of the Balance Sheet**

The balance sheet is presented on the basis of the current/non-current distinction. Current assets and liabilities are those that are due within a period of one year. Regardless of their maturity, accounts receivable, accounts payable and inventories are also deemed to be current if they are due or sold within the normal course of a business cycle, which can be longer than one year. Deferred taxes are presented as non-current assets and liabilities.

### **2.7.1 Financial Instruments**

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and liabilities comprise non-derivative and derivative receivables and payables.

The Group recognizes financial instruments at the point in time when it becomes the contractual party of the instrument. A normal market purchase or sale of financial assets is recognized on the trade date, i.e. the date on which the obligation to buy or sell the asset was entered into.

On initial recognition, the Group measures financial assets and financial liabilities at fair value, with the exception of trade receivables without a significant financing component, which are measured at the transaction price specified in section 2.6.1.

When the financial asset is not subsequently measured at fair value in profit or loss, transaction costs directly attributable to the acquisition of that asset will be added to the fair value. Transaction costs of financial assets measured at fair value through profit or loss are recognized as expenses in profit or loss.

Direct attributable transaction costs are deducted from the fair value if they are attributable to financial liabilities measured at amortized cost. Transaction costs are recognized directly in profit or loss if they are related to the issue of financial liabilities measured at fair value.

Financial assets and liabilities are offset only when it is currently legally enforceable to offset the amounts and there is an intention to do so. The Group does not perform offsetting.

## **Financial Assets**

### **Classification, Measurement and Disclosure**

The Group's financial assets include both debt instruments and equity instruments. A debt instrument is a contractual right to receive cash or another financial asset from another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the entity. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

The classification of financial assets (debt instruments) for subsequent measurement depends on the Group's business model for managing the financial assets and the asset's cash flow characteristics. The business model reflects how the Group manages its financial assets to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. A financial asset can give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This SPPI test involves an assessment of whether the cash flows of the instrument consist solely of payments of interest and principal. Interest is typically consideration for the time value of money and credit risk. Payments of principal are payments on the principal amount outstanding.

Assets that are held in order to collect the contractual cash flows and for which these cash flows represent interest and principal payments only are measured at amortized cost (AC). Interest income from these financial assets is recognized in finance income using the effective interest method. Negative interests are recognized in Finance Expense. Gains and losses upon derecognition are recognized directly in profit or loss and recorded in the finance result. Impairment losses are recognized as a separate line item in profit or loss. The Group's financial assets at amortized cost comprise the balance sheet item "Cash and Cash Equivalents", part of the balance sheet item "Other Financial Assets" (term deposits), the balance sheet item "Accounts Receivable" and part of the balance sheet item "Prepaid Expenses and Other Assets" (restricted cash for e.g. rental deposits).

The Group considers all bank balances, cash in hand and short-term deposits with a maturity of three months or less from the date of acquisition to be cash and cash equivalents.

Assets that are held to collect the contractual cash flows and to sell the financial assets and where the cash flows represent principal and interest payments only are measured at fair value through other comprehensive income (FVOCI). The Group does not hold any financial assets that are measured at fair value through other comprehensive income.

Assets that do not meet the criteria of the categories "at amortized cost" or "at fair value through other comprehensive income" are allocated to the category "at fair value through profit or loss" (FVTPL). Gains and losses on debt instruments that are subsequently measured at fair value through profit or loss are recognized in other income/expenses or the finance result in the period in which they occur. The Group's financial assets measured at fair value through profit or loss include part of the balance sheet item "Other Financial Assets" (money market funds) and the balance sheet item "Financial Assets from Collaborations". Derivatives with a positive fair value are recorded in the balance sheet item "Other Receivables" and derivatives with a negative fair value are recorded in the balance sheet item "Other Liabilities".

MorphoSys does not apply hedge accounting.

The Group reclassifies debt instruments only in case when there is a change in the business model for managing such assets.

For investments in equity instruments that are not held for trading, classification depends on whether the Group has irrevocably elected, at the time of initial recognition when the instrument is acquired, to measure the equity instruments at fair value through other comprehensive income. If this option is not exercised, equity instruments are measured at fair value through profit or loss. The Group has exercised the option to measure all equity instruments held at fair value through other comprehensive income. As a result, after derecognition of such an instrument, no subsequent reclassification of these gains and losses to the consolidated income statement takes place. Dividends from such instruments continue to be recognized in profit or loss under other income when the Group's right to receive payment is established. Equity instruments include the equity investments made by the Group.

### **Impairment and Reversal of Impairment**

Financial assets in the categories measured at amortised cost (AC) and at fair value through other comprehensive income (FVOCI) require the calculation of an impairment loss, which is recognized on the basis of expected credit losses. A distinction is made between a general and a simplified impairment model.

Impairment losses on financial instruments are reported under impairment losses on financial assets. Reversals of impairment are recognized in income from reversals of impairment losses.

Impairment losses on trade receivables are reported in other expenses. Amounts, which were written off previously, but are received in subsequent periods, are recognized in other income.

## **Financial Instruments according to General Expected Credit Loss Model**

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost. When a debt instrument is recognized for the first time, an impairment loss is recognized in the amount of the expected loss for twelve months. The impairment method applied depends on whether there has been a significant increase in credit risk. If at the reporting date, the credit risk of a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to twelve-month expected credit losses (Level 1). Where the expected lifetime of an asset is less than twelve months, expected losses are measured at its expected lifetime. Expected credit losses are based on the contractual cash flows multiplied by the premium of a credit default swap according to the expected maturity of the contracting party (Level 1). In case the credit risk of a financial instrument has increased significantly since initial recognition, the Group measures impairment for that financial instrument at an amount equal to the lifetime expected credit losses. The Group currently classifies an increase in credit risk on debt instruments as significant when the premium on a counterparty credit default swap has increased by 100 basis points since the initial recognition of the instrument or if the amount is more than 30 days overdue (Level 2). If there is an objective indication of impairment, the interest received must also be adjusted so that the interest as of this date is accrued based on the net carrying amount (carrying amount less risk provisions) of the financial instrument (Level 3).

## **Financial Instruments according to Simplified Expected Credit Loss Model**

In the case of accounts receivable, the Group applies the simplified approach, which requires expected lifetime losses to be recognized from the initial recognition of the receivables (Level 2). In the event of objective evidence of impairment of trade receivables, such assets are reported as credit-impaired and the expected loss is calculated as the difference between the gross carrying amount and the present value of the expected cash flows discounted at the original effective interest rate (Level 3).

All accounts receivable were aggregated to measure the expected credit losses. All accounts receivable are currently due from customers in the pharmaceutical industry with similar credit risk profiles. The impairment is determined on the basis of the premium for an industry credit default swap. In the event that accounts receivable cannot be grouped together, they are measured individually.

Objective indications of the impairment of financial instruments may result from an overdue period of more than 90 days, significant financial difficulties on the part of the issuer or debtor, a breach of contract such as a default or delay in interest or principal payments, an increased probability of insolvency or other reorganization proceedings, or the disappearance of an active market for a financial asset due to financial difficulties.

Financial instruments are impaired if, based on a reasonable estimate, they are not expected to be realized and one of the objective indications occurs. An indicator that there is no reasonable expectation of recovery is, among other things, when internal or external information indicates that the Group will not receive the outstanding contractual amounts in full. This is generally assumed if financial instruments are more than two years overdue.

## **Derecognition**

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

## **Financial Liabilities**

### **Classification, Measurement and Disclosure**

Contracts for liabilities are examined to determine whether they are only equity or only debt in nature or contain components of both. If the economic substance of the contractual agreement contains both components, they are recognized separately as equity instruments and as financial liabilities.

Financial liabilities are classified in the following categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortized cost

Subsequent measurement at fair value through profit or loss (FVTPL) can be irrevocably designated upon initial recognition or is performed for derivatives with a negative fair value. Gains or losses arising from changes in fair value are recognized in profit or loss in the financial result. The Group does not make a designation for measurement at fair value.

Financial liabilities measured at amortized cost (FLAC) are measured using the effective interest method. Gains and losses are recognized in the income statement in other income/expenses or in the financial result using the effective interest method. For financial liabilities measured at amortized cost, an assessment is made at initial recognition as to whether separable embedded derivatives have been agreed in the contract. Embedded derivatives must be separated and recognized separately at fair value

through profit or loss unless their terms are closely related to the host contract. The Group's financial liabilities measured at amortized cost include trade payables (part of the balance sheet item "Accounts Payable and Accruals"), the balance sheet items "Financial Liabilities from Collaborations" and the balance sheet items "Financial Liabilities from Future Payments to Royalty Pharma".

For contracts with equity and liability components, the fair value of the liability component is determined at the time of initial recognition using the market interest rate applicable to comparable instruments. This amount is recognized as a financial liability measured at amortized cost until the contract is settled or becomes due. The component classified as equity is determined by the difference between the total value of the contract and the fair value of the liability component. The resulting amount, net of income tax effects, is recognized as part of equity in additional paid-in capital and is not adjusted in subsequent periods. Transaction costs associated with the instrument are allocated between the two components based on the allocation of proceeds. Transaction costs attributable to the debt component are deducted from the carrying amount of the debt component and are amortized over the life of the contract using the effective interest method. Such a contract includes the convertible bond in the balance sheet item "Bonds". The exercise of the conversion option does not give rise to a gain or loss, but rather to a derecognition of the liability and a recognition of equity.

All amounts on financial liabilities at amortized cost that are payable within the next twelve months, are reported as a current liability. For bonds the undiscounted cash flows within the next twelve are considered as current. For the financial liabilities from collaborations and the financial liabilities from future payments to Royalty Pharma the planned payments in the next twelve months are discounted to determine the current liability.

### **Derecognition**

A financial liability is derecognized when the underlying obligation is discharged, cancelled or expires.

### **2.7.2 Income Tax Receivables and Other Receivables**

Income tax receivables mainly include receivables due from tax authorities in the context of capital gain taxes withheld to the nominal value without discount.

### **2.7.3 Inventories**

Inventories are measured at the lower value of production or acquisition cost and net realizable value under the first-in, first-out method. Acquisition costs comprise all purchase costs, including those incurred in bringing the inventories into operating condition, and take purchase price reductions into account, such as bonuses and discounts. Manufacturing costs comprise all directly attributable costs as well as reasonably allocated overhead. Net realizable value is the estimated selling price less the estimated expenses necessary for completion and sale. Inventories are divided into the categories of raw materials and supplies, as well as unfinished and finished goods.

Inventory of tafasitamab used for clinical trials or research activities are presented as other current assets and once it is used costs are recognized in the income statement under research and development expenses when consumed.

### **2.7.4 Prepaid Expenses and Other Assets**

Prepaid expenses include expenses resulting from an outflow of liquid assets prior to the reporting date that are only recognized as expenses in the subsequent financial year. Such expenses usually involve maintenance contracts, sublicenses and upfront payments for external laboratory services not yet performed.

Current other assets primarily consist of receivables from tax authorities from input tax surpluses, combination drugs as well as receivables from upfront payments. Measurement is at nominal value or acquisition cost less impairments.

### 2.7.5 Property, Plant and Equipment

Property, plant and equipment are recorded at historical cost less accumulated depreciation (see Note 5.8) and any impairment losses (see Note 2.7.9). Historical cost includes expenditures directly related to the purchase at the time of the acquisition. Replacement purchases, building alterations and improvements are capitalized, whereas repair and maintenance expenses are recognized as expenses as they are incurred. Property, plant and equipment are depreciated on a straight-line basis over their estimated useful life (see table below). Leasehold improvements are depreciated on a straight-line basis over the shorter of either the asset's estimated useful life or the remaining term of the lease.

<u>Asset Class</u>	<u>Useful Life</u>	<u>Depreciation Rates</u>
Office Equipment	8 years	13 %
Laboratory Equipment	4 years	25 %
Low-value Office and Laboratory Equipment	Immediately	100 %
Computer Hardware	3 years	33 %
Permanent Improvements to Property/Buildings	10 years	10 %

The residual values and useful lives of assets are reviewed at the end of each reporting period and adjusted when necessary.

Borrowing costs that can be directly attributed to the acquisition, construction or production of a qualifying asset are not included in the acquisition or production costs.

### 2.7.6 Leases

For lessees, a uniform approach is applied to the recognition of leases, according to which assets for the right-of-use assets of the leased assets and liabilities for the payment obligations entered into are required to be recognized in the balance sheet for all leases. At the time a leased asset becomes available for the Group's use, a right-of-use asset and corresponding lease liability are recognized in the balance sheet.

Right-of-use assets are measured at cost, which is calculated as the lease liability plus lease payments made at or before the date on which the asset is made available for use, less lease incentives received and additional initial direct costs and dismantling obligations. Subsequent measurement of right-of-use assets is at amortized cost. The right-of-use assets are amortized on a straight-line basis over the shorter of either the useful life or the term of the lease agreement and the amortization is recognized in profit or loss.

The lease liability is the present value of the fixed and variable lease payments that are paid during the term of the lease less any lease incentives receivable. The discounting is carried out based on the implied interest rate underlying the lease contract if the rate can be determined. If not, discounting is carried out based on the lessee's incremental borrowing rate, i.e., the interest rate a lessee would need to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of similar value and condition to the right-of-use asset in a similar economic environment.

In subsequent measurement, the carrying amount of the lease liability is increased to reflect the interest expense on the lease liability and reduced to reflect the lease payments made. Each lease installment is separated into a repayment portion and a financing expense portion. Finance expenses are recognized in profit or loss over the term of the lease.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

The payments for the redemption of lease liabilities and the payments attributable to the interest portion of the lease liabilities are allocated to cash flow from financing activities.

For low-value leases and short-term leases (terms of less than twelve months), mainly technical equipment, use is made of the simplified application. Accordingly, no right-of-use assets or lease liabilities are recognized; instead, the lease payments are recognized as an expense over the term of the lease.

Impairment losses are recognized in accordance with the principles described in Note 2.7.9.

### 2.7.7 Intangible Assets

Purchased intangible assets are capitalized at acquisition cost and exclusively amortized on a straight-line basis over their useful lives. Internally generated intangible assets are recognized to the degree the corresponding recognition criteria are met.

Development costs are capitalized as intangible assets when the corresponding capitalization criteria have been met, namely, clear specification of the product or procedure, technical feasibility, intention of completion, use, commercialization, coverage of development costs through future free cash flows, reliable determination of these free cash flows and availability of sufficient resources for completion of development and sale. Amortization of intangible assets is recorded in cost of sales or research and development expenses.

Expenses to be classified as research expenses are allocated to research and development expenses.

Subsequent expenditures for capitalized intangible assets are capitalized only when they substantially increase the future economic benefit of the specific asset to which they relate. All other expenditures are expensed as incurred.

### Patents

Patents obtained by the Group are recorded at acquisition cost less accumulated amortization (see below) and any impairment (see Note 2.7.9). Patent costs are amortized on a straight-line basis over the lower of the estimated useful life of the patent (ten years) or the remaining patent term. Amortization starts when the patent is issued. Technology identified in the purchase price allocation for the acquisition of Sloning BioTechnology GmbH was recorded at the fair value at the time of acquisition, less accumulated amortization in subsequent measurement (useful life of 10 years).

### Licenses

The Group has acquired license rights from third parties by making upfront license payments, paying annual fees to maintain the license and paying fees for sublicenses. The Group amortizes upfront license payments on a straight-line basis over the estimated useful life of the acquired license (8 to 13 years). The amortization period and method are reviewed at the end of each financial year. Sublicense fees are amortized on a straight-line basis over the term of the contract or the estimated useful life of the collaboration for contracts without a set duration.

### Licenses for Marketed Products

The balance sheet item contains prepaid license fees and milestone payments for Monjuvi that are subsequently paid after the milestones have been reached. The Group amortizes those payments over the estimated useful life of the acquired license. The duration and method of amortization are reviewed at the end of each financial year. In the case of triggering events, the asset is tested for any impairment. Because the Group applies the cost accumulation approach, milestones in the near future are not taken into account.

### In-Process R&D Programs

This line item contains capitalized payments from the in-licensing of compounds, as well as milestone payments for these compounds subsequently paid as milestones were achieved. Additionally, intangible assets identified in a business combination are included in this balance sheet item. No market approvals have been granted for those compounds.

### Internally Generated Intangible Assets

In 2021, certain development costs related to tafasitamab and Monjuvi have been capitalized as internally generated intangible assets for the first time, as the recognition criteria, as stated above, are met. The development of these assets is currently not yet completed and therefore they are not yet subject to amortization. Until the development activities are completed, the capitalized assets will undergo an annual impairment test.

### Software

Software is recorded at acquisition cost less accumulated amortization (see below) and any impairment (see Note 2.7.9). Amortization is recognized in profit or loss on a straight-line basis over the estimated useful life of three to five years. Software is amortized from the date the software is operational.

<u>Intangible Asset Class</u>	<u>Useful Life</u>	<u>Amortization Rates</u>
Patents	10 years	10 %
Licenses and Licenses for Marketed Products	8 - 24 years	13% - 4%
In-process R&D Programs and Internally Generated Intangible Assets	Not yet amortized, Impairment Only	—
Software	3 to 5 years	33% - 20%

### **2.7.8 Goodwill**

Goodwill is recognized from business combinations. Goodwill is tested annually for impairment (see Notes 2.7.9 and 5.11).

### **2.7.9 Impairment of Non-Financial Assets**

The carrying amounts of the Group's non-financial assets and inventories are reviewed at each reporting date for any indication of impairment. The non-financial asset's recoverable amount and the inventory's net realizable value are estimated if such indication exists. For goodwill and intangible assets that have indefinite useful lives or are not yet available for use, the recoverable amount is estimated at the same time each year or determined on an interim basis, if required. Impairment is recognized if the carrying amount of an asset or the cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value-in-use or its fair value less the cost of disposal. In assessing value-in-use, the estimated future pre-tax cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purposes of impairment testing, assets that cannot be tested individually are grouped into the smallest group of assets that generates cash flows from ongoing use that are largely independent of the cash flows of other assets or CGUs. A ceiling test for the operating segment must be carried out for goodwill impairment testing. CGUs that have been allocated goodwill are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination may be allocated to groups of CGUs that are expected to benefit from the combination's synergies.

The Group's corporate assets do not generate separate cash flows and are utilized by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and are tested for impairment as part of the impairment testing of the CGU that was allocated the corporate asset.

Impairment losses are recognized in profit or loss. Goodwill impairment cannot be reversed. For all other assets, the impairment recognized in prior periods is assessed on each reporting date for any indications that the losses decreased or no longer exist. Impairment is reversed when there has been a change in the estimates used to determine the recoverable amount. Impairment losses can only be reversed to the extent that the asset's carrying amount does not exceed the carrying amount net of depreciation or amortization that would have been determined if an impairment had not been recognized.

### **2.7.10 Accounts Payables, Accruals and Provisions**

Accounts payable are presented in Note 2.7.1 under financial liabilities at amortized cost.

Accruals are recognized for obligations to third parties arising from past events that are uncertain in their timing or amount. Furthermore, accruals are only recognized for legal or factual obligations to third parties if the event's occurrence is more likely than not. Accruals are recognized in the amount required to settle the respective obligation and discounted to the reporting date when the interest effect is material. The amount required to meet the obligation also includes expected price and cost increases. The interest portion of the addition to accruals is recorded in the finance result. The measurement of accruals is based on past experience and considers the circumstances in existence on the reporting date. These non-financial liabilities with a maturity of more than one year are discounted to their present value.

Provisions mainly include cash-settled share-based payments.

### **2.7.11 Contract Liabilities**

Upfront payments from customers for services to be rendered by the Group and revenue that must be recognized over a period of time are deferred and measured at the nominal amount of cash received. For current contract liabilities, the corresponding rendering of services and revenue recognition is expected to occur within a twelve-month period following the reporting date.

### **2.7.12 Tax Liabilities**

Tax liabilities are recognized and measured at their nominal value. Tax liabilities contain obligations from current taxes, excluding deferred taxes. Liabilities for trade taxes, corporate taxes and similar taxes on income are determined based on the taxable income of the consolidated entities less any prepayments made.

### **2.7.13 Deferred Taxes**

Deferred tax assets and liabilities are calculated using the liability method, which is commonly used internationally. Under this method, taxes expected to be paid or recovered in subsequent financial years are based on the applicable tax rate at the time of recognition.

Deferred tax assets and liabilities are recorded separately in the balance sheet and take into account the future tax effect resulting from temporary differences between carrying amounts in the balance sheet for assets and liabilities and tax loss carryforwards.

Deferred tax assets are offset against deferred tax liabilities when the taxes are levied by the same taxation authority and their maturity and the entity has a legally enforceable right to offset current tax assets against current tax liabilities. Deferred tax assets and liabilities may not be discounted.

Deferred tax assets on loss carryforwards and temporary differences are recognized and measured on the basis of projected future taxable income. They are only recognized if sufficient taxable income is available in the future to utilize the deferred tax assets.

In assessing the recoverability of deferred tax assets, only the effects on earnings of the reversal of temporary differences arising from deferred tax liabilities, the planned results from operating activities, and possible tax strategies are taken into account. The planned results are based on internal forecasts of the future earnings situation of the respective Group company for the assessment of recoverability in the case of loss carryforwards and the long-term planning of the respective company for the assessment of recoverability in the case of temporary differences. If there are doubts about the realizability of the loss carryforwards, no corresponding deferred tax assets are recognized in individual cases, or deferred tax assets already recognized are impaired. The tax deferrals recognized are subject to ongoing reviews of the underlying assumptions. Changes in assumptions or circumstances may necessitate adjustments, which may result in additional tax deferrals or their reversal. Deferred tax assets and liabilities are offset if they relate to the same tax authority, and the right to offset current tax assets and liabilities is legally enforceable. Deferred tax assets and liabilities are recognized on an undiscounted basis. If the items underlying the temporary differences, or tax expenses and income respectively, are recognized directly in equity, this also applies to the current taxes or deferred tax assets and liabilities attributable thereto.

### **2.7.14 Stockholders' Equity**

#### **Common Stock**

Ordinary shares are classified as stockholders' equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from stockholders' equity.

#### **Treasury Stock**

Repurchases of the Company's own shares at prices quoted on an exchange or at market value are recorded in this line item as a deduction from common stock.

When common stock recorded as stockholders' equity is repurchased, the amount of consideration paid, including directly attributable costs, is recognized as a deduction from stockholders' equity net of taxes and classified as treasury shares. When treasury shares are subsequently sold or reissued, the proceeds are recognized as an increase in stockholders' equity, and any difference between the proceeds from the transaction and the initial acquisition costs is recognized in additional paid-in capital.

The allocation of treasury shares to beneficiaries under long-term incentive plans (in this case: performance shares) is reflected in this line item based on the set number of shares to be allocated after the expiration of the four-year vesting period (quantity structure) and multiplied by the weighted-average purchase price of the treasury shares (value structure). The adjustment is carried out directly in equity through a reduction in the line item "treasury stock," which is a deduction from common stock, while simultaneously reducing additional paid-in capital. Further information can be found in Notes 6.2.1 and 6.2.2.

#### **Additional Paid-In Capital**

Additional paid-in capital mainly consists of personnel expenses resulting from the grant of share-based payments, the conversion option of the convertible bonds classified as equity, as well as the proceeds from newly created shares in excess of their nominal value.

#### **Other Comprehensive Income Reserve**

The line item “Other Comprehensive Income Reserve” includes changes in the fair value of equity instruments that are recognized in other comprehensive income and currency exchange differences that are not recognized in profit or loss.

### **Accumulated Deficit**

The “Accumulated Deficit” line item consists of the Group’s accumulated consolidated net profits/losses. A separate measurement of this item is not made.

### **3 Business Combination**

In 2021 Constellation Pharmaceuticals, Inc., Cambridge, Massachusetts, USA and its 100% subsidiary Constellation Securities Corp., Cambridge, Massachusetts, USA, (both together "Constellation") was acquired via a cash tender offer. In this transaction, MorphoSys Development Inc. acquired the shares in Constellation. Following the acquisition, Constellation Pharmaceuticals, Inc. was merged into MorphoSys Development Inc. Constellation Pharmaceuticals, Inc. remained from this merger.

As a clinical stage biopharmaceutical company, Constellation's business activities uses its expertise in epigenetics to discover and develop novel therapeutics that address serious unmet medical needs in patients with various forms of cancer. As of the date of the acquisition Constellation does not generate any revenues.

The cash tender offer, that started on June 16, 2021, to acquire all outstanding shares of Constellation for US\$ 34.00 per share (equivalent to € 28.79) expired at the end of July 14, 2021. A total of 42,811,957 shares with a total value of US\$ 1,456 million (equivalent to € 1,233 million) were acquired under this offer by MorphoSys Development Inc. (Dover, Delaware, USA). This represented about 89% of Constellation’s total outstanding 48,094,531 shares. The remaining shares, representing approximately 11% of the total outstanding shares, were also acquired after the merger in the context of an automatic squeeze-out procedure on July 15, 2021, at the same price per share in the amount of US\$ 34.00 (equivalent to € 28.79). A total purchase price of US\$1,635.2 million (€ 1,384.7 million) was paid in cash for the acquisition of the shares.

The acquisition of Constellation was financed with the cash inflows received from Royalty Pharma in the amount of US\$1,425.0 million (equivalent to €1,300.0 million) as well as with cash and other financial assets from MorphoSys and Constellation. For further information on cash inflows from Royalty Pharma, refer to Note 5.19. This transaction had multiple objectives, including the acceleration of the growth strategy and expansion of the clinical pipeline in hematology/oncology. The acquisition date for accounting purposes is July 15, 2021, from which date Constellation and its sole subsidiary Constellation Securities Corp. have been fully consolidated into the MorphoSys Group.

In the period from acquisition to December 31, 2021, Constellation contributed revenues of € 0.0 million and a loss of € 60.4 million to the Group's net loss. This loss does not contain the impairment of goodwill. If the acquisition had occurred on January 1, 2021, the consolidated pro-forma net loss for 2021 would have been € 645.7 million. The pro-forma net loss for 2021 includes the impairment of goodwill. In determining this amount, management assumed that the preliminary fair value adjustments to the acquired assets at the acquisition date would also have been valid in the event of an acquisition on January 1, 2021.

As of July 15, 2021, the acquired assets and liabilities resulting from the acquisition included the following items.

<u>in 000' €</u>	<u>Fair Value</u>
Cash and Cash Equivalents	178,090
Other Financial Assets	118,909
Property, Plant and Equipment	1,572
In-process R&D Programs	719,399
Deferred Tax Asset	145,900
Prepaid Expenses and Other Assets	10,971
Accounts Payable and Accruals	-147,791
Tax Liabilities	-33
Deferred Tax Liability	-183,878
<b>Fair Value of Identifiable Net Assets and Liabilities</b>	<b>843,139</b>
Goodwill on Acquisition Date	541,561
Consideration Paid	1,384,700
Cash and Cash Equivalents Acquired	-178,090
<b>Net Cash Outflow</b>	<b>1,206,610</b>

The goodwill is attributable to several preclinical programs, especially for further indications of the main compounds pelabresib, CPI-0209 other small molecules being in a very early stage of the preclinical development as well as workforce. Potential future cash inflows, resulting solely from the commercialization of the drug candidates will be recognized by Constellation. Hence, Constellation is expected to benefit from the synergies of the business combination and therefore the Goodwill was allocated to this group of cash-generating units.

Goodwill is not expected to be deductible for income tax purposes.

In the context of the acquisition of Constellation directly attributable transaction costs in the amount of €19.2 million were incurred and expensed as general and administrative in 2021.

The following amount of goodwill was recognized as a result of the acquisition.

<u>in 000' €</u>	
Consideration Paid	1,384,700
Fair Value of Identifiable Net Assets and Liabilities	843,139
<b>Goodwill</b>	<b>541,561</b>

The following table shows the effects on goodwill recognized in financial year.

<u>in 000' €</u>	
Balance as of January 1, 2021	0
Initial Recognition	541,561
Impairment	(230,715)
Exchange differences	23,108
<b>Balance as of December 31, 2021</b>	<b>333,955</b>

In addition, the following agreements, which are not attributable to the business combination and therefore not part of the purchase price, were concluded:

#### 1. Royalty Purchase and Revenue Participation Agreements with Royalty Pharma

The acquisition of Constellation also triggered the enforcement of the royalty purchase agreement and the revenue participation agreement with Royalty Pharma on July 15, 2021. The agreements primarily serve to finance the acquisition of Constellation and to further develop the MorphoSys and Constellation product pipelines. Please refer to section "5.19 Financial liabilities for future payments to Royalty Pharma" for details of the contractual content and accounting effects.

## 2. Development Funding Bond Agreement with Royalty Pharma

On July 15, 2021, the development funding bond agreement with Royalty Pharma became effective. Under the terms of this agreement, MorphoSys must draw at least US\$150.0 million (equivalent to €127.0 million) and can draw down a maximum of US\$350.0 million (equivalent to €296.4 million) within one year. Repayment will be made at 2.2 times the amount drawn according to a fixed payment schedule within ten years and nine months after the first drawdown without any repayment in the first two years after a drawdown. To date, no partial amount of the bond has been called.

## 3. Share-based payment programs for employees

Constellation has implemented several share-based employee incentive plans ("Plans") in previous years. These grant beneficiaries options, stock appreciation rights ("SARs"), restricted stock, restricted stock units and other stock-based awards ("Awards"), depending on the underlying contract. Beneficiaries are "all employees, officers and directors of Constellation and consultants to the Company (as defined and interpreted under the Securities Act of 1933, as amended) who are eligible to receive Awards under the Plans. These Plans specify that in the event of certain other events, such as "reorganization events," the Management Board may grant beneficiaries a cash payment in respect of any Award in exchange for the termination of the Award. The acquisition of Constellation by MorphoSys is considered to be such a reorganization event within the meaning of the program, which triggered the change-of-control clause. For the allocation of the awards to the beneficiaries, Constellation recognized a liability in the closing balance sheet as of July 14, 2021 to the beneficiaries of US\$84.9 million (€71.9 million), which was settled in cash in August 2021.

## 4. Retention and Severance Agreements to certain employees

Constellation has offered certain employees in key positions staggered retention bonuses depending on the term in order to bind them to the company at least for a certain period of time. Expenses totaling €5.7 million were recognized for this until December 31, 2021 in Constellation's statement of profit or loss. In contrast, certain employees were offered severance payments in order to achieve an early termination of the employment relationship; expenses totaling €7.3 million were recognized for this until December 31, 2021.

## 5. Milestone Payment to the Leukemia & Lymphoma Society (LLS-Milestone)

Under a research, development and commercialization agreement entered into in 2012 with the Leukemia & Lymphoma Society, New York, U.S.A. ("LLS"), Constellation received research grants in the past for certain research and development activities. The agreement requires Constellation to make repayments to LLS upon the achievement of certain milestones. The acquisition of Constellation by MorphoSys meets the requirement of such a milestone and triggered a payment to LLS in the amount of US\$7.4 million (€6.3 million). Constellation therefore recognized a liability in the closing balance sheet as of July 14, 2021 to LLS.

## 4 Notes to the Profit or Loss Statement

### 4.1 Revenues

in 000' €	2021	2020	2019
<b>Product Sales, Net</b>	<b>66,861</b>	<b>22,983</b>	<b>0</b>
<b>Royalties</b>	<b>65,576</b>	<b>42,467</b>	<b>31,788</b>
License Fees	43	236,094	265
Milestone Payments	19,952	4,825	30,470
Service Fees	19,726	21,329	9,232
Other	7,454	0	0
<b>Licenses, Milestones and Other</b>	<b>47,175</b>	<b>262,248</b>	<b>39,967</b>
<b>Total</b>	<b>179,612</b>	<b>327,698</b>	<b>71,755</b>

The following overview shows the Group's regional distribution of revenue on the basis of the customer location:

in 000' €	2021	2020	2019
Germany	—	—	145
Europe and Asia	23,328	8,640	39,322
USA and Canada	156,284	319,058	32,288
<b>Total</b>	<b>179,612</b>	<b>327,698</b>	<b>71,755</b>

The following overview shows the timing of the satisfaction of performance obligations:

<u>in 000' €</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
At a Point in Time	179,569	327,438	71,270
Over Time	43	260	485
<b>Total</b>	<b>179,612</b>	<b>327,698</b>	<b>71,755</b>

Of the total revenues generated in 2021, a total of €85.5 million were recognized from performance obligations that were fulfilled in previous periods and related to milestone payments and royalties (2020: €47.1 million; 2019: €62.0 million).

## 4.2 Cost of Sales

Cost of sales consisted of the following:

<u>in 000' €</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Expensed Acquisition or Production Cost of Inventories	12,618	5,564	0
Personnel Expenses	11,630	11,054	3,233
Impairment (+) and Reversals of Impairment (-) on Inventories	—	(9,933)	8,685
Impairment, Amortization and Other Costs of Intangible Assets	7,409	2,251	0
External Services	289	128	49
Depreciation and Other Costs for Infrastructure	221	98	100
Other Costs	28	12	18
<b>Total</b>	<b>32,195</b>	<b>9,174</b>	<b>12,085</b>

## 4.3 Operating Expenses

### 4.3.1 Research and Development Expenses

Research and development expenses consisted of the following:

<u>in 000' €</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Personnel Expenses	65,941	32,331	28,468
Impairment (+) and Reversals of Impairment (-) on Inventories	0	(3,338)	0
Consumable Supplies	4,055	3,239	2,874
Impairment, Amortization and Other Costs of Intangible Assets	7,859	18,144	5,631
External Services	131,467	77,827	62,373
Depreciation and Other Costs for Infrastructure	11,773	8,669	5,944
Other Costs	4,116	2,498	3,142
<b>Total</b>	<b>225,211</b>	<b>139,370</b>	<b>108,432</b>

In 2021, expenses for external temporary staff have been reclassified from personnel expenses to external services (see Note 4.3.4). In order to provide comparable information for the previous year, the prior-year figures have been adjusted accordingly.

### 4.3.2 Selling Expenses

Selling expenses consisted of the following:

<u>in 000' €</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Personnel Expenses	63,517	52,823	6,804
Consumable Supplies	86	125	14
Amortization of Intangible Assets	138	8	11
External Services	51,265	50,727	14,313
Depreciation and Other Costs for Infrastructure	870	700	371
Other Costs	5,667	3,360	1,158
<b>Total</b>	<b>121,543</b>	<b>107,743</b>	<b>22,671</b>

In 2021, expenses for external temporary staff have been reclassified from personnel expenses to external services (see Note 4.3.4). In order to provide comparable information for the previous year, the prior-year figures have been adjusted accordingly.

### 4.3.3 General and Administrative Expense

General and administrative expenses consisted of the following:

in 000' €	2021	2020	2019
Personnel Expenses	32,589	29,892	22,574
Consumable Supplies	88	565	389
Amortization of Intangible Assets	596	55	39
External Services	35,892	15,557	10,049
Depreciation and Other Costs for Infrastructure	6,885	4,084	1,739
Other Costs	2,242	1,250	1,875
<b>Total</b>	<b>78,292</b>	<b>51,403</b>	<b>36,665</b>

In 2021, expenses for external temporary staff have been reclassified from personnel expenses to external services (see Note 4.3.4). In order to provide comparable information for the previous year, the prior-year figures have been adjusted accordingly.

### 4.3.4 Personnel Expenses

Personnel expenses consisted of the following:

in 000' €	2021	2020	2019
Wages and Salaries	158,094	107,841	47,602
Social Security Contributions	11,191	8,043	5,686
Share-based Payment Expense	2,585	8,955	6,654
Other	1,807	1,261	1,138
<b>Total</b>	<b>173,677</b>	<b>126,100</b>	<b>61,080</b>

In 2021, expenses for external temporary staff have been reclassified from personnel expenses to external services. In addition, expenses for severance payments and retention bonuses were reclassified from "Other" to "Wages and Salaries". In order to provide comparable information for the previous year, the prior-year figures have been adjusted accordingly.

The cost of defined contribution plans amounted to €2.8 million in 2021 (2020: €0.8 million; 2019: €0.7 million).

The following number of employees as of December 31 of a given year were employed in the various functions and allocated to the segments as follows:

	2021	2020	2019
Production	7	0	0
Research and Development	504	351	300
Selling	94	142	40
General and Administrative	127	122	86
<b>Total</b>	<b>732</b>	<b>615</b>	<b>426</b>

The average number of employees for the 2021 financial year was 678 (2020: 564; 2019: 374).

### 4.3.5 Impairment of Goodwill

In the financial year 2021, an impairment loss of €(230.7) million (previous year: €(2.1) million ) was recognized on goodwill. For further details, please refer to Note 5.11.

#### 4.4 Other Income and Expenses, Finance Income and Finance Expense

The other income is shown in the following overview.

in 000' €	2021	2020	2019
Gain from Deconsolidation of Lanthio Entities	0	379	0
Gain on Foreign Exchange	7,640	13,656	233
Grant Income	5	61	98
Income from Other Items	545	489	474
<b>Other Income</b>	<b>8,190</b>	<b>14,585</b>	<b>805</b>

The other expenses are shown in the following overview.

in 000' €	2021	2020	2019
Loss on Foreign Exchange	(5,944)	(4,581)	(413)
Expenses from Other Items	(425)	(594)	(214)
<b>Other Expenses</b>	<b>(6,369)</b>	<b>(5,175)</b>	<b>(627)</b>

The finance income is shown in the following overview.

in 000' €	2021	2020	2019
Foreign Exchange Gains	18,782	7,160	121
Gains from Measurement at Fair Value	15,231	83,654	2,456
Income from Carrying Amount Adjustments of Financial Liabilities at Amortized cost	61,876	0	0
Interest Income	723	1,233	223
<b>Finance Income</b>	<b>96,612</b>	<b>92,047</b>	<b>2,799</b>

The finance expenses are shown in the following overview.

in 000' €	2021	2020	2019
Foreign Exchange Losses	(46,297)	(31,694)	(777)
Losses from Measurement at Fair Value	(4,247)	(19,313)	(442)
Effective Interest Expenses from Financial Liabilities at Amortized Cost	(62,252)	(17,783)	0
Expenses from Carrying Amount Adjustments of Financial Liabilities at Amortized cost	(64,846)	(24,565)	0
Other Interest Expenses	(2,415)	(1,021)	(91)
Interest Expenses on Lease Liabilities	(1,157)	(1,174)	(932)
Bank Fees	(242)	(664)	(31)
<b>Finance Expenses</b>	<b>(181.456)</b>	<b>(96.214)</b>	<b>(2.272)</b>

#### 4.5 Income Tax Expenses and Benefits

MorphoSys AG is subject to corporate taxes, the solidarity surcharge and trade taxes. The Company's corporate income tax rate in the reporting year remained unchanged (15.0%), as did the solidarity surcharge (5.5%) and the effective trade tax rate (10.85%), resulting in a combined tax rate of 26.675%.

The US tax group, comprising of MorphoSys US Inc. and Constellation is subject to Federal Corporate Income Tax of 21.0% and a blended effective State Income Tax of 4.56%, resulting in a combined income tax rate of 25.56%.

in 000' €	2021	2020	2019
Current Tax Benefit / (Expense) (Thereof Regarding Prior Years: kEUR (96); 2020: kEUR 66; 2019: kEUR 0)	1,172	(67,073)	(1)
Deferred Tax Benefit / (Expenses)	75,419	142,472	3,507
<b>Total Income Tax Benefit / (Expenses)</b>	<b>76,591</b>	<b>75,399</b>	<b>3,506</b>

The Group recorded total income tax benefits of €76.6 million million in 2021, which consisted of deferred tax benefits of €34.8 million on temporary differences and income of €40.6 million on deferred taxes capitalized on losses of the period, and €1.2 million current tax income, mainly being recognized for a loss carryback. The deferred tax benefits on temporary differences mainly relate to the recognition of the financial liabilities for future payments to Royalty Pharma, which creates a temporary difference for tax purposes.

The following table reconciles the expected income tax expense to the actual income tax expense as presented in the consolidated financial statements. The combined income tax rate of 26.675% in the 2021 financial year (2020: 26.675%; 2019: 26.675%) was applied to profit before taxes to calculate the statutory income tax expense. This rate consisted of a corporate income tax of 15.0%, a solidarity surcharge of 5.5% on the corporate tax, and an average trade tax of 10.85% applicable to the Group.

<u>in 000' €</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Earnings Before Income Taxes</b>	<b>(591,051)</b>	<b>22,492</b>	<b>(106,520)</b>
Expected Tax Rate	26.675 %	26.675 %	26.675 %
<b>Expected Income Tax</b>	<b>157,663</b>	<b>(6,000)</b>	<b>28,414</b>
<b>Tax Effects Resulting from:</b>			
Premium from Capital Increase by Incyte	0	14,182	0
Share-based Payment	(547)	(1,823)	(387)
Permanent Differences	(58,971)	4,991	(411)
Non-Tax-Deductible Items	(1,992)	(9,718)	(151)
Non-Recognition of Deferred Tax Assets on Temporary Differences	(8,117)	0	0
Non-Recognition of Deferred Tax Assets on Current Year Tax Losses	(7,817)	0	(24,285)
Recognition of Deferred Tax Assets on Prior Year Temporary Differences	0	6,548	0
Effect from Utilization of Loss Carryforwards for which no Deferred Tax Assets were recognized	0	66,472	0
Tax Rate Differences to Local Tax Rates	(3,721)	140	(1,461)
Effect of Tax Rate Changes	0	0	1,789
Prior Year Taxes	96	0	0
Other Effects	(3)	607	(2)
<b>Actual Income Tax</b>	<b>76,591</b>	<b>75,399</b>	<b>3,506</b>
<b>Effective Tax Rate</b>	<b>13.0 %</b>	<b>(335.2)%</b>	<b>3.3 %</b>

The permanent differences as of December 31, 2021 relate exclusively to the impairment of goodwill.

As of December 31, 2021, the deferred tax assets of MorphoSys AG relating to temporary differences as well as tax loss carry forwards created in 2021 have been capitalized. Deferred taxes of MorphoSys AG are capitalized in full due to the long-term positive business development and the associated positive earnings forecasts of the legal entity. The forecast period is up to 2039 and in line with the accrual period of the financial liability from collaborations, and the respective analysis is based on long-term corporate planning and supports the assessment as strong evidence that the deferred tax assets will be realized.

As far as the US tax group companies are concerned, the deferred tax assets relating to temporary differences as well as the tax losses incurred until year end, have been capitalized in the amounts where a future offset with deferred tax liabilities is assured. This takes into account any limitations on the offsetting of losses with deferred tax assets and liabilities, insofar the deferred tax liability from the purchase price allocation at acquisition date assures recoverability. For the period after the acquisition date, any additional deferred tax assets can only be capitalized to the same extent, namely that sufficient deferred tax liabilities assure future recoverability. Due to the history of losses being absorbed from Constellation level, and the current uncertainties regarding the realization of planned taxable income, corresponding deferred tax assets on loss carry forwards were only recognized as outlined in the following table.

<b>in 000' €</b>	<b>Carry-Forward of Tax Losses</b>
Tax Losses from Prior Years	0
Tax Losses absorbed from Constellation	563,697
Tax Losses from Current Year	138,257
Foreign Currency Translation Differences	22,795
<b>Total Tax Losses as of December 31, 2021</b>	<b>724,749</b>
Expected Deferred Tax Assets on Total Tax Losses	186,945
Non-Recognition of Deferred Tax Assets on Current Year Tax Losses	(7,817)
<b>Deferred Tax Assets on Tax Losses</b>	<b>179,128</b>

The tax losses as of December 31, 2021 include losses of €69.9 million with a limited utilization period, which relate to the US tax group and forfeit from 2037 until 2043. The deferred tax assets on temporary differences, which have not been capitalized in the period, amount to €8.1 million.

Deferred tax assets and deferred tax liabilities consisted of the following:

<b>in 000's €, as of December 31</b>	<b>Deferred Tax Asset 2021</b>	<b>Deferred Tax Asset 2020</b>	<b>Deferred Tax Liability 2021</b>	<b>Deferred Tax Liability 2020</b>
Financial Assets /Liabilities from Collaborations	137,184	137,778	531	5,475
Financial Liabilities from Future Payments to Royalty Pharma	43,611	0	2,092	0
Bonds	507	113	11,260	13,653
Leases	802	824	976	787
Intangible Assets	6,549	8,753	195,371	517
Inventories	2,255	1,328	0	0
Receivables and Other Assets	890	1,099	1,988	211
Property, Plant and Equipment	0	0	108	381
Provisions	5,880	2,581	0	2,723
Other Liabilities	0	0	0	980
Tax Losses	179,128	0	0	0
Offsetting	(190,261)	(19,670)	(190,261)	(19,670)
<b>Total</b>	<b>186,545</b>	<b>132,806</b>	<b>22,065</b>	<b>5,057</b>

After netting, both the deferred tax assets and the deferred tax liabilities are of a non-current nature.

Changes in Deferred Taxes in 2021

in 000' €	Income / (Expense)	Direct Recognition from Purchase Price Allocation
Financial Assets /Liabilities from Collaborations	4,350	0
Financial Liabilities from Future Payments to Royalty Pharma	41,519	0
Bonds	2,787	0
Leases	(211)	0
Intangible Assets	(13,180)	(183,878)
Inventories	927	0
Receivables and Other Assets	(1,986)	0
Property, Plant and Equipment	113	160
Provisions	4,363	1,659
Other Liabilities	980	0
Tax Losses	35,047	144,081
Foreign Currency Translation Differences	710	(710)
<b>Total</b>	<b>75,419</b>	<b>(38,688)</b>

As of December 31, 2021, and December 31, 2020, there were no temporary differences in connection with investments in subsidiaries, so called outside basis differences, for which no deferred tax liability was recognized. In 2021 the purchase price allocation of Constellation resulted in €38.7 million net deferred tax liabilities, recognized directly against goodwill. The deferred tax assets recognized in an amount of €145.9 million were not recognized at Constellation prior to the acquisition date. There were no deferred tax items recognized against equity (2020: €12.7 million).

#### 4.6 Earnings per Share

Basic earnings per share are calculated by dividing the 2021 consolidated net loss of €514,460,016 (2020: consolidated net profit of €97,890,576; 2019: consolidated net loss of €103,014,058) by the weighted-average number of ordinary shares outstanding during the respective year (2021: 33,401,069; 2020: 32,525,644; 2019: 31,611,155).

Diluted earnings per share is calculated by taking into account the potential increase in the Group's ordinary shares as the result of granted stock options, restricted stock units and convertible bonds.

The following table shows the reconciliation of basic earnings per share to diluted earnings per share (in €, except for disclosures in shares).

	2021	2020	2019
<b>Numerator (in €)</b>			
Consolidated Net Profit / (Loss) - used in calculating Basic Earnings per Share	(514,460,016)	97,890,576	(103,014,058)
Interest in connection with Dilutive Shares	0	654,487	0
Profit used in calculating Diluted Earnings per Share	(514,460,016)	98,545,063	(103,014,058)
<b>Denominator (in Shares)</b>			
Weighted average Ordinary Shares Used in Calculating Basic Earnings per Share	33,401,069	32,525,644	31,611,155
Dilutive Shares	0	642,208	0
Weighted average Ordinary Shares and potential Ordinary Shares Used in Calculating Diluted Earnings per Share	33,401,069	33,167,852	31,611,155
<b>Earnings per Share (in €)</b>			
Basic	(15.40)	3.01	(3.26)
Diluted	(15.40)	2.97	(3.26)

The 41,632 stock options and 108,576 restricted stock units still unvested as of December 31, 2021 and the 2,475,437 shares from the convertible bonds are potentially dilutive shares for 2021, but excluded from the calculation of dilutive earnings per share as it would result in a decline in the loss per share.

## 5 Notes to the Balance Sheet

### 5.1 Cash and Cash Equivalents

<u>in 000' €</u>	<u>12/31/2021</u>	<u>12/31/2020</u>
Bank Balances and Cash in Hand	123,248	109,797
Impairment	0	(2)
<b>Cash and Cash Equivalents</b>	<b>123,248</b>	<b>109,795</b>

The presentation of the development of the expected twelve-month loss for cash and cash equivalents can be found in Note 7.4.1.

### 5.2 Other Financial Assets

Other Financial Assets include, on the one hand, money market funds classified as FVTPL and on the other hand term deposits and bonds classified as AC.

The financial assets at fair value, with changes recognized in profit or loss, are shown in the following overview.

<u>in 000' €</u>	Unrealized				<u>Market Value</u>
	<u>Maturity</u>	<u>Cost</u>	<u>Gross Profit</u>	<u>Losses</u>	
<b>December 31, 2021</b>					
Money Market Funds	daily	8,874	1	0	8,875
<b>Total</b>					<b>8,875</b>
<b>December 31, 2020</b>					
Money Market Funds	daily	288,050	293	(405)	287,938
<b>Total</b>					<b>287,938</b>

Realized and unrealized gains and losses on money market funds were recognized in the finance result in profit or loss. The valuation of money market funds resulted in a net gain of €0.6 million in 2021 (2020: net loss of €6.1 million; 2019: net gain of €0.4 million).

The financial assets at amortized cost are shown in the following overview.

<u>in 000' €</u>	<u>Maturity</u>	<u>Cost</u>	<u>Effective Interest Income (+) / Expense (-)</u>	<u>Impairment</u>	<u>Carrying Amount</u>
<b>December 31, 2021</b>					
Term Deposits, Current Portion	4 to 12 months	562,369	0	(491)	561,878
Bonds	4 to 12 months	285,144	(2,025)	(185)	282,934
<b>Total</b>					<b>844,812</b>
<b>December 31, 2020</b>					
Term Deposits, Current Portion	4 to 12 months	649,745	380	(412)	649,713
Bonds	more than 12 months	197,827	(652)	(587)	196,588
<b>Total</b>					<b>846,301</b>

As of December 31, 2021, these assets mainly consisted of term deposits with fixed or variable interest rates, as well as corporate bonds with fixed interest.

Net interest expense from financial assets classified as “at amortized cost” amounted to €1.7 million in 2021 (2020: €0.5 million net interest expense; 2019: €0.1 million net interest income) and was recognized in the finance result.

The risk associated with these financial instruments results primarily from bank credit risks. Further information on the credit risk for term deposits and corporate bonds can be found in Note 7.4.1.

### 5.3 Accounts Receivable

All accounts receivable are non-interest-bearing and generally have payment terms of between 30 and 180 days. As of December 31, 2021, accounts receivable mainly included receivables against Incyte from shared development costs as well as receivables from Monjuvi product sales. As of December 31, 2020, accounts receivable mainly consisted of royalty payments not yet received and receivables against Incyte from shared development costs.

The Group's single most significant customer Incyte accounted for €38.5 million of accounts receivables as of December 31, 2021 (December 31, 2020: €50.1 million), or 51% of the Group's total accounts receivable at the end of 2021 (December 31, 2020: 60%).

The table below shows the accounts receivable by region as of the reporting date.

<u>in 000' €</u>	<u>12/31/2021</u>	<u>12/31/2020</u>
Europe and Asia	6,368	4,452
USA and Canada	69,903	79,326
Impairment	(360)	(424)
<b>Total</b>	<b>75,911</b>	<b>83,354</b>

The presentation of the development of the risk provisions in the 2021 and 2020 financial years for accounts receivable using the simplified impairment model can be found in Note 7.4.1.

### 5.4 Other Receivables

Other receivables as of December 31, 2021, mainly consisted of receivables from creditors with debit accounts in the amount of €1.1 million (December 31, 2020: €1.2 million).

As of December 31, 2021 and December 31, 2020, there were no impairments recognized on other receivables due to immateriality.

### 5.5 Inventories

Inventories amounted to €20.8 million as of December 31, 2021 (December 31, 2020: €10.0 million) and consisted of raw materials and supplies (€12.1 million; December 31, 2020: €5.3 million), unfinished goods (€4.1 million; December 31, 2020: €0.0 million) and finished goods (€4.5 million; December 31, 2020: €4.7 million).

There were no impairment losses to be recognized in 2021 and 2020.

The impairment to a net realizable value of zero on antibody material (tafasitamab), which was recognized in cost of sales and research and development expenses in prior periods, was reversed due to the market approval of Monjuvi in 2020. At the time of the reversal, tafasitamab was allocated only under inventories. The reversal resulted in a net gain of €13.3 million in 2020, which was fully attributable to financial year 2019. The reversal of the impairment loss was recognized in cost of sales of €9.9 million and in research and development expenses of €3.3 million.

### 5.6 Income Tax Receivables

As of December 31, 2021, income tax receivables amounted to €1.1 million (December 31, 2020: €0.4 million) and consisted of receivables from capital gain taxes withheld.

## 5.7 Prepaid Expenses and Other Assets

The current prepaid expenses and other assets are shown in the following table.

<u>in 000' €</u>	<u>12/31/2021</u>	<u>12/31/2020</u>
Combination Drugs	15,945	10,003
Receivables due from Tax Authorities from Input Tax Surplus	6,563	3,920
Upfront Fees for External Laboratory Services	1,724	1,210
Upfront Fees for Sublicenses	1,304	777
Other Prepayments	13,787	4,711
<b>Total</b>	<b>39,323</b>	<b>20,621</b>

An impairment of €3.5 million was recognized on combination drugs in 2021 (December 31, 2020: €0.5 million). Other prepayments mainly include payments made in advance for maintenance contracts, insurances, sublicenses as well as external laboratory services.

The non-current prepaid expenses and other assets are shown in the following table.

<u>in 000' €</u>	<u>12/31/2021</u>	<u>12/31/2020</u>
Prepaid Expenses	9,192	183
Other Assets	4,059	1,384
<b>Total</b>	<b>13,251</b>	<b>1,567</b>

The non-current prepaid expenses mainly include prepayments for external services that will be utilized from 2023 onwards.

The Group has classified certain items within other assets as “restricted cash” that is not available for operational purposes of the Group. As of December 31, 2021, the Group had non-current restricted cash of €3.8 million for rental deposits issued (December 31, 2020: €1.2 million). As of December 31, 2021, €0.2 million were deposited as collateral for credit cards by MorphoSys US Inc. (December 31, 2020: €0.2 million).

## 5.8 Property, Plant and Equipment

<u>in 000' €</u>	<u>Office and Laboratory Equipment</u>	<u>Furniture and Fixtures</u>	<u>Total</u>
Cost			
<b>January 1, 2021</b>	<b>20,041</b>	<b>3,942</b>	<b>23,983</b>
Additions	3,334	367	3,701
Additions through Business Combination	1,488	134	1,622
Disposals	(2,101)	(67)	(2,168)
Exchange differences	6	232	238
<b>December 31, 2021</b>	<b>22,768</b>	<b>4,608</b>	<b>27,376</b>
Accumulated Depreciation and Impairment			
<b>January 1, 2021</b>	<b>16,834</b>	<b>825</b>	<b>17,659</b>
Depreciation Charge for the Year	2,165	678	2,843
Impairment	1,572	0	1,572
Disposals	(1,764)	(67)	(1,831)
Exchange differences	2	24	26
<b>December 31, 2021</b>	<b>18,809</b>	<b>1,460</b>	<b>20,269</b>
Carrying Amount			
<b>January 1, 2021</b>	<b>3,207</b>	<b>3,117</b>	<b>6,324</b>
<b>December 31, 2021</b>	<b>3,959</b>	<b>3,148</b>	<b>7,107</b>
Cost			
<b>January 1, 2020</b>	<b>18,386</b>	<b>2,390</b>	<b>20,776</b>
Additions	2,662	1,672	4,334
Disposals	(1,006)	(8)	(1,014)
Exchange differences	(1)	(112)	(113)
<b>December 31, 2020</b>	<b>20,041</b>	<b>3,942</b>	<b>23,983</b>
Accumulated Depreciation and Impairment			
<b>January 1, 2020</b>	<b>15,654</b>	<b>469</b>	<b>16,123</b>
Depreciation Charge for the Year	2,101	363	2,464
Disposals	(921)	(2)	(923)
Exchange differences	0	(5)	(5)
<b>December 31, 2020</b>	<b>16,834</b>	<b>825</b>	<b>17,659</b>
Carrying Amount			
<b>January 1, 2020</b>	<b>2,732</b>	<b>1,921</b>	<b>4,653</b>
<b>December 31, 2020</b>	<b>3,207</b>	<b>3,117</b>	<b>6,324</b>

No borrowing costs were capitalized during the reporting period, and there were neither restrictions on the retention of title nor property, plant and equipment pledged as security for liabilities. There were no material contractual commitments for the purchase of property, plant and equipment as of the reporting date.

Depreciation is contained in the following line items of profit or loss.

<u>in 000' €</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Cost of Sales	—	—	—
Research and Development	1,681	1,663	1,478
Research and Development (Impairment)	1,537	—	10
Selling	63	132	92
General and Administrative	1,089	692	396
<b>Total</b>	<b>4,370</b>	<b>2,487</b>	<b>1,976</b>

## 5.9 Leases

The development of the right-of-use assets and lease liabilities is shown below.

in 000' €	Right-of-Use Assets				Lease Liabilities
	Building	Cars	Technical Equipment	Total	
Balance as of January 1, 2020	42,586	238	336	43,160	42,557
Additions	4,660	196	12	4,868	5,286
Depreciation of Right-of-Use Assets	(3,218)	(162)	(152)	(3,532)	0
Interest Expenses on Lease Liabilities	0	0	0	0	1,173
Lease Payments	0	0	0	0	(3,918)
Disposals	(78)	0	0	(78)	(79)
<b>Balance as of December 31, 2020</b>	<b>43,950</b>	<b>272</b>	<b>196</b>	<b>44,418</b>	<b>45,019</b>
Balance as of January 1, 2021	43,950	272	196	44,418	45,019
Additions	0	166	1,219	1,385	316
Depreciation of Right-of-Use Assets	(3,317)	(141)	(230)	(3,688)	0
Interest Expenses on Lease Liabilities	0	0	0	0	1,170
Lease Payments	0	0	0	0	(4,286)
Disposals	0	(51)	0	(51)	(173)
Exchange differences	418	0	3	421	538
<b>Balance as of December 31, 2021</b>	<b>41,051</b>	<b>246</b>	<b>1,188</b>	<b>42,485</b>	<b>42,584</b>

Lease agreements had the following effects on the statement of profit or loss.

in 000' €	2021	2020	2019
Depreciation of Right-of-Use Assets	3,648	3,586	2,805
Interest Expenses on Lease Liabilities	1,157	1,174	932
Expenses for Short Term Leases	1,553	0	0
Expenses for Leases of Low Value Assets	17	81	41
<b>Total</b>	<b>6,375</b>	<b>4,841</b>	<b>3,778</b>

Depreciation of right-of-use assets is contained in the following line items of profit or loss.

in 000' €	2021	2020	2019
Cost of Sales	221	98	100
Research and Development	1,636	1,991	1,985
Selling	79	145	123
General and Administrative	1,711	1,352	597
<b>Total</b>	<b>3,648</b>	<b>3,586</b>	<b>2,805</b>

The maturity analysis of the lease liabilities as of December 31, 2021 is as follows.

### December 31, 2021; in 000' €

<u>Contractual Maturities of Financial Liabilities</u>	<u>Less than 1 Year</u>	<u>Between One and Five Years</u>	<u>More than 5 Years</u>	<u>Total Contractual Cash Flows</u>	<u>Carrying Amount Liabilities</u>
Lease Liabilities	4,256	16,750	28,559	49,565	42,584

The rental conditions for leases are negotiated individually and include different terms. Leases are generally concluded for fixed periods but may include extension options. Such contractual conditions offer the Group the greatest possible operational flexibility. In determining the term of the lease, all facts and circumstances are taken into account that provide an economic incentive to exercise extension options. If extension options are exercised with sufficient certainty, they are taken into account when determining the term of the contract. The leases contain fixed and variable lease payments linked to an index.

## 5.10 Intangible Assets

in 000' €	Patents	Licenses	Licenses for Marketed Products	In-process R&D Programs	Internally Generated Intangible Assets	Software	Total
<b>Cost</b>							
<b>January 1, 2021</b>	<b>18,214</b>	<b>35,396</b>	<b>56,449</b>	<b>0</b>	<b>0</b>	<b>5,847</b>	<b>115,906</b>
Additions	345	0	0	10,429	11,517	205	22,496
Additions through Business Combination	0	0	0	719,399	0	16	719,415
Disposals	(309)	(1,000)	0	0	0	(3,447)	(4,756)
Exchange differences	0	0	0	30,679	0	0	30,679
<b>December 31, 2021</b>	<b>18,250</b>	<b>34,396</b>	<b>56,449</b>	<b>760,507</b>	<b>11,517</b>	<b>2,621</b>	<b>883,740</b>
<b>Accumulated Amortization and Impairment</b>							
<b>January 1, 2021</b>	<b>16,276</b>	<b>23,560</b>	<b>963</b>	<b>0</b>	<b>0</b>	<b>5,731</b>	<b>46,530</b>
Amortization Charge for the Year	235	986	2,312	0	0	94	3,627
Impairment	2	0	0	0	0	14	16
Disposals	(309)	(999)	0	0	0	(3,447)	(4,755)
<b>December 31, 2021</b>	<b>16,204</b>	<b>23,547</b>	<b>3,275</b>	<b>0</b>	<b>0</b>	<b>2,392</b>	<b>45,418</b>
<b>Carrying Amount</b>							
<b>January 1, 2021</b>	<b>1,938</b>	<b>11,836</b>	<b>55,486</b>	<b>0</b>	<b>0</b>	<b>116</b>	<b>69,376</b>
<b>December 31, 2021</b>	<b>2,046</b>	<b>10,849</b>	<b>53,174</b>	<b>760,507</b>	<b>11,517</b>	<b>229</b>	<b>838,322</b>
<b>Cost</b>							
<b>January 1, 2020</b>	<b>18,034</b>	<b>23,896</b>	<b>0</b>	<b>52,159</b>	<b>0</b>	<b>5,758</b>	<b>99,847</b>
Additions	290	12,000	0	32,501	0	90	44,881
Disposals	(110)	(500)	0	(28,211)	0	(1)	(28,822)
Reclassification	0	0	56,449	(56,449)	0	0	0
<b>December 31, 2020</b>	<b>18,214</b>	<b>35,396</b>	<b>56,449</b>	<b>0</b>	<b>0</b>	<b>5,847</b>	<b>115,906</b>
<b>Accumulated Amortization and Impairment</b>							
<b>January 1, 2020</b>	<b>15,053</b>	<b>21,546</b>	<b>0</b>	<b>16,475</b>	<b>0</b>	<b>5,651</b>	<b>58,725</b>
Amortization Charge for the Year	990	206	963	0	0	81	2,240
Impairment	233	2,000	0	11,736	0	0	13,969
Disposals	0	(192)	0	(28,211)	0	(1)	(28,404)
<b>December 31, 2020</b>	<b>16,276</b>	<b>23,560</b>	<b>963</b>	<b>0</b>	<b>0</b>	<b>5,731</b>	<b>46,530</b>
<b>Carrying Amount</b>							
<b>January 1, 2020</b>	<b>2,981</b>	<b>2,350</b>	<b>0</b>	<b>35,684</b>	<b>0</b>	<b>107</b>	<b>41,122</b>
<b>December 31, 2020</b>	<b>1,938</b>	<b>11,836</b>	<b>55,486</b>	<b>0</b>	<b>0</b>	<b>116</b>	<b>69,376</b>

There were no material contractual commitments for the purchase of intangible assets as of the reporting date.

Amortization was included in the following line items of profit or loss.

in 000' €	2021	2020	2019
Cost of Sales	2,312	963	0
Research and Development	1,272	1,258	1,444
Research and Development (Impairment)	13	13,969	1,639
Selling	2	5	11
General and Administrative	24	17	37
<b>Total</b>	<b>3,623</b>	<b>16,212</b>	<b>3,131</b>

## **Licenses for Marketed Products**

### **Tafasitamab**

Since the market approval of Monjuvi, the compound is classified as an intangible asset with a finite useful life and amortized as of that date. The Group amortizes the intangible asset on a straight-line basis over the estimated useful life of the acquired license until 2044 and recognizes the amortization in cost of sales. The duration and method of amortization are reviewed at the end of each financial year. In the event of triggering events, the asset is tested for impairment, if any. As of December 31, 2021, no indications of impairment were identified.

## **In-Process R&D Programs**

### **Tafasitamab**

In 2021, a milestone payment of €10.4 million was capitalized for tafasitamab. This was made for an indication for which marketing approval has not yet been granted.

As an intangible asset not yet available for use and a carrying amount of €10.4 million, tafasitamab was subject to an annual impairment test on September 30, 2021, as required by IAS 36. The recoverable amount of the tafasitamab cash-generating unit was determined on the basis of value-in-use calculations, which concluded that the recoverable amount exceeded its carrying amount. The cash flow forecasts took into account expected cash inflows from the potential commercialization of tafasitamab, the cash outflows for anticipated research and development, and the costs for tafasitamab's commercialization. The cash flow forecasts are based on the period of patent protection for tafasitamab. For this reason, a planning horizon of approximately 22 years is considered appropriate for the value-in-use calculation. The values of the underlying assumptions were determined using both internal (past experience) and external sources of information (market information). Based on the updated cash flow forecast, the value-in-use was determined as follows: A beta factor of 0.9 and WACC before taxes of 8.1%. A sensitivity analysis was performed for the discount rate. A sensitivity analysis for changes in the cash flows was not performed since the cash flows from research and development and the commercialization of the compound have already been probability adjusted in the value-in-use calculations so as to reflect the probabilities of success in phases of clinical trials. The analysis did not reveal any need for impairment. The values ascribed to the assumptions correspond to the Management Board's forecasts for future development and are based on internal planning scenarios, as well as external sources of information.

No indicators of impairment were identified on December 31, 2021.

### **Pelabresib and CPI-0209**

As part of the acquisition of Constellation, not yet available for use research and development programs in development (pelabresib and CPI-0209) in the amount of €717.4 million (pelabresib) and €2.0 million (CPI-0209) were identified and capitalized in 2021. Further information can be found in Note 3 of these notes.

As intangible assets not yet available for use and a carrying amount of together €719.4 million, pelabresib and CPI-0209 were subject to an annual impairment test on December 31, 2021, as required by IAS 36. Pelabresib and CPI-0209 each constitute a cash-generating unit. The recoverable amount was determined on the basis of value-in-use calculations, which concluded that the recoverable amount exceeded its carrying amount. The cash flow forecasts took into account expected cash inflows (revenues based on patient numbers and the price obtained in the market) from the potential commercialization of pelabresib and CPI-0209, the cash outflows for anticipated research and development, and the costs for the commercialization of pelabresib and CPI-0209. The cash flow forecasts are based on the period of patent protection for pelabresib and CPI-0209. For this reason, a planning horizon of approximately 23 years is considered appropriate for the value-in-use calculation. The values of the underlying assumptions were determined using both internal (past experience) and external sources of information (market information). Based on the updated cash flow forecast, the value-in-use was determined as follows: A beta factor of 1.7 and WACC before taxes of 12.8%.

A sensitivity analysis was performed for the underlying estimates. In each case, one planning assumption is changed and all other estimates are kept constant. This would have resulted in the following effects on the value-in-use. The analysis did not reveal any need for impairment. The values ascribed to the assumptions correspond to the Management Board's forecasts for future development and are based on internal planning scenarios, as well as external sources of information.

in million €	+1%	(1)%
Change in Patient Numbers or Price obtained in the Market (revenue related)	14.5	(14.5)
Change in WACC before Taxes	(15.6)	15.9
Change in Foreign Exchange Rate for future Royalties and Net Sales	(0.8)	0.8

## 5.11 Goodwill

### Slonomics Technology

As of September 30, 2021, goodwill of €1.6 million from the 2010 acquisition of Slonings BioTechnology GmbH was subject to an annual impairment test. The recoverable amount of the cash-generating unit Slonomics technology was determined on the basis of value-in-use calculations. The calculation showed that the value-in-use was higher than the carrying amount of the cash-generating unit. The cash flow forecasts took into account future free cash flows from the contribution of the Slonomics technology to partnered programs. The cash flow forecasts are based on a period of 10 years because the Management Board believes that commercialization through licensing agreements, milestone payments, and royalties is only feasible by means of medium- to long-term contracts. For this reason, a planning horizon of ten years is considered appropriate for the value-in-use calculation. The values of the underlying assumptions were determined using both internal (past experience) and external sources of information (market information). Based on the updated ten-year cash flow forecast, the value-in-use was determined as follows: A beta factor of 0.9 (2020: 0.9), WACC before taxes of 8.5% (2020: 8.5%) and a perpetual growth rate of 1% (2020: 1%). A sensitivity analysis was performed for the growth rate and the discount rate for calculating value-in-use. The sensitivity analysis took into account the change in one assumption, with the remaining assumptions remaining unchanged from the original calculation. A change in the pre-tax WACC of + 1% would cause a €0.2 million lower value-in-use of goodwill and an impairment by this amount would be necessary. A sensitivity analysis for changes in the cash flows has not been performed since the cash flows have already been probability-adjusted in the value-in-use calculations so as to reflect the probabilities of success in phases of clinical trials. This analysis did not reveal any need for impairment. The values ascribed to the assumptions correspond to the Management Board's forecasts for future development and are based on internal planning scenarios as well as external sources of information.

No indication of impairment was identified as of December 31, 2021.

### Constellation

As of December 31, 2021, goodwill of €564.7 million from the acquisition of Constellation was subject to an impairment test. Goodwill was allocated to the group of cash-generating units Constellation, as goodwill is monitored at this level. In addition, future potential cash flows of this group of cash-generating units will only be generated by Constellation's own compounds, which are also recognized by these companies. MorphoSys decided in the last quarter of the reporting year 2021 to focus its research efforts on the most advanced discovery and technology programs and to centralize all laboratory activities at its German research hub in Planegg, Germany. Consequently, all US-based activities relating to discovery biology and drug discovery departments were abandoned. Therefore, any early pipeline projects cannot be realized anymore and the expected cash flows from these projects will not materialize accordingly. Since the early pipeline was part of the goodwill acquired as of July 15, 2021, an impairment test was performed as of December 31, 2021, based on the latest cash flow projections.

The recoverable amount of the group of cash-generating units Constellation was determined on the basis of value-in-use calculations. The calculation showed that the value-in-use (€334.0 million) was lower than the carrying amount of this group of cash-generating units and an impairment of €(230.7) million was recognized as a result. After impairment, the carrying amount as of December 31, 2021 is €334.0 million. The cash flow projections included expected payments from the commercialization of pelabresib and other compounds, the cash outflows for anticipated research and development, and the costs for pelabresib's and the other compounds' commercialization. The cash flow forecasts are based on the period of patent protection for pelabresib and the other compounds. For this reason, a planning horizon of approximately 23 years is considered appropriate for the value-in-use calculation. The values of the underlying assumptions were determined using both internal (past experience) and external sources of information (market information). Based on the cash flow forecast, the value-in-use was determined as follows: A beta factor of 1.7 and WACC before taxes of 14.1%.

A sensitivity analysis was performed for the underlying estimates. In each case, one planning assumption is changed and all other estimates are kept constant. This would have resulted in lower or higher impairment of goodwill. The values ascribed to the assumptions correspond to the Management Board's forecasts for future development and are based on internal planning scenarios, as well as external sources of information.

<u>in million €</u>	+1%	(1)%
Change in Patient Numbers or Price obtained in the Market (revenue related)	16.6	(16.6)
Change in WACC before Taxes	(19.1)	19.5
Change in Foreign Exchange Rate for future Royalties and Net Sales	(0.8)	0.8

### 5.12 Deferred Tax Assets

The Group recognized deferred tax assets of €186.5 million in the 2021 financial year (December 31, 2020: €132.8 million), the increase was mainly due to the capitalization of deferred tax assets on current year tax losses of MorphoSys AG and deferred tax assets on temporary differences on the financial liability from future payments to Royalty Pharma.

### 5.13 Accounts Payable and Accruals

Accounts payable and licenses payable were non-interest-bearing and, under normal circumstances, have payment terms of no more than 30 days.

Accounts payable and accruals are listed in the following table. In the financial reporting 2020, licenses payable were presented separately. These have been included in accounts payable in 2021. The prior year's presentation of the figures has been adjusted accordingly in order to provide comparable information for the previous years.

<u>in 000' €</u>	<u>12/31/2021</u>	<u>12/31/2020</u>
Accounts Payable	73,787	47,818
Accruals	113,055	79,200
Other Liabilities	1,235	1,536
<b>Total</b>	<b>188,077</b>	<b>128,554</b>

Accruals are shown in the following overview:

<u>in 000' €</u>	<u>12/31/2021</u>	<u>12/31/2020</u>
Accruals for External Laboratory Services	65,026	43,500
Accrued Personnel Expenses for Payments to Employees and Management	29,666	17,320
Accruals for Outstanding Invoices	12,515	15,236
Accruals for Revenue Deductions from Product Sales	1,998	943
Accruals for Legal Fees	169	472
Accruals for Audit Fees and other related Costs	703	683
Accruals for License Payments	2,978	1,046
<b>Total</b>	<b>113,055</b>	<b>79,200</b>

At the Company's Annual General Meeting in May 2021, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC GmbH), Munich, was appointed as the auditor. The Supervisory Board engaged PwC GmbH to audit the financial statements.

The table below shows the total fees PwC GmbH received.

<u>in 000' €</u>	<u>12/31/2021</u>	<u>12/31/2020</u>
Audit Fees	2,141	1,561
Fees for Other Assurance Services	116	70
Tax Service Fees	0	—
Other Fees for Other Services	2	2
<b>Total</b>	<b>2,258</b>	<b>1,633</b>

The other assurance services comprised fees in connection with the non-financial group report as well as the audit of the content of the remuneration report.

### 5.14 Tax Liabilities and Provisions

As of December 31, 2021, the Group recorded tax liabilities and provisions of €4.7 million (December 31, 2020: €67.3 million).

Tax liabilities included primarily provisions for income taxes. Provisions included mainly expenses for share-based payments when these are settled by other assets equivalent to the value of a certain number of shares or stock options (“cash settlement”), as well as personnel recruitment measures.

The table below shows the development of tax liabilities and current and non-current provisions in the 2021 financial year.

<b>in 000' €</b>	<b>01/01/2021</b>	<b>Additions</b>	<b>Utilization</b>	<b>Release</b>	<b>12/31/2021</b>
Tax Liabilities	65,728	362	(65,562)	0	528
Provisions, current	0	2,549	0	0	2,549
Provisions, non-current	1,528	494	(445)	0	1,577
<b>Total</b>	<b>67,256</b>	<b>3,405</b>	<b>(66,007)</b>	<b>0</b>	<b>4,654</b>

### 5.15 Contract Liabilities

Contract liabilities related to transaction prices paid by customers that were allocated to unfulfilled performance obligations as of December 31, 2021. It is expected that the realization of current contract liabilities will be in the 2022 financial year and non-current contract liabilities mainly in the 2023 financial year. The changes in this item are shown in the table below.

<b>in 000' €</b>	<b>2021</b>	<b>2020</b>
<b>Opening Balance</b>	<b>2,616</b>	<b>1,686</b>
Prepayments Received in the Financial Year	4,323	13,430
Revenues Recognized in the Reporting Period that was included in the Contract Liability at the Beginning of the Period	(2,544)	(1,571)
Revenues Recognized for Received Prepayments and Services Performed in the Financial Year	(4,142)	(10,929)
<b>Closing Balance</b>	<b>253</b>	<b>2,616</b>
thereof short-term	224	2,544
thereof long-term	29	72

### 5.16 Deferred Tax Liabilities

As of December 31, 2021, deferred tax liabilities of €22.1 million were recognized after offsetting (December 31, 2020: €5.1 million). The increase is mainly due to the addition of the net deferred tax liabilities from the purchase price allocation of Constellation.

### 5.17 Bonds

MorphoSys AG placed non-subordinated, unsecured convertible bonds in 2020 for a nominal amount of €325.0 million, equal to 3,250 bonds with a nominal amount of €100,000 each, and maturing on October 16, 2025.

The convertible bonds were issued at 100% of their nominal amount and carry a coupon of 0.625% p.a. payable semi-annually. The conversion price is €131.29. The convertible bonds are traded on the Open Market Segment (Freiverkehr) of the Frankfurt Stock Exchange.

The convertible bonds are convertible between November 26, 2020 and the fortieth trading day prior to maturity. As of the maturity date, MorphoSys has the right to either pay the full amount in cash or to settle a certain amount through the delivery of shares. The convertible bonds are convertible into approximately 2,475,436 new or existing bearer ordinary shares MorphoSys.

MorphoSys is entitled to redeem the convertible bonds at any time the market price of MorphoSys shares reaches at least 130% of the then applicable conversion price over a period of twenty trading days or when only 20% or less of the original total nominal amount of the convertible bond is still outstanding. Repayment is then made in the amount of the nominal value plus accrued interest.

The holders of the convertible bonds have a conditional call right should an investor directly or indirectly acquire at least 30% of the voting rights in MorphoSys (representing a change of control). In the event of such a change of control, each convertible bondholder has the right to call the bonds that have not yet been converted or redeemed. Repayment is then made in the amount of the nominal value plus accrued interest.

The conversion right securitized in the convertible bond represents an equity instrument and was recognized in equity for an amount of €49.2 million net of issuance costs attributable to the equity component. The equity component is not adjusted over time, and the liability component is classified as a financial liability at amortized cost. As of the date of initial recognition, the liability component amounted to €270.7 million after the deduction of issuance costs. The difference between this amount and the nominal value of €325.0 million is recognized as an interest expense over the term of the financial liability using the effective interest method.

The early termination rights from MorphoSys (issuer call and clean-up call) and the put option of the convertible bondholders in the case of change of control all represent embedded derivatives that, however, have not been separated in accordance with IFRS 9, as they are considered to be closely related to the base contract. Accordingly, these components are included in the financial liability.

There were no bond conversions in 2021 and 2020.

## **5.18 Financial Assets and Liabilities from Collaborations**

MorphoSys AG and Incyte Corporation signed a collaboration and license agreement in 2020 for the further global development and commercialization of MorphoSys's proprietary anti-CD19 antibody tafasitamab. Under the terms of this agreement, MorphoSys could, among other things, pending on the achievement of certain developmental, regulatory, and commercial milestones, receive milestone payments amounting to up to US\$1.1 billion (approximately €971.2 million). MorphoSys also receives tiered royalties in a mid-teen to mid-twenties percentage of net sales of Monjuvi outside the US. In the US, MorphoSys and Incyte co-commercialize Monjuvi, with MorphoSys being responsible for the commercial relationship with the end customer, which also comprises the deliveries of the drug and the collection of the related cash inflows. The revenues from product sales of Monjuvi are, therefore, recognized by MorphoSys, as it is the principal of the transaction. Incyte and MorphoSys are jointly responsible for the commercialization activities in the US and will equally share any profits and losses (50/50 basis). Outside the US, Incyte has received exclusive commercialization rights, determines the commercialization strategy and is responsible for the commercial relationship with the end customer, including the deliveries of the drug and the collection of the related cash inflows. Therefore, Incyte will recognize all revenues generated from sales of tafasitamab outside the US and will pay royalties to MorphoSys on these sales.

As part of the agreement, MorphoSys recorded the balance sheet items "Financial Assets from Collaborations" and "Financial Liabilities from Collaborations". The financial asset represents MorphoSys's current reimbursement claim against Incyte from the expected future losses associated with the US commercialization activities (as Incyte has agreed to compensate MorphoSys for 50% of said losses) measured at fair value. The non-current financial liability, measured initially at fair value, represents Incyte's prepaid entitlement to future profit sharing on sales of Monjuvi in the US (as MorphoSys will share 50% of these profits with Incyte). Incyte has already acquired this right with the payments made in 2020; therefore, a liability had to be recognized at that time. The basis for the initial valuation at fair value is the corporate planning and its shared profits and losses thereof in connection with the commercialization activities of MorphoSys and Incyte in the United States for the years ahead.

The financial asset is subsequently measured at fair value through profit or loss and the financial liability at amortized cost using the effective interest method. Any resulting effective interest is recognized in the finance result. The basis for the valuation at fair value is the corporate planning and its shared profits and losses thereof in connection with the commercialization activities of MorphoSys and Incyte in the US for the years ahead. Cash flows from the profits and losses shared equally between the two parties are generally recognized directly against the financial asset or financial liability. Differences between the planned and actual cash flows from the financial asset or financial liability are recorded in the finance result. Effects resulting from changes in planning estimates regarding the expected net cash flows from financial assets and financial liabilities are also recognized in the finance result. The initial effective interest rate continues to be applied for the subsequent measurement of the financial liability, whereas the current yield curve is used for the financial assets. Foreign currency translation effects from the financial asset or financial liability are also recognized in the finance result.

The planning assumptions are influenced by estimates and mainly comprise revenues and costs for the production and sale of Monjuvi in the US, the discount rate and the expected term of cash flows. Revenues are affected by variable influencing factors such as patient numbers and the number of doses of Monjuvi administered, as well as the price that can be obtained in the market. Costs include the manufacturing costs for these doses of Monjuvi and other cost components for e.g. sale, transport, insurance and packaging. To determine the fair value of financial assets from collaborations, expected cash inflows from Incyte's planned losses resulting from the co-promotion activities of Monjuvi in the USA are discounted using market interest rates of financial instruments with comparable currencies and maturities, taking into account Incyte's credit risk. The expected cash outflows are discounted using market interest rates of financial instruments with comparable currencies and maturities, taking into account the credit risk of MorphoSys. The term is the estimated time period over which Monjuvi will generate benefits in the approved indication and therefore the expected term of product sales in the US. These estimates are based on assumptions that are jointly arrived at and approved quarterly by the responsible departments at MorphoSys and Incyte.

Financial assets and financial liabilities from collaborations are furthermore subject to significant uncertainties from currency exchange rate developments.

As of December 31, 2021, US\$18.9 million (€16.7 million) were recognized as a current financial asset and US\$1.2 million (€1.1 million) as a current and US\$581.3 million (€513.3 million) as a non-current financial liability as result of the collaboration with Incyte.

MorphoSys and Incyte will also share the development costs for the jointly initiated worldwide and US-specific clinical trials at a ratio of 55% (Incyte) to 45% (MorphoSys). This 45% share of development costs borne by MorphoSys is included in research and development costs. Should MorphoSys provide services in excess of this 45% share, MorphoSys will be entitled to a compensation claim against Incyte, which will qualify as revenue in accordance with IFRS 15. Related expenses for the provision of the service are recognized as cost of sales. Conversely, MorphoSys has to bear additional research and development expenses if Incyte performs more than 55% of the total clinical trial services. In addition, Incyte will assume 100% of future development costs for clinical trials in countries outside the United States, which are conducted in Incyte's own responsibility. Incyte has the option to obtain development services from MorphoSys for this purpose. If this option is exercised, the related income will be recognized as revenue.

The financial assets from collaborations are measured FVTPL and their measurement is based on the above-mentioned partly unobservable parameters. This results in a fair value classification in the Level 3 measurement hierarchy. The assets changed in 2021 as follows:

in 000' €	2021	2020
Balance as of January 1	42,870	0
Additions	—	45,090
Cash Receipts	(40,004)	(12,677)
Through Profit or Loss (in Finance Result)	13,864	10,457
<b>Balance as of December 31</b>	<b>16,730</b>	<b>42,870</b>

If the expected sales revenues and cost components had changed by 1%, the fair value of the financial asset from collaborations would have been in a range of €16.2 million to €17.3 million.

The estimates underlying the financial liabilities from collaboration are subject to a sensitivity analysis below. This would have resulted in the following effects on the carrying amount of the financial liabilities from collaborations as of December 31, 2021 and 2020. In each case, one planning assumption is changed and all other estimates are kept constant.

in million €	12/31/2021		12/31/2020	
	+1%	(1)%	+1%	(1)%
Change in Price obtained in the Market (revenue related)	9.7	(9.7)	11.2	(11.2)
Change in Patient Numbers and Number of Doses administered (revenue related)	8.7	(8.7)	10.1	(10.1)
Change in Manufacturing Costs and other Cost Components (cost related)	(4.6)	4.6	(6.2)	6.2
Change in Patient Numbers and Number of Doses administered (cost related)	(0.9)	0.9	(1.1)	1.1

## 5.19 Financial Liabilities from Future Payments to Royalty Pharma

The acquisition of Constellation also triggered the enforcement of the royalty purchase agreement and the revenue participation agreement with Royalty Pharma on July 15, 2021. The agreements primarily serve to finance the acquisition of Constellation and to further develop the MorphoSys and Constellation product pipelines.

Under the terms of the agreements, Royalty Pharma made a non-refundable payment of US\$1,425.0 million (equivalent to €1,206.7 million) to MorphoSys. In addition, a contingent purchase price payment from Royalty Pharma to MorphoSys of up to US\$100.0 million (€84.7 million) was agreed, which is subject to the achievement of certain clinical, regulatory and commercial milestones for otilimab from GSK, gantenerumab from Roche and pelabresib from Constellation.

In return, MorphoSys has agreed in the royalty purchase agreement to pass on the following to Royalty Pharma: 100% of MorphoSys' entitlement since April 1, 2021, for royalties from net sales of Tremfya from Janssen, 80% of future royalties as well as 100% of the future milestone payments for otilimab from GSK and 60% of future royalties for gantenerumab from Roche. Constellation will pass on 3% of future net sales of clinical-stage compounds (pelabresib and CPI-0209) to Royalty Pharma based on the revenue participation agreement. If revenues based on net sales of pelabresib exceed US\$30.0 million (

€25.4 million) in any fiscal year, an additional purchase price of US\$50.0 million (€42.3 million) will be due. However, the rights to the underlying intellectual property of pelabresib and CPI-0209 will remain with MorphoSys.

Currently, only Tremfya has market approval and generates royalties from net sales, which are to be passed on to Royalty Pharma. Otilimab, gantenerumab, pelabresib and CPI-0209 are currently in clinical development and it is uncertain whether MorphoSys will receive royalty or milestone payments or generate revenues from them in the future.

In addition, Royalty Pharma has agreed to acquire equity in MorphoSys in the amount of up to US\$ 100.0 million (€84.7 million) or a maximum of 3,289,004 shares. To this end, on July 16, 2021, MorphoSys, by resolution of the Management Board and the Supervisory Board, carried out a capital increase from Authorized Capital 2021-II excluding the subscription rights of existing shareholders by means of a cash contribution. In the course of the capital increase, 1,337,552 shares (nominal amount € 1,337,552) were newly created on the Frankfurt Stock Exchange, registered in the commercial register on July 29, 2021, and the capital increase became effective on that date. This resulted in an inflow of €84.7 million and corresponds to €63.35 per share. The purchase price of the shares corresponds to the volume-weighted average price of 5 days and was €6.85 per share above the share price at the time of the resolution. The capital increase thus includes a share premium of €9.2 million. In connection with Royalty Pharma's participation in MorphoSys's equity, €1.3 million (corresponding to a nominal value of € 1 per ordinary share) were recognized in subscribed capital and €83.3 million (including deduction of transaction costs) in additional paid-in capital as part of the capital increase. It was agreed with Royalty Pharma that the latter may not sell the acquired shares within one year of acquisition. As the agreed lock-up period is in the interest of both parties, it is assumed that the fair value of the capital contribution corresponds to the amount of cash paid by Royalty Pharma.

On July 15, 2021, the development funding bond agreement with Royalty Pharma became effective. Under the terms of this agreement, MorphoSys must draw at least US\$150.0 million (equivalent to €127.0 million) and can draw down a maximum of US\$350.0 million (equivalent to €296.4 million) within one year. Repayment will be made at 2.2 times the amount drawn according to a fixed payment schedule within ten years and nine months after the first drawdown without any repayment in the first two years after a drawdown. To date, no partial amount of the bond has been called.

The payment of US\$1,425.0 million (€1,206.7 million) was recognized as non-current financial liabilities from future payments to Royalty Pharma taking into account directly attributable transaction costs of US\$0.9 million (€0.8 million). The portion of the liability expected to be due to Royalty Pharma within the next 12 months after the balance sheet date is reported as part of current financial liabilities. As all of the agreements with Royalty Pharma described above were entered into on an arm's length basis, it can be assumed that the consideration paid by Royalty Pharma corresponds in total to the fair value of the liabilities entered into. However, as the implied interest rate on the development funding bond individually is 14%, which is higher than the market interest rate of 6.5%, it can be assumed that part of the consideration is to be considered as compensation for the market inequity (off-market component in the amount of the present value of the interest rate differential) on the development funding bond. Accordingly, the financial liabilities to Royalty Pharma were reduced by US\$69.0 million (€58.4 million), and this amount was allocated to the development funding bond as compensation for the market inequity. The market inequity of the development funding bond is also presented in the balance sheet item "Financial Liabilities from Future Payments to Royalty Pharma". The off-market component is amortized to interest expense over the term in accordance with the effective interest rate method. As of December 31, 2021 the financial liability from future payments to Royalty Pharma contains a liability from the sale of future royalties as well as revenue participation of €1,193.3 million and for the market inequity of the development funding bond of €62.9 million.

The financial liabilities are subsequently measured at amortized cost using the effective interest method. The resulting effective interest is recognized in the financial result. As of December 31, 2021, the carrying amount of the current financial liability is €88.4 million and the carrying amount of the non-current financial liability is €1,167.8 million.

The financial liabilities represent the obligation of MorphoSys to forward to Royalty Pharma certain future license income in the form of royalties and milestones of Tremfya, otilimab, gantenerumab and of shares of future net sales of the product candidates pelabresib and CPI-0209 (as described above) as well as the market inequity of the contractually agreed minimum amount of the development funding bond. There is no cash inflow and outflow at MorphoSys, as the agreed royalty percentages and milestones are paid directly by Janssen, GSK and Roche to Royalty Pharma. The initial measurement at fair value was based on corporate planning and the resulting net sales for the coming years. The cash flows from the transfer of assigned license revenues are generally recognized directly against the financial liability. Deviations of the actual cash flows from the original planning are recognized in the financial result. Effects resulting from changes in the planning assumptions regarding the expected net cash flows are also recognized in the financial result. The initial effective interest rate continues to be used for the subsequent measurement of the financial liability. Foreign currency translation effects from the financial liabilities are also recognized in the financial result. Royalty revenue from any product sales will continue to be recognized by MorphoSys, which acts as the principal.

The planning assumptions are influenced by estimates and mainly relate to the expected revenues from Tremfya, otilimab, gantenerumab, pelabresib and CPI-0209, the initial discount rate and the expected term of the cash flows. Revenues are

influenced by variable factors such as patient numbers and the number of doses administered as well as the price that can be achieved in the market. The term represents the estimated period over which Tremfya in the approved indication and otilimab, gantenerumab and pelabresib will generate future cash inflows and therefore the expected duration of product sales. The above estimates are weighted with an expected probability of obtaining regulatory approval. The cash inflows and outflows represent an estimate of future revenues and costs from the outlicensed products and are subject to a significant degree of judgment. These estimates are based on assumptions that are developed and approved by the responsible departments of MorphoSys on a quarterly basis.

The estimates underlying the financial liability are subject to a sensitivity analysis below. This would have resulted in the following effects on the fair value of the financial liabilities upon initial recognition. In each case, one planning assumption is changed and all other estimates are kept constant.

<u>in million €</u>	+1%	(1)%
Change in variable Factors on Revenues	11.0	(11.0)
Change in Foreign Exchange Rate for future Royalties and Net Sales	(13.8)	14.1

As of December 31, 2021, percentage changes in significant estimates would have impacted the financial liabilities from future payments to Royalty Pharma measured at amortized costs as follows.

<u>in million €</u>	+1%	(1)%
Change in variable Factors on Revenues	11.4	(11.4)
Change in Foreign Exchange Rate for future Royalties and Net Sales	(14.4)	14.8

## 5.20 Stockholders' Equity

### 5.20.1 Common Stock

As of December 31, 2021, the Company's fully paid common stock, including treasury shares, amounted to €34,231,943 and 34,231,943 shares, representing an increase of €1,341,897 and 1,341,897 shares compared to €32,890,046 and 32,890,046 shares as of December 31, 2020. Each no-par value share of common stock with a notional value of €1 is entitled to dividends and grants one vote at the general meeting with the exception of the treasury shares held by the Company. The common stock increased due to Royalty Pharma's purchase of 1,337,552 shares, created from a capital increase from Authorized Capital 2021-II, as well as from the exercise of 4,345 stock options granted to employees amounting to €4,345, or 4,345 shares. The weighted-average exercise price of the exercised stock options amounted to €55.52.

### 5.20.2 Authorized Capital

In comparison to December 31, 2020, the number of authorized ordinary shares decreased from 15,214,050 (€15,214,050) to 7,287,025 (€7,287,025). At the Annual General Meeting on May 19, 2021, Authorized Capital 2021-I in the amount of 4,861,376, Authorized Capital 2021-II in the amount of 3,289,004 and Authorized Capital 2021-III in the amount of 315,000 were newly created. The remaining Authorized Capital 2018-I in the amount of 11,768,314 and the remaining Authorized Capital 2020-I in the amount of 3,286,539 were canceled at this Annual General Meeting. The number was also reduced by the capital increase of 1,337,552 from the Authorized Capital 2021-II carried out in July 2021 under the agreement with Royalty Pharma.

Under the Authorized Capital 2021-I, the Management Board is authorized, with the consent of the Supervisory Board, to increase the Company's share capital on one or several occasions until and including May 18, 2026 against cash and/or non-cash contributions by a total of up to €4,861,376 by issuing up to 4,861,376 new no-par-value bearer shares.

Under the Authorized Capital 2021-II, the Management Board is authorized, with the consent of the Supervisory Board, to increase the Company's share capital on one or several occasions until and including May 18, 2026 against cash contributions by a total of up to €3,289,004 by issuing up to 3,289,004 new no-par-value bearer shares.

Under the Authorized Capital 2021-III, the Management Board is authorized, with the consent of the Supervisory Board, to increase the Company's share capital on one or several occasions until and including May 18, 2026 against cash contributions and/or contributions in kind by a total of up to €315,000 by issuing up to 315,000 new no-par-value bearer shares.

Pursuant to the Company's articles of association, the shareholders may authorize the Management Board to increase the share capital with the consent of the Supervisory Board within a period of five years by issuing shares for a specific total amount referred to as authorized capital (*Genehmigtes Kapital*), which is a concept under German law that enables the company to issue shares without going through the process of obtaining an additional shareholders' resolution. The aggregate nominal

amount of the authorized capital created by the shareholders may not exceed half of the share capital existing at the time of registration of the authorized capital in the commercial register.

### 5.20.3 Conditional Capital

In comparison to December 31, 2020, the number of ordinary shares of conditional capital increased from 7,630,728 (€7,630,728) to 7,816,101 (€7,816,101). At the Annual General Meeting on May 19, 2021, Conditional Capital 2021-I in the amount of 3,289,004 was newly created. In the course of this General Meeting, the Conditional Capital 2008-III in the amount of 13,415, the Conditional Capital 2016-I in the amount of 2,832,099 and the Conditional Capital 2016-III in the amount of 253,772 were reduced. The exercise of 4,345 stock options in 2021 from the Conditional Capital 2016-III had an offsetting effect as well. The reduction from the exercise of the 4,345 stock options was entered into the commercial register in January 2021.

Although shareholders may resolve to amend or create conditional capital (Bedingtes Kapital), they may do so only to issue conversion or subscription rights to holders of convertible bonds in preparation for a merger with another company or to issue subscription rights to employees and members of the Management Board of the Company or of an affiliated company by way of consent or authorizing resolution. According to German law, the aggregate nominal amount of the conditional capital created at the shareholders' meeting may not exceed half of the share capital existing at the time of the shareholders' meeting adopting such resolution. The aggregate nominal amount of the conditional capital created for the purpose of granting subscription rights to employees and members of the management of our Company or of an affiliated company may not exceed 10% of the share capital existing at the time of the shareholders' meeting adopting such resolution.

### 5.20.4 Treasury Stock

In the years 2021 and 2020, the Group did not repurchase any of its own shares. The composition and development of this line item are listed in the table below.

	Number of Shares	Value
As of 12/31/2018	281,036	10,398,773
Transfer in 2019	(55,236)	(2,041,523)
As of 12/31/2019	225,800	8,357,250
Transfer in 2020	(94,386)	(3,488,506)
As of 12/31/2020	131,414	4,868,744
Transfer in 2021	(48,260)	(1,783,690)
As of 12/31/2021	83,154	3,085,054

On December 31, 2021, the Company held 83,154 treasury shares with a value of 3,085,054€ – a decrease of €1,783,690 compared to December 31, 2020 (131,414 shares, €4,868,744). The reason for this decrease was the transfer of 45,891 treasury shares amounting to €1,696,131 to the Management Board and selected employees of the Company (beneficiaries) from the 2017 Long-Term Incentive Plan (LTI Plan). The vesting period for this LTI Plan expired on April 1, 2021 and offered beneficiaries a six-month period until October 13, 2021 to receive a total of 45,891 shares. In addition, 2,369 treasury shares for an amount of €87,558 from the 2019 Long-Term Incentive Plan were transferred to certain employees of MorphoSys US Inc.

Consequently, the number of MorphoSys shares owned by the Company as of December 31, 2021, was 83,154 (December 31, 2020: 131,414) and the number of outstanding shares amounted to 34,148,789 (December 31, 2020: 32,758,632). The repurchased shares may be used for all of the purposes named in the authorization granted by the Annual General Meeting on May 23, 2014, particularly for existing and future employee stock option programs and/or to finance acquisitions. The shares may also be redeemed.

### 5.20.5 Additional Paid-In Capital

As of December 31, 2021, the capital reserve amounted to €833,320,689 (December 31, 2020: €748,978,506). The increase by a total of €84,342,183 resulted mainly from the capital increase as a result of the issuance of shares to Royalty Pharma in the amount of €83,301,053 after deducting transaction costs of €91,417. Furthermore, the additional paid-in capital increased due to the addition of personnel expenses from share-based payments in the amount of €2,587,931 and the exercise of stock options in the amount of €236,889. This was offset by the decrease from reclassifications of treasury shares in connection with the allocation of shares from the MorphoSys AG 2017 Performance Share Plan in the amount of €1,696,131 and from the MorphoSys US Inc. 2019 LTI Plan in the amount of €87,558.

## **5.20.6 Other Comprehensive Income Reserve**

On December 31, 2021, this reserve included changes in the fair value of equity instruments of €-27,486 (December 31, 2020: €-27,486) recognized directly in equity, as well as currency translation differences from consolidation of €52,785,077 (December 31, 2020: €2,238,905). The currency translation differences from consolidation included exchange rate differences from the revaluation of the financial statements of Group companies prepared in foreign currencies and differences between the exchange rates used in the balance sheet and income statement.

## **5.20.7 Accumulated Deficit**

The consolidated net loss for the year of €514,460,016 is reported under “accumulated deficit.” As a result, the accumulated deficit increased from €157,889,210 in 2020 to €672,349,226 in 2021.

# **6 Remuneration System for the Management Board and Employees of the Group**

## **6.1 Stock Option Plans**

### **6.1.1 2017 Stock Option Plan**

On April 1, 2017, MorphoSys established a stock option plan (SOP) for the Management Board and selected employees of the Company (beneficiaries). The program is considered an equity-settled share-based payment and is accounted for accordingly. The vesting period/performance has ended on March 31, 2021. The performance criteria were set at 110%. Each stock option thus grants 1.1 subscription rights to shares in the Company. The number of subscription rights vested per year were calculated based on the key performance criteria of the absolute and relative MorphoSys share price performance compared to the Nasdaq Biotech Index and the TecDAX Index.

The exercise price is €55.52. The exercise period is three years after the end of the 4-year vesting period/performance period, which is March 31, 2024.

Based on the performance criteria achieved, 72,650 stock options can be exercised; this corresponds to 79,935 shares. Of these, the Management Board can exercise 8,197 stock options (9,017 shares), the members of the Executive Committee can exercise 4,018 stock options (4,421 shares) and current and former employees of the Company can exercise 60,435 stock options (66,497 shares). As of December 31, 2021, 3,950 stock options have been exercised, representing 4,345 shares.

In 2021, personnel expenses from stock options under the Group’s 2017 SOP amounted to €2,757 based on the fair value on the grant date (2020: €62,780; 2019: €252,393).

### **6.1.2 2018 Stock Option Plan**

On April 1, 2018, MorphoSys established a stock option plan (SOP) for the Management Board and selected Company employees (beneficiaries). The program is considered an equity-settled share-based payment and is accounted for accordingly. The grant date was April 1, 2018, and the vesting period/performance period is 4 years. Each stock option grants up to two subscription rights to shares in the Company. The subscription rights vest each year by 25% within the 4-year vesting period, provided that the performance criteria specified for the respective period have been 100% fulfilled. The number of subscription rights vested per year is calculated based on the key performance criteria of the absolute and relative MorphoSys share price performance compared to the Nasdaq Biotech Index and the TecDAX Index. The program’s performance criteria can be met annually up to a maximum of 200%. If the share price development falls short of the program’s performance parameters, the target achievement for that year is 0%.

The exercise price, derived from the average market price of the Company’s shares in the XETRA closing auction on the Frankfurt Stock Exchange from the 30 trading days prior to the issue of the stock options, is €81.04.

MorphoSys reserves the right to settle the exercise of stock options using either newly created shares from Conditional Capital 2016-III or by issuing treasury shares, or in cash should the exercise from Conditional Capital 2016-III not be possible. The exercise period is three years after the end of the 4-year vesting period/performance period, which is March 31, 2025.

In the event of a departure from the Company, the beneficiaries generally retain the stock options that have vested by the time of their departure.

In the event of a termination of a beneficiary for reasons of conduct or a revocation of the appointment of a member of the Management Board for reasons constituting good cause within the meaning of Section 626 (2) of the German Civil Code (BGB), all unexercised stock options forfeit without entitlement to compensation.

If an accumulated period of absence of more than 90 days occurs during the 4-year vesting period/performance period, 1/48 of the stock options granted are forfeited for each up to 30 days of absence. A period of absence is defined as absence due to illness, continued payment of remuneration in the event of illness or a suspended service or employment relationship without continued payment of remuneration.

If a change of control occurs during the four-year vesting period, the stock options will become fully vested. In this case, however, the right to exercise the stock options arises only at the end of the 4-year vesting period.

In 2021, personnel expenses from stock options under the Group's 2018 SOP amounted to €52,795 based on the fair value on the grant date (2020: €251,855; 2019: €704,954).

### **6.1.3 2019 Stock Option Plan**

On April 1, 2019, MorphoSys established a stock option plan (SOP) for the Management Board and selected employees of the Company (beneficiaries). The program is considered an equity-settled share-based payment and is accounted for accordingly. The grant date was April 1, 2019, and the vesting period/performance period is four years. Each stock option grants up to two subscription rights to shares in the Company. The subscription rights vest each year by 25% within the four-year vesting period, provided that the performance criteria specified for the respective period have been 100% fulfilled. The number of subscription rights vested per year is calculated based on the key performance criteria of the absolute and relative MorphoSys share price performance compared to the Nasdaq Biotech Index and the TecDAX Index. The program's performance criteria can be met annually up to a maximum of 200%. If the share price development falls short of the program's performance parameters, the target achievement for that year is 0%.

The exercise price, derived from the average market price of the Company's shares in the XETRA closing auction on the Frankfurt Stock Exchange from the 30 trading days prior to the issue of the stock options, is €87.86.

MorphoSys reserves the right to settle the exercise of stock options using either newly created shares from Conditional Capital 2016-III, issuing treasury shares, or in cash should the exercise from Conditional Capital 2016-III not be possible. The exercise period is three years after the end of the four-year vesting period/performance period, which is March 31, 2026.

In the event of a departure from the Company, the beneficiaries generally retain the stock options that have vested by the time of their departure.

In the event of a termination of a beneficiary for reasons of conduct or a revocation of the appointment of a member of the Management Board for reasons constituting good cause within the meaning of Section 626 (2) of the German Civil Code (BGB), all unexercised stock options forfeit without entitlement to compensation.

If an accumulated period of absence of more than 90 days occurs during the four-year vesting period/performance period, 1/48 of the stock options granted are forfeited for each up to 30 days of absence. A period of absence is defined as absence due to illness, continued payment of remuneration in the event of illness or a suspended service or employment relationship without continued payment of remuneration.

If a change of control occurs during the four-year vesting period, the stock options will become fully vested. In this case, however, the right to exercise the stock options arises only at the end of the four-year vesting period.

On 10/1/2019, MorphoSys established a further stock option plan (SOP plan) for one member of the Management Board. The terms and conditions were identical to those of the April 1, 2019 program, and the exercise price was €106.16. The exercise period is three years after the end of the four-year vesting period/performance period, which is September 30, 2023.

In 2021, personnel expenses from stock options under the Group's 2019 SOP amounted to €625,806 based on the fair value on the grant date (2020: €1,570,241; 2019: €1,718,087).

### **6.1.4 2020 Stock Option Plan**

On April 1, 2020, MorphoSys established a stock option plan (SOP) for the Management Board and selected employees of the Company (beneficiaries). The program is considered an equity-settled share-based payment and is accounted for accordingly. The grant date was April 21, 2020, and the vesting period/performance period is four years. Each stock option grants up to two subscription rights to shares in the Company. The subscription rights vest each year by 25% within the four-year vesting period, provided that the performance criteria specified for the respective period have been 100% fulfilled. The number of subscription rights vested per year is calculated based on the key performance criteria of the absolute and relative MorphoSys share price

performance compared to the Nasdaq Biotech Index and the TecDAX Index. The program's performance criteria can be met annually up to a maximum of 200%. If the share price development falls short of the program's performance parameters, the target achievement for that year is 0%.

The exercise price, derived from the average market price of the Company's shares in the XETRA closing auction on the Frankfurt Stock Exchange from the 30 trading days prior to the issue of the stock options, is €93.66.

MorphoSys reserves the right to settle the exercise of stock options using either newly created shares from Conditional Capital 2016-III, through the issue of treasury shares, or in cash should the exercise from Conditional Capital 2016-III not be possible. The exercise period is three years after the end of the four-year vesting period/performance period, which is March 31, 2027.

In the event of a departure from the Company, the beneficiaries generally retain the stock options that have vested by the time of their departure.

In the event of a termination of a beneficiary for reasons of conduct or a revocation of the appointment of a member of the Management Board for reasons constituting good cause within the meaning of Section 626 (2) of the German Civil Code (BGB), all unexercised stock options forfeit without entitlement to compensation.

If an accumulated period of absence of more than 90 days occurs during the four-year vesting period/performance period, 1/48 of the stock options granted are forfeited for each up to 30 days of absence. A period of absence is defined as absence due to illness, continued payment of remuneration in the event of illness or a suspended service or employment relationship without continued payment of remuneration.

If a change of control occurs during the four-year vesting period, the stock options will become fully vested. In this case, however, the right to exercise the stock options arises only at the end of the four-year vesting period.

In 2021, personnel expenses from stock options under the Group's 2020 SOP amounted to €1,033,944 based on the fair value on the grant date (2020: €1,990,326).

The table below shows the development of the stock option plans in the financial year 2021.

	April 2017 Stock Option Plan	April 2018 Stock Option Plan	April 2019 Stock Option Plan	October 2019 Stock Option Plan	April 2020 Stock Option Plan
Outstanding on January 1, 2021	72,650	64,255	73,183	57,078	107,042
Granted	0	0	0	0	0
Exercised	(4,345)	0	0	0	0
Forfeited	0	(1,109)	(3,512)	0	(6,692)
Expired	0	0	0	0	0
Outstanding on December 31, 2021	68,305	63,146	69,671	57,078	100,350
Exercisable on December 31,	68,305	0	0	0	0
Weighted-average Exercise Price (€)	55.52	81.04	87.86	106.16	93.66

The fair value of the stock options from the 2018, 2019 and 2020 stock option plans was determined using a Monte Carlo simulation. The expected volatility is based on the development of the share volatility of the last four years. Furthermore, the calculation of fair value equally considered the performance criteria of the absolute and relative performance of MorphoSys shares compared to the development of the Nasdaq Biotech Index and the TecDAX Index. The parameters and fair value of each program are listed in the table below.

	<b>April 2018 Stock Option Plan</b>	<b>April 2019 Stock Option Plan</b>	<b>October 2019 Stock Option Plan</b>	<b>April 2020 Stock Option Plan</b>
Share Price on Grant Date in €	81.05	85.00	98.10	94.90
Exercise Price in €	81.04	87.86	106.16	93.66
Expected Volatility of the MorphoSys share in %	35.95	37.76	38.02	39.86
Expected Volatility of the Nasdaq Biotech Index in %	25.10	18.61	18.17	25.32
Expected Volatility of the TecDAX Index in %	17.73	26.46	24.82	20.48
Performance Term of Program in Years	4.0	4.0	4.0	4.0
Dividend Yield in %	n/a	n/a	n/a	n/a
Risk-free Interest Rate in %	between 0.02 and 0.15	between 0.02 and 0.13	between 0.0 and 0.02	between -0.55 and -0.83
<b>Fair Value on Grant Date in €</b>	<b>30.43</b>	<b>31.81</b>	<b>35.04</b>	<b>38.20</b>

## 6.2 Long-Term Incentive Programs

### 6.2.1 2016 Long-Term Incentive Plan

On April 1, 2016, MorphoSys established a Long-Term Incentive Plan (LTI Plan) for the Management Board and certain employees of the Company (beneficiaries). The vesting period for this LTI Plan expired on April 1, 2020. The program is considered an equity-settled share-based payment and is accounted for accordingly. The LTI Plan is a performance-related share plan and will be paid out in ordinary shares (performance shares) of MorphoSys AG if predefined key performance criteria are achieved. These criteria are evaluated annually by the Supervisory Board. The performance criteria were based on a mathematical comparison of the absolute and relative performance of the MorphoSys share price against the Nasdaq Biotech Index and the TecDAX Index. Achievement of these criteria was set at 173.5%. In addition, the Supervisory Board set a “company factor” as 1, which determines the number of performance shares to be issued. Based on these conditions and the set factor, 91,037 performance shares of MorphoSys AG were transferred to the beneficiaries after the four-year vesting period in the period ending October 20, 2020. The Management Board received 13,677 performance shares and the members of the Executive Committee received 8,754 performance shares. A total of 68,606 performance shares were granted to current and former employees of the Company.

In 2021, personnel expenses resulting from performance shares under the Group’s 2016 LTI Plan amounted to €0 based on the fair value on the grant date (2020: €4,921; 2019: €141,473).

### 6.2.2 2017 Long-Term Incentive Plan

On April 1, 2017, MorphoSys established another Long-Term Incentive Plan (LTI Plan) for the Management Board and selected employees of the Company (beneficiaries). The vesting period for this LTI Plan expired on April 1, 2021. The program is considered an equity-settled share-based payment and is accounted for accordingly. The LTI Plan is a performance-related share plan and will be paid out in ordinary shares (performance shares) of MorphoSys AG if predefined key performance criteria are achieved. These criteria are evaluated annually by the Supervisory Board. The performance criteria were based on a mathematical comparison of the absolute and relative performance of the MorphoSys share price against the Nasdaq Biotech Index and the TecDAX Index. Achievement of these criteria was set at 130%. In addition, the Supervisory Board set a “company factor” as 1, which determines the number of performance shares to be issued. Based on these conditions and the set factor, 45,891 performance shares of MorphoSys AG were transferred to the beneficiaries after the four-year vesting period in the period ending October 13, 2021. The Management Board received 4,143 performance shares (for further information, see the tables entitled “Shares” and “Performance Shares” in Note 6.7 “Related Parties”), and the members of the Executive

Committee received 2,030 performance shares. A total of 39,718 performance shares were granted to current and former employees of the Company.

In 2021, personnel expenses resulting from performance shares under the Group's 2017 LTI Plan amounted to €3,530 based on the fair value on the grant date (2020: €80,383; 2019: €323,165).

### **6.2.3 2018 Long-Term Incentive Plan**

On April 1, 2018, MorphoSys established another Long-Term Incentive Plan (LTI Plan) for the Management Board and selected employees of the Company (beneficiaries). This plan is considered a share-based payment program with settlement in equity instruments and is accounted for accordingly. The LTI Plan is a performance-related share plan and will be paid out in ordinary shares (performance shares) of MorphoSys AG if predefined key performance criteria are achieved. The grant date was April 1, 2018, and the vesting/performance period is four years. If the predefined performance criteria for the respective period are 100% met, 25% of the performance shares become vested in each year of the four-year vesting period. The number of performance shares vested per year is calculated based on the key performance criteria of the absolute and relative MorphoSys share price performance compared to the Nasdaq Biotech Index and the TecDAX Index. The performance criteria can be met annually up to a maximum of 300% and up to 200% for the entire four-year period. If the specified performance criteria are met by less than 0% in one year, no shares will be earned for that year (entitlement). In any case, the maximum payout at the end of the four-year period is limited by a factor determined by the Group, which generally amounts to 1. However, in justified cases, the Supervisory Board may set this factor freely between 0 and 2, for example, if the level of payment is regarded as unreasonable in view of the general development of the Company. The right to receive a specific allocation of performance shares under the LTI Plan, however, occurs only at the end of the four-year vesting/performance period. At the end of the four-year waiting period, there is a six-month exercise period during which the Company can transfer the performance shares to the beneficiaries. The beneficiaries can choose the allocation date within this exercise period.

If the number of repurchased shares is not sufficient for servicing the LTI Plan, MorphoSys reserves the right to pay a specific amount of the LTI Plan in cash in the amount of the performance shares at the end of the vesting period, provided the cash amount does not exceed 200% of the fair value of the performance shares on the grant date.

In the event of a departure from the Company, the beneficiaries are generally entitled to the performance shares that have vested up to the date of their departure on a pro rata basis.

In the event of a termination of a beneficiary for reasons of conduct or a revocation of the appointment of a member of the Management Board for reasons constituting good cause within the meaning of Section 626 (2) of the German Civil Code (BGB), all performance shares forfeit without entitlement to compensation.

If an accumulated period of absence of more than 90 days occurs during the four-year vesting period/performance period, the beneficiary is entitled to performance shares on a pro rata basis. A period of absence is defined as absence due to illness, continued payment of remuneration in the event of illness or a suspended service or employment relationship without continued payment of remuneration.

If a change of control occurs during the four-year vesting period, all performance shares will become fully vested. In this case, the right to receive a specific allocation of performance shares under the LTI Plan occurs only at the end of the four-year vesting period.

In 2021, personnel expenses resulting from performance shares under the Group's 2019 LTI Plan amounted to €54,967 based on the fair value on the grant date (2020: €257,494; 2019: €720,764).

### **6.2.4 2019 Long-Term Incentive Plan**

On April 1, 2019, MorphoSys established another Long-Term Incentive Plan (LTI Plan) for the Management Board and selected employees of the Company (beneficiaries). This plan is considered a share-based payment program with settlement in equity instruments and is accounted for accordingly. The LTI Plan is a performance-related share plan and will be paid out in ordinary shares (performance shares) of MorphoSys AG if predefined key performance criteria are achieved. The grant date was April 1, 2019, and the vesting/performance period is four years. If the predefined performance criteria for the respective period are 100% met, 25% of the performance shares become vested in each year of the four-year vesting period. The number of performance shares vested per year is calculated based on the key performance criteria of the absolute and relative MorphoSys share price performance compared to the Nasdaq Biotech Index and the TecDAX Index. The performance criteria can be met annually up to a maximum of 300% and up to 200% for the entire four-year period. If the specified performance criteria are met by less than 0% in one year, no shares will be earned for that year (entitlement). In any case, the maximum payout at the end of the four-year period is limited by a factor determined by the Group, which generally amounts to 1. However, in justified cases, the Supervisory Board may set this factor freely between 0 and 2, for example, if the level of payment is regarded as

unreasonable in view of the general development of the Company. The right to receive a specific allocation of performance shares under the LTI Plan, however, occurs only at the end of the four-year vesting/performance period. At the end of the four-year vesting period, there is a six-month exercise period during which the Company can transfer the performance shares to the beneficiaries. The beneficiaries can choose the allocation date within this exercise period.

If the number of repurchased shares is not sufficient for servicing the LTI Plan, MorphoSys reserves the right to pay a specific amount of the LTI Plan in cash in the amount of the performance shares at the end of the vesting period, provided the cash amount does not exceed 200% of the fair value of the performance shares on the grant date.

In the event of a departure from the Company, the beneficiaries are generally entitled to the performance shares that have vested up to the date of their departure on a pro rata basis.

In the event of a termination of a beneficiary for reasons of conduct or a revocation of the appointment of a member of the Management Board for reasons constituting good cause within the meaning of Section 626 (2) of the German Civil Code (BGB), all performance shares forfeit without entitlement to compensation.

If an accumulated period of absence of more than 90 days occurs during the four-year vesting period/performance period, the beneficiary is entitled to performance shares on a pro rata basis. A period of absence is defined as absence due to illness, continued payment of remuneration in the event of illness or a suspended service or employment relationship without continued payment of remuneration.

If a change of control occurs during the four-year vesting period, all performance shares will become fully vested. In this case, the right to receive a specific allocation of performance shares under the LTI Plan occurs only at the end of the four-year vesting period.

In 2021, personnel expenses resulting from performance shares under the Group's 2019 LTI Plan amounted to €190,767 based on the fair value on the grant date (2020: €682,162; 2019: €1,294,974).

The table below shows the development of the LTI plans in the financial year 2021.

	April 2017 Long-Term Incentive Program	April 2018 Long-Term Incentive Program	April 2019 Long-Term Incentive Program
Outstanding on January 1, 2021	29,838	19,371	21,783
Granted	0	0	0
Adjustment due to Performance Criteria	16,053	0	0
Exercised	(45,891)	0	0
Forfeited	0	(794)	(1,796)
Expired	0	0	0
Outstanding on December 31, 2021	0	18,577	19,987
Exercisable on December 31, 2021	0	0	0
Weighted-average Exercise Price (€)	n/a	n/a	n/a

The fair value of the performance shares from the Long-Term Incentive Plans from 2018 and 2019 has been determined using a Monte Carlo simulation. The expected volatility is based on the development of the share volatility of the last four years. Furthermore, the calculation of fair value equally considered the performance criteria of the absolute and relative performance of MorphoSys shares compared to the development of the Nasdaq Biotech Index and the TecDAX Index. The parameters and the fair value of each program are listed in the table below.

	April 2018 Long-Term Incentive Program	April 2019 Long-Term Incentive Program
Share Price on Grant Date in €	81.05	85.00
Exercise Price in €	n/a	n/a
Expected Volatility of the MorphoSys share in %	35.95	37.76
Expected Volatility of the Nasdaq Biotech Index in %	25.10	18.61
Expected Volatility of the TecDAX Index in %	17.73	26.46
Performance Term of Program in Years	4.0	4.0
Dividend Yield in %	n/a	n/a
Risk-free Interest Rate in %	between 0.02 and 0.15	between 0.02 and 0.13
<b>Fair Value on Grant Date in €</b>	<b>103.58</b>	<b>106.85</b>

### 6.2.5 2020 Performance Share Unit Program

On April 1, 2020, MorphoSys established a performance share unit program (PSU program) for the Management Board and certain employees of the Company (beneficiaries). The program is considered a cash-settled, share-based payment and is accounted for accordingly. The PSU program is a performance-based program and is paid out in cash subject to the fulfillment of predefined performance criteria. The grant date was April 21, 2020; the vesting period/performance period is four years. If the predefined performance criteria for the respective period are 100% met, 25% of the performance share units become vested in each year of the four-year vesting period. The number of performance share units vested per year is calculated on the basis of the performance criteria of the absolute and relative development of the MorphoSys share price compared to the development of the Nasdaq Biotech Index and the TecDAX Index. The performance criteria can be met each year up to a maximum of 200%. If the defined performance criteria are met by less than 0% in any one year, no performance share units will be earned for that year. However, the right to receive a certain cash settlement from the PSU program does not arise until the end of the four-year vesting period/performance period. After the end of the four-year vesting period, there is a six-month period during which the performance shares can be transferred from the Company to the beneficiaries.

MorphoSys reserves the right to settle the PSU program at the end of the vesting period in MorphoSys AG's own ordinary shares equal to the amount of the performance share units earned. The currently available treasury stock is not sufficient to settle the vested awards. MorphoSys therefore accounts for the plan only as a cash-settled share-based payment.

In the event of a departure from the Company, the beneficiaries generally retain the performance share units that have vested by the time of their departure.

In the event of a termination of a beneficiary for reasons of conduct or a revocation of the appointment of a member of the Management Board for reasons constituting good cause within the meaning of Section 626 (2) of the German Civil Code (BGB), all performance share units forfeit without entitlement to compensation.

If an accumulated period of absence of more than 12 months occurs during the four-year vesting period/performance period, 1/48 of the performance share units are forfeited for each month of absence. A period of absence is defined as an absence due to illness or a period of inactive service or employment without continued payment of remuneration.

If a change of control occurs during the four-year vesting period, all performance share units will become fully vested. In this case, the right to receive a specific allocation of performance share units under the PSU program occurs only at the end of the four-year vesting period.

On June 1, 2020, MorphoSys established another performance share unit program (PSU program) for one member of the Management Board. The terms and conditions were identical to those of the April 1, 2020 program.

In March 2021, the terms of the Performance Share Unit Programs (PSU Programs) of April 1, 2020 and June 1, 2020 for the Management Board and certain employees of the Company (beneficiaries) were amended so that the number of Performance Share Units still to be vested for the remaining three years is calculated on the basis of the performance criteria of the absolute

performance of the MorphoSys share price and the relative performance of the MorphoSys share price compared to the performance of the EURO STOXX Total Market Pharmaceuticals & Biotechnology Index. Previously, the number of performance share units earned in the first year was calculated on the basis of the performance criteria of the absolute and relative performance of the MorphoSys share price compared to the performance of the Nasdaq Biotech Index and the TecDAX Index. If the predefined performance criteria for the respective period are 100% met, 25% of the performance share units become vested in the first year, and 75% become vested during the remaining three-year vesting period. The modification of the program's terms concerns the respective remaining vesting periods/performance periods of the programs for the subsequent three years as of April 1, 2021 and June 1, 2021. The approval of the Management Board and certain employees of the Company (beneficiaries) to the modified program terms was obtained by April 17, 2021. The modification of the programs had no material impact on the fair values of the performance shares or on the period over which the personnel expenses are allocated.

In 2021, personnel expenses under the Group's 2020 performance share unit program amounted to €-1,083,058 (2020: €1,166,194).

### **6.2.6 2021 Performance Share Unit Program**

On April 1, 2021, MorphoSys established a performance share unit program (PSU program) for the Management Board and certain employees of the Company (beneficiaries). The program is considered a cash-settled, share-based payment and is accounted for accordingly. The PSU program is a performance-based program and is paid out in cash subject to the fulfillment of predefined performance criteria. The grant date was April 19, 2021; the vesting period/performance period is four years. If the predefined performance criteria for the respective period are 100% met, 25% of the performance share units become vested in each year of the four-year vesting period. The number of performance share units to be vested is calculated on the basis of the performance criteria of the absolute share price development of the MorphoSys share, the relative development of the MorphoSys share price compared to the EURO STOXX Total Market Pharmaceuticals & Biotechnology Index and an assessment of the employee engagement. The performance criteria can be met each year up to a maximum of 200%. If the defined performance criteria are met by less than 0% in any one year, no performance share units will be earned for that year. However, the right to receive a certain cash settlement from the PSU program does not arise until the end of the four-year vesting period/performance period. After the end of the four-year vesting period, there is a six-month period during which the performance shares can be transferred from the Company to the beneficiaries.

MorphoSys reserves the right to settle the PSU program at the end of the vesting period in MorphoSys AG's own ordinary shares equal to the amount of the performance share units earned. The currently available treasury stock is not sufficient to settle the vested awards. MorphoSys therefore accounts for the plan only as a cash-settled share-based payment.

In the event of a departure from the Company, the beneficiaries generally retain the performance share units that have vested by the time of their departure.

In the event of a termination of a beneficiary for reasons of conduct or a revocation of the appointment of a member of the Management Board for reasons constituting good cause within the meaning of Section 626 (2) of the German Civil Code (BGB), all performance share units forfeit without entitlement to compensation.

If an accumulated period of absence of more than 12 months occurs during the four-year vesting period/performance period, 1/48 of the performance share units are forfeited for each month of absence. A period of absence is defined as an absence due to illness or a period of inactive service or employment without continued payment of remuneration.

If a change of control occurs during the four-year vesting period, all performance share units will become fully vested. In this case, the right to receive a specific allocation of performance share units under the PSU program occurs only at the end of the four-year vesting period.

As of April 1, 2021, a total of 122,005 performance share units were granted to beneficiaries, consisting of 54,232 performance share units to the Management Board, 12,340 performance share units to other members of the Executive Committee and 55,433 performance share units to certain employees of the Company who are not members of the Executive Committee. For the calculation of the personnel expenses from share-based compensation, it was assumed for the PSU program 2021 that fifteen beneficiaries would leave the Company during the four-year period.

On October 1, 2021, MorphoSys established another performance share unit program (PSU program) for certain employees of the Company who are not members of the Executive Committee. The terms and conditions were identical to those of the April 1, 2021 program, and a total of 11,209 performance share units were granted. The grant date was October 20, 2021.

In 2021, personnel expenses under the Group's 2021 performance share unit program amounted to €701,136.

The table below shows the development of the performance share unit programs in the financial year 2021.

	April 2020 Performance Share Unit Program	June 2020 Performance Share Unit Program	April 2021 Performance Share Unit Program	October 2021 Performance Share Unit Program
Outstanding on January 1, 2021	27,494	8,361	0	0
Granted	0	0	122,005	11,209
Exercised	0	0	0	0
Forfeited	(1,715)	0	(10,419)	0
Expired	0	0	0	0
Outstanding on December 31, 2021	25,779	8,361	111,586	11,209
Exercisable on December 31, 2021	0	0	0	0
Weighted-average Exercise Price (€)	n/a	n/a	n/a	n/a

The fair values of the performance share units of the 2020 and 2021 PSU programs are determined using a Monte Carlo simulation. The expected volatility is based on the development of the share price volatility of the last four years. The calculation of fair values equally considered the performance criteria of the absolute performance of MorphoSys shares, the relative performance compared to the EURO STOXX Total Market Pharmaceuticals & Biotechnology Index, and an evaluation of employee engagement. The parameters and the fair value of each program are listed in the table below.

	April 2020 Performance Share Unit Program	June 2020 Performance Share Unit Program	April 2021 Performance Share Unit Program	October 2021 Performance Share Unit Program
Share Price in € on December 31, 2021	33.35	33.35	33.35	33.35
Exercise Price in €	n/a	n/a	n/a	n/a
Expected Volatility of the MorphoSys share in %	41.71	40.44	45.99	44.34
Expected Volatility of the EURO STOXX Total Market Pharmaceuticals & Biotechnology Index in %	22.79	22.22	21.43	20.92
Remaining Performance Term of Program in Years	2.25	2.42	3.25	3.75
Dividend Yield in %	n/a	n/a	n/a	n/a
Risk-free Interest Rate in %	-0.65	-0.65	-0.65	-0.59
<b>Fair Value on December 31, 2021, in €</b>	<b>2.52</b>	<b>4.10</b>	<b>11.82</b>	<b>19.88</b>

### 6.3 MorphoSys US Inc. – 2019 Long-Term Incentive Program

On April 1, 2019, MorphoSys AG established a Long-Term Incentive Plan (LTI Plan) for selected employees of MorphoSys US Inc. (beneficiaries). This program is considered a share-based payment program with settlement in equity instruments and is accounted for accordingly. The LTI Plan is a performance-related share plan and will be paid out in ordinary shares (performance shares) of MorphoSys AG if predefined key performance criteria are achieved. The plan has a term of four years and comprises four one-year performance periods. If the predefined performance criteria for the respective period are 100% met, 25% of the performance shares become vested in each year. The number of shares vested per year is calculated based on key performance criteria of MorphoSys US Inc. during the annual performance period. The performance criteria can be met up to a maximum of 125% per year. If less than 0% of the defined performance criteria are met in any one year, no shares will be vested for that year. After the end of each one-year performance period, there is a six-month period during which the performance shares can be transferred from the Company to the beneficiaries.

If the number of repurchased shares is not sufficient for servicing the LTI Plan, MorphoSys reserves the right to pay a specific amount of the LTI Plan in cash in the amount of the performance shares at the end of the vesting period, provided the cash amount does not exceed 200% of the average market price of one share of the Company in the XETRA closing auction on the Frankfurt Stock Exchange during the 30 trading days preceding the grant of the performance shares.

In the event of a departure from the Company, the beneficiaries are generally entitled to the performance shares that have vested up to the date of their departure on a pro rata basis.

In the event of termination by a beneficiary for good cause, all performance shares will be forfeited without entitlement to compensation.

After the end of the second one-year performance period, a target achievement of 77% was determined. Taking this target achievement into account, 2,369 performance shares of MorphoSys AG were transferred to the beneficiaries in the period from April 1, 2021 to October 18, 2021.

The fair value of the performance shares on December 31, 2021 was €33.35 per share.

In 2021, personnel expenses of the Group from performance shares under the MorphoSys US Inc. 2019 LTI Plan amounted to €-503,206 based on the fair value on December 31, 2021. (2020: €38,888; 2019: €1,076,158).

The table below shows the development of the performance shares under the MorphoSys US Inc. 2019 LTI Plan in the financial year 2021.

	<b>MorphoSys US Inc. - 2019 Long-Term Incentive Program</b>
Outstanding on January 1, 2021	9,118
Granted	0
Exercised	(2,369)
Forfeited	(4,041)
Expired	0
Outstanding on December 31, 2021	2,708
Exercisable on December 31, 2021	0
Weighted-average Exercise Price (€)	n/a

## **6.4 MorphoSys US Inc. – Restricted Stock Unit Plan (RSUP)**

### **6.4.1 2019 Long-Term Incentive Program**

On October 1, 2019, MorphoSys AG established a Long-Term Incentive Plan (LTI Plan) for selected employees of MorphoSys US Inc. (beneficiaries). The program is considered a share-based payment program with settlement in equity instruments and is accounted for accordingly. The LTI Plan is a restricted stock unit plan (RSUP) and is paid out in shares of MorphoSys AG that are to be created from authorized capital provided predefined performance criteria have been fulfilled. The term of the plan is three years and includes three one-year performance periods. If the predefined performance criteria for the respective period are 100% met, 33.3% of the performance shares become vested in each year. The number of performance shares vested per year is calculated based on the key performance criteria of MorphoSys US Inc. and the MorphoSys share price performance during the annual performance period. The performance criteria can be met up to a maximum of 125% per year. If less than 0% of the defined performance criteria are met in any one year, no shares will be vested for that year. At the end of the total three-year performance period, the corresponding number of shares eventually vested is calculated, and the shares created from authorized capital are transferred from the Company to the beneficiaries.

MorphoSys reserves the right to pay a specific amount of the LTI Plan in cash at the end of the performance period, equal to the value of the performance shares granted.

If a beneficiary loses his office or terminates his employment with MorphoSys US Inc. prior to the end of a performance period, the beneficiary will generally be entitled to all vested restricted stock units for already completed one-year performance periods. All remaining restricted stock units are forfeited without entitlement to compensation.

The fair values of the performance shares according to the grant dates or measurement dates for each of the three performance periods were €127.90 per share on December 13, 2019, €94.14 per share on November 30, 2020, and €44.63 per share on August 6, 2021.

In 2021, personnel expenses of the Group from the MorphoSys US Inc. 2019 RSU Plan amounted to €-383,159 based on the fair values (2020: €600,445; 2019: €269,415).

### **6.4.2 2020 Long-Term Incentive Program**

On April 1, 2020, MorphoSys AG established a Long-Term Incentive Plan (LTI Plan) for selected employees of MorphoSys US Inc. (beneficiaries). The program is considered a share-based payment program with settlement in equity instruments and is accounted for accordingly. The LTI Plan is a restricted stock unit plan (RSUP) and is paid out in shares of MorphoSys AG that are to be created from authorized capital provided predefined performance criteria have been fulfilled. The term of the plan is three years and includes three one-year performance periods. If the predefined performance criteria for the respective period are 100% met, 33.3% of the performance shares become vested in each year. The number of performance shares vested per year is

calculated based on the key performance criteria of MorphoSys US Inc. and the MorphoSys share price performance during the annual performance period. The performance criteria can be met up to a maximum of 125% per year. If less than 0% of the defined performance criteria are met in any one year, no shares will be vested for that year. At the end of the total three-year performance period, the corresponding number of shares eventually vested is calculated, and the shares created from authorized capital are transferred from the Company to the beneficiaries.

MorphoSys reserves the right to pay a specific amount of the LTI Plan in cash at the end of the performance period, equal to the value of the performance shares granted.

If a beneficiary loses his office or terminates his employment with MorphoSys US Inc. prior to the end of a performance period, the beneficiary will generally be entitled to all vested restricted stock units for already completed one-year performance periods. All remaining restricted stock units are forfeited without entitlement to compensation.

The fair value of the restricted shares granted on April 1, 2020, in accordance with the grant dates or measurement dates for each of the three performance periods were €94.14 per share on November 30, 2020, €44.63 per share on August 6, 2021 and €33.35 per share on December 31, 2021 .

On October 1, 2020, MorphoSys established an additional Long-Term Incentive Plan in the form of a restricted stock unit plan (RSUP) for certain employees of MorphoSys US Inc. (beneficiaries). The terms and conditions were identical to those of the April 1, 2020 program.

The fair value of the restricted shares granted on October 1, 2020, in accordance with the grant dates or measurement dates for each of the three performance periods were €94.14 per share as of November 30, 2020, €44.63 per share on August 6, 2021 and €33.35 per share as of December 31, 2021.

In 2021, personnel expenses of the Group from the MorphoSys US Inc. 2021 RSU Plan amounted to €-462,243 based on the fair values (2020: €1,916,267).

#### **6.4.3 2021 Long-Term Incentive Program**

On April 1, 2021, MorphoSys AG established a Long-Term Incentive Plan (LTI Plan) for selected employees of MorphoSys US Inc. (beneficiaries). The program is considered a share-based payment program with settlement in equity instruments and is accounted for accordingly. The LTI Plan is a restricted stock unit plan (RSUP) and is paid out in shares of MorphoSys AG that are to be created from authorized capital provided predefined performance criteria have been fulfilled. The term of the plan is three years and includes three one-year performance periods. If the predefined performance criteria for the respective period are 100% met, 33.3% of the performance shares become vested in each year. The number of performance shares vested per year is calculated based on the key performance criteria of MorphoSys US Inc. and the MorphoSys share price performance during the annual performance period. The performance criteria can be met up to a maximum of 125% per year. If less than 0% of the defined performance criteria are met in any one year, no shares will be vested for that year. At the end of the total three-year performance period, the corresponding number of shares eventually vested is calculated, and the shares created from authorized capital are transferred from the Company to the beneficiaries.

MorphoSys reserves the right to pay a specific amount of the LTI Plan in cash at the end of the performance period, equal to the value of the performance shares granted.

If a beneficiary loses his office or terminates his employment with MorphoSys US Inc. prior to the end of a performance period, the beneficiary will generally be entitled to all vested restricted stock units for already completed one-year performance periods. All remaining restricted stock units are forfeited without entitlement to compensation.

As of April 1, 2021, 67,724 restricted shares were granted to the beneficiaries. For the calculation of the personnel expenses from share-based compensation, it was assumed for the LTI Plan 2021 that thirty-two beneficiaries would leave the Company during the three-year period.

The fair value of the restricted shares granted on April 1, 2021, in accordance with the grant dates or measurement dates for each of the three performance periods were €44.63 per share on August 6, 2021 and €33.35 per share as of December 31, 2021.

On October 1, 2021, MorphoSys established an additional Long-Term Incentive Plan in the form of a restricted stock unit plan (RSUP) for certain employees of MorphoSys US Inc. (beneficiaries). The terms and conditions were identical to those of the April 1, 2021 program, except that the performance criteria can be met up to a maximum of 175% per year. 36,827 restricted shares were granted. For the calculation of the personnel expenses from share-based compensation, it was assumed for the 2021 LTI Plan that twenty beneficiaries would leave the Company during the three-year period.

The fair value of the restricted shares granted on October 1, 2021, in accordance with the grant dates or measurement dates for each of the three performance periods were €33.35 per share as of December 31, 2021.

In 2021, personnel expenses of the Group from the MorphoSys US Inc. 2021 RSU Plan amounted to €1,260,750.00 based on the fair values.

The table below shows the development of the performance shares under the MorphoSys US Inc. RSU Plans in the financial year 2021.

	MorphoSys US Inc. – October 2019 Restricted Stock Unit Plan	MorphoSys US Inc. – April 2020 Restricted Stock Unit Plan	MorphoSys US Inc. – October 2020 Restricted Stock Unit Plan	MorphoSys US Inc. – April 2021 Restricted Stock Unit Plan	MorphoSys US Inc. – October 2021 Restricted Stock Unit Plan
Outstanding on January 1, 2021	12,717	39,770	7,678	0	0
Granted	0	0	0	67,724	36,827
Exercised	0	0	0	0	0
Forfeited	(6,380)	(19,264)	(1,846)	(24,728)	(2,492)
Expired	0	0	0	0	0
Outstanding on December 31, 2021	6,337	20,506	5,832	42,996	34,335
Exercisable on December 31, 2021	0	0	0	0	0
Weighted-average Exercise Price (€)	n/a	n/a	n/a	n/a	n/a

### 6.5 MorphoSys US Inc. – Long-Term Cash Incentive Plan (CLTI Plan)

On April 30, 2020, MorphoSys US Inc. established a long-term cash incentive plan (CLTI plan) for certain employees of MorphoSys US Inc. (beneficiaries). The program is considered a cash-settled, share-based payment and is accounted for accordingly. The CLTI plan is paid out in cash provided predefined performance criteria have been fulfilled. The term of the plan is three years and includes three one-year performance periods. If the predefined performance criteria for the respective period are fully met, 33.3% of the performance shares become vested in each year. The amount of compensation vested per year is calculated based on the key performance criteria of the performance of MorphoSys US Inc. and the share price performance of MorphoSys AG during the annual performance period. The performance criteria can be met up to a maximum of 125% per year. If less than 50% of the defined performance criteria are met in any one year, no award will be granted for that year. At the end of the total three-year performance period, the cash compensation earned is paid by MorphoSys US Inc.

If a beneficiary terminates his employment with MorphoSys US Inc. prior to the end of a one-year performance period, the beneficiary shall lose his entitlement to a cash settlement during the relevant one-year performance period and future performance periods. Entitlements from previously completed one-year performance periods are retained.

As of December 31, 2021, and based on 100% target achievement, cash settlement under the CLTI plan at the end of the three-year performance period is expected to be €0.5 million.

In 2021, personnel expenses of the Group from the MorphoSys US Inc. 2021 CLTI plan amounted to €117,395 (2020: €325,513). The provision for this program amounts to €0.4 million as of December 31, 2021 (December 31, 2020: €0.3 million).

### 6.6 Constellation - 2021 Stock Option Plan

On October 1, 2021, MorphoSys AG established a stock option plan (SOP) for selected employees of Constellation (beneficiaries). The program is considered an equity-settled share-based payment and is accounted for accordingly. The grant date was October 29, 2021, and the vesting period/performance period is four years. Each stock option grants up to two subscription rights to shares in the Company. The subscription rights vest each year by 25% within the four-year vesting period, provided that the performance criteria specified for the respective period have been 100% fulfilled. The number of subscription rights vested per year is calculated based on the key performance criteria of the absolute and relative MorphoSys share price performance compared to the Nasdaq Biotech Index and the TecDAX Index. The program's performance criteria can be met annually up to a maximum of 200%. If the share price development falls short of the program's performance parameters, the target achievement for that year is 0%.

The exercise price, derived from the average market price of the Company's shares in the XETRA closing auction on the Frankfurt Stock Exchange from the 30 trading days prior to the issue of the stock options, is €44.91.

MorphoSys reserves the right to settle the exercise of stock options using either newly created shares from Conditional Capital 2020-I, through the issue of treasury shares, or in cash should the exercise from Conditional Capital 2020-I not be possible. The exercise period is three years after the end of the four-year vesting period/performance period, which is September 30, 2028.

In the event of a departure from the Company, the beneficiaries generally retain the stock options that have vested by the time of their departure.

In the event of a termination of a beneficiary for reasons of conduct or a revocation of the appointment of a member of the Management Board for reasons constituting good cause within the meaning of Section 626 (2) of the German Civil Code (BGB), all unexercised stock options forfeit without entitlement to compensation.

If a change of control occurs during the four-year vesting period, the stock options will become fully vested. In this case, however, the right to exercise the stock options arises only at the end of the four-year vesting period.

As of October 1, 2021, 323,534 stock options were granted to the beneficiaries. For the calculation of the personnel expenses from share-based compensation, it was assumed for the SOP Plan 2021 that 57 beneficiaries would leave the Company during the four-year period.

In 2021, personnel expenses from stock options under the Group's 2021 SOP amounted to €711,223 based on the fair value on the grant date.

The table below shows the development of the stock options plans in the financial year 2021.

	<b>Constellation - October 2021 Stock Option Plan</b>
Outstanding on January 1, 2021	0
Granted	323,534
Exercised	0
Forfeited	(29,941)
Expired	0
Outstanding on December 31, 2021	293,593
Exercisable on December 31, 2021	0
Weighted-average Exercise Price (€)	44.91

The fair value of the stock options from the 2021 stock option plans was determined using a Monte Carlo simulation. The expected volatility is based on the development of the share volatility of the last four years. Furthermore, the calculation of fair value equally considered the performance criteria of the absolute and relative performance of MorphoSys shares compared to the development of the Nasdaq Biotech Index and the TecDAX Index. The parameters and fair value of each program are listed in the table below.

	<b>Constellation - October 2021 Stock Option Plan</b>
Share Price on Grant Date in €	40.75
Exercise Price in €	44.91
Expected Volatility of the MorphoSys share in %	40.51
Expected Volatility of the Nasdaq Biotech Index in %	24.95
Expected Volatility of the TecDAX Index in %	22.17
Performance Term of Program in Years	4.0
Dividend Yield in %	n/a
Risk-free Interest Rate in %	between (0.70) and (0.22)
<b>Fair Value on Grant Date in €</b>	<b>16.67</b>

## 6.7 Related Parties

Related parties that can be influenced by the Group or can have a significant influence on the Group can be divided into subsidiaries, members of the Supervisory Board, members of management in key positions and other related entities.

The Group engages in business relationships with members of the Management Board and Supervisory Board as related parties responsible for the planning, management and monitoring of the Group. In addition to cash compensation, the Group has granted the Management Board performance shares. The tables below show the shares, stock options and performance shares held by the members of the Management Board and Supervisory Board, as well as the changes in their ownership during the 2021 financial year.

**Shares**

	1/1/2021	Additions	Sales	12/31/2021
<b>Management Board</b>				
Jean-Paul Kress, M.D.	0	0	0	0
Sung Lee <sup>1</sup>	—	2,250	0	2,250
Malte Peters, M.D.	3,313	4,143	0	7,456
Roland Wandeler, Ph.D. <sup>2</sup>	0	0	0	0
<b>Total</b>	<b>3,313</b>	<b>6,393</b>	<b>0</b>	<b>9,706</b>
<b>Supervisory Board</b>				
Marc Cluzel, M.D., Ph.D	750	250	0	1,000
Michael Brosnan	0	5,000	0	5,000
Sharon Curran	0	0	0	0
George Golumbeski, Ph.D.	0	0	0	0
Wendy Johnson	500	63	0	563
Krisja Vermeylen	350	650	0	1,000
<b>Total</b>	<b>1,600</b>	<b>5,963</b>	<b>0</b>	<b>7,563</b>

**Stock Options**

	1/1/2021	Additions	Forfeitures	Exercises	12/31/2021
<b>Management Board</b>					
Jean-Paul Kress, M.D.	81,989	0	0	0	81,989
Sung Lee <sup>1</sup>	—	0	0	0	0
Malte Peters, M.D.	33,110	0	0	0	33,110
Roland Wandeler, Ph.D. <sup>2</sup>	0	0	0	0	0
<b>Total</b>	<b>115,099</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>115,099</b>

**Performance Shares**

	1/1/2021	Additions	Adjustment due to Performance Criteria <sup>3</sup>	Forfeitures	Allocations <sup>4</sup>	12/31/2021
<b>Management Board</b>						
Jean-Paul Kress, M.D.	0	0	0	0	0	0
Sung Lee <sup>1</sup>	—	0	0	0	0	0
Malte Peters, M.D.	9,047	0	(1,799)	0	(4,143)	3,105
Roland Wandeler, Ph.D. <sup>2</sup>	0	0	0	0	0	0
<b>Total</b>	<b>9,047</b>	<b>0</b>	<b>(1,799)</b>	<b>0</b>	<b>(4,143)</b>	<b>3,105</b>

<sup>1</sup> Sung Lee joined the Management Board of MorphoSys AG effective February 2, 2021.

<sup>2</sup> Roland Wandeler, Ph.D., resigned as a member of the Management Board with effect from the end of December 31, 2021.

<sup>3</sup> Adjustment due to established performance criteria. For performance criteria that have not yet been met, a target achievement of 100% is assumed.

<sup>4</sup> Allocations are made as soon as performance shares are transferred within the six-month exercise period after the end of the four-year waiting period.

The Supervisory Board of MorphoSys AG does not hold any stock options or performance shares.

The remuneration system for the Management Board is intended to provide sustainable, results-oriented corporate governance. The Management Board's total remuneration consists of several components, including fixed compensation, an annual cash bonus that is dependent upon the achievement of corporate targets (short-term incentives – STI), variable compensation components with long-term incentives (LTI) and other remuneration components. Variable remuneration components with long-

term incentive consist of long-term incentive plans (LTI Plan) from previous years, stock option and performance share plans from previous years, and a performance share unit program and a stock option plan from the current year. The members of the Management Board additionally receive fringe benefits in the form of benefits in kind, essentially consisting of a company car and insurance premiums. All total remuneration packages are reviewed annually by the Remuneration and Nomination Committee and compared to an annual Management Board remuneration analysis to check the scope and appropriateness of the remuneration packages. The amount of remuneration paid to members of the Management Board is based largely on the duties of the respective Management Board member, the financial situation and the performance and business outlook for the Company versus its competition. All resolutions on adjustments to the overall remuneration packages are passed by the plenum of the Supervisory Board. The Management Board's total remuneration package and the index-linked pension contracts were thoroughly reviewed and then adjusted by the Supervisory Board in 2021.

If a Management Board member's service contract terminates due to death, the member's spouse or life partner is entitled to the fixed monthly salary for the month of death and the 12 months thereafter. In the event of a change of control, Management Board members are entitled to exercise their extraordinary right to terminate their service contracts and receive any outstanding fixed salary and the annual bonus for the remainder of the agreed contract period, but at least 200% of the annual gross fixed salary and the annual bonus. Moreover, in such a case, all stock options, performance share units and performance shares granted will become vested immediately and can be exercised after the expiration of the statutory vesting periods. A change of control has occurred when (i) MorphoSys transfers assets or a substantial portion of its assets to unaffiliated third parties, (ii) MorphoSys merges with an unaffiliated company, (iii) an agreement pursuant to Section 291 AktG is entered into with MorphoSys as a dependent company, MorphoSys is integrated under Section 319 AktG or (iv) a shareholder or third party holds 30% or more of MorphoSys's voting rights.

For the fiscal year 2021, the members of the Management Board were granted a total compensation of €9,718,350 (2020: €11,532,252), consisting of performance-unrelated remuneration of €3,759,850 (2020: €5,529,112), performance-related remuneration of €2,680,000 (2020: €2,478,346) as well as long-term incentive compensation of €3,278,500 (2020: €3,524,794) in the form of share-based compensation. Performance-unrelated compensation includes post-employment benefits in the amount of €806,297 (2020: €2,443,409) granted during the respective board membership terms.

The Supervisory Board decided, that Roland Wandeler, Ph.D. would not forfeit on a pro-rate basis the long-term incentive plans despite his termination of the employment before the end of the four-year vesting period. Because of this modification of terms and conditions, the respective personnel expense from share-based compensation for the outstanding vesting periods was allocated to the remaining period of performance. The fair value was not affected by this modification. On the occasion of his departure from the Company with effect as of the end of December 31, 2021, Roland Wandeler, Ph.D., secured a severance payment in the amount of €806,296, payable in 16 monthly installments.

As of April 1, 2021, the Management Board was granted 54,232 Performance Share Units. The fair value as of December 31, 2021, amounts to €11.82.

For the individualized Management Board compensation, refer to the separately available remuneration report.

In the years 2021 and 2020, there were no other long-term benefits in accordance with IAS 24.17 (c) accruing to the Management Board or Supervisory Board. No benefits upon termination of service in accordance with IAS 24.17 (d) were accrued for the Supervisory Board in the years 2021 and 2020.

Payments to former members of the Management Board amounted to €4.6 million in 2021 (2020: €0.6 million).

The total compensation for key management personnel in 2021 and 2020 was as follows.

<b>in 000' €</b>	<b>2021</b>	<b>2020</b>
Total Short-Term Employee Benefits	7,336,167	7,261,119
Total Post-Employment Benefits	443,372	424,300
Total Termination Benefits	806,297	2,443,409
Total Share-Based Payment	4,278,500	4,125,979
<b>Total Compensation</b>	<b>12,864,336</b>	<b>14,254,807</b>

As of December 31, 2021, there were accrued personnel expenses of €3.3 million for payments to key management personnel for performance-related remuneration and non-current provisions of €0.5 million for long-term incentive compensation (December 31, 2020: €3.0 million and €0.8 million, respectively).

The total remuneration for the Supervisory Board, excluding reimbursed travel costs, in 2021 and 2020 was as follows.

in €	Fixed Compensation		Attendance Fees		Total Compensation	
	2021	2020	2021	2020	2021	2020
Marc Cluzel, M.D., Ph.D	104,210	104,210	60,800	56,400	165,010	160,610
Michael Brosnan	57,284	57,284	31,800	28,400	89,084	85,684
Sharon Curran	45,284	45,284	29,400	30,000	74,684	75,284
George Golumbeski, Ph.D.	70,926	65,345	31,200	30,800	102,126	96,145
Wendy Johnson	51,284	49,579	44,800	39,200	96,084	88,779
Krisja Vermeyleen	57,284	57,284	41,600	38,400	98,884	95,684
Frank Morich, M.D. <sup>2</sup>	—	19,766	—	12,800	—	32,566
<b>Total</b>	<b>386,272</b>	<b>398,752</b>	<b>239,600</b>	<b>236,000</b>	<b>625,872</b>	<b>634,752</b>

<sup>1</sup> The attendance fee contains expense allowances for the attendance at the Supervisory Board and the Committee meetings.

<sup>2</sup> Frank Morich, M.D. resigned as a member of the Supervisory Board with effect from the end of April 11, 2020.

No other agreements currently exist with present or former members of the Supervisory Board.

As of December 31, 2021, the members of the Executive Committee (excluding the Management Board) held 16,996 stock options and 1,865 performance shares granted by the Company.

In 2021, a new performance share program were issued to the members of the Executive Committee (excluding the Management Board) (see Note 6.2.6).

On April 1, 2021, a total of 4,018 stock options from the 2017 SOP-Plan were allocated to the members of the Executive Committee (excluding the Management Board), who were given the option to receive 4,421 shares within a three-year period. By December 31, 2021, no options had been exercised for a total of 0 shares.

On April 1, 2021, a total of 2,030 shares from the 2017 LTI Plan were allocated to the members of the Executive Committee (excluding the Management Board), who were given the option to receive the shares within an six-month period. By December 31, 2021, this option had been exercised for a total of 2,030 shares.

## 7 Additional Notes

### 7.1 Obligations arising from Leases and Other Contracts

The future minimum payments under non-cancelable leases of low-value assets, performance share unit programs and contracts for insurance and other services on December 31, 2021 were as follows:

in 000' €	Leases of Low-Value Assets and Short-Term Leases	Performance Share Unit Programs	Other	Total
Less than 1 Year	8	0	570	578
Between One and Five Years	25	5,105	10,894	16,024
More than 5 Years	0	0	0	0
<b>Total</b>	<b>33</b>	<b>5,105</b>	<b>11,464</b>	<b>16,602</b>

As of December 31, 2020, these future minimum payments were as follows.

in 000' €	Leases of Low-Value Assets and Short-Term Leases	Performance Share Unit Programs	Other	Total
Less than 1 Year	44	0	7,406	7,450
Between One and Five Years	0	1,868	992	2,860
More than 5 Years	0	0	0	0
<b>Total</b>	<b>44</b>	<b>1,868</b>	<b>8,398</b>	<b>10,310</b>

Additionally, the the company has contracts for outsourced studies whereas the services have not been rendered as of December 31, 2021 and which could result in future payment obligations. These amounts could be shifted or substantially lower due to changes in the study timeline or premature study termination.

<u>in million €</u>	<u>2021</u>	<u>2020</u>
Less than 1 Year	138.9	111.7
Between One and Five Years	97.6	81.6
More than 5 Years	0.0	0.0
<b>Total</b>	<b>236.5</b>	<b>193.3</b>

## 7.2 Contingent Liabilities

Contingent liabilities are potential obligations from past events that exist only when the occurrence of one or more uncertain future events – beyond the Company’s control – is confirmed. Current obligations can represent a contingent liability if it is not probable enough that an outflow of resources justifies the recognition of a provision. Moreover, it is not possible to make a sufficiently reliable estimate of the sum of obligations.

The Management Board is unaware of any proceedings that may result in a significant obligation for the Group or lead to a material adverse effect on the Group’s net assets, financial position or results of operations.

If certain milestones are achieved by MorphoSys (for example, submitting an investigational new drug (IND) application for specific target molecules), this may trigger milestone payments to licensors of up to an aggregate of US\$236.5 million (approximately €208.8 million) related to regulatory events or the achievement of sales targets.

Monjuvi’s product sales trigger percentage-based royalty payments.

Obligations may arise from enforcing the Company’s patent rights versus third parties. It is also conceivable that competitors may challenge the patents of the MorphoSys Group or that MorphoSys may come to the conclusion that its patents or patent families have been infringed upon by competitors. This could prompt MorphoSys to take legal action against competitors or lead competitors to file counterclaims against MorphoSys. Currently, there are no specific indications such obligations have arisen.

By letter dated June 10, 2021, MorphoSys was notified by a licensor of the initiation of arbitration proceedings in the United States. The licensor alleges breach of contract and claims damages for the licensor’s argued loss of revenues. Despite the patent expiry in 2018 confirmed by the licensor at the time, this is now disputed and a significantly longer patent term is assumed. Taking into account the associated legal and consulting costs, the potential amount in dispute in the proceedings is in the low double-digit Euro million range and also includes a currently unspecified share of royalty income. A decision by the arbitration court is expected in the fourth quarter 2022. Based on the current assessment of the facts, MorphoSys believes that the arguments presented are unfounded and that the arbitration will likely be decided in MorphoSys’ favor. There was no arbitration decision and no other new developments in the third and fourth quarter of 2021.

The assessment of potentially uncertain tax positions included the tax treatment of the financial liability from future payments to Royalty Pharma. In contrast to IFRS accounting, a deferred income item was recognized for tax purposes which will be realized over the term of the underlying license agreements. The Company assumes that the tax authorities will share this assessment and that this will not be objected in a future tax audit. Due to the remaining uncertainty and the significance of the potential tax risk, we reported a contingent income tax liability in accordance with IFRIC 23.A5, IAS 12.88 and IAS 37. A different tax assessment would have a significant impact in the form of an additional tax payment. For tax purposes, deferred income for the obligations to Royalty Pharma amounted to €988.9 million as of December 31, 2021 and the associated contingent tax liability upon non-acceptance of the deferral amounts to €223.1 million, determined utilizing deferred tax assets on loss carry forwards of €40.6 million, capitalized as of December 31, 2021.

## 7.3 Additional Disclosures for Financial Instruments

### Fair Value Hierarchy and Measurement Methods

The fair value is the price that would be achieved for the sale of an asset in an arm’s length transaction between independent market participants or the price to be paid for the transfer of a liability (disposal or exit price).

Fair value is measured by using the same assumptions and taking into account the same characteristics of the asset or liability as would an independent market participant. Fair value is a market-based, not an entity-specific measurement. The fair value of

non-financial assets is based on the best use of the asset by a market participant. For financial instruments, the use of bid prices for assets and ask prices for liabilities is permitted but not required if those prices best reflect the fair value in the respective circumstances. For simplification, mean rates are also permitted.

MorphoSys applies the following hierarchy in determining and disclosing the fair value of financial instruments:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities to which the Company has access.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: Inputs for asset or liability that are not based on observable market data (that is, unobservable inputs).

The carrying amounts of certain financial assets and liabilities, such as financial assets at amortized cost, as well as accounts receivable and accounts payable, approximate their fair value because of their short-term maturities.

### **Hierarchy Level 1**

The fair value of financial instruments traded in active markets is based on the quoted market prices on the reporting date. A market is considered active if quoted prices are available from an exchange, dealer, broker, industry group, pricing service, or regulatory body that is easily and regularly accessible, and prices reflect current and regularly occurring market transactions at arm's length conditions. For assets held by the Group, the appropriate quoted market price is the buyer's bid price.

### **Hierarchy Levels 2 and 3**

The fair value of financial instruments not traded in active markets can be determined using valuation methods. In this case, fair value is estimated using the results of a valuation method that makes maximum use of market data and relies as little as possible on not observable market data. If all significant inputs required for measuring fair value by using valuation methods are observable, the instrument is allocated to Hierarchy Level 2. If significant inputs are not based on observable market data, the instrument is allocated to Hierarchy Level 3.

Hierarchy Level 2 contains foreign exchange forward agreements to hedge exchange rate fluctuations, term deposits and restricted cash as well as in 2020 the debt component of the convertible bond. Future cash flows for these foreign exchange forward agreements are determined based on forward exchange rate curves. The fair value of these instruments corresponds to their discounted cash flows. The fair value of the term deposits and restricted cash is determined by discounting the expected cash flows at market interest rates. The fair value of the debt component of the convertible bonds was determined by calculating the present value of all cash flows associated with the liability using the applicable reference interest rate with an adjustment to reflect MorphoSys' credit risk premium.

Hierarchy Level 3 financial assets comprise equity investments, financial assets and financial liabilities from collaborations, in 2021 the debt component of the convertible bond as well as financial liabilities from future payments to Royalty Pharma. The underlying valuations are generally carried out by employees in the finance department who report directly to the Chief Financial Officer. The valuation process and results are reviewed and discussed among the persons involved on a regular basis.

The financial assets from collaborations represent MorphoSys' current reimbursement claim against Incyte from the expected future losses associated with the co-commercialization activities of Monjuvi as second-line treatment for relapsed or refractory diffuse large B-cell lymphoma ("DLBCL") in the U.S. (as Incyte has agreed to compensate MorphoSys for 50% of said losses). To determine the fair value of financial assets from collaborations, expected cash inflows are discounted using market interest rates of financial instruments with comparable currencies and maturities, taking into account Incyte's credit risk.

The reconciliation and sensitivity analysis for the Hierarchy Level 3 financial assets are presented in Note 5.18 and in the heading "equity investments" below. For further information on financial liabilities carried at amortized cost whose fair value is assigned to hierarchy level 3, please refer to Notes 5.18 and 5.19..

Reclassifications between the hierarchy levels are generally taken into account as of the reporting dates. In 2021, the fair value measurement of the debt component of the convertible bond was reclassified from hierarchy level 2 to hierarchy level 3, as the entity's own credit risk is not observable as a significant parameter for the fair value measurement. In 2020, no transfers were made between the fair value hierarchy levels.

The carrying amounts of current financial assets and liabilities at amortized cost approximate their fair values given their short maturities.

The table below shows the fair values of financial assets and liabilities and the carrying amounts presented in the consolidated balance sheet.

<b>December 31, 2021; in 000' €</b>	<b>Classification Financial Instrument</b>	<b>Total Carrying Amount</b>	<b>Fair Value</b>	<b>Hierarchy Level</b>
Cash and Cash Equivalents	AC	123,248	*	*
Other Financial Assets		853,686		
thereof Money Market Funds	FVTPL	8,875	8,875	1
thereof Fixed Term Deposits	AC	844,811	*	*
Accounts Receivable	AC	75,911	*	*
Financial Assets from Collaborations	FVTPL	16,730	16,730	3
Other Receivables		2,227		
thereof Forward Exchange Contracts used for Hedging	FVTPL	0	0	2
thereof Non-Financial Assets	n/a	2,227	n/a	n/a
<b>Current Financial Asset</b>		<b>1,071,802</b>		
Prepaid Expenses and Other Assets		13,251		
thereof Restricted Cash	AC	4,059	4,059	2
thereof Non-Financial Assets	n/a	9,192	n/a	n/a
<b>Non-Current Financial Asset</b>		<b>13,251</b>		
<b>Total</b>		<b>1,085,053</b>		
Accounts Payable and Accruals		-188,077		
thereof Accounts Payable	FLAC	-73,787	*	*
thereof Non-Financial Liabilities	n/a	-114,290	n/a	n/a
Bonds	FLAC	-423	*	*
Financial Liabilities from Collaborations	FLAC	-1,097	*	*
Financial Liabilities from Future Payments to Royalty Pharma	FLAC	-88,401		
<b>Current Financial Liabilities</b>		<b>-277,998</b>		
Bonds	FLAC	-282,785	-304,025	3
Financial Liabilities from Collaborations	FLAC	-513,264	-514,169	3
Financial Liabilities from Future Payments to Royalty Pharma	FLAC	-1,167,775	-1,367,365	3
<b>Non-Current Financial Liabilities</b>		<b>-1,963,824</b>		
<b>Total</b>		<b>-2,241,822</b>		

\* For these instruments the carrying amount is a reasonable approximation of fair value.

<b>December 31, 2020; in 000' €</b>	<b>Classification Financial Instrument</b>	<b>Total Carrying Amount</b>	<b>Fair Value</b>	<b>Hierarchy Level</b>
Cash and Cash Equivalents	AC	109,795	*	*
Other Financial Assets		937,651		
thereof Money Market Funds	FVTPL	287,938	287,938	1
thereof Fixed Term Deposits	AC	649,713	*	*
Accounts Receivable	AC	83,354	*	*
Financial Assets from Collaborations	FVTPL	42,870	42,870	3
Other Receivables		2,159		
thereof Forward Exchange Contracts used for Hedging	FVTPL	0	0	2
thereof Non-Financial Assets	n/a	2,159	n/a	n/a
<b>Current Financial Asset</b>		<b>1,175,829</b>		
Other Financial Assets	AC	196,588	197,749	2
Prepaid Expenses and Other Assets		1,567		
thereof Restricted Cash	AC	1,384	1,384	2
thereof Non-Financial Assets	n/a	183	n/a	n/a
<b>Non-Current Financial Asset</b>		<b>198,155</b>		
<b>Total</b>		<b>1,373,984</b>		
Accounts Payable and Accruals		-128,554		
thereof Accounts Payable	FLAC	-47,818	*	*
thereof Non-Financial Liabilities	n/a	-80,736	n/a	n/a
Bonds	FLAC	-423	*	*
Financial Liabilities from Collaborations	FLAC	-155	*	*
<b>Current Financial Liabilities</b>		<b>-129,132</b>		
Bonds	FLAC	-272,760	-334,124	2
Financial Liabilities from Collaborations	FLAC	-516,351	-617,178	3
<b>Non-Current Financial Liabilities</b>		<b>-789,111</b>		
<b>Total</b>		<b>-918,243</b>		

\* For these instruments the carrying amount is a reasonable approximation of fair value.

The totals of the carrying amounts of the financial instruments per measurement category are shown in the following overview.

<b>in 000' €</b>	<b>12/31/2021</b>	<b>12/31/2020</b>
Financial Assets FVTPL	25,605	330,808
Financial Assets AC	1,048,029	1,040,834
Financial Liabilities FLAC	(2,127,532)	(837,507)

### Equity Investments

The investment in adivo GmbH, Martinsried, Germany, is accounted for as equity financial instruments at fair value. Changes in fair value are recognized in equity (other comprehensive income reserve). This was irrevocably determined when the investments were first recognized. This investment is a strategic financial investment, and the Group considers this classification to be more meaningful.

As of December 31, 2021, the fair value of the investment in adivo GmbH was measured at €0 (December 31, 2020: €0).

	<b>Currency</b>	<b>Stake in %</b>	<b>Equity in Domestic Currency (in €)<sup>1</sup></b>	<b>Loss for the Year (in €)<sup>1</sup></b>
adivo GmbH, Martinsried, Germany	€	17.2	(681,809)	(835,119)

<sup>1</sup> Equity as of December 31, 2020 and loss for the year for the financial year January 1, to December 31, 2020

No observable market data is available for the determination of the fair value of the investment in adivo GmbH. This corresponds to hierarchy level 3 for the fair value. The change in the investment in adivo GmbH is shown below.

<u>in 000' €</u>	<u>2021</u>	<u>2020</u>
Opening Balance January 1	0	387
Additions	0	0
Disposals	0	0
Through Other Comprehensive Income	0	(387)
Through Profit or Loss	0	0
<b>Closing Balance December 31</b>	<b>0</b>	<b>0</b>

In the 2021 and 2020 financial years, no dividends from the investments were recognized in profit or loss, and there were no reclassifications of gains or losses made within equity.

### Net Result according to Measurement Categories

The following net gains or losses resulted from financial instruments in the financial year.

<u>in 000' €</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
FVTPL	10,983	(7,587)	2,014
AC	9,824	(19,475)	348
FLAC	(104,568)	24,031	—
<b>Total</b>	<b>(83,761)</b>	<b>(3,031)</b>	<b>2,362</b>

The net gains on financial assets at fair value through profit or loss (FVTPL) resulted from valuation effects from changes in the fair value of financial assets from collaborations, money market funds and derivatives used to hedge exchange rate fluctuations. Net losses on financial assets at amortized cost (AC) resulted from the application of the effective interest method for the term deposits, exchange rate fluctuations and risk provisions. The category financial liabilities at amortized cost (FLAC) includes the gains and losses from fair value changes due to changes in planning estimates and the effective interest rate from the financial liabilities from collaborations as well as from the application of the effective interest rate method for the financial liabilities from future payments to Royalty Pharma and the convertible bonds.

The gross interest income and expenses from financial assets and liabilities measured at amortized cost are shown in the following table. The amounts for 2020 and 2019 have been adjusted compared with the 2020 financial reporting.

<u>in 000' €</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Interest Income AC	723	1,233	223
Interest Expenses AC	(2,415)	(1,021)	(91)
Interest Income FLAC	0	0	0
Interest Expenses FLAC	(62,252)	(17,783)	0
<b>Total</b>	<b>(63,944)</b>	<b>(17,571)</b>	<b>132</b>

## 7.4 Financial Risk Management

Due to its operating activities with regard to assets, liabilities and planned transactions, the Group is exposed in particular to risks from the default of a contractual party (credit risk), from the non-fulfilment of liabilities (liquidity risk) and from market risks, in particular from changes in exchange rates and interest rates. The aim of the risk management is to limit these risks through ongoing operational and finance-oriented activities.

### 7.4.1 Credit Risk

Financial instruments in which the Group may have a credit risk are mainly cash and cash equivalents, other financial assets, derivative financial instruments and accounts receivable. The Group's cash, cash equivalents and other financial assets are mainly denominated in euros and US dollars. Other financial assets are high quality assets. Cash, cash equivalents and other financial assets are generally held at numerous reputable financial institutions in Europe and the United States. With respect to its positions, the Group continuously monitors the financial institutions that are its counterparties to the financial instruments, as well as their creditworthiness, and does not anticipate any risk of non-performance.

The changes in risk provisions (see Note 2.7.1) recognized in the statement of profit or loss for the financial years 2021, 2020 and 2019 under the item impairment losses on financial assets were determined based on the rationale that negative values

represent additions and positive values represent reversals of risk provisions. There were no impairments in the 2021 financial year. The increase in this allowance compared to January 1, 2021 was primarily the result of shorter maturities of financial assets at amortized cost for which impairment losses are determined. In the general impairment model, the risk provision is recognized for financial assets at amortized cost - cash and cash equivalents, parts of other financial assets (term deposits) - and in the simplified impairment model for accounts receivable.

in 000' €	General Impairment Model			Simplified Impairment Model		Total
	Stage 1	Stage 2	Stage 3	Stage 2	Stage 3	
Balance as of January 1, 2020	(299)	0	0	(80)	0	(379)
Unused Amounts Reversed	299	0	0	80	0	379
Increase in Impairment Losses for Credit Risks recognized in Profit or Loss during the Year	(1,001)	0	0	(424)	0	(1,425)
Change between Impairment Stages	0	0	0	0	0	0
Amounts written off during the Year as uncollectible	0	0	0	0	0	0
Balance as of December 31, 2020	(1,001)	0	0	(424)	0	(1,425)
Balance as of January 1, 2021	(1,001)	0	0	(424)	0	(1,425)
Unused Amounts Reversed	1,001	0	0	424	0	1,425
Increase in Impairment Losses for Credit Risks recognized in Profit or Loss during the Year	(685)	0	0	(360)	0	(1,045)
Change between Impairment Stages	0	0	0	0	0	0
Amounts written off during the Year as uncollectible	0	0	0	0	0	0
Balance as of December 31, 2021	(685)	0	0	(360)	0	(1,045)

The gross carrying amounts of the Group's financial assets by credit risk rating class are as follows.

Balance Sheet Item as of December 31, 2021	Internal Credit Rating	Basis for Recognition of Expected Credit Loss Provision	Gross Carrying Amount (in 000' €)
Cash and Cash Equivalents	low	Expected Twelve-Month Loss	123,248
Term Deposits	low	Expected Twelve-Month Loss	845,488
Accounts Receivable	low	Lifetime Expected Credit Losses	76,270

Balance Sheet Item as of December 31, 2020	Internal Credit Rating	Basis for Recognition of Expected Credit Loss Provision	Gross Carrying Amount (in 000' €)
Cash and Cash Equivalents	low	Expected Twelve-Month Loss	109,797
Term Deposits	low	Expected Twelve-Month Loss	847,300
Accounts Receivable	low	Lifetime Expected Credit Losses	83,778

The Group is also exposed to credit risk from debt instruments that are measured at fair value through profit or loss. This includes the items "Financial Assets at Fair Value through Profit or Loss" and "Financial Assets from Collaborations". As of December 31, 2021, the maximum credit risk corresponded to the carrying amounts of these items amounting to €25.6 million (December 31, 2020: €330.8 million).

One of the Group's policies requires that all customers who wish to transact business on credit undergo a credit assessment based on external ratings. Nevertheless, the Group's revenue and accounts receivable are still subject to credit risk from customer concentration. The Group's single most significant customer accounted for €38.5 million of accounts receivables as of December 31, 2021 (December 31, 2020: €50.1 million), or 51% of the Group's total accounts receivable at the end of 2021. The Group's top three customers individually accounted for 36%, 14% and 9% of the total revenue in 2021.

As of December 31, 2020, 60% of the Group's accounts receivable balance related to a single customer; of the total revenue in 2020, three customers individually accounted for 78%, 14% and 1%.

On December 31, 2019, one customer had accounted for 53% of the Group's accounts receivable, and the top three customers in 2019 individually accounted for 45%, 31% and 13% of the Group's revenue.

The maximum credit risk (equal to the carrying amount) for rent deposits and other deposits on the reporting date amounted to €4.1 million (December 31, 2020: €1.4 million).

#### 7.4.2 Liquidity Risk

Liquidity risk arises primarily from accounts payable, lease liabilities (refer to Note 5.9), bonds, financial liabilities from collaborations and financial liabilities from future payments to Royalty Pharma. Liquidity risk is managed on the basis of balance sheet and profit and loss figures. This is done by means of liquidity planning for the current year on a monthly basis, for the three subsequent years on an annual basis and a monthly target/actual comparison. The top priority is always to ensure sufficient liquidity so that all payment obligations can be met.

The following table shows the the maturities of the cash flows of accounts payable and bonds at the balance sheet date. For the financial liabilities from collaborations, the non-discounted, future planned half profit sharing payments from Incyte for the sales of Monjuvi in the USA are presented. The financial liabilities from future payments to Royalty Pharma include the undiscounted, planned net sales in the coming years. There is no cash inflow and outflow at MorphoSys as the agreed percentage royalties and milestones are paid directly by Janssen, GSK and Roche to Royalty Pharma. As of December 31, 2021, financial liabilities from future payments to Royalty Pharma include an amount of € 1.5 million, which will result in a cash outflow for MorphoSys in 2022. Refer to Note 5.9 for the contractual cash flows of lease liabilities.

<u>in '000 €; due on December 31, 2021 in</u>	<u>Less than 1 Year</u>	<u>Between One and Five Years</u>	<u>More than 5 Years</u>	<u>Total</u>
Accounts Payable	73,787	0	0	73,787
Bonds	2,031	331,094	0	333,125
Financial Liabilities from Collaborations	1,140	167,669	530,242	699,052
Financial Liabilities from Future Payments to Royalty Pharma	89,845	505,938	1,051,077	1,646,860

<u>in '000' €; due on December 31, 2020 in</u>	<u>Less than 1 Year</u>	<u>Between One and Five Years</u>	<u>More than 5 Years</u>	<u>Total</u>
Accounts Payable	47,818	0	0	47,818
Bonds	2,031	333,125	0	335,156
Financial Liabilities from Collaborations	161	180,347	529,338	709,846

Compared with the 2020 financial reporting, accounts payable also include licenses payable, which were presented separately in the previous year (refer to Note 5.13). The prior year's presentation of the figures has been adjusted accordingly in order to provide comparable information for the previous years.

There were no financial instruments pledged as collateral as of December 31, 2021.

#### 7.4.3 Market Risk

Market risk represents the risk that changes in market prices, such as foreign exchange rates, interest rates or equity prices, will affect the Group's results of operations or the value of the financial instruments held. The Group is exposed to both currency and interest rate risks.

#### Currency Risk

The consolidated financial statements are prepared in euros. Both revenues and expenses of the Group are incurred in euros and US dollars. Throughout the year, the Group monitors the necessity to hedge foreign exchange rates to minimize currency risk and addresses this risk by using derivative financial instruments.

The use of derivatives is subject to a Group guideline approved by the Management Board, which represents a written guideline for dealing with derivatives. In accordance with the Group's hedging policy, only highly probable future cash flows and clearly determinable receivables that can be realized within a period of twelve months are hedged. MorphoSys enters into foreign exchange option and forward exchange contracts to hedge its foreign exchange exposure arising from US dollar cash flows.

As of December 31, 2021, there was no unsettled foreign exchange forward agreement (December 31, 2020: no unsettled foreign exchange forward agreement; December 31, 2019: one unsettled foreign exchange forward agreements). The unrealized gross gains in prior years from foreign exchange forward agreements were recorded in the finance result in the respective years (2021: €0; 2020: €0; 2019: €0.4 million).

The Group's exposure to foreign currency risk based on the carrying amounts of the items is shown in the table below.

<u>as of December 31, 2021; in 000' €</u>	<u>US\$</u>	<u>Other</u>
Cash and Cash Equivalents	106,188	0
Other Financial Assets	96,192	0
Accounts Receivable	42,754	0
Financial Assets from Collaborations	16,730	0
Restricted Cash (included in Other Assets)	3,397	0
Accounts Payable and Accruals	(107,691)	(339)
Financial Liabilities from Collaborations	(514,362)	0
<b>Total</b>	<b>(356,792)</b>	<b>(339)</b>

<u>as of December 31, 2020; in 000' €</u>	<u>US\$</u>	<u>Other</u>
Cash and Cash Equivalents	76,582	0
Other Financial Assets	172,460	0
Accounts Receivable	28,456	0
Financial Assets from Collaborations	42,870	0
Restricted Cash (included in Other Assets)	713	0
Accounts Payable and Accruals	(51,436)	(52)
Financial Liabilities from Collaborations	(516,506)	0
<b>Total</b>	<b>(246,861)</b>	<b>(52)</b>

The financial liabilities from future payments to Royalty Pharma are dependent on future royalty income, which is determined on the basis of sales in US dollars. The transfer of assigned license revenues is settled in Euros. Refer to Note 5.19 for a sensitivity analysis on the impact of a change in the foreign exchange rate.

Different foreign exchange rates and their impact on financial assets and liabilities were simulated in a sensitivity analysis to determine the effects on profit or loss. Positive amounts would increase a consolidated net profit or decrease a consolidated net loss. Negative amounts would decrease a consolidated net profit or increase a consolidated net loss. The amounts for 2020 and 2019 have been adjusted compared with the 2020 financial reporting.

<u>in million €</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Increase of the Euro by 10%	39.3	16.8	(8.7)
Decrease of the Euro by 10%	(48.0)	(25.6)	10.4

### Interest Rate Risk

The Group's risk exposure to changes in interest rates mainly relates to fixed-term deposits and corporate bonds. Changes in the general level of interest rates may lead to an increase or decrease in the fair value of these securities. The Group's investment focus places the safety of an investment ahead of its return and the ability to plan future cash flows. Interest rate risks are limited because all securities can be liquidated within a maximum of two years and due to the mostly fixed interest rates during the term in order to ensure that planning is possible. In addition, changes in interest rates may affect the fair value of financial assets from collaborations.

Different interest rates and their effect on existing other financial assets with variable interest rates and on financial assets from collaborations were simulated in a sensitivity analysis in order to determine the effect on profit or loss. Positive amounts would increase a consolidated net profit or decrease a consolidated net loss. Negative amounts would decrease a consolidated net profit or increase a consolidated net loss.

<u>in million €</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Increase of the variable Interest Rate by 0.5%	0.8	1.2	(0.3)
Decrease of the variable Interest Rate by 0.5%	(0.8)	(1.4)	0.3

The Group is currently not subject to significant interest rate risks from the account payables reported on the balance sheet.

#### 7.4.4 Capital Management

The Management Board's policy for capital management is to preserve a strong and sustainable capital base in order to maintain the confidence of investors, business partners, and the capital market and to support future business development. As of December 31, 2021, the equity ratio was 9.6% (December 31, 2020: 37.4%; see also the following overview). The equity ratio decreased mainly due to the initial recognition of the financial liabilities from future payments to Royalty Pharma.

<u>in 000' €</u>	<u>12/31/2021</u>	<u>12/31/2020</u>
Stockholders' Equity	244,876	621,322
In % of Total Capital	9.6	37.4
Total Liabilities	2,311,378	1,038,191
In % of Total Capital	90.4	62.6
<b>Total Capital</b>	<b>2,556,254</b>	<b>1,659,513</b>

There are no liabilities to banks. During the financial year, the Group made changes to its capital management by reflecting the financial liabilities from future payments to Royalty Pharma.

#### 7.5 Disclosures to Statement of Cash Flows - Net Debt Reconciliation

The following overview contains the presentation and development of the liabilities from financing activities. "Amortizations from Effective Interest Method", "Changes from Adjustments to Planing Assumptions" and "Transfer of Assigned License Revenues to Royalty Pharma" include non-cash movements, including accrued interest expense.

<u>in 000' €</u>	<u>Lease Liabilities</u>	<u>Bonds</u>	<u>Financial Liabilities from Collaborations</u>	<u>Financial Liabilities from Future Payments to Royalty Pharma</u>	<u>Total</u>
Balance as of January 1, 2020	(42,557)	0	0	0	(42,557)
Cash Flows	3,918	(319,946)	(542,599)	0	(858,627)
New Leases	(5,286)	0	0	0	(5,286)
Exchange differences	0	0	66,379	0	66,379
Changes recognized in Equity	0	49,217	0	0	49,217
Amortizations from Effective Interest Method	(1,094)	(2,454)	(15,329)	0	(18,877)
Changes from Adjustments to Planning Assumptions	0	0	(24,956)	0	(24,956)
<b>Balance as of December 31, 2020</b>	<b>(45,019)</b>	<b>(273,183)</b>	<b>(516,506)</b>	<b>0</b>	<b>(834,708)</b>
Balance as of January 1, 2021	(45,019)	(273,183)	(516,506)	0	(834,708)
Cash Flows	4,286	2,031	0	(1,205,911)	(1,199,594)
New Leases	(316)	0	0	0	(316)
Disposal Leases	173	0	0	0	173
Exchange differences	(538)	0	(39,346)	(7,499)	(47,383)
Amortizations from Effective Interest Method	(1,170)	(12,056)	(20,386)	(29,811)	(63,422)
Changes from Adjustments to Planning Assumptions	0	0	61,876	(64,846)	(2,970)
Transfer of Assigned License Revenues to Royalty Pharma	0	0	0	51,890	51,890
<b>Balance as of December 31, 2021</b>	<b>(42,584)</b>	<b>(283,208)</b>	<b>(514,362)</b>	<b>(1,256,176)</b>	<b>(2,096,329)</b>

The "Transfer of Assigned License Revenues to Royalty Pharma" include transactions whereas Janssen directly transfers to Royalty Pharma the settlement amount without influence by MorphoSys on timing and/or amount. As MorphoSys has not received or paid cash for these assigned license revenues, the related amounts have neither been included in the operating nor in the financing cash flow, respectively.

The changes from the bonds recognized in equity in 2020 relate initially to the transfer of the conversion right to additional paid-in capital and conversions in subsequent periods.

## **7.6 Geographical Disclosures**

A total of €132.9 million (December 31, 2020: €311.6 million) of the Group's non-current assets, excluding deferred tax assets, are located in Germany and €1,103.8 million in the USA (December 31, 2020: €8.3 million). Of the Group's investments, €24.5 million (2020: €47.6 million) were made in Germany and €1.7 million (2020: €1.6 million) in the USA. In accordance with internal definitions, investments solely include additions to property, plant and equipment and intangible assets not related to leases and business combinations.

## **7.7 Corporate Governance**

The Group has submitted the Declaration of Conformity with the recommendations of the Government Commission on the German Corporate Governance Code for the 2021 financial year under Section 161 of the German Stock Corporation Act (AktG). This declaration was published on the Group's website (<https://www.morphosys.com/en/investors/corporate-governance>) on November 29, 2021 and made permanently available to the public.

## **7.8 Research and Development Agreements**

The Group has entered some research and development agreements. The following information describes the agreements that have a material effect on the Group and the developments under the research and development agreements in the 2021 financial year.

### **7.8.1 Agreements Related to Proprietary Clinical Development**

Partnerships currently exist with (in alphabetical order) Incyte and Xencor.

In January 2020, MorphoSys and Incyte announced that the companies had signed a collaboration and license agreement for the continued global development and commercialization of MorphoSys's proprietary anti-CD19 antibody tafasitamab. A detailed description of the agreement can be found in Note 5.18.

In June 2010, MorphoSys and the U.S.-based biopharmaceutical company Xencor signed an exclusive global licensing and cooperation agreement under which MorphoSys receives exclusive global licensing rights to tafasitamab, the antibody for the treatment of cancer and other indications. The companies jointly conducted a phase 1/2a trial in the U.S. in patients with chronic lymphocytic leukemia. MorphoSys is solely responsible for the further clinical development after the successful completion of the phase 1 clinical trial and commercialization. Upon signing the license and cooperation agreement, Xencor received a payment of US\$13.0 million (approximately €10.5 million) from MorphoSys. Xencor also received milestone payments from MorphoSys totaling US\$65.5 million (approximately €53.8 million). These payments were then capitalized under in-process R&D programs. Xencor is entitled to development, regulatory and commercially related milestone payments. Furthermore, Xencor is also eligible to receive tiered royalty payments of tafasitamab in the mid single-digit to sub-teen double-digit percentage range based upon net sales of licensed antibody sold by us or our licensees. Our royalty obligations continue on a product-by-product and country-by-country basis until the later to occur of the expiration of the last valid claim in the licensed patent covering a licensed product in such country, or 11 years after the first sale of a licensed product following marketing authorization in such country.

In November 2020, MorphoSys, Incyte and Xencor announced a clinical collaboration agreement to study the combination of tafasitamab, plamotamab and lenalidomide in patients with relapsed or refractory diffuse large B-cell lymphoma (DLBCL), first-line DLBCL and relapsed or refractory follicular lymphoma (FL). MorphoSys and Incyte will provide tafasitamab for the studies. The studies are sponsored and funded by Xencor and are planned to be conducted in North America, Europe and the Asia-Pacific region.

### **7.8.2 Agreements Related to Clinical Development Through Partners**

Through some commercial partnerships, MorphoSys receives various types of payments that are spread over the duration of the agreements or recognized in full as revenue as predefined targets and milestones are reached. These payments include payments

upon signature, annual license fees in exchange for access to MorphoSys's technologies and payments for funded research to be performed by MorphoSys on behalf of the partner. MorphoSys is also entitled to development-related milestone payments and royalties on product sales for specific antibody programs.

Prior to the 2021 financial year, active collaborations with a number of partners had already ended. However, drug development programs initiated in the active phase are designed so that they can be continued by the partner and, therefore, still result in performance-based payments for the achievement of the defined milestones.

Partnerships (incl. partnerships for which the active collaboration has ended before the beginning of 2021 but where drug development programs were still being pursued) include (in alphabetical order): advanceCOR, Bayer AG, Boehringer Ingelheim, Fibron Ltd. (transfer of the contract from ProChon Biotech Ltd.), GeneFrontier Corporation/Kaneka, GlaxoSmithKline (GSK), I-Mab Biopharma, Janssen Research and Development LLC, LEO Pharma, Novartis, OncoMed Pharmaceuticals (fully acquired in April 2019 by Mereo BioPharma Group), Pfizer, Roche and Sosei Heptares.

In June 2013, MorphoSys announced it had entered into a global agreement with GSK for the development and commercialization of otilimab. Otilimab is MorphoSys's proprietary HuCAL antibody against the GM-CSF target molecule. Under the agreement, GSK assumes responsibility for the compound's entire development and commercialization. MorphoSys received an upfront payment of €22.5 million under this agreement and, next to tiered double-digit royalties on net sales, is eligible to receive additional payments from GSK of up to €423.0 million, depending on the achievement of certain developmental stages, as well as regulatory, commercial and revenue-related milestones. In July 2019, GSK initiated a phase 3 development program in rheumatoid arthritis called ContrASt. The treatment of the first patient in this program triggered a milestone payment of €22.0 million to MorphoSys. In 2020, GSK also initiated a clinical trial (OSCAR) to evaluate the efficacy and safety of otilimab in patients with severe pulmonary COVID 19-associated disease. The dosing of the first patient in the expanded OSCAR study triggered milestone payments totaling €16.0 million to MorphoSys. In October 2021, GSK provided an update that it had made the decision not to further explore otilimab as a potential treatment for severe pulmonary COVID-19 related disease in patients aged of 70 years and older.

In November 2017, MorphoSys announced it had signed an exclusive regional licensing agreement with I-Mab to develop and commercialize felzartamab in mainland China, Taiwan, Hong Kong and Macao. Felzartamab is MorphoSys's proprietary antibody targeting CD38. Under the terms of the agreement, I-Mab has the exclusive right for the later development and commercialization of felzartamab in the agreed regions. In November 2017, MorphoSys received a payment of US\$20.0 million (approximately €16.8 million) and until 2021 milestone payments of US\$8.0 million (approximately 7.1 million). MorphoSys is also entitled to receive additional success-based clinical and commercial milestone payments from I-Mab of up to roughly US\$90.5 million (approximately €79.9 million). In addition, MorphoSys will be entitled to receive double-digit, staggered royalties on the net sales of felzartamab in the agreed regions. I-Mab is investigating felzartamab in a phase 3 clinical study in Greater China in combination with lenalidomide plus dexamethasone in r/r multiple myeloma. I-Mab is also evaluating felzartamab as a potential third-line therapy in r/r multiple myeloma in a phase 2 trial. Both studies are considered pivotal in the agreed regions.

In November 2018, MorphoSys announced the signing of an exclusive strategic development collaboration and regional licensing agreement with I-Mab for MOR210/TJ210. MOR210/TJ210 is MorphoSys' proprietary, preclinical-stage antibody directed against C5aR which has potential to be developed as an immuno-oncology agent. I-Mab has exclusive rights to develop and market MOR210/TJ210 in mainland China, Hong Kong, Macao, Taiwan and South Korea, while MorphoSys retains the rights for the rest of the world. With the support of MorphoSys, I-Mab will undertake and fund all global development activities, including clinical trials in China and the United States, to clinical proof of concept in cancer medicine. In November 2018, MorphoSys received a payment of US\$3.5 million (approximately €3.1 million) and until 2020 milestone payments of US\$1.0 million (approximately €0.8 million). MorphoSys is further eligible to receive performance-related clinical and sales-based milestone payments of up to US\$99.0 million (approximately €87.4 million). In addition, MorphoSys will receive tiered royalties in the mid-single-digit percentage range of net sales of MOR210/TJ210 in I-Mab's territories. In return for conducting a successful clinical proof of concept trial, I-Mab is entitled to low-single-digit royalties on net sales of MOR210/TJ210 outside the I-Mab territory, as well as staggered shares of proceeds from the further out-licensing of MOR210. In January 2021, MorphoSys and I-Mab announced the dosing of first patient in a U.S. phase 1 study. MorphoSys received a US\$1.5 million (approx. €1.2 million) payment from I-Mab for achieving this milestone.

The Group's alliance with Novartis AG for the research and development of biopharmaceuticals came to an end in November 2017. The collaboration began in 2004 and led to the creation of several ongoing therapeutic antibody programs against a number of diseases. MorphoSys receives performance-based milestones contingent upon the successful clinical development and regulatory approval of several products. In addition to these payments, MorphoSys is also entitled to royalties on any future product sales.

## **7.9 Subsequent Events**

No events that require reporting occurred.

Planegg, March 15, 2022

Jean-Paul Kress, M.D.  
Chief Executive Officer

Sung Lee  
Chief Financial Officer

Malte Peters, M.D.  
Chief Research and Development Officer

**Responsibility Statement**

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the Group's net assets, financial position and results of operations, and the group management report provides a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the Group's expected development.

Planegg, March 15, 2022

Jean-Paul Kress, M.D.  
Chief Executive Officer

Sung Lee  
Chief Financial Officer

Malte Peters, M.D.  
Chief Research and Development Officer

## EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description of Document</u>
1*	<a href="#">Articles of Association of MorphoSys AG</a>
2*	<a href="#">Description of Securities</a>
4.1	<a href="#">Form of American Depository Receipt (included in Exhibit 4.3)</a>
4.2	<a href="#">Form of Global Share Certificate for Ordinary Shares (English translation) (Incorporated by reference to the Registrant's Registration Statement on Form F-1, File No. 333-223843, filed with the SEC on March 22, 2018)</a>
4.3	<a href="#">Form of Deposit Agreement (incorporated by reference to Exhibit 1 to the Post-Effective Amendment No. 1 to the Registrant's Registration Statement on Form F-6 (File No. 333-130614) filed with the Securities and Exchange Commission on April 10, 2018)</a>
4.4	<a href="#">Collaboration and License Agreement between Xencor, Inc. and MorphoSys AG dated June 27, 2010 (Incorporated by reference to the Registrant's Registration Statement on Form F-1/A, File No. 333-223843, filed with the SEC on April 11, 2018)<sup>†</sup></a>
4.5	<a href="#">First Amendment to Collaboration and License Agreement between Xencor, Inc. and MorphoSys AG dated March 23, 2012 (Incorporated by reference to the Registrant's Registration Statement on Form F-1, File No. 333-223843, filed with the SEC on March 22, 2018)<sup>†</sup></a>
4.6	<a href="#">Amended and Restated Research and License Agreement between Centocor, Inc. and MorphoSys AG dated December 22, 2004 (Incorporated by reference to the Registrant's Registration Statement on Form F-1/A, File No. 333-223843, filed with the SEC on April 16, 2018)<sup>†</sup></a>
4.7	<a href="#">First Amendment to Amended and Restated Research and License Agreement between Centocor, Inc. and MorphoSys AG dated November 7, 2006 (Incorporated by reference to the Registrant's Registration Statement on Form F-1/A, File No. 333-223843, filed with the SEC on April 11, 2018)<sup>†</sup></a>
4.8	<a href="#">Second Amendment to Amended and Restated Research and License Agreement between Centocor, Inc. and MorphoSys AG dated October 26, 2009 (Incorporated by reference to the Registrant's Registration Statement on Form F-1, File No. 333-223843, filed with the SEC on March 22, 2018)<sup>†</sup></a>
4.9	<a href="#">Lease Agreement between GIP Grundbesitz Investitionsgesellschaft Planegg mbH &amp; Co. KG and MorphoSys AG dated December 17, 2015 (Incorporated by reference to the Registrant's Registration Statement on Form F-1/A, File No. 333-223843, filed with the SEC on April 11, 2018)<sup>†</sup></a>
4.10	<a href="#">Collaboration and License Agreement between Incyte Corporation and MorphoSys AG dated January 12, 2020 (Incorporated by reference to the Registrant's Registration Statement on Form 20-F, File No. 001-38455, filed with the SEC on March 18, 2020)<sup>†</sup></a>
4.11*	<a href="#">Royalty Purchase Agreement between Royalty Pharma Investments 2019 ICAV and MorphoSys AG dated June 2, 2021</a>
4.12*	<a href="#">Revenue Participation Rights Purchase and Sale Agreement between Royalty Pharma Investments 2019 ICAV and MorphoSys AG dated June 2, 2021</a>
4.13*	<a href="#">Development Funding Bond Purchase Agreement between Royalty Pharma USA, Inc. and MorphoSys AG dated June 2, 2021</a>
8.1*	<a href="#">List of Subsidiaries</a>
12.1*	<a href="#">Certification of CEO and CFO Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934</a>
13.1*	<a href="#">Certification of CEO and CFO Pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934</a>
15.1*	<a href="#">Consent of Independent Registered Public Accounting Firm</a>
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

\* Filed at the SEC herewith.

† Certain information omitted pursuant to a request for confidential treatment filed separately with the SEC.

### Signatures

MorphoSys AG hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on Form 20-F on its behalf.

MorphoSys AG (Registrant)

/s/ Jean-Paul Kress, M.D.

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Name: Jean-Paul Kress, M.D.

Title: CEO and member of the Board of Management

Dated: March 15, 2022

**The following is a convenience translation. The German version shall be authoritative.**

**Articles of Association**

**of**

**MorphoSys AG**

**I.**

**General Provisions**

**Section 1**

**Name and Registered Office**

(1) The name of the company is:

**MorphoSys AG.**

(2) The company has its registered office in Planegg.

**Section 2**

**Object of the Company**

(1) The object of the Company is to identify, explore, optimize, develop, apply, commercialize, and sell technologies, processes and products in the field of medicines, pharmaceutical compounds and related intermediate products, as well to provide the related services.

(2) The Company is authorized to operate all businesses and take all measures that relate to or seem directly or indirectly conducive to achieving the object of the Company. For this purpose, the Company may establish, acquire, or take participating interests in other companies, or assume such management duties. This applies in particular to companies operating in whole or in part in the fields described in subsection (1). The

Company may outsource its business operations to affiliated companies, in whole or in part, or have them carried out by affiliated companies, and focus on the management of its participating interests. The Company can also limit its activities to a portion of the activities named in subsection (1).

### **Section 3 Company Duration, Fiscal Year**

- (1) The Company has been set up for an indefinite period.
- (2) The fiscal year shall be the calendar year.

### **Section 4 Notices**

Notices of the Company shall be published in the Gazette of the Federal Republic of Germany (*Bundesanzeiger*).

## **II. Share Capital and Shares**

### **Section 5 Amount and Division of the Share Capital**

- (1) The share capital amounts to € 34,231,943.00.
- (2) The share capital is divided into 34,231,943 no-par value bearer shares.
- (3) The form of the share certificates and of the dividend coupons and renewal coupons shall be determined by the Management Board with the consent of the Supervisory Board. Single shares may be combined in share certificates evidencing a number of shares (global shares/global share certificates). Shareholders shall have no entitlement to the issuance of share certificates.
- (4) deleted

(5) With the consent of the Supervisory Board, the Management Board is authorized to increase the Company's share capital by issuing a maximum of 4,861,376 new no-par value bearer shares against cash and/or non-cash contributions up to an amount of 4,861,376.00 € on one or several occasions until and including the date of May 18, 2026 (Authorized Capital 2021-I).

In the case of capital increases, shareholders are generally entitled to subscription rights. The shares may also be underwritten by one or more banks with the obligation to offer them to the shareholders for subscription. With the consent of the Supervisory Board, the Management Board is authorized however to exclude shareholders' subscription rights

aa) in the case of a capital increase against cash contributions, to the extent necessary to avoid fractional amounts; or

bb) in the case of a capital increase against non-cash contributions; or

cc) in the case of a capital increase against cash contributions, insofar as the new shares are placed in the course of an IPO on a foreign stock exchange.

The total number of shares issued on the basis of the above authorizations with the exclusion of shareholder subscription rights for capital increases against cash and/or non-cash contributions and including the deductions listed below, may not exceed 10 % of the share capital calculated either at the time these authorizations take effect or at the time they are exercised, based on whichever amount is lower. The aforementioned 10 % limit shall include (i) treasury shares sold with the exclusion of subscription rights after these authorizations become effective, (ii) shares issued on the basis of other authorized capital with the exclusion of subscription rights during the period in which these authorizations are in effect, and (iii) shares to be issued to service convertible bonds and/or bonds with warrants, insofar as the convertible bonds and/or bonds with warrants have been issued with the exclusion of shareholders' subscription rights while these authorizations are in effect but in respect of items (i), (ii) and/or (iii) in each case only insofar as the shares are not used to service claims by members of the Management Board and/or employees of the Company and/or its affiliated companies under employee participation programs. The maximum limit reduced in accordance with the above sentences of this paragraph shall be increased again when a new authorization to exclude shareholders' subscription rights resolved by the Annual

General Meeting takes effect after the reduction, in the amount of the new authorization, up to a maximum of 10 % of the share capital in accordance with the requirements of sentence 1 of this paragraph.

With the consent of the Supervisory Board, the Management Board is authorized to determine the further details of the capital increase and its execution.

(6) With the Supervisory Board's consent, the Management Board is authorized to increase the Company's share capital by issuing a maximum of 1,951,452 new no-par value bearer shares against cash contributions up to an amount of 1,951,452.00 € on one or several occasions until and including the date of May 18, 2026 (Authorized Capital 2021-II).

Shareholders are generally entitled to a subscription right. The shares may also be underwritten by one or more banks with the obligation to offer them to the shareholders for subscription. With the Supervisory Board's consent, the Management Board is, however, authorized to exclude the subscription rights of shareholders in the following cases:

aa) to the extent necessary to avoid fractional amounts; or

bb) if the issue price of the new shares is not significantly below the market price of shares of the same class already listed and the total number of shares issued against contribution in cash, excluding subscription rights, during the term of this authorization does not exceed 10 % of the share capital on the date this authorization takes effect or at the time it is exercised, in accordance with or in the respective application of section 186 para. 3 sentence 4 AktG. This 10 % limit shall take into account treasury shares of the Company which are sold during the term of this authorization with the exclusion of shareholders' subscription rights in accordance with section 71 para. 1 no. 8 sentence 5 clause 2 AktG in conjunction with section 186 para. 3 sentence 4 AktG. Furthermore, shares issued or to be issued to service convertible bonds and/or bonds with warrants shall be included in this 10 % limit of the share capital, provided that these convertible bonds and/or bonds with warrants were issued during the term of this authorization with the exclusion of subscription rights in the respective application of section 186 para. 3 sentence 4 AktG. In addition, shares issued excluding shareholders' subscription rights during the term of this authorization on the basis of other capital measures in direct or mutatis mutandis application of Section 186 para. 3 sentence 4 AktG shall be included in this 10 % limit of the share capital. The maximum limit reduced in accordance with the

above sentences of this paragraph shall be increased again when a new authorization to exclude shareholders' subscription rights resolved by the Annual General Meeting takes effect in accordance with section 186 para. 3 sentence 4 AktG after the reduction, in the amount of the new authorization, up to a maximum of 10 % of the share capital in accordance with the requirements of sentence 1 of this paragraph bb).

The total number of shares issued on the basis of the above authorizations with the exclusion of shareholder subscription rights for capital increases against cash contributions and including the deductions listed below, may not exceed 10% of the share capital calculated either at the time these authorizations take effect or at the time they are exercised, based on whichever amount is lower. The aforementioned 10 % limit shall include (i) treasury shares sold with the exclusion of subscription rights after these authorizations become effective, (ii) shares issued on the basis of other authorized capital with the exclusion of subscription rights during the period in which these authorizations are in effect, and (iii) shares to be issued to service convertible bonds and/or bonds with warrants, insofar as the convertible bonds and/or bonds with warrants have been issued with the exclusion of shareholders' subscription rights while these authorizations are in effect but in respect of items (i), (ii) and/or (iii) in each case only insofar as the shares are not used to service claims of members of the Management Board and/or employees of the Company and/or its affiliated companies under employee participation programs. The maximum limit reduced in accordance with the above sentences of this paragraph shall be increased again when a new authorization to exclude shareholders' subscription rights resolved by the Annual General Meeting takes effect after the reduction, in the amount of the new authorization, up to a maximum of 10 % of the share capital in accordance with the requirements of sentence 1 of this paragraph.

With the consent of the Supervisory Board, the Management Board is authorized to determine the further details of the capital increase and its implementation.

(6 a) The Management Board is authorized, with the consent of the Supervisory Board, until 18 May 2026 (including) to increase the Company's registered share capital by up to 315,000.00 € against cash contributions and/or contributions in kind once or several times by issuing up to 315,000 new no-par value bearer shares (auf den Inhaber lautende Stückaktien) (Authorized Capital 2021-III).

The subscription rights of shareholders are excluded. The Authorized Capital 2021-III serves the purpose of delivering shares of the Company against the contribution of

payment claims resulting from Restricted Stock Units (RSUs) in order to fulfill RSUs that were granted in accordance with the terms and conditions of the Restricted Stock Unit Program 2021 of the Company (RSUP 2021) exclusively to senior managers and employees (including directors and officers) of MorphoSys US Inc.

The issue price of the new shares must amount to at least 1,00 € and can be paid either by way of a cash contribution and/or contribution in kind, including in particular the contribution of claims against the Company under the RSUP 2021. The Management Board is authorized to determine the further details of the capital increase and its implementation with the consent of the Supervisory Board; this also includes the determination of the profit participation of the new shares, which may, in deviation from section 60 para. 2 AktG, also participate in the profit of an already completed fiscal year, provided that no resolution on the appropriation of profits has yet been adopted for the fiscal year in question.

(6 b) The share capital of the Company is conditionally increased by up to 2,475,437.00 € by issuing up to 2,475,437 new no-par value bearer shares (Conditional Capital 2016-I). The conditional capital increase serves solely as a means to grant new shares to the holders of conversion or warrant rights that will be issued by the Company or companies in which the Company has a direct or indirect majority interest according to the authorizing resolution of the Annual General Meeting on June 2, 2016 under Agenda Item 7 a). The issue of the shares will be carried out at the respective conversion or exercise price to be determined in accordance with the resolution above. The conditional capital increase will only be carried out to the extent that the holders of conversion or warrant rights exercise their rights or fulfill conversion obligations under such bonds. The shares will be entitled to dividends as of the beginning of the previous financial year if they were issued before the start of the Company's Annual General Meeting or otherwise as of the beginning of the financial year in which they were issued.

(6 c) The share capital of the Company is conditionally increased by up to 3,289,004.00 € by issuing up to 3,289,004 new no-par value bearer shares (Conditional Capital 2021-I). The conditional capital increase serves exclusively to grant new shares to the holders of conversion or warrant rights issued by the Company or by companies in which the Company directly or indirectly holds a majority interest in accordance with the authorization resolution of the Annual General Meeting of May 19, 2021 under Agenda Item 10 a). The shares shall be issued at the conversion or warrant price to be determined in each case in accordance with the aforementioned resolution. The

conditional capital increase shall only be carried out to the extent that the holders of conversion or warrant rights exercise their conversion or warrant rights or fulfill conversion obligations under such bonds. The shares shall participate in profits – to the extent they come into existence by the beginning of the Annual General Meeting of the Company – from the beginning of the preceding financial year, otherwise from the beginning of the financial year in which they come into existence.

(6 d) deleted

(6 e) deleted

(6 f) intentionally left blank

(6 g) The share capital of the Company is conditionally increased by up to 737,045.00 € by issuing up to 737,045 new no-par value bearer shares (Conditional Capital 2016-III). The conditional capital increase serves to meet the obligations of subscription rights that have been issued and exercised based on the authorization resolved by the Annual General Meeting of June 2, 2016 under Agenda Item 9 letter a). The conditional capital increase will be executed only to the extent that holders of subscription rights exercise their right to subscribe to shares of the Company. The shares will be issued at the exercise price set in each case as the issue price in accordance with Agenda Item 9 letter a) subparagraph (8) of the Annual General Meeting resolution dated June 2, 2016; Section 9 para. (1) AktG remains unaffected. The new shares are entitled to a dividend for the financial year for which no Annual General Meeting resolution has yet been made on the appropriation of profits at the time of the shares' issue. The Management Board, and the Supervisory Board where members of the Management Board are concerned, is authorized to determine the additional details of the conditional capital increase and its execution.

(6 h) The Management Board is authorized, with the consent of the Supervisory Board, until 30 April 2024 (including), to increase the Company's registered share capital by up to € 159,197.00 against cash contributions and/or contributions in kind once or several times by issuing up to 159,197 new no-par value bearer shares (auf den Inhaber lautende Stückaktien) (Authorized Capital 2019-I).

The subscription rights of shareholders are excluded. The Authorized Capital 2019-I serves the purpose of delivering shares of the Company against the contribution of payment claims resulting from Restricted Stock Units (RSUs) in order to fulfill RSUs that

were granted in accordance with the terms and conditions of the Restricted Stock Unit Program of the Company (RSUP) exclusively to senior managers and employees (including directors and officers) of MorphoSys US Inc.

The issue price of the new shares must amount to at least € 1.00 and can be paid either by way of a cash contribution and/or contribution in kind, including in particular the contribution of claims against the Company under the RSUP. The Management Board is authorized to determine the further details of the capital increase and its implementation with the consent of the Supervisory Board; this also includes the determination of the profit participation of the new shares, which may, in deviation from section 60 para. 2 AktG, also participate in the profit of an already completed fiscal year.

(6 i) The share capital of the Company is conditionally increased by up to € 1,314,615.00 by issuing up to 1,314,615 new no-par-value bearer shares (Conditional Capital 2020-I). The conditional capital serves to fulfill subscription rights that were issued and exercised on the basis of the authorization resolved by the Annual General Meeting on May 27, 2020 under Agenda Item 11, letter a). The conditional capital increase will only be implemented to the extent that holders of subscription rights exercise their subscription rights to subscribe to shares of the Company. The shares will be issued at the exercise price determined in accordance with the resolution of the Annual General Meeting of May 27, 2020 under Agenda Item 11, letter a) subparagraph (8) as the issue price; Section 9 (1) AktG remains unaffected. The new shares are entitled to dividends for the first time for the financial year for which, at the time of their issue, no resolution by the Annual General Meeting on the appropriation of the accumulated profit has yet been passed. The Management Board or, insofar as members of the Management Board are affected, the Supervisory Board are authorized to determine the further details of the conditional capital increase and its implementation.

(7) The Supervisory Board is authorized to amend the Articles of Association to reflect the extent of the capital increase of conditional and authorized capital.

### **III. Management Board**

#### **Section 6**

## **Composition**

The Management Board shall consist of at least two members. The number of members of the Management Board shall otherwise be determined by the Supervisory Board. The Supervisory Board may appoint one member of the Management Board to be Chairman and one or more members of the Board of Management to be Vice Chairman of the Management Board.

### **Section 7**

#### **Company Management and Representation**

(1) The members of the Management Board are required to manage the business affairs of the Company on the basis of applicable laws, the Articles of Association and the Management Board's rules of procedure. The Management Board shall unanimously adopt rules of procedure and undertakes the allocation of responsibilities if the Supervisory Board has not adopted rules of procedure for the Management Board.

(2) The Company is represented by two members of the Management Board or by one member of the Management Board acting jointly with a *Prokurist* (authorized signatory with full power of representation). The Supervisory Board may grant individual members of the Management Board authorization to represent the Company individually and may revoke such authorization.

(3) The Supervisory Board may exempt one or more members of the Management Board from the prohibition on multiple representation in Section 181 of the BGB [German Civil Code] and that is without consideration of whether the Company is monistic or dualistic and likewise in the event the Company becomes a dualistic or monistic company.

## **IV.**

### **The Supervisory Board**

#### **Section 8**

##### **Composition, Term of Office**

(1) The Supervisory Board consists of six members elected by the shareholders in accordance with the German Stock Corporation Act.

(2) The members of the Supervisory Board shall be elected for a term extending at most to the end of the General Meeting that resolves about ratification of the actions of the Supervisory Board in the fourth fiscal year after commencement of their terms of office. The fiscal year in which the terms of office begin shall not be counted for such purposes.

(3) Any member of the Supervisory Board, and every substitute member, may resign his or her office by means of a written declaration to be submitted to the Chairman of the Supervisory Board or to the Management Board on one month's notice. Resignation may be effective immediately for good cause.

(4) In the event a member of the Supervisory Board elected by the General Meeting leaves the Supervisory Board prior to the expiration of his or her term of office, election for a replacement shall be held at the next General Meeting.

(5) The General Meeting may appoint substitute members for those members of the Supervisory Board it elects who shall become members of the Supervisory Board in the order laid down when the election takes place in the event members of the Supervisory Board leave prior to the expiration of their respective term of office. The term of office of a substitute member of the Supervisory Board ends upon the conclusion of the General Meeting at which an election pursuant to the terms of the preceding paragraph (4) is held.

## **Section 9 Chairman and Vice Chairman**

(1) Following the General Meeting at which the members of the Supervisory Board have been appointed, a meeting of the Supervisory Board shall be held without special notice at which a Chairman and a Vice Chairman shall be elected for the duration of their terms of office.

(2) If the Chairman or the Vice Chairman of the Supervisory Board ceases to be a member before the end of his or her term of office, the Supervisory Board shall immediately elect a successor for the remainder of the respective term of office.

## **Section 10 Resolutions of the Supervisory Board**

(1) The meetings of the Supervisory Board shall be called at least two weeks in advance by the Chairman or, in the Chairman's inability to act, by a Deputy Chairman. This period may be reduced in urgent cases. Notice of meetings may be given in writing, by telephone, facsimile or any other customary means of communication to the extent such method is suitable to provide confirmation of receipt. In all other respects, the statutory provisions as well as the rules of procedure of the Supervisory Board shall apply.

(2) Meetings conducted and resolutions adopted in writing, by telephone, facsimile or any other customary means of communication (e.g. by e-mail) or the participation of individual Supervisory Board members in meetings or the passing of resolutions using customary means of communication shall be permitted, unless the Chairman of the Supervisory Board decides otherwise in a specific case.

(3) The Supervisory Board shall constitute a quorum when two-thirds of its members of which it is required to consist, and not less than three members, participate in the adoption of the resolution.

(4) Resolutions of the Supervisory Board require a majority of votes cast. In cases of a tie, the Chairman casts the deciding vote. The Chairman shall decide the form of voting.

(5) Minutes shall be taken of all meetings of the Supervisory Board which must be signed by the Chairman, or in the event of his or her inability to act, the Vice Chairman. The foregoing applies accordingly in the case of resolutions adopted in writing, by telephone, facsimile or any other customary means of communication (e.g. by e-mail or video conference).

(6) Declarations of intent of the Supervisory Board shall be provided on behalf of the Supervisory Board by the Chairman.

## **Section 11 Committees**

(1) The Supervisory Board may appoint one or more committees from among its members. To the extent permissible by law, the committees may be granted decision-making powers of the Supervisory Board.

- (2) Every committee may elect a Chairman from among its members unless one has been appointed by the Supervisory Board.
- (3) The rules set out under Section 10 shall apply analogously to the committees.

## **Section 12**

### **Rules of procedure, Declarations of intent, Changes in wording**

- (1) As permitted by law and the Articles of Association, the Supervisory Board shall establish its own internal rules of procedure.
- (2) The Chairman - or in the event of his or her incapacity to act the Vice Chairman - is authorized to provide declarations of intent on behalf of the Supervisory Board necessary to implement resolutions of the Supervisory Board and its committees.
- (3) The Supervisory Board is authorized to adopt amendments to the Articles of Association which only relate to the wording.

## **Section 13**

### **Confidentiality**

- (1) The members of the Supervisory Board shall keep secret any confidential information and secrets of the Company, in particular company and business secrets that have become known to them in connection with their work as members of the Supervisory Board. This obligation continues to apply following retirement from office.
- (2) If a member of the Supervisory Board intends to disclose information regarding the subject or results of a meeting of the Supervisory Board or other resolution adopted by the Supervisory Board, which does not fall within the scope of the preceding paragraph (1), to a third party, he or she must consult with the Chairman of the Supervisory Board in advance.

## **Section 14**

### **Management Board rules of procedure, Reservation of consent**

The Supervisory Board is entitled to issue internal rules of procedure for the Management Board which, in particular, set out which transactions require the consent of the Supervisory Board prior to their execution.

**Section 15**  
**Supervisory Board Compensation**

(1) In addition to the reimbursement of expenses, each member of the Supervisory Board shall receive reasonable annual compensation which is to be set by the General Meeting and - unless otherwise provided - is payable on the day following the conclusion of the General Meeting which ratifies the actions of the Supervisory Board for the relevant fiscal year.

(2) Supervisory Board members who have been members of the Supervisory Board for only a part of the fiscal year shall receive reduced compensation in cash on a pro rata basis.

(3) The Company shall reimburse every member of the Supervisory Board for value added tax payable with respect to his or her cash compensation.

(4) (a) The Supervisory Board members shall be included in a D&O liability insurance for board members and certain employees of the MorphoSys Group maintained by the Company in the Company's interests that, where existing, will provide reasonable coverage against financial damages. The premiums for this policy shall be paid by the Company.

(b) Insofar as members of the Supervisory Board take part in the training and further education measures required for their duties in accordance with the requirements of the German Corporate Governance Code, the Company shall reimburse them for the costs thereby incurred.

**V.**  
**General Meeting**

**Section 16**  
**Place of the General Meeting, Notice**

(1) The General Meeting shall be held at the Company's registered office or at the seat of a stock exchange in Germany.

(2) The statutory provisions apply to the convening deadline.

## **Section 17**

### **Right of Attendance**

(1) Shareholders wishing to participate in the General Meeting or exercise their voting rights, must register for the General Meeting and provide proof of their authorization. The registration and proof of authorization must reach the Company at the address specified in the invitation to the meeting within the legal time period. Either the Management Board or – if the invitation is made by the Supervisory Board – the Supervisory Board is authorized to define in the invitation a shortened deadline measured in number of days for the respective registration and proof of authorization.

(2) Confirmation of shareholding issued in text form by the ultimate intermediary pursuant to § 67c para. 3 AktG is sufficient for the proof of authorization required under paragraph 1. The confirmation of the shareholding must relate to the point in time specified in the German Stock Corporation Act.

If the correctness of the authenticity of the proof of authorization is in doubt, the Company is entitled to demand further suitable evidence. If this, too, is in doubt, the Company may refuse the authorization of the shareholder to participate or vote in the General Meeting.

## **Section 18**

### **Voting Rights, Appointment of a Proxy**

(1) Every no-par value share is entitled to one vote.

(2) The voting right may be exercised by a proxy. Notice of the appointment of a proxy, its revocation and proof of the appointment must be provided to the Company in text form. The details for the granting of a power of proxy, its revocation and the proof of the appointment to be provided to the Company will be contained in the notice of the General Meeting which may also define a simplified method. Section 135 AktG [German Stock Corporation Act] shall remain unaffected. Powers of proxy may also be communicated to the Company via an electronic medium to be defined by the Management Board.

(3) The Management Board is authorized to make provision for shareholders to participate in the General Meeting without actually attending the venue and without granting powers of proxy, and to exercise their voting rights in part or in full via electronic means (online participation). The Management Board may define individual rules concerning the scope and method of online participation.

(4) The Management Board is authorized to make provision for shareholders to cast their votes without participating in the General Meeting through written or electronic communication (absentee voting). It can determine the specifics of the absentee voting process.

(5) Members of the Supervisory Board who (i) reside abroad or (ii) are prevented from attending the Annual General Meeting for professional or health reasons, may participate in the Annual General Meeting by means of video and audio transmission.

### **Section 19**

#### **Chair of the General Meeting**

(1) The General Meeting shall be chaired by the Chairman of the Supervisory Board or by another member of the Supervisory Board designated by him or her. If the Chairman of the Supervisory Board does not assume the chair at the General Meeting and has not designated another member of the Supervisory Board to be his substitute, then the Chairman of the General Meeting shall be elected by the Supervisory Board. Candidates may also be persons who are neither shareholders, members of the Supervisory Board, nor persons that are related to the Company in any other way.

(2) The Chairman shall preside over the meeting and establish the order in which the agenda items are to be addressed and the method of voting.

(3) The Chairman of the General Meeting is authorized to permit the video and audio transmission of all or part of the General Meeting in any form he or she defines. The transmission may also be made in a form to which the public has unlimited access.

(4) The Chairman of the General Meeting determines the order of speakers and the consideration of the items on the agenda; he or she may also, to the extent permitted by law, decide on the bundling of factually related resolution proposals into a single voting item, establish reasonable limits on the time taken by the shareholders to speak and pose questions for the entire duration of the General Meeting, for individual agenda items and for individual speakers at the start of or during the course of the General Meeting as well as determine the close of debate as needed for the orderly conduct of the General Meeting.

**Section 20**  
**Resolutions of the General Meeting**

(1) To the extent not otherwise required by mandatory provisions of law, resolutions of the General Meeting shall be passed by a simple majority of the votes cast and, where a capital majority is required, by a simple majority of the share capital represented when the vote is taken.

(2) Elections of Supervisory Board members shall be passed by a simple majority of votes. If in elections with two or more candidates no candidate obtains an absolute majority in the first ballot, another ballot is held between the two candidates who received the most votes. In the second ballot, the relative majority of votes is sufficient. In the event of a tie in the second ballot, the lot drawn by the Chair of the General Meeting shall be decisive.

**VI.**  
**Annual Financial Statements**

**Section 21**  
**Annual Financial Statements and Appropriation of Profits**

(1) The Management Board shall prepare the annual financial statements and management report for the preceding fiscal year within the first three months of the fiscal year and shall submit them to the auditor.

(2) Immediately upon receiving the audit report, the Management Board must present the annual financial statements, the management report and the audit report, as well as its proposal to the General Meeting of the appropriation of profits, to the Supervisory Board.

(3) The Management Board and the Supervisory Board shall be authorized, when approving the annual financial statements, to allocate the net profit remaining after deduction of the amounts to be allocated to the legal reserve and any loss carry-forward, in part or in full to "other earnings reserves", provided that such other earnings reserves would not exceed one-half of the share capital following such allocation.

(4) In the event of a capital increase, the profit sharing of the new shares does not need to conform with Section 60 para. 2 sentence 3 of the German Stock Corporation Act.

(5) At the end of a fiscal year, the Management Board may - with the approval of the Supervisory Board - distribute an interim dividend to the shareholders pursuant to the provisions of Section 59 German Stock Corporation Act.

## **VII. Final Provisions**

The Company shall bear the costs of conversion into the legal form of a stock corporation up to the sum of DM 150,000.00.

## DESCRIPTION OF SECURITIES

The following description of the capital stock of MorphoSys AG (“us,” “our,” “we” or the “Company”) is a summary of the rights of our ordinary shares and certain provisions of our articles of association in effect as of March 15, 2022. This summary does not purport to be complete and is qualified in its entirety by the provisions of our articles of association previously filed with the Securities and Exchange Commission and incorporated by reference as an exhibit to the Annual Report on Form 20-F of which this Exhibit 2 is a part, as well as to the applicable provisions of German legislation on stock corporations. We encourage you to read our articles of association and applicable German legislation on stock corporations carefully.

### Share Capital

As of March 15, 2022, our registered share capital consists of 34,231,943 ordinary shares outstanding, no par value.

### Ordinary Shares

*Authorized Capital 2021-II.* With the Supervisory Board’s consent, the Management Board is authorized to increase the Company’s share capital by issuing a maximum of 1,951,452 new no-par value bearer shares against cash contributions up to an amount of 1,951,452.00 € on one or several occasions until and including the date of May 18, 2026. Shareholders are generally entitled to a subscription right. The shares may also be underwritten by one or more banks with the obligation to offer them to the shareholders for subscription. With the Supervisory Board’s consent, the Management Board is, however, authorized to exclude the subscription rights of shareholders in the following cases:

- aa) to the extent necessary to avoid fractional amounts; or
- bb) if the issue price of the new shares is not significantly below the market price of shares of the same class already listed and the total number of shares issued against contribution in cash, excluding subscription rights, during the term of this authorization does not exceed 10 % of the share capital on the date this authorization takes effect or at the time it is exercised, in accordance with or in the respective application of section 186 para. 3 sentence 4 AktG. This 10 % limit shall take into account treasury shares of the Company which are sold during the term of this authorization with the exclusion of shareholders’ subscription rights in accordance with section 71 para. 1 no. 8 sentence 5 clause 2 AktG in conjunction with section 186 para. 3 sentence 4 AktG. Furthermore, shares issued or to be issued to service convertible bonds and/or bonds with warrants shall be included in this 10 % limit of the share capital, provided that these convertible bonds and/or bonds with warrants were issued during the term of this authorization with the exclusion of subscription rights in the respective application of section 186 para. 3 sentence 4 AktG. In addition, shares issued excluding shareholders’ subscription rights during the term of this authorization on the basis of other capital measures in direct or mutatis mutandis application of Section 186 para. 3 sentence 4 AktG shall be included in this 10 % limit of the share capital. The maximum limit reduced in accordance with the above sentences of this paragraph shall be increased again when a new authorization to exclude shareholders’ subscription rights resolved by the Annual General Meeting takes effect in accordance with section 186 para. 3 sentence 4 AktG after the reduction, in the amount of the new authorization, up to a maximum of 10 % of the share capital in accordance with the requirements of sentence 1 of this paragraph bb).

The total number of shares issued on the basis of the above authorizations with the exclusion of shareholder subscription rights for capital increases against cash contributions and including the deductions listed below, may not exceed 10% of the share capital calculated either at the time these authorizations take effect or at the time they are exercised, based on whichever amount is lower. The aforementioned 10 % limit shall include (i) treasury shares sold with the exclusion of subscription rights after these authorizations become effective, (ii) shares issued on the basis of other authorized capital with the exclusion of subscription rights during the period in which these authorizations are in effect, and (iii) shares to be issued to service convertible bonds and/or bonds with warrants, insofar as the convertible bonds and/or bonds with warrants have been issued with the exclusion of shareholders’

subscription rights while these authorizations are in effect but in respect of items (i), (ii) and/or (iii) in each case only insofar as the shares are not used to service claims of members of the Management Board and/or employees of the Company and/or its affiliated companies under employee participation programs. The maximum limit reduced in accordance with the above sentences of this paragraph shall be increased again when a new authorization to exclude shareholders' subscription rights resolved by the Annual General Meeting takes effect after the reduction, in the amount of the new authorization, up to a maximum of 10 % of the share capital in accordance with the requirements of sentence 1 of this paragraph.

*Dividend Rights.* Under German law, distributions of dividends on shares for a given fiscal year are generally determined by a process in which the management board and supervisory board submit a proposal to our annual general shareholders' meeting held in the subsequent fiscal year and such annual general shareholders' meeting adopts a resolution.

German law provides that a resolution concerning dividends and distribution thereof may be adopted only if the company's unconsolidated financial statements prepared in accordance with German law show net retained profits.

In determining the profit available for distribution, the result for the relevant year must be adjusted for profits and losses brought forward from the previous year and for withdrawals from or transfers to reserves. Certain reserves are required by law and must be deducted when calculating the profit available for distribution.

Shareholders participate in profit distributions in proportion to the number of shares they hold. Dividends on shares resolved by the general shareholders' meeting are paid annually, shortly after the general shareholders' meeting and, in compliance with the rules of the respective clearing system. Dividend payment claims are subject to a three-year statute of limitation in the company's favor.

*Liquidation Rights.* Apart from liquidation as a result of insolvency proceedings, we may be liquidated only with a vote of the holders of at least three-quarters of the share capital represented at the shareholders' meeting at which such a vote is taken. If we are liquidated, any assets remaining after all of our liabilities have been paid off would be distributed among our shareholders in proportion to their holdings in accordance with German statutory law. The German Stock Corporation Act provides certain protections for creditors which must be observed in the event of liquidation.

*Form, Certification and Transferability of the Shares.* The form and contents of our global share certificates, any dividend certificates, renewal certificates and interest coupons are determined by our management board with the approval of our supervisory board. A shareholder's right to certificated shares is excluded, to the extent permitted by law and to the extent that certification is not required by the stock exchange on which the shares are admitted to trading. We are permitted to issue global share certificates that represent one or more shares.

All of our outstanding shares are no par-value bearer shares (*auf den Inhaber lautende Stückaktien ohne Nennbetrag*). Any resolution regarding a capital increase may determine the profit participation of the new shares resulting from such capital increase.

Our shares are freely transferable under German law, with the transfer of ownership governed by the rules of the relevant clearing system.

Our articles of association do not include any provisions that would have a direct effect of delaying, deferring or preventing a change of control. However, in the event of a hostile takeover, we could use our authorized capital to increase our share capital to issue new shares to an investor at a premium. An increase in the number of shares outstanding could have a negative effect on a party's ability to carry out a hostile takeover.

*Shareholders' Meetings, Resolutions and Voting Rights.* Pursuant to our articles of association, shareholders' meetings may be held at our registered offices or at the registered seat of a German stock exchange. In general, shareholders' meetings are convened by our management board. The supervisory board is additionally required to convene a shareholders' meeting in cases where this is required under binding statutory law (*i.e.*, if this is in the best interest of our company). In addition, shareholders who, individually or as a group, own at least 5% of our share capital may request that our management board convenes a shareholders' meeting. If our management board does

not convene a shareholders' meeting upon such a request, the shareholders may petition the competent German court for authorization to convene a shareholders' meeting.

Pursuant to our articles of association, the convening notice for a shareholders' meeting must be made public at least 36 days prior to the meeting. Shareholders who, individually or as a group, own at least 5% or €500,000 of our share capital may require that additional items be added to the agenda of the shareholders' meeting. For each new item, an explanation of the requested change must be provided or a voting proposal (*Beschlussvorlage*). Any request for an amendment of the agenda of the shareholders' meeting must be received by the Company within 30 days prior to the meeting. The Company must publish any requests for the amendment of the agenda of the shareholders' meeting immediately. Under German law, our annual general shareholders' meeting must take place within the first eight months of each fiscal year. Among other things, the general shareholders' meeting is required to decide on the following issues:

- appropriation and use of annual net income;
- discharge or ratification of the actions taken by the members of our management board and our supervisory board;
- the appointment of our statutory auditors;
- increases or decreases in our share capital;
- the election of supervisory board members; and
- to the extent legally required, the approval of our financial statements.

Each ordinary share grants one vote in a shareholders' meeting. Voting rights may be exercised by authorized proxies, which may be appointed by the Company (*Stimmrechtsvertreter*). The granting of a power of attorney must be made in text form. Generally, the shareholder or an authorized proxy must be present at the shareholders' meeting to cast a vote. However, under the Company's articles of association, the management board may determine in the invitation to the shareholders' meeting that shareholders may submit their votes in writing or by means of electronic communication without attending the shareholders' meeting in person.

Our articles of association provide that the resolutions of the shareholders' meeting are adopted by a simple majority of the votes cast to the extent mandatory law does not provide for differently.

Neither German law nor our articles of association provide for a minimum participation for a quorum for our shareholders' meetings.

Under German law, certain resolutions of fundamental importance require the vote of at least three-quarters of the share capital present or represented in the voting at the time of adoption of the resolution. Resolutions of fundamental importance include, in particular, capital increases with exclusion of subscription rights, capital decreases, the creation of authorized or conditional share capital, the dissolution of a company, a merger into or with another company, split-offs and split-ups, the conclusion of inter-company agreements (*Unternehmensverträge*) as defined in the German Stock Corporation Act (in particular domination agreements (*Beherrschungsverträge*) and profit and loss transfer agreements (*Ergebnisabführungsverträge*), and a change of the legal form of a company.

*Authorization to Acquire Our Own Shares.* We may not acquire our own shares unless authorized by the shareholders' meeting or in other very limited circumstances as set out in the German Stock Corporation Act. Shareholders may not grant a share repurchase authorization lasting for more than five years. The German Stock Corporation Act generally limits repurchases to 10% of our share capital and resales must generally be made either on a stock exchange, in a manner that treats all shareholders equally, or in accordance with the rules that apply to subscription rights relating to a capital increase.

*Squeeze-Out of Minority Shareholders.* Under German law, the shareholders' meeting of a stock corporation may resolve upon request of a shareholder that holds at least 95% of the share capital that the shares held by any remaining minority shareholders be transferred to this shareholder against payment of "adequate cash compensation" (*Ausschluss von Minderheitsaktionären*). This amount must take into account the full value of the company at the time of the resolution, which is generally determined using the future earnings value method (*Ertragswertmethode*).

A squeeze-out in the context of a merger (*umwandlungsrechtlicher Squeeze-Out*) only requires a majority shareholder to hold at least 90% of the share capital. A squeeze-out following a successful public takeover offer (*übernahmerechtlicher Squeeze-Out*) requires – among others – a majority shareholder to hold at least 95%.

*Disclosure Requirements for Shareholdings and Mandatory Offer.* The German Securities Trading Act (*Wertpapierhandelsgesetz*) requires every shareholder whose equity participation in a company with a registered seat in Germany, and that is listed for trading on an organized market in a member state of the European Union or a country that is a party to the Treaty on the European Economic Area, reaches, exceeds, or falls below thresholds of 3%, 5%, 10%, 25%, 30%, 50%, or 75% of the voting rights of such company to inform the company and the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*, or “BaFin”) without undue delay and, in any case, no later than four trading days after reaching, exceeding or falling below these thresholds, using a standardized form. In the context of this requirement, the German Securities Trading Act and other regulations contain various rules that are meant to ensure that share ownership is attributed to the person that actually controls the voting rights pertaining to such shares. As long as a shareholder fails to make such notification, such shareholder may generally not exercise any rights pertaining to these shares (including voting rights and dividend rights). Upon receipt of any such shareholder notification, the German company is required to immediately publish the notification by a so-called European media bundle.

In addition, the European Market Abuse Regulation requires, inter alia, the members of the management board and the supervisory board, their spouses and close relatives, who purchase or sell shares, or other types of securities representing the right to acquire shares, including convertible bonds and bonds with warrants attached, issued by a company whose shares have been admitted to trading on a German stock exchange in excess of a *de minimis* number, to immediately notify the issuer and the BaFin of such purchases or sales. Upon receipt of such notice, the issuer is required to publish this notification by, among other things, posting it on its website.

Pursuant to the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*), every person or entity gaining control over a listed company, that is whose shares of voting rights reach or exceed 30% of the voting rights in such company, is obliged to publish this fact, including the percentage of its voting rights, immediately but within seven calendar days latest by (i) publication on the internet and (ii) through electronic media for disseminating financial information. Furthermore, this person has to submit a mandatory public takeover offer to all shareholders of the company unless an exemption from this obligation has been granted by the BaFin. If the respective shareholder fails to publish the mandatory notice, this shareholder is obliged to pay interests for the consideration owed to the other shareholders for the duration of the delinquency. In addition, the respective shareholder has to submit an offer document for a public takeover bid to the BaFin within four weeks after the publishing of gaining control which is also to be published (i) on the internet and (ii) as an announcement in the German Federal Gazette.

## **Management Board**

*Composition.* The Management Board shall consist of at least two members. The number of members of the Management Board shall otherwise be determined by the Supervisory Board. The Supervisory Board may appoint one member of the Management Board to be Chairman and one or more members of the Board of Management to be Vice Chairman of the Management Board.

### *Company Management and Representation*

1. The members of the Management Board are required to manage the business affairs of the Company on the basis of applicable laws, the Articles of Association and the Management Board’s rules of procedure. The Management Board shall unanimously adopt rules of procedure and undertakes the allocation of responsibilities if the Supervisory Board has not adopted rules of procedure for the Management Board.
2. The Company is represented by two members of the Management Board or by one member of the Management Board acting jointly with a Prokurist (authorized signatory with full power of representation). The Supervisory Board may grant individual members of the Management Board authorization to represent the Company individually and may revoke such authorization.

3. The Supervisory Board may exempt one or more members of the Management Board from the prohibition on multiple representation in Section 181 of the BGB [German Civil Code] and that is without consideration of whether the Company is monistic or dualistic and likewise in the event the Company becomes a dualistic or monistic company.

### **Supervisory Board**

1. The Supervisory Board consists of six members elected by the shareholders in accordance with the German Stock Corporation Act.
2. The members of the Supervisory Board shall be elected for a term extending at most to the end of the General Meeting that resolves about ratification of the actions of the Supervisory Board in the fourth fiscal year after commencement of their terms of office. The fiscal year in which the terms of office begin shall not be counted for such purposes. The General Meeting may determine a shorter term of office.
3. Any member of the Supervisory Board, and every substitute member, may resign his or her office by means of a written declaration to be submitted to the Chairman of the Supervisory Board or to the Management Board on one month's notice. Resignation may be effective immediately for good cause.
4. In the event a member of the Supervisory Board elected by the General Meeting leaves the Supervisory Board prior to the expiration of his or her term of office, election for a replacement shall be held at the next General Meeting.
5. The General Meeting may appoint substitute members for those members of the Supervisory Board it elects who shall become members of the Supervisory Board in the order laid down when the election takes place in the event members of the Supervisory Board leave prior to the expiration of their respective term of office. The term of office of a substitute member of the Supervisory Board ends upon the conclusion of the General Meeting at which an election pursuant to the terms of the preceding paragraph (4) is held.

### **American Depository Shares**

The Bank of New York Mellon, as depository, registers and delivers American Depository Shares, or ADSs. Each ADS represents one-quarter (1/4) of a deposited share with The Bank of New York Mellon SA/N.V., as custodian for the depository in Frankfurt. Each ADS also represents any other securities, cash or other property which may be held by the depository. The depository's office at which the ADSs will be administered is located at 101 Barclay Street, New York, New York 10286. The Bank of New York Mellon's principal executive office is located at 225 Liberty Street, New York, New York 10286.

A deposit agreement among us, the depository and the ADS holders sets out the ADS holder rights as well as the rights and obligations of the depository. New York law governs the deposit agreement and the ADSs. A copy of the deposit agreement is incorporated by reference as an exhibit to this annual report.

#### *Fees and Expenses*

<i>Persons depositing or withdrawing shares or ADS holders must pay:</i>	<i>For:</i>
\$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)	Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property
	Cancelation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates
\$.05 (or less) per ADS	Any cash distribution to ADS holders

A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of ADSs	Distribution of securities distributed to holders of deposited securities (including rights) that are distributed by the depositary to ADS holders
\$0.05 (or less) per ADS per calendar year	Depository services
Registration or transfer fees	Transfer and registration of shares on our share register to or from the name of the depositary or its agent when you deposit or withdraw shares
Expenses of the depositary	Cable and facsimile transmissions (when expressly provided in the deposit agreement) Converting foreign currency to U.S. dollars
Taxes and other governmental charges the depositary or the custodian has to pay on any ADSs or shares underlying ADSs, such as stock transfer taxes, stamp duty or withholding taxes	As necessary
Any charges incurred by the depositary or its agents for servicing the deposited securities	As necessary

The depositary collects its fees for delivery and surrender of ADSs directly from investors depositing ordinary shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depository services by deduction from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The depositary may collect any of its fees by deduction from any cash distribution payable (or by selling a portion of securities or other property distributable) to ADS holders that are obligated to pay those fees. The depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

From time to time, the depositary may make payments to us to reimburse us for costs and expenses generally arising out of establishment and maintenance of the ADS program, waive fees and expenses for services provided to us by the depositary or share revenue from the fees collected from ADS holders. In performing its duties under the deposit agreement, the depositary may use brokers, dealers, foreign currency dealers or other service providers that are owned by or affiliated with the depositary and that may earn or share fees, spreads or commissions.

The depositary may convert currency itself or through any of its affiliates and, in those cases, acts as principal for its own account and not as agent, advisor, broker or fiduciary on behalf of any other person and earns revenue, including, without limitation, transaction spreads, that it will retain for its own account. The revenue is based on, among other things, the difference between the exchange rate assigned to the currency conversion made under the deposit agreement and the rate that the depositary or its affiliate receives when buying or selling foreign currency for its own account. The depositary makes no representation that the exchange rate used or obtained in any currency conversion under the deposit agreement will be the most favorable rate that could be obtained at the time or that the method by which that rate will be determined will be the most favorable to ADS holders, subject to the depositary's obligations under the deposit agreement. The methodology used to determine exchange rates used in currency conversions is available upon request.

*Dividends and Other Distributions.* The depositary has agreed to pay or distribute to ADS holders the cash dividends or other distributions it or the custodian receives on ordinary shares or other deposited securities, upon payment or deduction of its fees and expenses. You will receive these distributions in proportion to the number of shares your ADSs represent.

*Cash.* The depositary will convert any cash dividend or other cash distribution we pay on our ordinary shares into U.S. dollars, if it can do so on a reasonable basis and can transfer the U.S. dollars to the United States and will promptly distribute the amount thus received. If that is not possible or if any government approval is needed and

cannot be obtained, the deposit agreement allows the depositary to distribute the foreign currency only to those ADS holders to whom it is possible to do so. It will hold the foreign currency it cannot convert for the account of the ADS holders who have not been paid. It will not invest the foreign currency and it will not be liable for any interest.

Before making a distribution, any withholding taxes, or other governmental charges that must be paid will be deducted. See "Taxation". The depositary will distribute only whole U.S. dollars and cents and will round fractional cents to the nearest whole cent. If the exchange rates fluctuate during a time when the depositary cannot convert the foreign currency, you may lose some of the value of the distribution.

*Shares.* The depositary may distribute additional ADSs representing any ordinary shares we distribute as a dividend or free distribution. The depositary will only distribute whole ADSs. It will sell ordinary shares which would require it to deliver a fraction of an ADS (or ADSs representing those shares) and distribute the net proceeds in the same way as it does with cash. If the depositary does not distribute additional ADSs, the outstanding ADSs will also represent the new shares. The depositary may sell a portion of the distributed ordinary shares (or ADSs representing those shares) sufficient to pay its fees and expenses in connection with that distribution.

*Rights to purchase additional shares.* If we offer holders of our securities any rights to subscribe for additional ordinary shares or any other rights, the depositary may (i) exercise those rights on behalf of ADS holders if instructed to do so by the relevant ADS holders, (ii) distribute those rights to ADS holders or (iii) sell those rights and distribute the net proceeds to ADS holders, in each case after deduction or upon payment of its fees and expenses. To the extent the depositary does not do any of those things, it will allow the rights to lapse. In that case, you will receive no value for them. The depositary will exercise or distribute rights only if we ask it to and provide satisfactory assurances to the depositary that it is legal to do so. If the depositary will exercise rights, it will purchase the securities to which the rights relate and distribute those securities or, in the case of shares, new ADSs representing the new shares, to subscribing ADS holders, but only if ADS holders have paid the exercise price to the depositary. U.S. securities laws may restrict the ability of the depositary to distribute rights or ADSs or other securities issued on exercise of rights to all or certain ADS holders, and the securities distributed may be subject to restrictions on transfer.

There can be no assurance that you will be given the opportunity to exercise rights on the same terms and conditions as the holders of our ordinary shares or be able to exercise such rights at all.

*Other Distributions.* The depositary will send to ADS holders anything else we distribute on deposited securities by any means it thinks is legal, equitable and practical. If it cannot make the distribution in that way, the depositary has a choice. It may decide to sell what we distributed and distribute the net proceeds, in the same way as it does with cash. Or, it may decide to hold what we distributed, in which case ADSs will also represent the newly distributed property. However, the depositary is not required to distribute any securities (other than ADSs) to ADS holders unless it receives satisfactory evidence from us that it is legal to make that distribution. The depositary may sell a portion of the distributed securities or property sufficient to pay its fees and expenses in connection with that distribution. U.S. securities laws may restrict the ability of the depositary to distribute securities to all or certain ADS holders, and the securities distributed may be subject to restrictions on transfer.

The depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any ADS holders. We have no obligation to register ADSs, shares, rights or other securities under the Securities Act. We also have no obligation to take any other action to permit the distribution of ADSs, shares, rights or anything else to ADS holders. This means that you may not receive the distributions we make on our shares or any value for them if it is illegal or impractical for us to make them available to you.

*Deposit, Withdrawal and Cancellation.* The depositary will deliver ADSs if you or your broker deposits shares or evidence of rights to receive shares with the custodian. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the depositary will register the appropriate number of ADSs in the names you request and will deliver the ADSs to or upon the order of the person or persons that made the deposit.

You may surrender your ADSs for the purpose of withdrawal at the depositary's office. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the depositary will deliver

the ordinary shares and any other deposited securities underlying the ADSs to the ADS holder or a person the ADS holder designates at the office of the custodian. Or, at your request, risk and expense, the depositary will deliver the deposited securities at its office, if feasible. The depositary may charge you a fee and its expenses for instructing the custodian regarding delivery of deposited securities.

You may surrender your ADR to the depositary for the purpose of exchanging your ADR for uncertificated ADSs. The depositary will cancel that ADR and will send to the ADS holder a statement confirming that the ADS holder is the registered holder of uncertificated ADSs. Upon receipt by the depositary of a proper instruction from a registered holder of uncertificated ADSs requesting the exchange of uncertificated ADSs for certificated ADSs, the depositary will execute and deliver to the ADS holder an ADR evidencing those ADSs.

*Voting Rights.* ADS holders may instruct the depositary how to vote the number of deposited ordinary shares their ADSs represent at any meeting at which you are entitled to vote pursuant to applicable law and our articles of association. If we request the depositary to solicit your voting instructions (and we are not required to do so), the depositary will notify you of such shareholders' meeting and send or make voting materials available to you. Those materials will describe the matters to be voted on and explain how ADS holders may instruct the depositary how to vote. For instructions to be valid, they must reach the depositary by a date set by the depositary. The depositary will try, as far as practical, subject to the laws of Germany and the provisions of our articles of association or similar documents, to vote or to have its agents vote the ordinary shares or other deposited securities as instructed by ADS holders. If we do not request the depositary to solicit your voting instructions, you can still send voting instructions, and, in that case, the depositary may try to vote as you instruct, but it is not required to do so.

Except by instructing the depositary as described above, you won't be able to exercise voting rights unless you surrender your ADSs and withdraw the ordinary shares. However, you may not know about the meeting enough in advance to withdraw the ordinary shares. In any event, the depositary will not exercise any discretion in voting deposited securities and it will only vote or attempt to vote as instructed.

We cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote your ordinary shares. In addition, the depositary and its agents are not responsible for failing to carry out voting instructions or for the manner of carrying out voting instructions. This means that you may not be able to exercise voting rights and there may be nothing you can do if your ordinary shares are not voted as you requested.

In order to give you a reasonable opportunity to instruct the depositary as to the exercise of voting rights relating to Deposited Securities, if we request the Depositary to act, we agree to give the depositary notice of any such meeting and details concerning the matters to be voted upon at least 45 days in advance of the meeting date.

*Payment of Taxes.* You will be responsible for any taxes or other governmental charges payable on your ADSs or on the deposited securities represented by any of your ADSs. The depositary may refuse to register any transfer of your ADSs or allow you to withdraw the deposited securities represented by your ADSs until those taxes or other charges are paid. It may apply payments owed to you or sell deposited securities represented by your American Depositary Shares to pay any taxes owed and you will remain liable for any deficiency. If the depositary sells deposited securities, it will, if appropriate, reduce the number of ADSs to reflect the sale and pay to ADS holders any proceeds, or send to ADS holders any property, remaining after it has paid the taxes.

*Tender and Exchange Offers; Redemption, Replacement or Cancellation of Deposited Securities.* The depositary will not tender deposited securities in any voluntary tender or exchange offer unless instructed to do by an ADS holder surrendering ADSs and subject to any conditions or procedures the depositary may establish.

If deposited securities are redeemed for cash in a transaction that is mandatory for the depositary as a holder of deposited securities, the depositary will call for surrender of a corresponding number of ADSs and distribute the net redemption money to the holders of called ADSs upon surrender of those ADSs.

If there is any change in the deposited securities such as a subdivision, combination or other reclassification, or any merger, consolidation, recapitalization or reorganization affecting the issuer of deposited securities in which the depositary receives new securities in exchange for or in lieu of the old deposited securities, the depositary will hold

those replacement securities as deposited securities under the deposit agreement. However, if the depositary decides it would not be lawful and to hold the replacement securities because those securities could not be distributed to ADS holders or for any other reason, the depositary may instead sell the replacement securities and distribute the net proceeds upon surrender of the ADSs.

If there is a replacement of the deposited securities and the depositary will continue to hold the replacement securities, the depositary may distribute new ADSs representing the new deposited securities or ask you to surrender your outstanding ADRs in exchange for new ADRs identifying the new deposited securities.

If there are no deposited securities underlying ADSs, including if the deposited securities are cancelled, or if the deposited securities underlying ADSs have become apparently worthless, the depositary may call for surrender of those ADSs or cancel those ADSs upon notice to the ADS holders.

*Amendment and Termination.* We may agree with the depositary to amend the deposit agreement and the ADRs without your consent for any reason. If an amendment adds or increases fees or charges, except for taxes and other governmental charges or expenses of the depositary for registration fees, facsimile costs, delivery charges or similar items, or prejudices a substantial right of ADS holders, it will not become effective for outstanding ADSs until 30 days after the depositary notifies ADS holders of the amendment. At the time an amendment becomes effective, you are considered, by continuing to hold your ADSs, to agree to the amendment and to be bound by the ADRs and the deposit agreement as amended.

The depositary will initiate termination of the deposit agreement if we instruct it to do so. The depositary may initiate termination of the deposit agreement if:

- 60 days have passed since the depositary told us it wants to resign but a successor depositary has not been appointed and accepted its appointment;
- we delist our shares from an exchange on which they were listed and do not list the shares on another exchange;
- we appear to be insolvent or enter insolvency proceedings;
- all or substantially all the value of the deposited securities has been distributed either in cash or in the form of securities;
- there are no deposited securities underlying the ADSs or the underlying deposited securities have become apparently worthless; or
- there has been a replacement of deposited securities.

If the deposit agreement will terminate, the depositary will notify ADS holders at least 90 days before the termination date. At any time after the termination date, the depositary may sell the deposited securities. After that, the depositary will hold the money it received on the sale, as well as any other cash it is holding under the deposit agreement, unsegregated and without liability for interest, for the pro rata benefit of the ADS holders that have not surrendered their ADSs. Normally, the depositary will sell as soon as practicable after the termination date.

After the termination date and before the depositary sells, ADS holders can still surrender their ADSs and receive delivery of deposited securities, except that the depositary may refuse to accept a surrender for the purpose of withdrawing deposited securities if it would interfere with the selling process. The depositary may refuse to accept a surrender for the purpose of withdrawing sale proceeds until all the deposited securities have been sold. The depositary will continue to collect distributions on deposited securities, but, after the termination date, the depositary is not required to register any transfer of ADSs or distribute any dividends or other distributions on deposited securities to the ADSs holder (until they surrender their ADSs) or give any notices or perform any other duties under the deposit agreement except as described in this paragraph.

*Limitations on Obligations and Liability.* The deposit agreement expressly limits our obligations and the obligations of the depositary. It also limits our liability and the liability of the depositary. We and the depositary:

- are only obligated to take the actions specifically set forth in the deposit agreement without negligence or bad faith;
- are not liable if we are or it is prevented or delayed by law or by events or circumstances beyond our or its ability to prevent or counteract with reasonable care or effort from performing our or its obligations under the deposit agreement;
- are not liable if we or it exercises discretion permitted under the deposit agreement;
- are not liable for the inability of any holder of ADSs to benefit from any distribution on deposited securities that is not made available to holders of ADSs under the terms of the deposit agreement, or for any special, consequential or punitive damages for any breach of the terms of the deposit agreement;
- have no obligation to become involved in a lawsuit or other proceeding related to the ADSs or the deposit agreement on your behalf or on behalf of any other person;
- are not liable for the acts or omissions of any securities depository, clearing agency or settlement system; and
- may rely upon any documents we believe or it believes in good faith to be genuine and to have been signed or presented by the proper person.

In the deposit agreement, we and the depository agree to indemnify each other under certain circumstances.

*Requirements for Depository Actions.* Before the depository will deliver or register a transfer of ADSs, make a distribution on ADSs, or permit withdrawal of ordinary shares, the depository may require:

- payment of stock transfer or other taxes or other governmental charges and transfer or registration fees charged by third parties for the transfer of any shares or other deposited securities;
- satisfactory proof of the identity and genuineness of any signature or other information it deems necessary; and
- compliance with regulations it may establish, from time to time, consistent with the deposit agreement, including presentation of transfer documents.

The depository may refuse to deliver ADSs or register transfers of ADSs when the transfer books of the depository or our transfer books are closed or at any time if the depository or we think it advisable to do so.

*Your Right to Receive the Shares Underlying your ADSs.* ADS holders have the right to cancel their ADSs and withdraw the underlying ordinary shares at any time except:

- when temporary delays arise because: (i) the depository has closed its transfer books or we have closed our transfer books; (ii) the transfer ordinary of shares is blocked to permit voting at a shareholders' meeting; or (iii) we are paying a dividend on our ordinary shares;
- when you owe money to pay fees, taxes and similar charges; or
- when it is necessary to prohibit withdrawals in order to comply with any laws or governmental regulations that apply to ADSs or to the withdrawal of shares or other deposited securities.

This right of withdrawal may not be limited by any other provision of the deposit agreement.

*Pre-release of ADSs.* The deposit agreement permits the depository to deliver ADSs before deposit of the underlying ordinary shares. This is called a pre-release of the ADSs. The depository may also deliver shares upon cancellation of pre-released ADSs (even if the ADSs are canceled before the pre-release transaction has been closed out). A pre-release is closed out as soon as the underlying shares are delivered to the depository. The depository may receive ADSs instead of shares to close out a pre-release. The depository may pre-release ADSs only under the following conditions: (1) before or at the time of the pre-release, the person to whom the pre-release is being made represents to the depository in writing that it or its customer owns the shares or ADSs to be deposited; (2) the pre-release is fully collateralized with cash or other collateral that the depository considers appropriate; (3) the depository must be able to close out the pre-release on not more than five business days' notice; and (4) subject to all indemnities and credit regulations the depository deems appropriate. In addition, the depository will limit the number of ADSs that may be outstanding at any time as a result of pre-release, although the depository may disregard the limit from time to time if it thinks it is appropriate to do so.

*Direct Registration System.* In the deposit agreement, all parties to the deposit agreement acknowledge that the Direct Registration System, also referred to as DRS, and Profile Modification System, also referred to as Profile, will apply to the ADSs. DRS is a system administered by DTC that facilitates interchange between registered holding of uncertificated ADSs and holding of security entitlements in ADSs through DTC and a DTC participant. Profile is feature of DRS that allows a DTC participant, claiming to act on behalf of a registered holder of uncertificated ADSs, to direct the depository to register a transfer of those ADSs to DTC or its nominee and to deliver those ADSs to the DTC account of that DTC participant without receipt by the depository of prior authorization from the ADS holder to register that transfer.

In connection with and in accordance with the arrangements and procedures relating to DRS/Profile, the parties to the deposit agreement understand that the depository will not determine whether the DTC participant that is claiming to be acting on behalf of an ADS holder in requesting registration of transfer and delivery as described in the paragraph above has the actual authority to act on behalf of the ADS holder (notwithstanding any requirements under the Uniform Commercial Code). In the deposit agreement, the parties agree that the depository's reliance on and compliance with instructions received by the depository through the DRS/Profile system and in accordance with the deposit agreement will not constitute negligence or bad faith on the part of the depository.

*Shareholder Communications; Inspection of Register of Holders of ADSs.* The depository will make available for your inspection at its office all communications that it receives from us as a holder of deposited securities that we make generally available to holders of deposited securities. The depository will send you copies of those communications or otherwise make those communications available to you if we ask it to. You have a right to inspect the register of holders of ADSs, but not for the purpose of contacting those holders about a matter unrelated to our business or the ADSs.

#### **Frankfurt Stock Exchange Listing**

Our Ordinary shares are listed on the Frankfurt Stock Exchange under the trading symbol "MOR."

#### **Nasdaq Global Select Market Listing**

Our American Depositary Shares are listed on the Nasdaq Global Select Market under the trading symbol "MOR."

Royalty Purchase Agreement

By and Between

MorphoSys AG

and

Royalty Pharma Investments 2019 ICAV

Dated as of June 2, 2021

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Exhibit B	Form of Bond Purchase Agreement
Exhibit C-1	Form of Skadden Opinion
Exhibit C-2	Form of Seller General Counsel Opinion
Exhibit D	Form of Buyer Opinion
Exhibit E	Form of Bill of Sale

## ROYALTY PURCHASE AGREEMENT

This ROYALTY PURCHASE AGREEMENT, dated as of June 2, 2021 (this “Agreement”), is made and entered into by and between MorphoSys AG, a German public limited company (the “Seller”), on the one hand, and Royalty Pharma Investments 2019 ICAV, an Irish collective-asset management vehicle (the “Buyer”), on the other hand.

### WITNESSETH:

WHEREAS, concurrently with entry into this Agreement, the Seller is entering into that certain definitive Agreement and Plan of Merger (the “Acquisition Agreement”) among the Seller, MorphoSys Development Inc., an indirect wholly owned subsidiary of the Seller (“Acquisition Sub”), and Constellation Pharmaceuticals, Inc. (the “Target”), whereby, subject to the terms and conditions of the Acquisition Agreement, Acquisition Sub will commence a tender offer to acquire all of the issued and outstanding shares of the Target (the “Offer”) and, as soon as practicable after the occurrence of the Offer Acceptance Time (as defined in the Acquisition Agreement) (the “Offer Acceptance Time”) and pursuant to Section 251(h) of the General Corporation Law of the State of Delaware, Acquisition Sub will merge with and into the Target (the “Merger”), and the Target will survive the Merger as a subsidiary of the Seller;

WHEREAS, concurrently with entry into this Agreement, the Seller and the Buyer are entering into that certain Revenue Participation Rights Purchase and Sale Agreement (the “RPR P&S Agreement”);

WHEREAS, the parties intend to close the transactions contemplated by this Agreement, the RPR P&S Agreement and the Acquisition Agreement substantially concurrently, whereby the closing of the Offer will be immediately followed by the concurrent closings of the transactions contemplated hereby and by the RPR P&S Agreement, and thereafter (and no later than the first (1st) Business Day following if the Merger cannot be consummated on the same day as the Offer is closed) the Merger and the other transactions contemplated by the Acquisition Agreement shall be consummated;

WHEREAS, pursuant to the Centocor License Agreement, the Seller granted to Centocor certain licenses and other rights and the Seller granted Centocor the exclusive right to (among other activities) sell Tremfya in the Centocor Territory, and Centocor, in partial consideration thereof, agreed to pay the Centocor Royalty to the Seller;

WHEREAS, pursuant to the GSK License Agreement, the Seller granted to GSK certain licenses and other rights and the Seller granted GSK the exclusive right to (among other activities) sell otilimab in the GSK Territory, and GSK, in partial consideration thereof, agreed to pay the GSK Royalty and the GSK Milestone Payments to the Seller;

WHEREAS, pursuant to the Roche License Agreement, the Seller granted to Roche certain licenses and other rights and the Seller granted Roche the exclusive right to (among other activities) sell gantenerumab in the Roche Territory, and Roche, in partial consideration thereof, agreed to pay the Roche Royalty to the Seller; and

WHEREAS, the Buyer desires to purchase the Acquired Assets from the Seller and its subsidiaries, and the Seller desires to sell the Acquired Assets to the Buyer.

NOW THEREFORE, in consideration of the representations, warranties, covenants and agreements set forth in the Transaction Documents and for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Seller and the Buyer hereby agree as follows:

Article 1  
DEFINED TERMS AND RULES OF CONSTRUCTION

Section 1.1 Definitions. As used in this Agreement, the following terms shall have the following meanings:

“Acquired Assets” means, collectively, one hundred percent (100%) of the Centocor Royalty, eighty percent (80%) of the GSK Royalty, one hundred percent (100%) of the GSK Milestone Payments and sixty percent (60%) of the Roche Royalty.

“Acquisition Agreement” is defined in the preamble.

“Affiliate” means, with respect to any Person, any other Person directly or indirectly controlling, controlled by or under common control with such particular Person. For purposes of the foregoing sentence, the term “control” means direct or indirect ownership of (x) fifty percent (50%) or more, including ownership by trusts with substantially the same beneficial interests, of the voting and equity rights of such Person, firm, trust, corporation, partnership or other entity or combination thereof, or (y) the power to direct the management of such person, firm, trust, corporation, partnership or other entity or combination thereof, by contract or otherwise. For purposes of this Agreement, an Affiliate of the Seller shall be deemed to include the Target and its Subsidiaries, but only following the Closing.

“Agreement” is defined in the preamble.

“Alternative GSK Instruction” is defined in Section 5.1(d).

“Alternative Roche Instruction” is defined in Section 5.1(d).

[REDACTED] is defined in Section 5.13(c).

“Bankruptcy Laws” means, collectively, bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, fraudulent transfer or other similar laws affecting the enforcement of creditors’ rights generally.

“Bill of Sale” is defined in Section 3.4.

“Bond Purchase Agreement” means that certain Development Funding Bond Purchase Agreement (including the form of bond attached thereto), in substantially the form attached hereto as Exhibit B.

“Business Day” means any day other than (i) a Saturday or Sunday or (ii) a day on which banking institutions located in New York, New York or in Frankfurt, Germany are permitted or required by applicable law or regulation to remain closed.

“Buyer” is defined in the preamble.

“Buyer Termination Payment” is defined in Section 9.3.

“CAT” means MedImmune Limited (formerly Cambridge Antibody Technology Limited), a United Kingdom corporation.

“CAT Framework Agreement” means that certain Framework Agreement between the Seller and CAT, dated as of December 20, 2022.

“CAT Patent Rights” means the Patent Rights described in Appendix 3.02 of the CAT Framework Agreement.

“Centocor” means Centocor, Inc. and any successor thereof, as permitted pursuant to the terms of this Agreement and the Centocor License Agreement.

“Centocor Consent” is defined in Section 5.1(a)(ii).

“Centocor Field” has the meaning ascribed to “Field” in Section 1.16 of the Centocor License Agreement.

“Centocor IP” means, collectively, the Centocor Patents, the Centocor Know-How and the HuCAL Antibody Patent Rights.

“Centocor Know-How” has the meaning ascribed to “CENTOCOR Technology” in Section 1.5 of the Centocor License Agreement.

“Centocor License Agreement” means that certain Amended and Restated Research and License Agreement, dated December 22, 2004, by and between the Seller and Centocor, as amended by that certain Amendment No. 1, dated November 7, 2006 and that certain Amendment No. 2, dated October 26, 2009.

“Centocor Net Sales” has the meaning ascribed to “Net Sales” in Section 1.38 of the Centocor License Agreement.

“Centocor Patents” has the meaning ascribed to “CENTOCOR Patent Rights” in Section 1.4 of the Centocor License Agreement.

“Centocor Research Committee” has the meaning ascribed thereto in Section 1.42 of the Centocor License Agreement.

“Centocor Research Plan” has the meaning ascribed thereto in Section 1.43 of the Centocor License Agreement.

“Centocor Royalty” means (i) all payments payable to Seller under Section 5.6 of the Centocor License Agreement with respect to Net Sales of Tremfya from and after April 1, 2021, (ii) any payments to the Seller under the Centocor License Agreement in lieu of such payments of the foregoing clause (i), (iii) any payments to the Seller, under Section 8.2(b) of the Centocor License Agreement or otherwise, with respect to a claim for infringement of the MorphoSys Tremfya Patents or the HuCAL Antibody Patent Rights that occurred from and after April 1, 2021 and (iv) any payments to the Seller under Section 3.12 of the Centocor License Agreement.

“Centocor Royalty Reports” means the quarterly reports deliverable by Centocor pursuant to Section 5.9(a) of the Centocor License Agreement setting forth Centocor Net Sales of Tremfya in the Centocor Territory.

“Centocor Territory” has the meaning ascribed to “Territory” in Section 1.49 of the Centocor License Agreement.

“Closing” is defined in Section 3.1.

“Closing Date” means the date on which the Closing occurs.

“Closing Purchase Price” is defined in Section 2.2(a).

“Commercial Therapeutic License” has the meaning ascribed thereto in Section 3.3(a) of the Centocor License Agreement.

“Commission” is defined in Section 4.1(m).

“Commission Documents” is defined in Section 4.1(m).

“Confidentiality Breach” is defined in Section 5.1(a)(iii).

“Control” means, with respect to intellectual property rights and a party, owned by such party or licensed to such party or its Affiliates and for which such Party or an Affiliate thereof controls prosecution and maintenance.

“Covered gantenerumab IP” means, collectively, the MorphoSys gantenerumab IP and the Roche IP.

“Covered Tremfya IP” means, collectively, the MorphoSys Tremfya IP and the Centocor IP.

“Disclosing Party” is defined in Section 6.1.

“Disclosure Schedule” means the Disclosure Schedule, dated as of the date hereof, delivered to the Buyer by the Seller concurrently with the execution of this Agreement.

“Dyax” means DYAX Corp.

“Dyax License Agreement” means that certain Patent License Agreement by and between the Seller and Dyax, dated as of November 20, 2007.

“EMA” means the European Medicines Agency or any successor agency thereto.

“Escrow Account” is defined in Section 5.1(d).

“Escrow Agreement” is defined in Section 5.1(d).

“Excess Amount” is defined in Section 5.2(d).

“Exchange Act” is defined in Section 4.1(m).

“FDA” means the United States Food and Drug Administration, or a successor federal agency thereto in the United States.

“First Melbourne License Agreement” means that certain License of Intellectual Property, by and between the Seller and Melbourne, dated as of April 27, 2007.

“gantenerumab” means any product that contains the monoclonal antibody gantenerumab either alone or in combination with one or more other active ingredients, including as covalently joined to another component, in each case, in any preparation, strength, form (including pegylated versions), formulation (including whether short-acting or extended-release), administration or delivery route.

“Gantenerumab New Arrangement” is defined in Section 5.11(c).

“Gantenerumab Reversionary Rights” is defined in Section 5.11(c).

“Governmental Entity” means any: (i) nation, principality, republic, state, commonwealth, province, territory, county, municipality, district or other jurisdiction of any nature; (ii) federal, state, local, municipal, foreign or other government; (iii) governmental or quasi-governmental authority of any nature (including any governmental division, subdivision, department, agency, bureau, branch, office, commission, council, board, instrumentality, officer, official, representative, organization, unit, body or other entity and any court, arbitrator or other tribunal); (iv) multi-national organization or body; or (v) individual, body or other entity exercising, or entitled to exercise, any executive, legislative, judicial, administrative, regulatory, police, military or taxing authority or power of any nature.

“GSK” means GlaxoSmithKline Intellectual Property Development Limited and any successor thereof, as permitted pursuant to the terms of this Agreement and the GSK License Agreement.

“GSK Field” has the meaning ascribed to “Licensed Field” in Section 1.48 of the GSK License Agreement.

“GSK License Agreement” means that certain Development and License Agreement, dated June 3, 2013, by and between the Seller and GSK.

“GSK Milestone Payments” means (i) all amounts due, paid or payable under Section 6.3 of the GSK License Agreement and (ii) any interest payable to the Seller on such amounts under Section 6.8.3 of the GSK License Agreement.

“GSK Net Sales” has the meaning ascribed to “Net Sales” in Section 1.59 of the GSK License Agreement.

“GSK Royalty” means (i) all payments payable to Seller under Section 6.4 of the GSK License Agreement with respect to GSK Net Sales of otilimab, including any payments to the Seller with respect to a claim for infringement of the MorphoSys otilimab IP that are treated as GSK Net Sales pursuant to Section 7.2.3 of the GSK License Agreement, (ii) any payments to the Seller under the GSK License Agreement in lieu of such payments of the foregoing clause (i), (iii) any payments to the Seller with respect to a claim for infringement of the MorphoSys otilimab IP, other than those treated as GSK Net Sales pursuant to Section 7.2.3 of the GSK License Agreement, and (iv) any interest payable to the Seller on the amounts set forth in clauses (i) to (iii) under Section 6.8.3 of the GSK License Agreement.

“GSK Royalty Reports” means the quarterly reports deliverable by GSK pursuant to Section 6.4.2 of the GSK License Agreement setting forth GSK Net Sales of otilimab.

“GSK Territory” has the meaning ascribed to “Territory” in Section 1.77 of the GSK License Agreement.

“HuCAL Antibody Patent Rights” has the meaning ascribed thereto in Section 1.20 of the Centocor License Agreement.

“Initial Centocor Instruction” is defined in Section 5.1(a)(i).

“Initial GSK Instruction” is defined in Section 5.1(b)(i).

“Initial Roche Instruction” is defined in Section 5.1(a)(ii).

“Judgment” means any judgment, order, writ, injunction, citation, award or decree of any nature.

“Knowledge of the Seller” means the actual knowledge of [REDACTED], in each case, after reasonable inquiry in such circumstances where such individual had knowledge reasonably indicating that further reasonable inquiry was warranted.

“License Agreements” means, collectively, the Centocor License Agreement, the GSK License Agreement and the Roche License Agreement.

“Licensee” or “Licensees” means, individually and collectively, Centocor, GSK and Roche.

“Licensee Instructions” means, collectively and as applicable, the Initial Centocor Instruction, the Alternative Centocor Instruction, the Initial GSK Instruction, the Alternative GSK Instruction, the Initial Roche Instruction and the Alternative Roche Instruction.

“Licensee IP” means, collectively, the Centocor IP and the Roche IP.

“Licensee Patents” means, collectively, the Centocor Patent Rights included in the Centocor IP and the Roche Patents included in the Roche IP.

“Lien” means any mortgage, lien, pledge, charge, adverse claim, security interest, encumbrance or restriction of any kind, including any restriction on use, transfer or exercise of any other attribute of ownership of any kind.

“Loss” means any and all Judgments, damages, losses, claims, costs, liabilities and expenses, including reasonable fees and out-of-pocket expenses of counsel.

“Marketing Approval” means any NDA or BLA (including conditional approval) approved by the FDA, a marketing authorization application approved by the EMA under the centralized European procedure, or any analogous non-U.S. or non-EMA application, registration or certification granting marketing authorization that is approved by the applicable Regulatory Authority.

“Material Adverse Effect” shall mean (i) a material adverse effect on the legality, validity or enforceability of this Agreement, (ii) a material adverse effect on the ability of the Seller to perform any of its obligations hereunder, (iii) a material adverse effect on the rights or remedies of the Buyer hereunder, (iv) a material adverse effect on the rights of the Seller under any of the License Agreements, (v) a material adverse effect on the validity or enforceability of any of the Licensed Patents, or (vi) an adverse effect in any material respect on the timing, amount or duration of the payments to be made to the Buyer in respect of any portion of the Acquired Assets or the right of the Buyer to receive such payments.

“Material MorphoSys Product IP” means the MorphoSys Product IP, except the Patent Rights related to MorphoSys’ technological antibody patents that do not cover Royalty Products. In particular, the MorphoSys Patent Rights as defined in Section 1.34 of the Roche License Agreement and the MORPHOSYS Patent Rights as defined in Section 1.34 of the Centocor License Agreement shall not be Material MorphoSys Product IP.

“Material Summary” is defined in Section 6.4.

“Melbourne” means The University of Melbourne.

“Melbourne Patent Rights” means the Patent Rights licensed by Melbourne to the Seller pursuant to the First Melbourne License Agreement and the Second Melbourne License Agreement and sublicensed by the Seller to GSK pursuant to the GSK License Agreement.

“Merger” is defined in the preamble.

“MorphoSys gantenerumab IP” means, collectively, the MorphoSys gantenerumab Know-How and the MorphoSys gantenerumab Patents.

“MorphoSys gantenerumab Know-How” has the meaning ascribed to “MorphoSys Know-How” in Section 1.33 of the Roche License Agreement.

“MorphoSys gantenerumab Patents” means, collectively, the “Gantenerumab Patent Rights” and the “MorphoSys Patent Rights” as defined in Section 1.25 and Section 1.34 of the Roche License Agreement respectively.

“MorphoSys otilimab IP” means, collectively, the MorphoSys otilimab Know-How and the MorphoSys otilimab Patents.

“MorphoSys otilimab Know-How” has the meaning ascribed to “Licensed Know-How” in Section 1.49 of the GSK License Agreement.

“MorphoSys otilimab Patents” has the meaning ascribed to Licensed Patents in Section 1.50 of the GSK License Agreement.

“MorphoSys Product IP” means, collectively, the MorphoSys Tremfya IP, the MorphoSys otilimab IP, and the MorphoSys gantenerumab IP.

“MorphoSys Tremfya IP” means, collectively, the MorphoSys Tremfya Patents and the MorphoSys Tremfya Know-How.

“MorphoSys Tremfya Patents” has the meaning ascribed to MORPHOSYS Patent Rights in Section 1.34 of the Centocor License Agreement.

“MorphoSys Tremfya Know-How” means, collectively, the MORPHOSYS Technology and HuCAL Antibody Technology as defined in Section 1.36 and Section 1.21 of the Centocor License Agreement respectively, excluding Patents.

“NDA” means a New Drug Application submitted to the FDA in the United States in accordance with the Federal Food, Drug, and Cosmetic Act with respect to a pharmaceutical product.

“New Gantenerumab Licensee” is defined in Section 5.11(c).

“New Otilimab Licensee” is defined in Section 5.11(b).

“New Tremfya Licensee” is defined in Section 5.11(a).

“Offer” is defined in the preamble.

“Offer Acceptance Time” is defined in the preamble.

“otilimab” means any product that contains the monoclonal antibody otilimab either alone or in combination with one or more other active ingredients, including as covalently joined to another component, in each case, in any preparation, strength, form (including pegylated versions), formulation (including whether short-acting or extended-release), administration or delivery route.

“Otilimab New Arrangement” is defined in Section 5.11(b).

“Otilimab Reversionary Rights” is defined in Section 5.11(b).

“Patent Right” means all rights under any patent or patent application, anywhere in the world, including any patents issuing on such patent application, and further including any substitution, extension or supplementary protection certificate, reissue, reexamination, renewal, divisional, continuation or continuation-in-part of any of the foregoing.

“Percivia Agreement” means that certain Research and Commercial License Agreement between MorphoSys and Percivia LLC, dated as of August 15, 2006.

“Permitted Liens” means any (i) mechanic’s, materialmen’s, and similar Liens for amounts not yet due and payable, (ii) statutory Liens for taxes not yet due and payable or for taxes that the taxpayer is contesting in good faith and (iii) other Liens and encumbrances not incurred in connection with the borrowing of money that do not materially and adversely affect the use or value of the affected assets provided that, in each case, such Liens are automatically released upon the sale or other transfer of the affected assets (it being understood that any obligations secured by such “Permitted Liens” shall remain the obligations of the Seller).

“Permitted Reduction” means any Royalty Reduction [REDACTED].

“Person” means any individual, firm, corporation, company, partnership, limited liability company, trust, joint venture, association, estate, trust, Governmental Entity or other entity, enterprise, association or organization.

“Prime Rate” means the prime rate published by the Wall Street Journal, from time to time, as the prime rate.

“Proceeds” means any amounts actually recovered by the Seller as a result of any settlement or resolution of any actions, suits, proceedings, claims or disputes with respect to any of the License Agreements with respect to the Acquired Assets.

“Regulatory Authority” means any national or supranational governmental authority, including the FDA, the EMA or such equivalent regulatory authority, or any successor agency thereto, that has responsibility in granting a Marketing Approval.

“Representative” means, with respect to any Person, (i) any direct or indirect stockholder, member or partner of such Person and (ii) any manager, director, officer, employee, agent, advisor or other representative (including attorneys, accountants, consultants, bankers, financial advisors and actual and potential lenders and investors) of such Person.

“Revenue Participation Rights” is defined in the RPR P&S Agreement.

“Roche” means, collectively, F. Hoffman-La Roche Ltd and Hoffmann-La Roche Inc., and, in each case, any successor thereof, as permitted pursuant to the terms of this Agreement and the Roche License Agreement.

“Roche Consent” is defined in Section 5.1(c)(iii).

“Roche Field” has the meaning ascribed to “Field” in Section 1.22 of the Roche License Agreement.

“Roche IP” means, collectively, the Roche Patents and the Roche Know-How.

“Roche Know-How” has the meaning ascribed to “Roche Know-How” in Section 1.43 of the Roche License Agreement.

“Roche License Agreement” means that certain Restated Collaboration and License Agreement by and between the Seller and Roche, dated July 24, 2014.

“Roche Licensed Product” has the meaning ascribed to “Product” in Section 1.38 of the Roche License Agreement.

“Roche Net Sales” has the meaning ascribed to “Net Sales” in Section 1.35 of the Roche License Agreement.

“Roche Patents” has the meaning ascribed to “Roche Gantenerumab Patent Rights” in Section 1.44 of the Roche License Agreement.

“Roche Royalty” means (i) all payments payable to Seller under Section 9.3 of the Roche License Agreement with respect to Roche Net Sales of gantenerumab, (ii) any payments to the Seller under the Roche License Agreement in lieu of such payments of the foregoing clause (i), (iii) any payments to the Seller with respect to a claim for infringement of the MorphoSys gantenerumab IP or the Roche IP, and (iv) any interest payable to the Seller on the amounts set forth in clauses (i) to (iii) under Section 10.2 of the Roche License Agreement.

“Roche Royalty Reports” means the quarterly reports deliverable by Roche pursuant to Section 10.5 of the Roche License Agreement setting forth the Roche Net Sales of gantenerumab.

“Roche Territory” has the meaning ascribed to “Territory” in Section 1.48 of the Roche License Agreement.

“Royalty Products” means, collectively, Tremfya, otilimab and gantenerumab.

“Royalty Reduction” means any adjustment, counterclaim, reduction, credit, offset reduction or deduction of the Acquired Assets.

“Second Melbourne License Agreement” means that certain Research and License Agreement, by and between the Seller and Melbourne, dated as of April 29, 2009.

“Seller” is defined in the preamble.

“Set-Off” means any set-off, by contract or otherwise.

“Shortfall Amount” is defined in Section 5.2(d).

“Subscription and License Agreement” means that certain Restated and Amended Subscription and License Agreement by and between the Seller and Centocor, dated December 22, 2004.

“Target” is defined in the preamble.

“Target Recharacterization Agreement” means that certain Target Recharacterization Agreement by and between the Seller and Centocor, dated December 22, 2004.

“Termination Fee” is defined in Section 9.1.

“Third Party Fees” has the meaning ascribed thereto in Section 9.4 of the Roche License Agreement.

“Third Party Payments” has the meaning ascribed thereto in Section 1.81 of the GSK Agreement.

“Therapeutics Product” has the meaning ascribed thereto in Section 6.4.1(a) of the GSK Agreement.

“Third Party Request” has the meaning ascribed thereto in Section 3.12 of the Centocor License Agreement.

“RPA Transaction Documents” means this Agreement, the Bill of Sale, the Licensee Instructions, the Centocor Consent, the Roche Consent and, if entered into pursuant to Section 5.1(d), the Escrow Agreement.

“Transaction Documents” means the RPA Transaction Documents, the RPR P&S Agreement, the Bond Purchase Agreement, and the exhibits, annexes, schedules and ancillary agreements and instruments with respect thereto.

“Tremfya” means, collectively, (a) the product known as TREMFYA® (guselkumab), and (b) any other product that contains the monoclonal antibody guselkumab either alone or in combination with one or more other active ingredients, including as covalently joined to another component, in each case of (a) and (b), in any preparation, strength, form (including pegylated versions), formulation (including whether short-acting or extended-release), administration or delivery route.

“Tremfya New Arrangement” is defined in Section 5.11(a).

“Tremfya Reversionary Rights” is defined in Section 5.11(a).

“UCC” means Article 9 of the New York Uniform Commercial Code, as in effect from time to time.

“Upstream IP” means, collectively, the Upstream Patent Rights and Upstream Know-How.

“Upstream Know-How” means the Know-How licensed to Seller under the Upstream License Agreements.

“Upstream License Agreements” means, collectively, those license agreements set forth in Schedule 4.1(j)(i), and any other license agreement between the Seller or any of its Affiliates and any third party pursuant to which the Seller or any of its Affiliates obtains a license, covenant not to sue or equivalent grant of rights to any Patent Right or other intellectual property rights of such third party that covers the Development or Commercialization of any of the Royalty Products.

“Upstream Patent Rights” means, collectively, the Patent Rights licensed to Seller under the Upstream License Agreements.

“VAT” means (i) any tax imposed in compliance with the Council Directive of November 28, 2006 on the common system of value added tax (EC Directive 2006/112) and (ii) any other tax of a similar nature, whether imposed in a member state of the European Union in substitution for or levied in addition to, such tax referred to in (i), or imposed elsewhere,

including, in each case of (i) or (ii), any interest, penalty, addition thereto (whether disputed or not) and any other related costs, interest, fees, charges and expenses of whatsoever nature.

“XOMA” means XOMA Ireland Limited.

“XOMA License Agreement” means that certain License Agreement by and between the Seller and XOMA, dated as of February 1, 2002 and as amended and restated on February 13, 2003.

“XOMA Patent Rights” means the Patent Rights listed in Schedule 1.17 of the XOMA License Agreement.

Section 1.2 Certain Interpretations. Except where expressly stated otherwise in this Agreement, the following rules of interpretation apply to this Agreement:

(a) “either” and “or” are not exclusive and “include,” “includes” and “including” are not limiting and shall be deemed to be followed by the words “without limitation”;

(b) “extent” in the phrase “to the extent” means the degree to which a subject or other thing extends, and such phrase does not mean simply “if”;

(c) “hereof,” “hereto,” “herein” and “hereunder” and words of similar import when used in this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement;

(d) references to a Person are also to its permitted successors and assigns;

(e) definitions are applicable to the singular as well as the plural forms of such terms;

(f) unless otherwise indicated, references to an “Article”, “Section” or “Exhibit” refer to an Article or Section of, or an Exhibit to, this Agreement, and references to a “Schedule” refer to the corresponding part of the Disclosure Schedule;

(g) references to “\$” or otherwise to dollar amounts refer to the lawful currency of the United States;

(h) references to the Transaction Agreements include any amendments or modifications to such Transaction Agreements made not in violation of the terms thereof; and

(i) references to a law include any amendment or modification to such law and any rules and regulations issued thereunder, whether such amendment or modification is made, or issuance of such rules and regulations occurs, before or after the date of this Agreement.

Section 1.3 Headings. The table of contents and the descriptive headings of the several Articles and Sections of this Agreement and the Exhibits and Schedules are for convenience only, do not constitute a part of this Agreement and shall not control or affect, in any way, the meaning or interpretation of this Agreement.

Article 2  
PURCHASE, SALE AND ASSIGNMENT OF THE ROYALTY

Section 2.1 Purchase, Sale and Assignment. Upon the terms and subject to the conditions of this Agreement, at the Closing, the Seller shall sell, transfer, assign and convey to the Buyer, and the Buyer shall purchase, acquire and accept from the Seller, free and clear of all Liens, all of the Seller's right, title and interest in and to the Acquired Assets. The sale, transfer, assignment and conveyance to the Buyer of the Revenue Participation Rights shall be effected by and subject to the terms and conditions of the RPR P&S Agreement.

Section 2.2 Payment of Purchase Price.

(a) The purchase price to be paid to the Seller at the Closing for the sale, transfer, assignment and conveyance to the Buyer of the Seller's and its Affiliates' right, title and interest in and to the Acquired Assets to the Buyer is the noncreditable and nonrefundable [REDACTED] (the "Closing Purchase Price") without set-off (by contract or otherwise), by wire transfer of immediately available funds to the account(s) specified by the Seller reasonably in advance of Closing.

(b) Following the Closing, following the occurrence of each of the following events (each, a "Payment Triggering Event"), the Buyer shall make a noncreditable and nonrefundable cash payment (each, an "Additional Purchase Price Payment" and, collectively with the Closing Purchase Price, the "Purchase Price"), without set-off (by contract or otherwise), to the Seller in the amount corresponding to such Payment Triggering Event.

[REDACTED]	[REDACTED]

(c) The Seller hereby agrees and acknowledges that: (i) the Additional Purchase Price Payments are contingent payment obligations of the Buyer and there can be no assurance regarding the occurrence of any of the Payment Triggering Events corresponding to each Additional Purchase Price Payment and (ii) the Buyer shall have no obligation or liability with respect to any Additional Purchase Price Payment unless and until the corresponding Payment Triggering Event has occurred. Any Additional Purchase Price Payment owed to the Seller by the Buyer in accordance with this Section 2.2 shall be paid to the Seller, without set-off (by contract or otherwise), by wire transfer of immediately available funds, to the account specified by the Seller in a writing delivered to the Buyer, within ten (10) Business Days following the occurrence of a Payment Triggering Event. A late fee of [REDACTED] over the Prime Rate shall accrue on any portion of any Additional Purchase Price Payment that is not paid when due hereunder. For clarity, only one Additional Purchase Price Payment shall be due hereunder with respect to each Payment Triggering Event; no Additional Purchase Price Payment shall be payable for subsequent or repeated achievements of any applicable Payment Triggering Events. Each party hereto further agrees and acknowledges that the other party shall have the right to offset any amounts owed by such party to the other party under the Transaction Documents.

(d) [REDACTED].

Section 2.3 No Assumed Obligations, Etc.

Notwithstanding any provision in this Agreement to the contrary, the Buyer is hereunder purchasing, acquiring and accepting only the Acquired Assets, and is not assuming any liability or obligation of the Seller of whatever nature, whether presently in existence or arising or asserted hereafter, under any of the License Agreements or otherwise. Except as specifically set forth herein in respect of the Acquired Assets purchased, acquired and accepted hereunder, the Buyer does not, by such purchase, acquisition and acceptance, acquire any other assets of the Seller. Notwithstanding any provision in this Agreement to the contrary, the Seller is not, by its sale, transfer, assignment and conveyance of the Acquired Assets to the Buyer, assigning or transferring to the Buyer legal or beneficial ownership in (i) any License Agreement, or (ii) any intellectual property rights (including trademarks, Patent Rights, utility models or Know-How) in connection with the Acquired Assets, and all provisions in this Agreement shall be interpreted accordingly.

Section 2.4 True Sale. It is the intention of the parties hereto that the sale, transfer, assignment and conveyance contemplated by this Agreement be, and is, a true, complete, absolute and irrevocable sale, transfer, assignment and conveyance by the Seller to the Buyer of all of the Seller's rights, title and interests in and to the Acquired Assets and the Seller relinquishes all title and control over the Acquired Assets upon such sale, transfer, assignment and conveyance. Neither the Seller nor the Buyer intends the transactions contemplated by this Agreement to be, or for any purpose characterized as, a loan from the Buyer to the Seller or to any of the Seller's Affiliates, or a pledge, a security interest, a financing transaction or a borrowing. It is the intention of the parties hereto that the beneficial interest in and title to the Acquired Assets and any "proceeds" (as such term is defined in the UCC) thereof shall not be part of Seller's estates in the event of the filing of a petition by or against the Seller under any Bankruptcy Laws. Each of the Seller and the Buyer hereby waives, to the maximum extent permitted by applicable law, any right to contest or otherwise assert that the sale contemplated by this Agreement does not constitute a true, complete, absolute and irrevocable sale, transfer, assignment and conveyance by the Seller to the Buyer of all of the Seller's right, title and interest in and to the Acquired Assets under applicable law, which waiver shall, to the maximum extent permitted by applicable law, be enforceable against the Seller in any bankruptcy or insolvency proceeding relating to the Seller or its subsidiaries. Accordingly, the Seller shall treat the sale, transfer, assignment and conveyance of the Acquired Assets as a sale of an "account" or a "payment intangible" (as appropriate) in accordance with the UCC, and the Seller hereby authorizes the Buyer to file financing statements (and continuation statements with respect to such financing statements when applicable) naming the Seller as the debtor and the Buyer as the secured party in respect of the Acquired Assets. Not in derogation of the foregoing statement of the intent of the parties hereto in this regard, and for the purposes of providing additional assurance to the Buyer in the event that, despite the intent of the parties hereto, the sale, transfer, assignment and conveyance contemplated hereby is hereafter held not to be a sale, the Seller shall grant to the Buyer, as security for the payment of amounts to the Buyer equal to the net present value of the Acquired Assets (including a market rate of return thereon) less all payments of the Acquired Assets received by the Buyer pursuant to this Agreement, a security interest in and to all right, title and interest of the Seller, in, to and under the Acquired Assets, and the Seller does hereby authorize the Buyer, from and after the Closing, to file such financing statements (and continuation statements with respect to such financing statements when applicable) in such manner and such jurisdictions as are necessary or appropriate to perfect such security interest.

Section 2.5 VAT. The parties hereto acknowledge and agree that no VAT liability is expected to arise in connection with any of the transactions contemplated by this Agreement.

Article 3  
CLOSING

Section 3.1 Closing; Payment of Closing Purchase Price. The purchase and sale of the Acquired Assets shall take place remotely via the exchange of documents and signatures (the “Closing”) immediately following the Offer Acceptance Time (other than those conditions that by their nature are to be satisfied at the Closing) or at such other place, time and date as the parties hereto may mutually agree (the “Closing Date”). At the Closing, the Buyer shall pay the Closing Purchase Price to the Seller in accordance with Section 2.2(a).

Section 3.2 Conditions to the Buyer’s Obligations. The obligations of the Buyer to consummate the transactions contemplated hereunder at the Closing are subject to the satisfaction or waiver, at or prior to the Closing, of each of the following conditions precedent:

(a) Seller’s Closing Certificate. The Seller shall have delivered to the Buyer a certificate of the CEO and CFO of the Seller, dated as of the Closing Date, certifying (i) as to the incumbency of the officer of the Seller executing the RPA Transaction Documents and (ii) as to the attached copies of Seller’s articles of association (*Satzung*), rules of procedure of Seller’s Supervisory Board and resolutions adopted by a resolution of the Management Board of Seller authorizing the execution and delivery by the Seller of the RPA Transaction Documents and the consummation by the Seller of the transactions contemplated thereby.

(b) Legal Opinion. The Company shall have delivered to the Buyer (i) legal opinions of Skadden, Arps, Slate Meagher & Flom LLP, as counsel to the Seller, in substantially the form attached hereto as Exhibit C-1 and (ii) a legal opinion of the general counsel of the Seller, in substantially the form attached hereto as Exhibit C-2.

(c) Form W-8BEN-E. The Seller shall have delivered to the Buyer a valid, properly executed IRS Form W-8BEN-E certifying that payments of the Purchase Price to the Seller are exempt from U.S. federal withholding tax pursuant to an income tax treaty to which the United States is a party and establishing that the Seller is exempt from backup withholding of U.S. federal income tax.

(d) No Injunction. There shall not have been issued and be in effect any Judgment by or before any court of competent jurisdiction in an action brought by any Governmental Entity that enjoins or prevents the consummation of the transactions contemplated by this Agreement.

(e) Acquisition Agreement; Offer. The occurrence of the Offer Acceptance Time.

(f) RPR P&S Agreement. The transactions contemplated by the RPR P&S Agreement shall close simultaneously with the Closing.

(g) Bond Purchase Agreement. The Bond Purchase Agreement shall have been executed and delivered by the Seller on the date hereof.

Section 3.3 Conditions to the Seller’s Obligations. The obligations of the Seller to consummate the transactions contemplated hereunder at the Closing are subject to the satisfaction or waiver, at or prior to the Closing, of each of the following conditions precedent:

(a) Buyer’s Incumbency Certificate. At the Closing, the Buyer shall deliver to the Seller a certificate of the Secretary of the manager of the Buyer, dated as of the

Closing Date, certifying as to the incumbency of the officer executing this Agreement on behalf of the Buyer.

(b) Legal Opinion. Matheson, as counsel to the Buyer, shall have delivered to the Seller a duly executed legal opinion in substantially the form attached hereto as Exhibit D.

(c) No Injunction. There shall not have been issued and be in effect any Judgment before any court of competent jurisdiction in an action brought by any Governmental Entity that enjoins or prevents the consummation of the transactions contemplated by this Agreement.

(d) RPR P&S Agreement. The transactions contemplated by the RPR P&S Agreement shall close simultaneously with the Closing.

(e) Bond Purchase Agreement. The Bond Purchase Agreement shall have been executed and delivered by the Buyer on the date hereof.

(f) Tax Documentation. The Buyer shall have delivered to the Seller a valid, properly executed IRS Form W-8BEN-E certifying that royalty payments to the Buyer of or in respect of the Acquired Assets are exempt from U.S. federal withholding tax pursuant to the U.S.-Ireland income tax treaty.

Section 3.4 Bill of Sale. At the Closing, upon confirmation of the receipt of the Closing Purchase Price, the Seller shall deliver to the Buyer a duly executed bill of sale evidencing the sale, transfer, assignment and conveyance of the Acquired Assets, in substantially the form attached hereto as Exhibit E (the "Bill of Sale").

#### Article 4 REPRESENTATIONS AND WARRANTIES

Section 4.1 Seller's Representations and Warranties. Except as set forth on the Disclosure Schedules, the Seller represents and warrants to the Buyer that as of the date hereof:

(a) Existence; Good Standing. The Seller is a public limited company (*Aktiengesellschaft*) duly organized, validly existing and in good standing under the laws of Germany. The Seller is duly licensed or qualified to do business and is in corporate good standing in each jurisdiction in which the nature of the business conducted by it or the character or location of the properties and assets owned, leased or operated by it makes such licensing or qualification necessary, except where the failure to be so licensed or qualified and in corporate good standing has not and would not reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect.

(b) Authorization. The Seller has all requisite public limited company power and authority to execute, deliver and perform its obligations under the RPA Transaction Documents. The execution, delivery and performance of this Agreement, and the consummation of the transactions contemplated hereby, have been duly authorized by all necessary corporate action on the part of the Seller.

(c) Enforceability. The Agreement has been duly executed and delivered and constitutes a valid and binding obligation of the Seller enforceable against the Seller in accordance with its terms, except as such enforceability may be limited by Bankruptcy Laws or indemnification or by other equitable principles of general application.

(d) No Conflicts. The execution, delivery and performance by the Seller of this Agreement and the consummation of the transactions contemplated hereby, including the execution, delivery and performance of the other RPA Transaction Documents, do not and shall not (i) contravene or conflict with the articles of association or the rules of the Supervisory Board of the Seller, (ii) contravene or conflict with or constitute a material default under any law, rule, regulation or Judgment binding upon or applicable to the Seller or the Acquired Assets, (iii) contravene or conflict with or constitute a default by Seller under any License Agreement or (iv) contravene or conflict with or constitute a material default by Seller under any other material contract or material agreement binding upon or applicable to the Seller or the Acquired Assets.

(e) Consents. Except for the consents that have been obtained on or prior to the Closing and as set forth on Disclosure Schedule 4.1(e), or filings required by the federal securities laws or stock exchange rules, no consent, approval, license, order, authorization, registration, declaration or filing with or of any Governmental Entity or other Person is required to be done or obtained by the Seller in connection with (i) the execution and delivery by the Seller of the RPA Transaction Documents, (ii) the performance by the Seller of its obligations under the RPA Transaction Documents or (iii) the consummation by the Seller of any of the transactions contemplated by the RPA Transaction Documents.

(f) No Litigation. There is no action, suit, investigation or proceeding pending before any Governmental Entity or, to the Knowledge of the Seller, threatened to which the Seller or any of its Affiliates is a party that, individually or in the aggregate would, if determined adversely, reasonably be expected to have a Material Adverse Effect.

(g) Compliance with Laws. Neither the Seller nor any of any of its Affiliates is in violation of, and to the Knowledge of the Seller, neither the Seller nor any of its Affiliates is under investigation with respect to nor has the Seller or any of its Affiliates been threatened to be charged with or given notice of any violation of, any law, rule, regulation or Judgment applicable to the Seller or any of its Affiliates, which violation would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(h) No Undisclosed Events or Circumstances. Except for the transactions contemplated hereby, no event or circumstance has occurred and is continuing with respect to the Seller, its Affiliates, or their respective businesses, properties, operations or financial condition, which, under applicable law, rule, regulation or Judgment, requires public disclosure or announcement by the Seller but which has not been so publicly announced or disclosed and which, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect. There is no action, suit, claim, investigation or proceeding pending or, to the Knowledge of the Seller, threatened in writing against the Seller or any of its Affiliate which questions the validity of any of the RPA Transaction Documents or the transactions contemplated hereby. There is no action, suit, claim, investigation or proceeding pending or threatened in writing against or involving the Seller or any of its Affiliates, or any of their respective properties or assets that would, individually or in the aggregate, be reasonably be expected to result in a Material Adverse Effect.

(i) License Agreements. [REDACTED]

(i) No Other Agreements. [REDACTED].

(ii) Licenses/Sublicenses. [REDACTED].

(iii) Validity and Enforceability of License Agreements.

[REDACTED].

(iv) Licensed Products.

(A) Tremfya is a Licensed Therapeutic Antibody Product (as defined in the Centocor License Agreement). Subject to the terms and conditions of the Centocor License Agreement, (i) Centocor and its Affiliates are required to pay the Centocor Royalty pursuant to Section 5.6 of the Centocor License Agreement on Centocor Net Sales of Tremfya in the Centocor Field in the Centocor Territory and (ii) the Seller has the right to receive the Centocor Royalty on Centocor Net Sales of Tremfya in the Centocor Field in the Centocor Territory.

(B) Otilimab is a Therapeutic Product (as defined in the GSK License Agreement). Subject to the terms and conditions of the GSK License Agreement, (i) GSK is required to pay the GSK Royalty pursuant to Section 6.4 of the GSK License Agreement on GSK Net Sales of otilimab in the GSK Field in the GSK Territory and (ii) the Seller has the right to receive the GSK Royalty on GSK Net Sales of otilimab in the GSK Field in the GSK Territory.

(C) Gantenerumab is a Roche Licensed Product (as defined in the Roche License Agreement). Subject to the terms and conditions of the Roche License Agreement, (i) Roche is required to pay the Roche Royalty pursuant to Section 9.3.1 of the Roche License Agreement on all Roche Net Sales of any Roche Licensed Product in the Roche Field in the Roche Territory as provided therein and (ii) the Seller has the right to receive the Roche Royalty on Roche Net Sales of Gantenerumab in the Roche Field in the Roche Territory.

(v) No Liens or Assignments by the Seller. The Seller has not, except for Permitted Liens and as contemplated hereby, conveyed, assigned or in any other way transferred or granted any Liens upon or security interests with respect to all or any portion of its right, title and interest in and to the Centocor Royalty, the GSK Royalty, the GSK Milestone Payments, the Roche Royalty, the MorphoSys Product IP, any of the License Agreements or any of the Upstream License Agreements.

(vi) No Waivers or Releases. The Seller has not granted any material waiver under any License Agreement and has not released Centocor, GSK or Roche, in whole or in part, from any of its material obligations under the Centocor License Agreement, the GSK License Agreement or the Roche License Agreement, respectively.

(vii) No Termination. The Seller has not (A) given any notice of termination of any License Agreement (whether in whole or in part) or any notice expressing any intention to terminate any License Agreement or (B) received any notice of termination of any License Agreement (whether in whole or in part) or any notice expressing any intention to terminate any License Agreement. To the Knowledge of the Seller, no event has occurred that would give rise to the expiration or termination of any License Agreement.

(viii) No Breaches or Defaults. There is and has been no material breach or default under any provision of any License Agreement either by the Seller (or any predecessor thereof) or, to the Knowledge of the Seller, by the Licensee party thereto (or any predecessor thereof), and there is no event that upon notice or the passage of time, or both, would reasonably be expected to give rise to any breach or default under any provision of any License Agreement either by the Seller or, to the Knowledge of the Seller, by the Licensee party thereto.

(ix) Payments Made. The Seller has received from each Licensee all royalty and milestone payments due and payable under the License Agreement to which such Licensee is party, including the GSK Milestone set forth in the second row of the third column of the table set forth in Section 6.3.1 of the GSK License Agreement and the GSK Milestone set forth in the third row of the second column of the table set forth in Section 6.3.1 of the GSK License Agreement, and [REDACTED], Seller has timely received from each Licensee the full amount of all other payments due and payable under the License Agreement to which such Licensee is party.

(x) No Assignments. The Seller has not consented to any assignment or other transfer by Centocor, GSK or Roche, or any of their respective predecessors, of any of their rights or obligations under the Centocor License Agreement, GSK License Agreement or Roche License Agreement, respectively, and, to the Knowledge of the Seller, none of Centocor, GSK or Roche have assigned or otherwise transferred or granted any Liens upon or with respect to any of its rights or obligations under the Centocor License Agreement, GSK License Agreement or Roche License Agreement, respectively, or, in the case of Centocor, any portion of its right, title and interest in and to the Centocor Tremfya IP, or in the case of Roche, any portion of its right, title and interest in and to the Roche IP, in each case, to any Person.

(xi) No Indemnification Claims. The Seller has not notified any Licensee or any other Person of, or otherwise made, any claims for indemnification under any of the License Agreements, nor has the Seller received any claims for indemnification under any of the License Agreements whether pursuant to the terms thereof or otherwise.

(xii) No Set-Off; Certain Royalty Reductions.

(A) [REDACTED].

(B) [REDACTED].

(C) [REDACTED].

(xiii) No Notice of Infringement. The Seller has not received any written notice from, or given any written notice to, (A) Centocor pursuant to Section 8.2(a) of the Centocor License Agreement or otherwise in regards to any claim of infringement of the Covered Tremfya IP, (B) GSK pursuant to Section 7.3 of the GSK License Agreement or otherwise in regards to any claim or infringement of third party Patent Rights by the manufacture, offer for sale, sale, import or use of otilimab or (C) Roche pursuant to Section 13.6 of the Roche License Agreement or otherwise in regards to any claim of infringement of the Covered gantenerumab IP, or pursuant to section 13.7 of the Roche License Agreement or otherwise in regards to any claim or infringement of third party

Patent Rights by the conduct of the Collaboration Program (as defined in the Roche License Agreement) manufacture, offer for sale, sale, import or use of gantenerumab.

(xiv) Audits. The Seller has not initiated, pursuant to Section 5.10 of the Centocor License Agreement, Section 6.6 of the GSK License Agreement, Section 12.1 of the Roche License Agreement, or otherwise, any inspection or audit of books of accounts or other records of any Licensee or the calculation of any amounts payable to the Seller under any of the License Agreements.

(j) [REDACTED]

(i) The Seller has delivered to the Buyer true, correct and complete copies of the agreements set forth on Disclosure Schedule 4.1(j).

(ii) [REDACTED].

(iii) [REDACTED].

(iv) [REDACTED].

(v) [REDACTED].

(vi) Payments Made. The Seller has timely paid each Upstream Licensor the full amount of the payments due and payable under the Upstream License Agreement(s) to which such Upstream Licensor is party.

(vii) No Assignments. Seller has not consented to any assignment by any Upstream Licensor of (where it has the right to consent), nor, to the Knowledge of the Seller has any Upstream Licensor assigned, the Upstream License Agreement(s) to which such Upstream Licensor is party (in each case, in whole or in part). Seller has not assigned, in whole or in part, and has not granted any Liens upon or security interests with respect to, any Upstream License Agreement.

(viii) [REDACTED].

(k) [REDACTED].

(l) Intellectual Property.

[REDACTED].

(m) Commission Documents. Since January 1, 2020, the Seller has timely filed all reports, schedules, forms, statements and other documents required to be filed by it with the U.S. Securities and Exchange Commission (the "Commission") pursuant to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including material filed pursuant to Section 13(a) or 15(d) of the Exchange Act (all of the foregoing, including filings incorporated by reference therein, being referred to herein as the "Commission Documents"). As of its date, each Commission Document filed since January 1, 2020, complied in all material respects with the requirements of the Exchange Act and the rules and regulations of the Commission promulgated thereunder applicable to such document, and, as of its date, after giving effect to the information disclosed and incorporated by reference therein,

no such Commission Document since January 1, 2020, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. As of their respective dates, the financial statements of the Seller included in the Commission Documents filed with the Commission since January 1, 2020, complied as to form and substance in all material respects with applicable accounting requirements and the published rules and regulations of the Commission or other applicable rules and regulations with respect thereto. Such financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applied on a consistent basis during the periods involved (except (i) as may be otherwise indicated in such financial statements or the notes thereto or (ii) in the case of unaudited interim statements, to the extent they may not include footnotes or may be condensed or summary statements), and fairly present in all material respects the financial position of the Seller as of the dates thereof and the results of operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments)

(n) UCC Representation and Warranties. The Seller’s exact legal name is, and for the immediately preceding ten years has been, “MorphoSys AG”. Seller is, and for the prior ten (10) years has been, organized in Germany.

(o) Brokers’ Fees. There is no investment banker, broker, finder, financial advisor or other intermediary who has been retained by or is authorized to act on behalf of the Seller who might be entitled to any fee or commission in connection with the transactions contemplated by this Agreement.

(p) Taxes. The Seller has not received written notice or, to the knowledge of the Seller, oral notice from any Licensee of any intention to withhold or deduct any material tax from future payments to the Seller. There are no existing Liens for taxes on the Acquired Assets (or any portion thereof) other than Liens for taxes not yet due. There have been no, and there are no ongoing, tax audits or tax investigations (and the Seller has not been informed or notified in writing of any pending tax audits or tax investigations) with respect to any payment made to the Seller under the License Agreements. To the knowledge of the Seller, none of the arrangements under the License Agreements are treated as a partnership for U.S. tax purposes and the Seller has never taken the position for U.S. federal income or other tax purposes that any arrangements under any License Agreement is treated as such. The Seller has never received an IRS Schedule K-1 or other U.S. tax form reporting that the Seller is a partner in a partnership as a result of being a party to the License Agreements.

Section 4.2 The Buyer’s Representations and Warranties. The Buyer represents and warrants to the Seller that as of the date hereof:

(a) Existence; Good Standing. The Buyer is an Irish collective asset-management vehicle duly organized, validly existing and in good standing under the laws of Ireland.

(b) Enforceability. This Agreement has been duly executed and delivered by an authorized director of the Buyer and constitutes the valid and binding obligation of the Buyer, enforceable against the Buyer in accordance with its terms, except as may be limited by applicable Bankruptcy Laws or by general principles of equity (whether considered in a proceeding in equity or at law).

(c) No Conflicts. The execution, delivery and performance by the Buyer of this Agreement do not and shall not (i) contravene or conflict with the organizational documents of the Buyer, (ii) contravene or conflict with or constitute a default under any

material provision of any law, rule, regulation or Judgment binding upon or applicable to the Buyer or (iii) contravene or conflict with or constitute a default under any material contract or other material agreement binding upon or applicable to the Buyer.

(d) Consents. No consent, approval, license, order, authorization, registration, declaration or filing with or of any Governmental Entity or other Person is required to be done or obtained by the Buyer in connection with (i) the execution and delivery by the Buyer of this Agreement, (ii) the performance by the Buyer of its obligations under this Agreement, other than the filing of financing statement(s) in accordance with 0, or (iii) the consummation by the Buyer of any of the transactions contemplated by this Agreement.

(e) Authorization. The Buyer has the requisite right, power and authority to execute, deliver and perform its obligations under this Agreement. The execution, delivery and performance of this Agreement, and the consummation of the transactions contemplated hereby, have been duly authorized by all necessary action on the part of the Buyer.

(f) No Litigation. There is no action, suit, investigation or proceeding pending or, to the knowledge of the Buyer, threatened before any Governmental Entity to which the Buyer is a party that would, if determined adversely, reasonably be expected to prevent or materially and adversely affect the ability of the Buyer to perform its obligations under this Agreement.

(g) Financing. The Buyer has sufficient cash on hand to pay the entire Closing Purchase Price and will have sufficient cash on hand to pay each Additional Purchase Price Payment, in each case when and if payable. The Buyer acknowledges that its obligations under this Agreement are not contingent on obtaining financing.

(h) Brokers' Fees. There is no investment banker, broker, finder, financial advisor or other intermediary who has been retained by or is authorized to act on behalf of the Buyer who might be entitled to any fee or commission in connection with the transactions contemplated by this Agreement.

Section 4.3 No Implied Representations and Warranties. EXCEPT AS EXPRESSLY SET FORTH IN SECTION 4.1, THE SELLER MAKES NO, AND DISCLAIMS ALL, REPRESENTATIONS AND WARRANTIES, EXPRESSED OR IMPLIED, AT LAW OR IN EQUITY IN RESPECT OF ANY LICENSE AGREEMENT, ANY LICENSED PATENTS, THE ACQUIRED ASSETS (INCLUDING THE FUTURE AMOUNT OR POTENTIAL AMOUNT THEREOF), THE CREDITWORTHINESS OF ANY LICENSEE OR ANY SUBLICENSEE THEREOF, OR THE TRANSACTIONS CONTEMPLATED HEREBY, INCLUDING WITH RESPECT TO MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE, AND ANY SUCH OTHER REPRESENTATIONS OR WARRANTIES ARE HEREBY EXPRESSLY DISCLAIMED.

## Article 5 COVENANTS

### Section 5.1 Licensee Payment Agreements; Escrow.

- (a) Centocor Communications.
- (b) [REDACTED]GSK Communications.

**[REDACTED].**

- (c) Roche Communications.

(d) **[REDACTED]Escrow Agreement[REDACTED]**

Section 5.2 Payments; Payments Received In Error; Interest.

(a) The Licensee under each License Agreement is obligated to pay all amounts payable by it pursuant to such License Agreement in accordance with that License Agreement's terms. If the Licensee does not pay any such obligated payable amounts, this Agreement does not impose an obligation on the Seller to make Buyer whole with respect to such amounts payable but not paid by Licensee that comprise Acquired Assets.

(b) Commencing on the Closing Date and at all times thereafter, if any payment of any portion of the Acquired Assets is made to the Seller (or to any of the Seller's Affiliates or designees), notwithstanding the terms of the Licensee Instructions and, if entered into pursuant to Section 5.1(d), the Escrow Agreement, then (i) until paid to the Buyer, the Seller shall hold (or cause its Affiliate or designee to hold) such payment received in trust for the benefit of the Buyer, (ii) the Seller (or its Affiliate or designee) shall have no right, title or interest in such payment and shall not pledge or otherwise grant any Lien thereon and (iii) the Seller shall notify (or shall cause its Affiliate or designee to notify) the Buyer of such wire transfer and provide reasonable details regarding such erroneous payment and shall pay (or shall cause its Affiliate or designee to pay) an amount equal to such payment to the Buyer, promptly (and in any event within ten (10) Business Days) after receipt thereof, by wire transfer of immediately available funds to an account designated in writing by the Buyer.

(c) Commencing on the Closing Date and at all times thereafter, if any payment due under a License Agreement that does not constitute a portion of the Acquired Assets is made to the Buyer (or to any of the Buyer's Affiliates or designees), notwithstanding the terms of the Licensee Instructions and, if entered into pursuant to Section 5.1(d), the Escrow Agreement, then (i) until paid to the Seller, the Buyer shall hold (or cause its Affiliate or designee to hold) such payment received in trust for the benefit of the Seller, (ii) the Buyer (or its Affiliate or designee) shall have no right, title or interest in such payment and shall not pledge or otherwise grant any Lien thereon and (iii) the Buyer shall notify (or shall cause its Affiliate or designee to notify) the Seller of such wire transfer and provide reasonable details regarding such erroneous payment and shall pay (or shall cause its Affiliate or designee to pay) an amount equal to such payment to the Seller, promptly (and in any event within ten (10) Business Days) after receipt thereof, by wire transfer of immediately available funds to an account designated in writing by the Seller.

Section 5.3 **[REDACTED]Set-Off; Certain Royalty Reductions.** If any Licensee exercises any (a) Set-Off against any payment of the Acquired Assets based on any alleged liability of the Seller to the Licensee or (b) any Royalty Reduction that is not a Permitted Reduction, then such Set-Off or Royalty Reduction shall not reduce any payment of the Acquired Assets otherwise payable to the Buyer, and if such Set-Off or Royalty Reduction reduces any payment of the Acquired Assets to less than the full amount of the Acquired Assets to which the Buyer would otherwise be entitled hereunder, then Seller shall promptly (and in any event within twenty (20) Business Days following the payment of the Acquired Assets affected by such Set-Off or Royalty Reduction) make a true-up payment to the Buyer, by wire transfer of immediately available funds to an account designated in writing by the Buyer, such that the Buyer receives the full amount of the payment(s) of such Acquired Assets that would have been payable to the Buyer had such Set-Off or Royalty Reduction not occurred. **[REDACTED]**.

Section 5.4 Notices and Other Information to Licensees. The Seller shall not, without the prior written consent of the Buyer (not to be unreasonably withheld, conditioned or delayed), send any material written notice or correspondence to Roche with respect to any of the Acquired Assets or gantenerumab, and shall send such written notice or correspondence to Roche as the Buyer shall reasonably instruct. The Seller shall not, without the prior written consent of the Buyer, send any

material written notice or correspondence to GSK or Centocor with respect to any of the Acquired Assets, otilimab (in the case of GSK) or Tremfya (in the case of Centocor), and shall send such written notice or correspondence to any Licensee as the Buyer shall reasonably instruct.

Section 5.5      Inspections and Audits of Licensees; Update Meetings.

(a) If (and, with respect to the Centocor Royalty, the GSK Royalty or the GSK Milestone Payments, only if) requested in writing by the Buyer, the Seller shall cause an inspection or audit to be made by an independent public accounting firm under Section 5.10 of the Centocor License Agreement, Section 6.6 of the GSK License Agreement, or Section 12.1 of the Roche License Agreement, as applicable, in each case in accordance with the terms and conditions of the corresponding License Agreement. With respect to any such inspection or audit, the Seller shall, for purposes of Section 5.10 of the Centocor License Agreement, Section 6.6 of the GSK License Agreement or Section 12.1 of the Roche License Agreement, as the case may be, select such independent public accounting firm as the Buyer shall recommend for such purpose (as long as such independent certified public accountant is reasonably acceptable to Centocor as required by Section 5.10 of the Centocor License Agreement or to GSK as required by Section 6.6 of the GSK License Agreement, as the case may be). The Buyer shall pay the Seller all expenses, in the case of the Centocor License Agreement or the GSK License Agreement, or sixty percent (60%) of the expenses, in the case of the Roche License Agreement, of any inspection or audit requested by the Buyer (including the fees and expenses of such independent public accounting firm designated for such purpose) that would otherwise be borne by the Seller pursuant to the Centocor License Agreement, GSK License Agreement, or the Roche License Agreement, as the case may be (if and as such expenses are actually incurred by the Seller). If the Seller undertakes any inspection or audit under Section 12.1 of the Roche License Agreement not at the direction of the Buyer, the Seller shall deliver to the Buyer copies of all work product, audit reports, and other written materials prepared by the independent public accounting firm selected by the Seller for the purpose of such audit.

(b)

(i) If requested in writing by the Buyer, the Seller shall request a written update from or update meeting with Roche pursuant to and in accordance with Section 5.1 of the Roche License Agreement. The Seller may request a written update from or update meeting with Roche under Section 5.1 of the Roche License Agreement with the prior written consent of the Buyer (not to be unreasonably withheld, conditioned or delayed).

(ii) The Seller shall use commercially reasonable efforts to ensure that a representative of the Buyer may attend any such update meeting. If, notwithstanding the Seller's commercially reasonable efforts, Roche is unwilling to invite a representative of the Buyer to such meeting, or in connection with any such request for a written update, the Seller shall ask such reasonable questions of the Alliance Director (as defined in the Roche License Agreement) as the Buyer may request in advance in writing.

(iii) The Seller shall promptly (but no later than five (5) Business Days following its receipt of such a written update from Roche or such meeting with Roche) provide the Buyer with, as applicable (A) a copy of the written update, (B) any written communications or written materials provided to the Seller by Roche in connection with the update meeting or written update or (C) if an update meeting is held and a representative of the Buyer is not in attendance, a reasonably detailed summary of such update meeting. Prior to the Seller's delivery of, or in the event of the failure of the Seller to obtain, an executed copy of the Roche Consent, Section 6.4 shall apply.

Section 5.6 Amendment, Waiver, etc. of License Agreements. The Seller (a) shall not, without the prior written consent of the Buyer (not to be unreasonably withheld, conditioned or delayed), and (b) shall, if reasonably instructed in writing by the Buyer (subject to, solely in the case of the Roche License Agreement, the prior consent of the Seller, not to be unreasonably withheld, delayed or conditioned), amend, modify, waive, supplement or restate (or consent to any amendment, modification, waiver, supplement or restatement of) any provision of any License Agreement (but not terminate such License Agreement) or, following their respective execution, the Centocor Consent or the Roche Consent. Subject to the foregoing, promptly, and in any event within five (5) Business Days, following receipt by the Seller of any final amendment, modification, waiver, supplement or restatement of a License Agreement or, following their respective execution, the Centocor Consent or the Roche Consent, the Seller shall furnish a copy of the same to the Buyer. The Seller shall not deliver any further directions to Centocor, GSK or Roche regarding the payment of the Centocor Royalty, the GSK Royalty or the GSK Milestone Payments, or the Roche Royalty, respectively, without the prior written consent of the Buyer, and shall deliver such further direction to Centocor, GSK or Roche regarding the payment of the Centocor Royalty, the GSK Royalty or the GSK Milestone Payments, or the Roche Royalty, respectively, as the Buyer may reasonably request. For clarity, the Buyer will not send any directions with respect to the License Agreements or make or seek to make any changes to the License Agreements, other than in accordance with the terms of this Agreement.

Section 5.7 Maintenance of License Agreements.

(a) The Seller shall comply in all material respects with its obligations under each License Agreement and shall not take any action or forego any action that would reasonably be expected to constitute a material breach thereof or default thereunder. Promptly, and in any event within five (5) Business Days, after receipt of any (written or oral) notice from Centocor, GSK or Roche of an alleged breach or default by the Seller under any of the provisions of the Centocor License Agreement, the GSK License Agreement or the Roche License Agreement, respectively, the Seller shall give notice thereof to the Buyer, including delivering the Buyer a copy of any such written notice (or a written summary of any oral notice) and, subject to privilege obligations, supporting documentation. The Seller shall consult with the Buyer regarding such alleged breach or default and shall act as reasonably instructed by the Buyer (subject to, in the case of Roche, the prior consent of the Seller, not to be unreasonably withheld, delayed or conditioned) to cure any breaches or defaults by it under any License Agreement and shall give written notice to the Buyer upon curing any such breach or default. In connection with any dispute regarding any such alleged breach or default, the Seller shall employ such counsel, reasonably acceptable to the Seller, as the Buyer may select.

(b) If (and only if) reasonably instructed by the Buyer in writing, the Seller shall forgive, release or compromise any amount owed to or becoming owed to the Seller under any License Agreement in respect of any portion of the Acquired Assets.

(c) The Seller shall promptly, and in any event within ten (10) Business Days, after receipt of any Third Party Request, give notice thereof and a copy thereof to the Buyer.

Section 5.8 Maintenance of Upstream License Agreements. Except as would not reasonably be expected to have a Material Adverse Effect, Seller shall maintain the Upstream License Agreements in full force and effect and shall not breach, violate or otherwise default under or fail to perform any of its obligations under any of the Upstream License Agreements, except where such performance is being contested in good faith by appropriate proceedings (provided that, during the pendency of any such dispute, Seller shall continue to comply with all of its other obligations under the Upstream License Agreements in accordance with this Section 5.8). The Seller shall not assign, amend, modify, waive, supplement or restate (or consent to any assignment, amendment, modification, waiver, supplement or restatement of) any provision of any Upstream License Agreement that would adversely

impact the sublicenses granted to any Licensee in any License Agreement without the prior written consent of the Buyer (not to be unreasonably withheld, conditioned or delayed).

Section 5.9      Enforcement of License Agreements.

(a) Notice of Breaches by Licensees. Promptly (and in any event within five (5) Business Days) after the Seller becomes aware of, or comes to believe in good faith that there has been, a material breach or default of the Centocor License Agreement, the GSK License Agreement or the Roche License Agreement by Centocor, GSK or Roche, respectively, the Seller shall provide notice of such breach or default to the Buyer. In addition, the Seller shall provide to the Buyer a copy of any written notice of breach of or default under (or alleged breach of or default under) the Centocor License Agreement, the GSK License Agreement or the Roche License Agreement delivered by the Seller to Centocor, GSK or Roche, respectively, as soon as practicable and in any event not less than two (2) Business Days following such delivery.

(b) Enforcement of License Agreement. The Seller shall consult with the Buyer regarding the timing, manner and conduct of any enforcement of any of Centocor's, GSK's or Roche's obligations under the Centocor License Agreement, GSK License Agreement or Roche License Agreement, respectively. Following such consultation, the Seller shall exercise such rights and remedies with respect to any such breach as reasonably instructed by the Buyer (subject to, solely in the case of the Roche License Agreement, the prior consent of the Seller, not to be unreasonably withheld, delayed or conditioned), whether under such License Agreement or by operation of law, and in connection with any dispute regarding any such alleged breach or default, the Seller shall employ such counsel, reasonably acceptable to the Seller, as the Buyer may select.

(c) Allocation of Proceeds and Costs of Enforcement. Each of the Buyer and the Seller shall bear fees and expenses incurred in enforcing Centocor's, GSK's or Roche's obligations under the Centocor License Agreement, GSK License Agreement or Roche License Agreement ratably with their percentage royalty interest, respectively, pursuant to this Section 5.9. The Proceeds resulting from any enforcement of Centocor's, GSK's or Roche's obligations under the Centocor License Agreement, GSK License Agreement or Roche License Agreement, respectively, undertaken at the Buyer's request pursuant to this Section 5.9 shall be applied first to reimburse the Seller and the Buyer for any expenses incurred by them in connection with such enforcement, with the remainder of the Proceeds obtained with respect to the Centocor Royalty, the GSK Royalty or Roche Royalty distributed to the Buyer, to the extent such Proceeds constitute Acquired Assets, with the balance to the Seller. The Seller hereby assigns and, if not presently assignable, agrees to assign to the Buyer the amount of Proceeds due to the Buyer in accordance with this Section 5.9.

Section 5.10      Termination of any License Agreement. The Seller shall not, without the prior written consent of the Buyer (not to be unreasonably withheld, conditioned or delayed), and, shall, if reasonably instructed in writing by the Buyer, (i) exercise any right, or take any action, to terminate the Roche License Agreement, in whole or in part, (ii) agree with Roche to terminate the Roche License Agreement, in whole or in part, or (iii) take, or permit any Affiliate or sublicensee to take, any action, or fail to take an action, that would reasonably be expected to give Roche the right to terminate the Roche License Agreement, in whole or in part. The Seller shall not, without the prior written consent of the Buyer, (i) exercise any right, or take any action, to terminate either the GSK License Agreement or the Centocor License Agreement, in whole or in part, (ii) agree with GSK or Centocor to terminate the GSK License Agreement or the Centocor License Agreement, respectively, in whole or in part, or (iii) take, or permit any Affiliate or sublicensee to take, any action, or fail to take an action, that would reasonably be expected to give GSK or Centocor the right to terminate the GSK License Agreement or the Centocor License Agreement, respectively, in whole or in part.

[REDACTED]Preservation of Rights; No Liens. The Seller shall not, without the prior written consent of the Buyer (not to be unreasonably withheld, conditioned or delayed), hereafter subject to a Lien (other than a Permitted Lien) any of its interest in any portion of the Material MorphoSys Product IP, the Upstream License Agreements or any of the License Agreements. The Seller shall not hereafter subject to a Lien (other than a Permitted Lien) any portion of the Acquired Assets. Without limiting the foregoing, the Seller may dispose of, sell, assign or otherwise transfer, or grant, incur or suffer to exist any Lien on, the portion of the Roche Royalty and/or the portion of the GSK Royalty that is not included in the Acquired Assets.

Enforcement; Defense; Prosecution and Maintenance.

(a) The Seller shall promptly inform the Buyer of any suspected likely infringement by a third party of any of the Patent Rights included in the Material MorphoSys Product IP, the Centocor Patents, Roche Patents or Upstream Patent Rights or any other Patent Right claiming the composition of matter of, or the method of making or using, any of the Royalty Products anywhere in the world. Without any obligation on the Seller to initiate any litigation, the Seller shall (i) provide to the Buyer a copy of any such written notice of any suspected infringement of any of the foregoing Patent Rights and all pleadings filed in such action and (ii) notify the Buyer of any material developments in any claim, suit or proceeding resulting from such infringement, including those that are delivered by Centocor to the Seller (whether under Section 8.2(a) of the Centocor License Agreement or otherwise), by GSK to the Seller, or by Roche to the Seller (whether under Section 13.6 of the Roche License Agreement or otherwise), as soon as practicable and in any event not less than five (5) Business Days following such delivery.

(b) If the Seller has the right to bring an enforcement action [REDACTED], the Seller shall, if requested in writing by the Buyer (and, solely in the case of the Roche License Agreement, consented to by the Seller, such consent not to be unreasonably withheld, delayed or conditioned), promptly, and in any event within five (5) Business Days after receipt of such request (and, in the case of the Roche License Agreement, consent by the Seller, such consent not to be unreasonably withheld, delayed or conditioned), exercise such right as requested by the Buyer and the Seller shall employ such counsel, reasonably acceptable to the Seller, as the Buyer shall select for such purpose. The Seller shall not bring any such infringement action without the Buyer's prior consent (which, in the case of Roche, shall not be unreasonably withheld, conditioned or delayed).

(c)

(d) [REDACTED] [REDACTED]The Seller shall act as reasonably instructed by the Buyer to (i) take any and all actions, and prepare, execute, deliver and file any and all agreements, documents and instruments, that are reasonably necessary or desirable to diligently prosecute, preserve and maintain any Patent Rights included in the MorphoSys Product IP, the Centocor Patents, the Roche Patents and Upstream Patent Rights for which it Controls the prosecution and maintenance, [REDACTED] including payment of maintenance fees or annuities on any such Patent Rights, (ii) prosecute any corrections, substitutions, reissues, reviews and reexaminations of Patent Rights contemplated in the foregoing clause (i), for which it Controls the prosecution and maintenance, [REDACTED] and any other forms of patent term restoration in any applicable jurisdiction anywhere in the world, (iii) diligently enforce and defend (subject, in the case of the Roche Patents, to consent by the Seller, such consent not to be unreasonable withheld, conditioned, or delayed) the foregoing Patent Rights for which it Controls the defense and enforcement in the Centocor Territory, GSK Territory or Roche Territory, as applicable, including by bringing any legal action for infringement or defending any counterclaim of invalidity or unenforceability or action of a third party for declaratory judgment

of non-infringement or non-interference), at Buyer's expense for all reasonable and documented costs and expenses, reimbursed monthly, and (iv) to the extent consistent with applicable law and regulation, not disclaim or abandon, or fail to take any action necessary or desirable to prevent the disclaimer or abandonment (including through lack of enforcement against third party infringers), of any of the foregoing Patent Rights in anywhere in the world for which it Controls the prosecution and maintenance [REDACTED]. As between the parties, unless specifically requested in writing by the Buyer, (i) the maintenance fees or annuities on Patent Rights for which the Seller Controls the prosecution and maintenance in [REDACTED] the Centocor License Agreement shall be borne in full by the Buyer, (ii) eighty percent (80%) of the maintenance fees or annuities on Patent Rights for which the Seller Controls the prosecution and maintenance in [REDACTED] the GSK License Agreement shall be borne by the Buyer and (iii) sixty percent (60%) of the maintenance fees or annuities on Patent Rights for which the Seller Controls the prosecution and maintenance in [REDACTED] the Roche License Agreement shall be borne by the Buyer. For purposes of compliance with this Section 5.13(d), the Seller shall employ such counsel, reasonably acceptable to the Seller, as the Buyer shall select for such purpose.

Efforts to Consummate Transactions. Subject to the terms and conditions of this Agreement, each of the Seller and the Buyer shall use its commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things reasonably necessary under applicable law to consummate the transactions contemplated by this Agreement. Each of the Buyer and the Seller agrees to execute and deliver such other documents, certificates, agreements and other writings and to take such other actions as may be reasonably necessary in order to consummate or implement expeditiously the transactions contemplated by this Agreement.

Tax Documentation. From time to time during the term of this Agreement upon the reasonable request of the Seller, the Buyer shall deliver to the Seller a valid, properly executed IRS Form W-8BEN-E certifying that royalty payments to the Buyer under this Agreement are exempt from U.S. federal withholding tax pursuant to an income tax treaty to which the United States is a party. Buyer shall, whenever a lapse in time or change in circumstances renders such documentation expired, obsolete or inaccurate in any respect, deliver to the Seller (to the extent it is legally eligible to do so) an updated IRS Form W-8BEN-E or any successor form establishing an exemption from U.S. federal withholding tax with respect to royalty payments made under this Agreement.

Tax Treatment of Transactions. The Seller and the Buyer agree that for Tax purposes, (a) the Seller and the Buyer shall treat the transactions contemplated by this Agreement as a sale of the Acquired Assets and (b) any and all amounts remitted by the Seller to the Buyer after the Closing Date pursuant to this Agreement shall be treated as received by the Seller as agent for the Buyer. The parties hereto agree not to take any position that is inconsistent with the provisions of this Section 5.16 on any tax return or in any audit or other tax-related administrative or judicial proceeding unless the other party hereto has consented in writing to such actions, except to the extent required to do otherwise pursuant to a "determination," within the meaning of Section 1313(a) of the U.S. Internal Revenue Code of 1986, as amended, or a comparable provision of non-U.S. law. If there is an inquiry by any Governmental Entity of the Buyer or the Seller related to the treatment described in this Section 5.16, the parties hereto shall cooperate with each other in responding to such inquiry in a reasonable manner which is consistent with this Section 5.16.

Tax Matters. Subject to the Seller's receipt of the documentation referenced in Section 3.3(f), the Seller and the Buyer agree that, under currently applicable law, no deduction or withholding for or on account of any U.S. or non-U.S. tax (including, for the

avoidance of doubt, VAT and German withholding tax) is required to be made from any payment pursuant to the transactions, including the License Agreements, contemplated by this Agreement. If any amount is required by applicable law to be deducted or withheld, the parties shall cooperate fully in good faith, as and to the extent reasonably requested by the other party, (A) to eliminate or reduce any such deduction or withholding (including through the request and provision of any statement, forms or other documents to reduce or eliminate any such deduction or withholding, and the provision of any other assistance, including, for example, through a restructuring, to effect such reduction or elimination, and (B) in connection with any audit, litigation or other proceeding with respect to such withholding relating to the Acquired Assets.

#### Data Room.

(a) Within five (5) Business Days after the Closing, the Seller shall deliver to Buyer a CD or other storage media containing true, correct and complete copies of all documents uploaded to the virtual data room maintained by or otherwise provided by the Seller to the Buyer specifically for this transaction.

(b) Subject to the next sentence, within ten (10) Business Days after the date hereof, the Seller shall deliver to Buyer one CD or other storage media containing true, correct and complete copies of all documents uploaded to the virtual data room maintained by or otherwise provided by the Seller to the Buyer specifically for this transaction. Within ten (10) Business Days after the date hereof, the Seller shall deliver to Goodwin Procter LLP, counsel to the Buyer, one CD or other storage media containing true, correct and complete copies of all attorney-eyes only documents uploaded to the virtual data room maintained by or otherwise provided by the Seller to counsel to the Buyer. For clarity, such media and its contents are Confidential Information of the Seller.

Further Assurances. After the Closing, the Seller and the Buyer agree to execute and deliver such other documents, certificates, agreements and other writings and to take such other actions as may be reasonably necessary in order to give effect to the transactions contemplated by this Agreement.

Costs and Expenses. The costs and expenses of the parties with respect to Section 5.13 shall be shared by the parties ratably in accordance with their percentage ownership of the royalties and milestones for the Royalty Products.

Delegation. The Seller may delegate to the Buyer the enforcement or defense of the License Agreements in Section 5.9 and enforcement, defense prosecution and maintenance of Intellectual Property under Section 5.13 to the Buyer provided that the Buyer is thereby able to undertake the same activities contemplated by such sections without a substantive adverse effect on the Buyer's ability to perform such actions under such sections (such as if the Seller is joined to a Buyer lawsuit for standing purposes and provides assistance necessary from the Seller).

Indemnification. The Buyer shall indemnify the Seller Indemnified Parties from and against any and all Losses resulting from actions under this Section 5.1, 5.4-5.6, 5.9, 5.10 and 5.13 undertaken at the Buyer's written instruction.

## Article 6 CONFIDENTIALITY; DATA ACCESS

Section 6.1 Confidentiality. Except as provided in this Article 6 or otherwise agreed in writing by the parties, the parties hereto agree that, beginning on the Closing Date and lasting until the

expiration or termination of the last-to-expire or last-to-terminate Transaction Document, and for ten (10) years thereafter (or, in the case of trade secrets, for so long as the same are maintained as trade secrets by the Seller), each party (the "Receiving Party") shall (and shall cause its subsidiaries to) keep confidential and shall not publish or otherwise disclose and shall not use for any purpose other than as provided for in the Transaction Documents (which includes the exercise of any rights or the performance of any obligations hereunder or thereunder) any information furnished to it by or on behalf of the other party (the "Disclosing Party") pursuant to the Transaction Documents (such information, "Confidential Information" of the Disclosing Party), except for that portion of such information that:

(a) was already known to the Receiving Party, other than under an obligation of confidentiality, at the time of disclosure by the Disclosing Party;

(b) was generally available to the public or otherwise part of the public domain at the time of its disclosure to the Receiving Party;

(c) became generally available to the public or otherwise part of the public domain after its disclosure and other than through any act or omission of the Receiving Party in breach of any Transaction Document;

(d) is independently developed by the Receiving Party or any of its Affiliates, as evidenced by written records, without the use of or reference of the Confidential Information; or

(e) is subsequently disclosed to the Receiving Party on a non-confidential basis by a third party without obligations of confidentiality with respect thereto.

Section 6.2 Certain Disclosure Limitations. Notwithstanding anything in this Agreement to the contrary, with respect to information which is subject to attorney-client or other privilege purported to be obligated to be disclosed by this Agreement, then, to the extent so obligated by this Agreement to be disclosed by this Agreement the Buyer and the Seller shall use commercially reasonable efforts to enter into a common interest agreement. During any period prior to entering into such common interest agreement, such information shall be communicated separately and to the extent and in such manner so as reasonably maximize disclosure of updates and information specified in this Agreement but protect such privilege and to abide by confidentiality obligations.

Section 6.3 Authorized Disclosure.

(a) Either party may disclose Confidential Information with the prior written consent of the Disclosing Party or to the extent such disclosure is reasonably necessary in the following situations:

(i) prosecuting or defending litigation;

(ii) complying with applicable laws, rules and regulations, including regulations promulgated by securities exchanges;

(iii) complying with a valid order of a court of competent jurisdiction or other Governmental Entity;

(iv) for regulatory, tax or customs purposes;

(v) for audit purposes, provided that each recipient of Confidential Information must be bound by customary obligations of

confidentiality and non-use prior to any such disclosure consistent with this Agreement;

(vi) disclosure to its Affiliates and Representatives on a need-to-know basis, provided that each recipient of Confidential Information must be bound by customary obligations of confidentiality and non-use prior to any such disclosure consistent with this Agreement; or

(vii) disclosure to its actual or potential investors and co-investors, and other sources of funding, including debt financing, or potential partners, collaborators or acquirers, and their respective accountants, financial advisors and other professional representatives, provided, that such disclosure shall be made only to the extent customarily required to consummate such investment, financing transaction partnership, collaboration or acquisition and that each recipient of Confidential Information must be bound by customary obligations of confidentiality and non-use prior to any such disclosure consistent with this Agreement.

(b) Notwithstanding the foregoing in this Article 6, in the event the Receiving Party is required to make a disclosure of the Disclosing Party's Confidential Information pursuant to Sections 6.3(a)(i), (ii), (iii) or (iv), it will, except where impracticable, give reasonable advance notice to the Disclosing Party of such disclosure and, in any case use reasonable efforts to secure confidential treatment of such information.

(c) Except for a press release previously approved in form and substance by the Seller and the Buyer or any other public announcement using substantially the same text as such press release, or by the Target, for clarity, neither the Buyer nor the Seller shall, and each party hereto shall cause its respective Representatives, Affiliates and Affiliates' Representatives not to, issue a press release or other public announcement or otherwise make any public disclosure with respect to this Agreement, the other Transaction Documents or the subject matter hereof or thereof without the prior written consent of the other party hereto or thereto (which consent shall not be unreasonably withheld, conditioned or delayed), except as may be required by applicable law or stock exchange rule (in which case the party hereto required to make the press release or other public announcement or disclosure shall allow the other party hereto reasonable time to comment on such press release or other public announcement or disclosure in advance of such issuance).

#### Section 6.4 Certain Information Access.

(a) If any royalty reports, notices, documents correspondence or other information is specified to be provided to the Buyer pursuant to this Agreement and the access or use of such information by or for Buyer is not permissible due to confidentiality obligations under the applicable license or other agreement (a "Confidentiality Restriction") (and proper consent has not been obtained from the applicable third party), then:

(b) if such information is a royalty report, the Seller shall deliver to the Buyer a report, executed by a duly authorized officer of the Seller, (1) stating the amount of the royalty set forth in such report and payable in respect of the applicable sales revenue, for the applicable time period and (2) certifying (x) no deduction has been applied to reduce the Centocor Royalty, the Roche Royalty or the GSK Royalty, as applicable, other than those contained within the definition of Centocor Net Sales, Roche Net Sales or GSK Net Sales, as applicable, and (y) there is otherwise no material information in such royalty report that is different from, or other than, the amount stated pursuant to the foregoing clause (1); and

(c) if the information is any other reports, notices, documents, correspondence or other information, then to the extent permissible by the Confidentiality Restriction, the Seller shall deliver to the Buyer a written summary, certified by a senior employee of the Seller and to the extent providing such summary is not itself a Confidentiality Breach, of all information contained in such communication that the Seller reasonably believes is material (a “Material Summary”),

provided, that, if the Seller is advised in writing by its counsel that providing the Buyer such Material Summary or other relevant information will constitute a Confidentiality Breach, then the Seller shall paraphrase or otherwise describe the substance for the Buyer of such communication to the maximum extent possible, as the Seller is advised in writing by its counsel is permissible under the applicable Confidentiality Restriction.

## Article 7 TERMINATION

Section 7.1 Automatic Termination. This Agreement shall continue in full force and effect until the earlier of (a) sixty (60) days after such time as none of the Licensees (and, if applicable, New Licensee(s)) are obligated to make any payments of the Acquired Assets and (b) the termination of the Acquisition Agreement pursuant to its terms and the parties rights thereunder, at which point this Agreement shall automatically terminate, except, in each case, with respect to any rights that shall have accrued prior to such termination.

Section 7.2 Survival. Notwithstanding anything to the contrary in this Article 7, the following provisions shall survive termination of this Agreement: Section 5.2 (Payments Received in Error; Interest); Article 6 (Confidentiality; Information Access); Article 8 (Indemnification); and Article 10 (Miscellaneous). Termination of the Agreement shall not relieve any party of liability in respect of breaches under this Agreement by any party on or prior to termination.

## Article 8 INDEMNIFICATION

Section 8.1 General Indemnity. Subject to Section 8.3, from and after the Closing:

(a) the Seller hereby agrees to indemnify, defend and hold harmless the Buyer and its Affiliates and its and their directors, managers, trustees, officers, agents and employees (the “Buyer Indemnified Parties”) from, against and in respect of all Losses suffered or incurred by the Buyer Indemnified Parties to the extent arising out of or resulting from (i) any breach of any of the representations or warranties (in each case, when made) of the Seller in this Agreement or the Bill of Sale and (ii) any breach of any of the covenants or agreements of the Seller in this Agreement or the Bill of Sale; and

(b) the Buyer hereby agrees to indemnify, defend and hold harmless the Seller and its Affiliates and its and their directors, officers, agents and employees (“Seller Indemnified Parties”) from, against and in respect of all Losses suffered or incurred by the Seller Indemnified Parties to the extent arising out of or resulting from (i) any breach of any of the representations or warranties (in each case, when made) of the Buyer in this Agreement or the Bill of Sale or (ii) any breach of any of the covenants or agreements of the Buyer in this Agreement or the Bill of Sale.

Section 8.2 Notice of Claims. If either a Buyer Indemnified Party, on the one hand, or a Seller Indemnified Party, on the other hand (such Buyer Indemnified Party on the one hand and such Seller Indemnified Party on the other hand being hereinafter referred to as an “Indemnified Party”), has suffered or incurred any Losses for which indemnification may be sought under this Article 8, the

Indemnified Party shall so notify the other party from whom indemnification is sought under this Article 8 (the “Indemnifying Party”) promptly in writing describing such Loss, the amount or estimated amount thereof, if known or reasonably capable of estimation, and the method of computation of such Loss, all with reasonable particularity and containing a reference to the provisions of this Agreement in respect of which such Loss shall have occurred. If any claim, action, suit or proceeding is asserted or instituted by or against a third party with respect to which an Indemnified Party intends to claim any Loss under this Section 8.2, such Indemnified Party shall promptly notify the Indemnifying Party of such claim, action, suit or proceeding and tender to the Indemnifying Party the defense of such claim, action, suit or proceeding. A failure by an Indemnified Party to give notice and to tender the defense of such claim, action, suit or proceeding in a timely manner pursuant to this Section 8.2 shall not limit the obligation of the Indemnifying Party under this Article 8, except to the extent such Indemnifying Party is actually prejudiced thereby.

Section 8.3 Limitations on Liability. No party hereto shall be liable for any indirect, consequential, punitive, special or incidental damages as a result of any breach or violation of any covenant or agreement of such party (including under this Article 8) in or pursuant to this Agreement. Notwithstanding the foregoing, the Buyer shall be entitled to make indemnification claims, in accordance with the procedures set forth in this Article 8, for Losses that include any portion of the Royalty that the Buyer was entitled to receive but did not receive timely or at all due to any indemnifiable events under this Agreement, and such portion of the Royalty shall not be deemed indirect, consequential, punitive, special or incidental damages for any purpose of this Agreement.

Section 8.4 Third Party Claims. Following the receipt of notice provided by an Indemnified Party pursuant to Section 8.2 of the commencement of any action, suit or proceeding against such Indemnified Party by a third party with respect to which such Indemnified Party intends to claim any Loss under this Article 8, an Indemnifying Party shall have the right to defend such claim, at such Indemnifying Party’s expense and with counsel of its choice reasonably satisfactory to the Indemnified Party. If the Indemnifying Party assumes the defense of such claim, the Indemnified Party shall, at the request of the Indemnifying Party, use commercially reasonable efforts to cooperate in such defense; provided, that the Indemnifying Party shall bear the Indemnified Party’s reasonable out-of-pocket costs and expenses incurred in connection with such cooperation. So long as the Indemnifying Party is conducting the defense of such claim as provided in this Section 8.4, the Indemnified Party may retain separate co-counsel at its expense and may participate in the defense of such claim, and the Indemnifying Party shall not consent to the entry of any Judgment or enter into any settlement with respect to such claim without the prior written consent of the Indemnified Party unless such Judgment or settlement (A) provides for the payment by the Indemnifying Party of money as sole relief (if any) for the claimant (other than customary and reasonable confidentiality obligations relating to such claim, Judgment or settlement), (B) results in the full and general release of the Indemnified Party from all liabilities arising out of, relating to or in connection with such claim and (C) does not involve a finding or admission of any violation of any law, rule, regulation or Judgment, or the rights of any Person, and has no effect on any other claims that may be made against the Indemnified Party. In the event the Indemnifying Party does not or ceases to conduct the defense of such claim as so provided, (i) the Indemnified Party may defend against, and consent to the entry of any Judgment or enter into any settlement with respect to, such claim in any manner it may reasonably deem to be appropriate, (ii) subject to the limitations set forth in Section 8.3, the Indemnifying Party shall reimburse the Indemnified Party promptly and periodically for the reasonable out-of-pocket costs of defending against such claim, including reasonable attorneys’ fees and expenses against reasonably detailed invoices, and (iii) the Indemnifying Party shall remain responsible for any Losses the Indemnified Party may suffer as a result of such claim to the full extent provided in this Article 8.

Section 8.5 Exclusive Remedy. Except as set forth in Section 10.11, from and after Closing, the rights of the parties hereto pursuant to (and subject to the conditions of) this Article 8 shall be the sole and exclusive remedy of the parties hereto and their respective Affiliates with respect to any claims (whether based in contract, tort or otherwise) resulting from or relating to any breach of the

representations, warranties covenants and agreements made under this Agreement or any certificate, document or instrument delivered hereunder, and each party hereto hereby waives, to the fullest extent permitted under applicable law, and agrees not to assert after Closing, any other claim or action in respect of any such breach. Notwithstanding the foregoing, claims for common law fraud shall not be waived or limited in any way by this Article 8.

Section 8.6 Tax Treatment of Indemnification Payments. For all purposes hereunder, any indemnification payments made pursuant to this Article 8 will be treated as an adjustment to the Purchase Price for U.S. federal income tax and German tax purposes, in each case, to the fullest extent permitted by applicable law, except to the extent otherwise required pursuant to a “determination,” within the meaning of Section 1313(a) of the U.S. Internal Revenue Code of 1986, as amended, or a comparable provision of non-U.S. law.

## Article 9 MERGER MATTERS

Section 9.1 Acquisition Agreement. The Seller shall not, without the prior written consent of the Buyer, terminate, waive, amend, supplement or otherwise modify any provisions of the Acquisition Agreement in a manner that would reasonably be expected to have a Material Adverse Effect, and the Seller agrees to exercise its rights and perform its obligations in accordance with, and subject to the conditions of, the Acquisition Agreement. The Seller shall promptly (and in any event shall use its commercially reasonable efforts to within twenty-four (24) hours) notify the Buyer in writing if it becomes aware of any breach of the Acquisition Agreement, or if the Seller is proposing to make any waivers, amendments, supplements or other modifications to the Acquisition Agreement which would reasonably be expected to have a Material Adverse Effect. To the extent such proposal would reasonably be expected to have a Material Adverse Effect, the Seller shall in good faith consult with the Buyer in connection therewith.

Section 9.2 Form F-4. RP shall, upon request, furnish the Seller with all information concerning RP, its subsidiaries, directors, officers, stockholders or shareholders and such other matters as may be reasonably necessary or advisable in connection with the proxy statement, the Form F-4 or any other statement, filing, notice or application made by or on behalf of Seller in connection with the Merger and shall provide Buyer a reasonable opportunity to review in advance and comment on drafts of filings and to the extent relating to RP or the transactions contemplated hereby.

Section 9.3 Termination Fee. If the Acquisition Agreement is terminated prior to consummation of the Merger or if the Merger is otherwise not consummated and, in either case, the Seller receives a payment or other consideration from or on behalf of Target at any time related to such termination or non-consummation (the “Termination Fee”), the Seller agrees to pay to the Buyer **[REDACTED]** of such amount (the “Buyer Termination Payment”). The Seller shall make any payment of the Buyer Termination Payment in U.S. dollars and without any withholding, unless otherwise required by applicable law, by wire transfer of immediately available funds promptly (and in any case within 10 business days following Seller’s receipt of such Termination Fee from Target in accordance with the Buyer’s written instructions. **[REDACTED]**).

## Article 10 MISCELLANEOUS

Section 10.1 Notices. All notices and other communications under this Agreement shall be in writing and shall be by email with PDF attachment, facsimile, courier service or personal delivery to the following addresses, or to such other addresses as shall be designated from time to time by a party hereto in accordance with this Section 10.1:

If to the Seller, to it at:

MorphoSys AG  
Simmelweisstrasse 7  
82152 Planegg  
Germany  
Attention: CEO  
Facsimile: Copy: General Counsel  
Email: [REDACTED]

With a copy to:

Skadden, Arps, Slate, Meagher & Flom LLP  
500 Boylston Street  
Boston, Massachusetts 02116  
Attention: [REDACTED]  
Email: [REDACTED]

If to the Buyer, to it at:

Royalty Pharma Investments 2019 ICAV  
110 E. 59th Street, Suite 3300  
New York, New York 10022  
Attention: [REDACTED]  
Email: [REDACTED]

With a copy to:

Goodwin Procter LLP  
100 Northern Avenue  
Boston, Massachusetts 02210  
Attention: [REDACTED]  
Email: [REDACTED]

All notices and communications under this Agreement shall be deemed to have been duly given (i) when delivered by hand, if personally delivered, (ii) when received by a recipient, if sent by email, (iii) when sent, if sent by facsimile, with an acknowledgement of sending being produced by the sending facsimile machine or (iv) one Business Day following sending within the United States by overnight delivery via commercial one-day overnight courier service.

Section 10.2 Expenses. Except as otherwise provided herein, all fees, costs and expenses (including any legal, accounting and banking fees) incurred in connection with the preparation, negotiation, execution and delivery of this Agreement and to consummate the transactions contemplated hereby shall be paid by the party hereto incurring such fees, costs and expenses.

Section 10.3 No Transfer of Beneficial Ownership; No Granting of Rights. Notwithstanding any other provision in this Agreement, the parties hereto agree that (i) the Seller does not sell or transfer to the Buyer the legal or beneficial ownership of any intellectual property rights (including trademarks, Patent Rights, utility models or Know-How) in connection with the Acquired Assets, and (ii) the Seller does not grant to the Buyer the right to use any intellectual property or other rights registered in a German register, or exploited or used in Germany, under, or as a consequence of, this Agreement.

Section 10.4 Assignment. The Company shall not sell or assign its or its Subsidiaries' right, title or interest in the Material MorphoSys Product IP (except for antibody technology IP), any of the Upstream License Agreements, any of the License Agreements any Royalty Product or this Agreement to any Person, including by operation of law, merger, or otherwise, unless to (A) (i) an Affiliate, (ii) as part of a merger, by operation of law or otherwise with respect to all or substantially all of its business or (iii) to a third party with respect to a Royalty Product and (B) in connection with any sale or assignment contemplated by clause (iii) to a third party, such third party acquires all or substantially all of the Company's and its Subsidiaries' right, title and interest in all of such Royalty Product, the Material MorphoSys Product IP related to such Royalty Product, the Upstream License Agreements related to such Royalty Product, the License Agreement related to such Royalty Product and obligations under this Agreement with respect thereto and (C) in connection with any transaction contemplated by clause (i), (ii) or (iii), the Company causes such successor or assignee to deliver to the Buyer a writing reasonably acceptable to the Buyer in which such Person assumes the obligations of the Company to the Buyer under this Agreement, or alternatively the Company remains responsible. For clarity, any assignment in connection with the foregoing may be subject to any applicable third party consents. The Buyer may not sell or assign its or its Subsidiaries' right, title or interest in this Agreement, including by operation of law, merger, or otherwise, unless to (i) an Affiliate, (ii) as part of a merger, operation of law or otherwise with respect to all or substantially all of its business or (iii) in whole or in part with respect to a Royalty Product to a financial (rather than strategic) buyer or other third party, other than, with respect to (i), (ii) or (iii) a third party that is then developing, manufacturing, marketing or selling a competing product with respect to such Royalty Product (and if such competitor becomes an Affiliate while this Agreement is in effect, that third party shall be firewalled so as to prevent any access to Confidential Information of the Company or its Affiliates), provided that the Buyer promptly thereafter notifies the Company in writing thereof and the assignee has agreed in writing to be bound by the terms of this Agreement as if it were the Buyer hereunder. All actions set forth in this Section 10.4 are subject to any consents required, including under the License Agreements. Any purported sale or assignment in violation of this Section 10.4 shall be null and void. This Agreement shall be binding upon, inure to the benefit of and be enforceable by, the parties hereto and their respective permitted successors and assigns.

Section 10.5 Amendment and Waiver.

(a) This Agreement may be amended, modified or supplemented only in a writing signed by each of the parties hereto. Any provision of this Agreement may be waived only in a writing signed by the parties hereto granting such waiver.

(b) No failure or delay on the part of any party hereto in exercising any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy. No course of dealing between the parties hereto shall be effective to amend, modify, supplement or waive any provision of this Agreement.

Section 10.6 Entire Agreement. This Agreement, the Exhibits annexed hereto and the Disclosure Schedule constitute the entire understanding between the parties hereto with respect to the subject matter hereof and supersede all other understandings and negotiations with respect thereto.

Section 10.7 No Third Party Beneficiaries. This Agreement is for the sole benefit of the Seller and the Buyer and their permitted successors and assigns and nothing herein expressed or implied shall give or be construed to give to any Person, other than the parties hereto and such successors and assigns, any legal or equitable rights hereunder.

Section 10.8 Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York without giving effect to any choice or conflict of law provision or rule that would cause the application of the laws of any other jurisdiction.

Section 10.9      JURISDICTION; VENUE.

(a) EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS RESPECTIVE PROPERTY AND ASSETS, TO THE EXCLUSIVE JURISDICTION OF ANY NEW YORK STATE COURT OR FEDERAL COURT OF THE UNITED STATES OF AMERICA SITTING IN NEW YORK COUNTY, NEW YORK, AND ANY APPELLATE COURT THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT IN RESPECT THEREOF, AND THE BUYER AND THE SELLER HEREBY IRREVOCABLY AND UNCONDITIONALLY AGREE THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH NEW YORK STATE COURT OR, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL COURT. THE BUYER AND THE SELLER HEREBY AGREE THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY APPLICABLE LAW. EACH OF THE BUYER AND THE SELLER HEREBY SUBMITS TO THE EXCLUSIVE PERSONAL JURISDICTION AND VENUE OF SUCH NEW YORK STATE AND FEDERAL COURTS. THE BUYER AND THE SELLER AGREE, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THAT PROCESS MAY BE SERVED ON THE BUYER OR THE SELLER IN THE SAME MANNER THAT NOTICES MAY BE GIVEN PURSUANT TO SECTION 10.1 HEREOF.

(b) EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT IT MAY LEGALLY AND EFFECTIVELY DO SO, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT IN ANY NEW YORK STATE OR FEDERAL COURT. EACH OF THE BUYER AND THE SELLER HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

(c) Each party hereto irrevocably and unconditionally waives any right to trial by jury with respect to any proceeding arising out of, relating to or in connection with this Agreement or any transaction contemplated hereby.

Section 10.10      Severability. If any term or provision of this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any situation in any jurisdiction, then, to the extent that the economic and legal substance of the transactions contemplated hereby is not affected in a manner that is materially adverse to either party hereto, all other terms and provisions of this Agreement shall nevertheless remain in full force and effect and the enforceability and validity of the offending term or provision shall not be affected in any other situation or jurisdiction.

Section 10.11      Specific Performance. Each of the parties acknowledges and agrees that the other parties would be damaged irreparably in the event any of the provisions of this Agreement are not performed in accordance with their specific terms or otherwise are breached or violated. Accordingly, notwithstanding Section 8.5, each of the parties agrees that, without posting bond or other undertaking, the other parties shall be entitled to an injunction or injunctions to prevent breaches or violations of the provisions of this Agreement and to enforce specifically this Agreement and the terms and provisions hereof in any action, suit or other proceeding instituted in any court of the United States or any state thereof having jurisdiction over the parties and the matter in addition to any other remedy to which it may be entitled, at law or in equity. Each party further agrees that, in the event of any action

for specific performance in respect of such breach or violation, it shall not assert that the defense that a remedy at law would be adequate.

Section 10.12 Counterparts. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Copies of executed counterparts transmitted by telecopy, facsimile or other similar means of electronic transmission, including "PDF," shall be considered original executed counterparts, provided receipt of such counterparts is confirmed.

Section 10.13 Relationship of the Parties. The relationship between the Buyer and the Seller is solely that of purchaser and seller, and neither the Buyer nor the Seller has any fiduciary or other special relationship with the other party or any of its Affiliates. This Agreement is not a partnership or similar agreement, and nothing contained herein shall be deemed to constitute the Buyer and the Seller as a partnership, an association, a joint venture or any other kind of entity or legal form for any purposes, including any tax purposes. No party hereto is by virtue of this Agreement authorized as an agent, employee or legal representative of the other party. No party hereto shall have the power to control the activities and operations of the other and their status is, and at all times shall continue to be, that of independent contractors with respect to each other. No party hereto shall have any power or authority to bind or commit the other party. The Buyer and the Seller agree that they shall not take any inconsistent position with respect to such treatment referred to under this Section 10.13 in a filing with any Governmental Entity unless required by applicable law.

*[Signature Page Follows]*

IN WITNESS WHEREOF, the parties hereto have caused this Royalty Purchase Agreement to be executed and delivered by their respective representatives thereunto duly authorized as of the date first above written.

**MORPHOSYS AG**

By: \_\_\_\_\_  
Name:  
Title:

and

By: \_\_\_\_\_  
Name:  
Title:

**ROYALTY PHARMA INVESTMENTS 2019 ICAV**

By: RP Management, LLC, its Manager and lawfully appointed attorney

By: \_\_\_\_\_  
Name: [REDACTED]

**[REDACTED]**

**EXECUTION VERSION**

**Revenue Participation Rights**

**Purchase and Sale Agreement**

**By and Between**

**MorphoSys AG**

**and**

**Royalty Pharma Investments 2019 ICAV**

**Dated as of June 2, 2021**

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Exhibit C:	Form		of	Buyer		Opinion

## REVENUE PARTICIPATION RIGHTS PURCHASE AND SALE AGREEMENT

This REVENUE AND PARTICIPATION RIGHTS PURCHASE AND SALE AGREEMENT, dated as of June [ ], 2021 (this “Agreement”), is made and entered into by and between Royalty Pharma Investments 2019 ICAV, an Irish collective-asset management vehicle (the “Buyer”), and MorphoSys AG, a German public limited company (the “Company”).

### WITNESSETH:

WHEREAS, concurrently with entry into this Agreement, the Company is entering into that certain Agreement and Plan of Merger (the “Acquisition Agreement”) among the Company, MorphoSys Development Inc., an indirect wholly owned subsidiary of the Company (“Acquisition Sub”), and [Diamond, Inc.] (the “Target”) whereby, subject to the terms and conditions of the Acquisition Agreement, Acquisition Sub will commence a tender offer to acquire all of the issued and outstanding shares of the Target (the “Offer”) and, as soon as practicable after the occurrence of the Offer Acceptance Time and pursuant to Section 251(h) of the General Corporation Law of the State of Delaware, Acquisition Sub will merge with and into the Target (the “Merger”), and the Target will survive the Merger as a subsidiary of the Company;

WHEREAS, concurrently with entry into this Agreement, the Company and the Buyer, are entering into that certain royalty purchase agreement (the “Royalty Purchase Agreement”) and the Company and Royalty Pharma USA, Inc., an Affiliate of the Buyer, are entering into that certain development funding bond purchase agreement (the “Bond Purchase Agreement”);

WHEREAS, the parties intend to close the transactions contemplated by this Agreement, the Royalty Purchase Agreement and the Acquisition Agreement substantially concurrently, whereby the closing of the Offer will be immediately followed by the concurrent closings of the transactions contemplated by the Royalty Purchase Agreement and hereunder, and thereafter (and no later than the first (1st) Business Day following if the Merger cannot be consummated on the same day as the Offer is closed) the Merger and the other transactions contemplated by the Acquisition Agreement shall be consummated;

WHEREAS, the Target is, and following the Merger, the Company will be, in the business of, among other things, developing and commercializing the Target Products; and

WHEREAS, the Buyer desires to purchase the Revenue Participation Rights from the Target, and the Company desires to cause the Target to sell the Revenue Participation Rights to the Buyer, in each case on the terms and conditions set forth in the RP Agreements.

NOW THEREFORE, in consideration of the representations, warranties, covenants and agreements set forth in the RP Agreements and for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Company and the Buyer hereby agree as follows:

## ARTICLE 1

### DEFINITIONS

Section 1.1 Definitions. The following terms, as used herein, shall have the following meanings:

“Acquisition Agreement” is defined in the recitals.

“Acquisition Sub” is defined in the recitals.

“Active Ingredient” means clinically active material that provides pharmacological activity in a pharmaceutical or biologic product (excluding formulation components such as coatings, stabilizers, excipients or solvents, adjuvants, or controlled release technologies).

“Additional Payment” is defined in Section 3.3.

“Affiliate” means, with respect to any particular Person, any other Person directly or indirectly controlling, controlled by or under common control with such particular Person. For purposes of the foregoing sentence, the term “control” means direct or indirect ownership of (x) fifty percent (50%) or more, including ownership by trusts with substantially the same beneficial interests, of the voting and equity rights of such Person, firm, trust, corporation, partnership or other entity or combination thereof, or (y) the power to direct the management of such person, firm, trust, corporation, partnership or other entity or combination thereof, by contract or otherwise. For purposes of this Agreement, an Affiliate of the Company shall be deemed to include the Target and its Subsidiaries but only following the Closing.

“Agreement” is defined in the preamble.

“Back-Up Security Interest” is defined in Section 2.1(b).

“Bankruptcy Laws” means, collectively, bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, fraudulent transfer or other similar laws affecting the enforcement of creditors’ rights generally.

“Bill of Sale” is defined in Section 2.3.

“Bond Purchase Agreement” is defined in the recitals.

“Business Day” means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions located in New York, USA or Frankfurt, Germany are permitted or required by applicable law or regulation to remain closed.

“Buyer” is defined in the preamble.

“Buyer Indemnified Parties” is defined in Section 7.1(a).

“Clinical Trial” means a clinical trial intended to support the Marketing Approval or Commercialization of a Target Product.

“Clinical Updates” means (a) a summary of material updates with respect to the Clinical Trials, including the number of patients currently enrolled in each such Clinical Trial, the number

of sites conducting each such Clinical Trial, the progress of each such Clinical Trial, any material modifications to each such Clinical Trial, and any adverse events and serious adverse events in the Clinical Trials, (b) decisions to start new Clinical Trials and (c) investigator brochures for the Target Product. Copies of internal presentations or reports of summaries of such material information or developments, and copies of presentations or reports received by the Company from any Third Party, may be used as Clinical Updates.

“Closing” means the closing of the sale, transfer, assignment and conveyance of the Revenue Participation Rights hereunder.

“Closing Date” means the date on which the Closing occurs pursuant to Section 3.1.

“Combination Target Product” means:

(a) a single pharmaceutical formulation (whether co-formulated or administered together via the same administration route) containing as its active ingredients both a Target Product and one or more other therapeutically or prophylactically active pharmaceutical or biologic ingredients (each an “Other Component”), or

(b) a combination therapy comprised of a Target Product and one or more Other Component(s), whether priced and sold in a single package containing such multiple products, packaged separately but sold together for a single price, or sold under separate price points but labeled for use together;

in each case, including all dosage forms, formulations, presentations, and package configurations.

Drug delivery vehicles, adjuvants and excipients will not be deemed to be “active ingredients”, except in the case where such delivery vehicle, adjuvant or excipient is recognized by the FDA as an active ingredient in accordance with 21 C.F.R. 210.3(b)(7).

“Commercial Updates” means a summary of material updates with respect to the Company’s and its Affiliates’ and any Licensee’s sales and marketing activities and commercial manufacturing matters with respect to a Target Product. Copies of internal presentations or reports of summaries of such material information or developments, and copies of presentations or reports received by the Company from any Third Party, may be used as Commercial Updates.

“Commercialization” means any and all activities directed to the manufacture, distribution, marketing, detailing, promotion, selling and securing of reimbursement of a Target Product (including the making, using, importing, selling and offering for sale of such Target Product), and shall include post-Marketing Approval studies, post-launch marketing, promoting, detailing, marketing research, distributing, customer service, selling such Target Product, importing, exporting or transporting such Target Product for sale, and regulatory compliance with respect to the foregoing. When used as a verb, “Commercialize” shall mean to engage in Commercialization.

“Commercially Reasonable Efforts” is defined in Section 6.9.

“Company” is defined in the preamble and shall be deemed to include (a) the Company’s Subsidiaries, including, following the closing of the Merger, the Target and (b) any assignee of the Company pursuant to Section 10.4 in lieu of the Company and the Company’s Subsidiaries (including the Target).

“Company Indemnified Parties” is defined in Section 7.1(b).

“Confidential Information” is defined in Section 8.1.

“CPI-0209” means (a) the small molecule inhibitor of enhancer of zeste homolog 2 (EZH2), known as CPI-0209 and with the structure of CPI-0209 as disclosed in a letter from the Company to the Buyer dated as of the date hereof, (b) any derivative, radioisomer, stereoisomer, racemates, solvates, salt forms, bases, anhydrides, hydrates, polymorphs, metabolites, ester forms, deuterated forms or pro drugs of such molecule, and (c) any pharmaceutical product that contains any of the foregoing, in each case, in any formulation, dosage form, dosing regimen, strength, or route of administration.

“CPI-0209 Revenue Payment” means, for each calendar quarter during the Royalty Term for CPI-0209, an amount payable to the Buyer equal to the amount of worldwide aggregate Net Sales of CPI-0209 during such calendar quarter multiplied by three percent (3%).

“Delivery Deadline” shall mean ten (10) Business Days.

“Disclosure Schedule” means the Disclosure Schedule, dated as of the date hereof, delivered to the Buyer by the Company concurrently with the execution of this Agreement.

“Disclosing Party” is defined in Section 8.1.

“EMA” means the European Medicines Agency, or any successor agency thereto.

“FD&C Act” means the United States Federal Food, Drug, and Cosmetic Act.

“FDA” means the U.S. Food and Drug Administration, or any successor agency thereto.

“First Commercial Sale” means, with respect to a Target Product or Generic Product, as applicable, on a country-by-country basis, the first sale for commercial use or consumption by an end-user of such product in such country after Marketing Approval of such product has been granted in such country, or such commercial marketing and sale is otherwise permitted, by the Regulatory Authority of such country.

“Generic Launch Quarter” means, with respect to a particular Generic Product on a country-by-country basis, the calendar quarter in which the First Commercial Sale of the applicable Generic Product occurs in such country.

“Generic Product” means, with respect to a particular Target Product on a country-by-country basis, a product that (a) contains the same Active Ingredient as the applicable Target Product, (b) relies on or receives Marketing Approval through the use of data included in the regulatory submissions for such Target Product and is categorized by the applicable Regulatory Authority in such country to be therapeutically equivalent to, or interchangeable with, such Target Product, such that the pharmaceutical product may be substituted for such Target Product at the point of dispensing, and (c) is lawfully sold or marketed for sale in such country by a Third Party (not licensed, supplied or otherwise permitted by the Company or its Affiliates, licensees or sublicensees).

“Governmental Entity” means any: (a) nation, principality, republic, state, commonwealth, province, territory, county, municipality, district or other jurisdiction of any nature; (b) federal, state, local, municipal, foreign or other government; (c) governmental or

quasi-governmental authority of any nature (including any governmental division, subdivision, department, agency, bureau, branch, office, commission, council, board, instrumentality, officer, official, representative, organization, unit, body or other entity and any court, arbitrator or other tribunal); (d) multi-national organization or body; or (e) individual, body or other entity exercising, or entitled to exercise, any executive, legislative, judicial, administrative, regulatory, police, military or taxing authority or power of any nature.

“Gross Sales” is defined in the definition of “Net Sales”.

“Improvements” means any improvement, invention or discovery with respect to a Target Product, including the composition of matter or formulation, or the method of manufacture of a Target Product and any and all derivatives thereof.

“Indebtedness” of any Person means any indebtedness for borrowed money, any obligation evidenced by a note, bond, debenture or similar instrument, or any guarantee of any of the foregoing.

“In-License” means any license, settlement agreement or other agreement or arrangement between the Company or any of its Affiliates and any Third Party pursuant to which the Company or any of its Affiliates obtains a license or a covenant not to sue or equivalent grant of rights to Intellectual Property Rights (other than commercial off the shelf software) of such Third Party that is necessary or useful for the research, development, manufacture, use or Commercialization of a Target Product.

“Indemnified Party” is defined in Section 7.2.

“Indemnifying Party” is defined in Section 7.2.

“Intellectual Property Rights” means any and all of the following as they exist throughout the world at any time, to the extent owned : (a) the Patent Rights; (b) proprietary rights in registered and unregistered trademarks, service marks, trade names, trade dress, logos, packaging design, slogans and Internet domain names, and registrations and applications for registration of any of the foregoing, in each case, to the extent with respect to a Target Product; (c) copyrights in both published and unpublished works, including all compilations, databases and computer programs, manuals and other documentation and all copyright registrations and applications, and all derivatives, translations, adaptations and combinations of the above, in each case, to the extent with respect to a Target Product; (d) proprietary rights in research in progress, algorithms, data, databases, data collections, chemical and biological materials (including any compounds, DNA, RNA, clones, vectors, cells and any expression product, progeny, derivatives or improvements thereto), and the results of experimentation and testing, including samples, in each case, to the extent with respect to a Target Product; (e) proprietary rights in all Know-How with respect to a Target Product or reasonably necessary or useful for the development, manufacture or Commercialization of such Target Product; (f) any and all other intellectual property rights and/or proprietary rights, whether or not patentable, specifically relating to any of the foregoing, to the extent with respect to a Target Product; (g) claims of infringement and misappropriation against Third Parties to the extent with respect to any of the foregoing; and (h) regulatory filings, submissions, applications, registrations and approvals to the extent with respect to a Target Product.

“Intellectual Property Updates” means an updated list of the Patent Rights, including any new Patents issued or filed, amended or supplemented, with respect to a Target Product in any country, or any abandonments or other termination of prosecution with respect to any of the

Patent Rights, and any other material information or developments with respect to the Intellectual Property Rights.

“Judgment” means any judgment, order, writ, injunction, citation, award or decree of any nature.

“Know-How” means any and all proprietary confidential information, know-how and trade secrets, including processes, formulae, models and techniques (but excluding rights in research in progress, algorithms, databases, data collections, chemical and biological materials and the results of experimentation and testing).

“Knowledge of the Company” means the actual knowledge of the individuals listed in Schedule 1.1(b) of the Disclosure Schedule, after reasonable due inquiry, including reasonable due inquiry of the Target through the Target’s representations and warranties (and attendant disclosure schedules thereto) made in the Acquisition Agreement and in due diligence by the Company for purposes of entering into the Acquisition Agreement.

“Licensee” means, with respect to any Target Product, a Third Party to whom the Company or any Affiliate of the Company has granted a license or sublicense to develop, have developed, make, have made, seek Marketing Approvals for, use, have used, import, sell, offer to sell, have sold or otherwise Commercialize such Target Product.

“Lien” shall be as defined in the Royalty Purchase Agreement.

“Loss” means any and all Judgments, damages, losses, claims, costs, liabilities and expenses, including reasonable fees and out-of-pocket expenses of counsel.

“Loss of Market Exclusivity” [REDACTED]

“Major Market” means the United States, Germany, the United Kingdom, France, Spain, Italy or Japan.

“Marketing Approval” means, an NDA approved by the FDA, a Marketing Authorization Application approved by the EMA under the centralized European procedure, or any corresponding non-U.S. or non-EMA application, registration or certification in any other jurisdiction, necessary or reasonably useful to market a Target Product and approved by the corresponding Regulatory Authority, including pricing and reimbursement approvals where required.

“Material Adverse Effect” means (a) an adverse effect in any material respect on the timing, duration or amount of the Revenue Payments; (b) a material adverse effect on (i) a Target Product, (ii) the Intellectual Property Rights, including the Company’s rights in or to the Intellectual Property Rights, (iii) any Marketing Approval of a Target Product a Major Market, or the timing thereof, (iv) the legality, validity or enforceability of any provision of this Agreement, (v) the ability of the Company and, after the Closing, the Target, to perform any of its and their obligations under this Agreement (including the Company’s ability to cause the Target to execute, deliver and perform any of its obligations under the Bill of Sale), (vi) the rights or remedies of the Buyer under this Agreement, or (vii) the business of the Company and its Affiliates (taken as a whole); or (c) an adverse effect in any material respect on the Revenue Participation Rights or the Back-Up Security Interest.

“Merger” is defined in the recitals.

“NDA” means a New Drug Application submitted to the FDA in the United States in accordance with the FD&C Act with respect to a pharmaceutical product or any analogous application or submission with any Regulatory Authority outside of the United States.

“Net Sales” **[REDACTED]**

“Offer” is defined in the recitals.

“Offer Acceptance Time” shall be as defined in the Acquisition Agreement.

“Other Component” is defined in the definition of “Combination Target Products”.

“Out-License” means any license between the Company or any of its Affiliates and any Third Party pursuant to which the Company or any of its Affiliates grants a material license or sublicense of Intellectual Property Rights to a Licensee to market, detail, promote, sell or secure reimbursement of a Target Product.

“Patents” means any and all patents and patent applications existing as of the date of this Agreement and all patent applications filed hereafter, including any continuation, continuation-in-part, division, provisional or any substitute applications, any patent issued with respect to any of the foregoing patent applications, any certificate, reissue, reexamination, renewal or patent term extension or adjustment (including any supplementary protection certificate) of any such patent or other governmental actions which extend any of the subject matter of a patent, and any substitution patent, confirmation patent or registration patent or patent of addition based on any such patent, and all foreign counterparts of any of the foregoing.

“Patent Rights” means any and all Patents owned or in-licensed by the Company or any of its Affiliates or under which the Company or any of its Affiliates is or may become empowered to grant licenses, the subject matter of which is necessary or reasonably useful in the development or Commercialization of a Target Product, as well as any existing or future Patents covering any Improvements.

“Pelabresib” means (a) the small molecule inhibitor of bromodomain and extra-terminal domain (BET) proteins, known as pelabresib or CPI-0610 and as structurally described on Schedule 1.1(c) of the Disclosure Schedule, (b) any derivative, radioisomer, stereoisomer, racemates, solvates, salt forms, bases, anhydrides, hydrates, polymorphs, metabolites, ester forms, deuterated forms or pro drugs of such molecule, and (c) any pharmaceutical product that contains any of the foregoing, in each case, in any formulation, dosage form, dosing regimen, strength, or route of administration.

“Pelabresib Revenue Payment” means, for each calendar quarter during the Royalty Term for Pelabresib, an amount payable to the Buyer equal to the amount of worldwide aggregate Net Sales of Pelabresib during such calendar quarter multiplied by three percent (3%).

“Permitted Liens” shall be as defined in the Royalty Purchase Agreement.

“Person” means any individual, firm, corporation, company, partnership, limited liability company, trust, joint venture, association, estate, trust, Governmental Entity or other entity, enterprise, association or organization.

“Prime Rate” means the prime rate published by The Wall Street Journal, from time to time, as the prime rate.

“Receiving Party” is defined in Section 8.1.

“Reimbursement Approval” means an approval, agreement, determination, or other decision by the applicable Governmental Entity or Regulatory Authority that establishes prices charged to end-users for pharmaceutical or biologic products at which a particular pharmaceutical or biologic product will be reimbursed by the Regulatory Authority or other applicable Governmental Entity.

“Regulatory Authority” means any national or supranational governmental authority, including the FDA, the EMA or such equivalent regulatory authority, or any successor agency thereto, that has responsibility in granting a Marketing Approval.

“Regulatory Exclusivity Period” means, on a Target Product-by-Target Product basis in any country, any period of data, market or other regulatory exclusivity (other than Patent exclusivity) granted or afforded by law or by a Regulatory Authority in such country that confers exclusive marketing rights with respect to such Target Product in such country or prevents another party from using or otherwise relying on any data supporting the Marketing Approval for such Target Product.

“Regulatory Updates” means a summary of any and all material information and developments that materially impact a Target Product with respect to any regulatory filings or submissions made to any Regulatory Authority. Copies of internal presentations or reports of summaries of such material information or developments, and copies of presentations or reports received by the Company from any Third Party, may be used as Regulatory Updates.

“Representative” means, with respect to any Person, (a) any direct or indirect member or partner of such Person and (b) any manager, director, trustee, officer, employee, agent, advisor or other representative (including attorneys, accountants, consultants, contractors, actual and potential lenders, investors, co-investors and assignees, bankers and financial advisers) of such Person.

“Report” is defined in Section 6.1.

“Revenue Participation Purchase Price” is defined in Section 2.2.

“Revenue Participation Rights” means the rights to receive the Revenue Payments.

“Revenue Payments” means the CPI-0209 Revenue Payments and Pelabresib Revenue Payments.

“Royalty Purchase Agreement” is defined in the recitals.

“Revenue Report” is defined in Section 6.3.

“Royalty Term” [REDACTED]

“RP Agreements” means this Agreement, the Royalty Purchase Agreement and the Bond Purchase Agreement and the exhibits, annexes, schedules and ancillary agreements and instruments related thereto.

“Safety Notices” means any recalls, field notifications, market withdrawals, warnings, “dear doctor” letters, investigator notices, safety alerts or other notices of action issued or

instigated by the Company, any of its Affiliates or any Governmental Authority relating to an alleged lack of safety or regulatory compliance of any Target Product.

“SEC” means the U.S. Securities and Exchange Commission.

“Subsidiary” means any and all corporations, partnerships, limited liability companies, joint ventures, associations and other entities controlled (by contract or otherwise) by the Company directly or indirectly through one or more intermediaries. For purposes hereof, the Company shall be deemed to control a partnership, limited liability company, association or other business entity if the Company, directly or indirectly through one or more intermediaries, shall be allocated a majority of partnership, limited liability company, association or other business entity gains or losses or shall be or control the managing director or general partner of such partnership, limited liability company, association or other business entity.

“Target” is defined in the recitals.

“Target Product” and “Target Products” means, individually and collectively, CPI-0209 and Pelabresib, and shall also be deemed to include all Combination Target Products but only to the extent of CPI-0209 or Pelabresib, respectively.

“Target Product Rights” means any and all of the following, as they exist in any Major Market: (a) Patent Rights, (b) regulatory filings, submissions and approvals, including Marketing Approvals, with or from any Regulatory Authorities with respect to any of the Target Products in each Major Market Country and (c) In-Licenses.

“Tax” or “Taxes” means any federal, state, local or foreign income, gross receipts, license, payroll, employment, excise, severance, occupation, premium, windfall profits, environmental, customs duties, capital stock, franchise, profits, withholding, social security, unemployment, disability, real property, personal property, abandoned property, value added, alternative or add-on minimum, estimated or other tax of any kind whatsoever, including any interest, penalty or addition thereto, whether disputed or not.

“Third Party” means any Person that is not the Company or the Company’s Affiliates.

“Transaction Agreements” means this Agreement, the Royalty Purchase Agreement, the Bond Purchase Agreement, the Acquisition Agreement and the exhibits, annexes, schedules and ancillary agreements and instruments related thereto.

“UCC” means the Uniform Commercial Code as in effect from time to time in the State of New York; provided, that, if, with respect to any financing statement or by reason of any provisions of applicable law, the perfection or the effect of perfection or non-perfection of the back-up security interest or any portion thereof granted pursuant to Section 2.1(b) is governed by the Uniform Commercial Code as in effect in a jurisdiction of the United States other than the State of New York, then “UCC” means the Uniform Commercial Code as in effect from time to time in such other jurisdiction for purposes of the provisions of this Agreement and any financing statement relating to such perfection or effect of perfection or non-perfection.

“U.S. GAAP” means generally accepted accounting principles in the United States in effect from time to time.

“Valid Claim” means (a) a claim of an issued and unexpired patent which has not been found to be unpatentable, invalid or unenforceable by a court or other authority having

jurisdiction, from which decision no appeal is taken or can be taken; and (b) a claim of a pending application, which pending application (i) has not been pending for more than seven (7) years from the date of its earliest priority date, and (ii) which claim has not been finally abandoned. For the avoidance of doubt, any claim of an application which directly or indirectly claims priority to any application filed more than seven (7) years from the date of its earliest priority date shall not be a Valid Claim unless and until such claim becomes the claim of an issued and unexpired patent falling within subsection (i) of this definition, and provided, further, if such pending claim with a pendency period of seven (7) years or longer subsequently issues, it will be deemed a Valid Claim upon issuance.

“VAT” means (a) any tax imposed in compliance with the Council Directive of November 28, 2006 on the common system of value added tax (EC Directive 2006/112) and (b) any other tax of a similar nature, whether imposed in a member state of the European Union in substitution for or levied in addition to, such tax referred to in (a), or imposed elsewhere, including, in each case of (a) or (b), any interest, penalty, addition thereto (whether disputed or not) and any other related costs, interest, fees, charges and expenses of whatsoever nature.

Section 1.2 Certain Interpretations. Except where expressly stated otherwise in this Agreement, the following rules of interpretation apply to this Agreement:

(a) “either” and “or” are not exclusive and “include,” “includes” and “including” are not limiting and shall be deemed to be followed by the words “without limitation”;

(b) “extent” in the phrase “to the extent” means the degree to which a subject or other thing extends, and such phrase does not mean simply “if”;

(c) “hereof,” “hereto,” “herein” and “hereunder” and words of similar import when used in this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement;

(d) references to a Person are also to its permitted successors and assigns;

(e) definitions are applicable to the singular as well as the plural forms of such terms;

(f) references to an “Article”, “Section” or “Exhibit” refer to an Article or Section of, or an Exhibit to, this Agreement, and references to a “Schedule” refer to the corresponding part of the Disclosure Schedule;

(g) references to “\$” or otherwise to dollar amounts refer to the lawful currency of the United States (and all payments hereunder shall be made in U.S. dollars cash in immediately available funds);

(h) references to the Transaction Agreements include any amendments or modifications to such Transaction Agreements made not in violation of the terms of the RP Agreements; and

(i) references to a law include any amendment or modification to such law and any rules and regulations issued thereunder, whether such amendment or modification is made, or issuance of such rules and regulations occurs, before or after the date of this Agreement.

## ARTICLE 2

### **PURCHASE, SALE AND ASSIGNMENT OF THE REVENUE PARTICIPATION RIGHT**

#### Section 2.1 Purchase, Sale and Assignment.

(a) At the Closing and upon the terms and subject to the conditions of this Agreement and the other RP Agreements, the Company shall cause the Target to sell, transfer, assign and convey to the Buyer, and the Buyer shall purchase, acquire and accept from the Target, the Revenue Participation Rights free and clear of all Liens other than Permitted Liens. Immediately upon the sale to the Buyer by the Target of the Revenue Participation Rights pursuant to this Section 2.1, the Target relinquishes all title and control over the Revenue Participation Rights and all of the Target's right, title and interest in and to the Revenue Participation Rights shall terminate, and all such right, title and interest shall vest in the Buyer.

(b) It is the intention of the parties hereto that the sale, transfer, assignment and conveyance contemplated by this Agreement be, and is, a true, complete, absolute and irrevocable sale, transfer, assignment and conveyance by the Target to the Buyer of all of the Target's right, title and interest in and to the Revenue Participation Rights. Neither the Company nor the Buyer intends the transactions contemplated by this Agreement to be, or for any purpose characterized as, a loan from the Buyer to the Company or to any of the Company's Affiliates, or a pledge, a security interest, a financing transaction or a borrowing. It is the intention of the parties hereto that the beneficial interest in and title to the Revenue Participation Rights and any "proceeds" (as such term is defined in the UCC) thereof shall not be part of the Company's or the Target's estates in the event of the filing of a petition by or against the Company or the Target under any Bankruptcy Laws. Each of the Company and the Buyer hereby waives, to the maximum extent permitted by applicable law, any right to contest or otherwise assert that the sale contemplated by this Agreement does not constitute a true, complete, absolute and irrevocable sale, transfer, assignment and conveyance by the Target to the Buyer of all of the Target's right, title and interest in and to the Revenue Participation Rights under applicable Law, which waiver shall, to the maximum extent permitted by applicable Law, be enforceable against the Company, including the Target, in any bankruptcy or insolvency proceeding relating to the Company or its Subsidiaries. Accordingly, the Company and the Target shall treat the sale, transfer, assignment and conveyance of the Revenue Participation Rights as a sale of an "account" or a "payment intangible" (as appropriate) in accordance with the UCC, and the Company hereby authorizes and shall cause the Target to authorize the Buyer to file financing statements (and continuation statements with respect to such financing statements when applicable) naming the Target as the debtor and the Buyer as the secured party in respect to the Revenue Participation Rights. Not in derogation of the foregoing statement of the intent of the parties hereto in this regard, and for the purposes of providing additional assurance to the Buyer in the event that, despite the intent of the parties hereto, the sale, transfer, assignment and conveyance contemplated hereby is hereafter held not to be a sale, the Company shall, or shall cause the Target to, grant to the Buyer a security interest in and to all right, title and interest in, to and under the Revenue Participation Rights and the Revenue Payments (excluding, for the avoidance of doubt, accounts and payment intangibles (each as defined in the UCC), and the Company does hereby authorize and shall, after the Closing, cause the Target to authorize, the Buyer, from and after the Closing, to file such financing statements (and continuation statements with respect to such financing statements when applicable) in such manner and such jurisdictions as are necessary or appropriate to perfect such security interest (the "Back-Up Security Interest"). The parties agree that the Back-Up Security Interest is being granted as security for the payment of amounts to the Buyer equal to the Revenue Participation Purchase Price plus the

Additional Payment (if paid) (including a market rate of return on such amounts) less all Revenue Payments received by the Buyer pursuant to this Agreement.

Section 2.2 Revenue Participation Purchase Price. At the Closing and upon the terms and subject to the conditions of this Agreement, the purchase price to be paid as consideration to the Target for the sale, transfer, assignment and conveyance of the Revenue Participation Rights to the Buyer is [REDACTED], non-creditable and non-refundable, in cash and payable in U.S. dollars in immediately available funds (the "Revenue Participation Purchase Price").

Section 2.3 No Assumed Obligations, Etc. Notwithstanding any provision in this Agreement to the contrary, the Buyer is only agreeing, on the terms and conditions set forth in this Agreement, to purchase, acquire and accept the Revenue Participation Rights and is not assuming any liability or obligation of the Company or the Target of whatever nature, whether presently in existence or arising or asserted hereafter.

Section 2.4 Bill of Sale. At the Closing, upon confirmation of the receipt of the Revenue Participation Purchase Price, the Company shall cause the Target to deliver to the Buyer a duly executed bill of sale and supplementary agreement evidencing the sale, transfer, assignment and conveyance of the Revenue Participation Rights and in which the Target makes certain representations, warranties and agreements in connection with the transactions contemplated by this Agreement, in the form attached hereto as Exhibit A from the Target to the Buyer (the "Bill of Sale").

Section 2.5 VAT. The parties hereto acknowledge and agree that no VAT liability is expected to arise in connection with any of the transactions contemplated by this Agreement.

### ARTICLE 3

#### CLOSING; PAYMENT OF ADDITIONAL PURCHASE PRICE

Section 3.1 Closing. Subject to the satisfaction of the conditions set forth in ARTICLE 5, the Closing shall take place remotely via the exchange of documents and signatures immediately following the Offer Acceptance Time (other than those conditions that by their nature are to be satisfied at the Closing), or at such other place, time and date as the parties hereto may mutually agree.

Section 3.2 Payment of Purchase Price. At the Closing, the Buyer shall deliver (or cause to be delivered) payment of the Revenue Participation Purchase Price to the Target without set-off (by contract or otherwise), by electronic funds transfer or wire transfer of immediately available funds to the account specified in writing by the Company reasonably prior to the Closing.

Section 3.3 Payment of Additional Purchase Price. The Buyer shall deliver (or cause to be delivered) a one-time non-refundable and non-creditable cash payment of [REDACTED] to the Target (or its designee) (the "Additional Payment"), without set-off (by contract or otherwise), by electronic funds transfer or wire transfer of immediately available funds in U.S. dollars to one or more accounts specified by the Target within ten (10) Business Days of the Buyer's receipt of Pelabresib Revenue Payments with respect to Net Sales of Pelabresib in a calendar year in excess of [REDACTED] Any such payment by the Buyer, if and when made hereunder, shall constitute the payment of additional purchase price for the Buyer's purchase of the Revenue Participation Rights.

## ARTICLE 4

### **REPRESENTATIONS AND WARRANTIES**

Section 4.1 Company's Representations and Warranties. Except as set forth on the Disclosure Schedules attached hereto, the Company represents and warrants to the Buyer as of the date of this Agreement that:

(a) Existence; Good Standing. The Company is a German stock corporation (*Aktiengesellschaft*) duly organized, validly existing and in good standing under the laws of Germany. The Company has all necessary power and authority to do business and is in corporate good standing in each jurisdiction in which the nature of the business conducted by it or the character or location of the properties and assets owned, leased or operated by it makes such licensing or qualification necessary, except where the failure to be so licensed or qualified and in corporate good standing has not and would not reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect.

(b) Authorization. The Company has all requisite corporate power and authority to execute, deliver and perform its obligations under this Agreement. The execution, delivery and performance of this Agreement, and the consummation of the transactions contemplated hereby, have been duly authorized by all necessary corporate action on the part of the Company.

(c) Enforceability. This Agreement has been duly executed and delivered by an authorized officer of the Company and constitutes the valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as may be limited by applicable Bankruptcy Laws or by general principles of equity (whether considered in a proceeding in equity or at law).

(d) No Conflicts. The execution, delivery and performance by the Company of this Agreement and the consummation of the transactions contemplated hereby do not and will not (i) contravene or conflict with the articles of association (*Satzung*) of the Company or rules of procedure of the Supervisory Board of the Company, (ii) contravene or conflict with or constitute a material default under any law binding upon or applicable to the Company or the Revenue Participation Rights, (iii) contravene or conflict with, or constitute a default under, any agreement binding upon or applicable to the Company or, to the Knowledge of the Company, the Revenue Participation Rights, except for such contraventions, conflicts or defaults which would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect or (iv) contravene or conflict with, or constitute a material default under, any Judgment binding upon or applicable to the Company or, to the Knowledge of the Company, the Revenue Participation Rights.

(e) Consents. Except for any filings required by the federal securities laws or stock exchange rules and as provided in Schedule 4.1(e) of the Disclosure Schedule, no consent, approval, license, order, authorization, registration, declaration or filing with or of any Governmental Entity or other Person is required to be done or obtained by the Company or any of its Affiliates in connection with (i) the execution and delivery by the Company of this Agreement, (ii) the performance by the Company of its obligations under this Agreement or (iii) the consummation by the Company of any of the transactions contemplated by this Agreement.

(f) No Litigation. Neither the Company nor any of its Affiliates is a party to, and has not received any written notice of, any action, suit, investigation or proceeding pending before any Governmental Entity and, to the Knowledge of the Company, no such action, suit, investigation or proceeding has been threatened in writing against the Company or its Affiliates, that, individually or in the aggregate, has had or would, if determined adversely, reasonably be expected to have a Material Adverse Effect.

(g) Target Product-Related R&Ws. The Company has provided the Buyer with true and complete copies of the Acquisition Agreement (including the disclosure schedules thereto) and the Company has no Knowledge of any events or circumstances that would make the representations and warranties made by the Target in the Acquisition Agreement (and the disclosure schedules thereto) materially and adversely inaccurate or that would, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

(h) No Liens; Title to Revenue Participation Right. None of the property or assets, including Intellectual Property Rights, of the Target, the Company or any of their Affiliates is subject to any Lien, except for a Permitted Lien. Upon the Closing, the Buyer will have acquired, subject to the terms and conditions set forth in this Agreement and the Acquisition Agreement, good and marketable title to the Revenue Participation Rights, free and clear of all Liens except Permitted Liens.

(i) Indebtedness. There has been no material change to the outstanding Indebtedness of the Company and its Subsidiaries as reported in the Company's first quarter interim statements filed with the SEC on Form 6-K on May 5, 2021.

(j) Lien Related Representation and Warranties. The Company's exact legal name is, and for the immediately preceding five (5) years has been, "MorphoSys AG". The Company is, and for the prior five (5) years has been, incorporated in Germany.

(k) Brokers' Fees. Except as set forth on Schedule 4.1(k) of the Disclosure Schedule, there is no investment banker, broker, finder, financial advisor or other intermediary who has been retained by or is authorized to act on behalf of the Company who might be entitled to any fee or commission in connection with the transactions contemplated by this Agreement.

Section 4.2 Buyer's Representations and Warranties. The Buyer hereby represents and warrants to the Company that as of the date of this Agreement:

(a) Existence; Good Standing. The Buyer is an Irish collective-asset management vehicle duly organized, validly existing and in good standing under the laws of Ireland.

(b) Authorization. The Buyer has the requisite right, power and authority to execute, deliver and perform its obligations under this Agreement. The execution, delivery and performance of this Agreement, and the consummation of the transactions contemplated hereby, have been duly authorized by all necessary action on the part of the Buyer.

(c) Enforceability. This Agreement has been duly executed and delivered by an authorized person of the Buyer and constitutes the valid and binding obligation of the Buyer, enforceable against the Buyer in accordance with its terms, except as may be limited by applicable Bankruptcy Laws or by general principles of equity (whether considered in a proceeding in equity or at law).

(d) No Conflicts. The execution, delivery and performance by the Buyer of this Agreement do not and will not (i) contravene or conflict with the organizational documents of the Buyer, (ii) contravene or conflict with or constitute a default under any material provision of any law binding upon or applicable to the Buyer or (iii) contravene or conflict with or constitute a default under any material contract or other material agreement or Judgment binding upon or applicable to the Buyer.

(e) Consents. Except for any filings required by the federal securities laws or stock exchange rules, no consent, approval, license, order, authorization, registration, declaration or filing with or of any Governmental Entity or other Person is required to be done or obtained by the Buyer in connection with (i) the execution and delivery by the Buyer of this Agreement, (ii) the performance by the Buyer of its obligations under this Agreement or (iii) the consummation by the Buyer of any of the transactions contemplated by this Agreement.

(f) No Litigation. There is no action, suit, investigation or proceeding pending or, to the knowledge of the Buyer, threatened before any Governmental Entity to which the Buyer is a party that would, if determined adversely, reasonably be expected to prevent or materially and adversely affect the ability of the Buyer to perform its obligations under this Agreement.

(g) Financing. The Buyer has sufficient cash to pay the Revenue Participation Purchase Price at the Closing and will have sufficient cash to pay the Additional Payment if and when due hereunder. The Buyer acknowledges that its obligations under this Agreement are not contingent on obtaining financing.

(h) Brokers' Fees. There is no investment banker, broker, finder, financial advisor or other intermediary who has been retained by or is authorized to act on behalf of the Buyer who might be entitled to any fee or commission in connection with the transactions contemplated by this Agreement.

Section 4.3 No Implied Representations and Warranties. The Buyer acknowledges and agrees that, other than the express representations and warranties of the Company specifically contained in ARTICLE 4 and by the Target contained in the Bill of Sale, (a) there are no representations or warranties of the Company or the Target either expressed or implied with respect to the Patent Rights or Revenue Payments and that the Buyer does not rely on, and shall have no remedies hereunder in respect of, any representation or warranty not specifically set forth in ARTICLE 4, or the Bill of Sale and all other representations and warranties are hereby expressly disclaimed, and (b) nothing contained herein guarantees any sales of the Target Products or the amount of the aggregate Revenue Payments due to the Buyer (it being understood and agreed that nothing in this Section 4.3 shall limit the Company's obligations under ARTICLE 7 in accordance with its terms). Notwithstanding the foregoing, claims for common law fraud shall not be waived or limited in any way by this Section 4.3.

## ARTICLE 5

### CONDITIONS TO CLOSING

Section 5.1 Conditions to the Buyer's Obligations. The obligations of the Buyer to consummate the transactions contemplated hereunder on the Closing Date are subject to the satisfaction or waiver, at or prior to the Closing Date, of each of the following conditions precedent:

(a) There shall not have been issued and be in effect any Judgment by or before any court of competent jurisdiction in an action brought by any Governmental Entity that enjoins or prevents the consummation of the transactions contemplated by this Agreement.

(b) The occurrence of the Offer Acceptance Time.

(c) The transactions contemplated by the Royalty Purchase Agreement shall close simultaneously with the Closing.

(d) The Development Funding Bond Purchase Agreement shall have been executed and delivered by the Company on the date hereof.

(e) The Buyer shall have received a valid, properly executed Internal Revenue Service Form W-9 certifying that the Target is not subject to U.S. federal withholding tax or backup withholding of U.S. federal income Tax.

(f) The Buyer shall have received a certificate of the CEO and CFO of the Company, dated the Closing Date, certifying as to (i) the incumbency of each officer of the Company executing this Agreement and (ii) the attached thereto copies of (A) the Company's articles of association (Satzung), (B) rules of procedure of the Supervisory Board of the Company, and (C) resolutions adopted by the Company's Supervisory Board or Management Board authorizing the execution and delivery by the Company of this Agreement and the consummation by the Company of the transactions contemplated hereby.

(g) The Company shall have delivered to the Buyer (i) legal opinions of Skadden, Arps, Slate Meagher & Flom LLP, as counsel to the Company, in substantially the form attached hereto as Exhibit B-1 and (ii) a legal opinion of the general counsel of the Company, in substantially the form attached hereto as Exhibit B-2.

Section 5.2 Conditions to the Company's Obligations. The obligations of the Company to consummate the transactions contemplated hereunder on the Closing Date are subject to the satisfaction or waiver, at or prior to the Closing Date, of each of the following conditions precedent:

(a) There shall not have been issued and be in effect any Judgment by or before any court of competent jurisdiction in an action brought by any Governmental Entity that enjoins or prevents the consummation of the transactions contemplated by this Agreement.

(b) The transactions contemplated by the Royalty Purchase shall close simultaneously with the Closing.

(c) The Development Funding Bond Purchase Agreement shall have been executed and delivered by Royalty Pharma USA, Inc. as of the date hereof.

(d) The Company shall have received a valid, properly executed Internal Revenue Service Form W-8BEN-E certifying that payments to the Buyer of the Revenue Payments are exempt from U.S. federal withholding Tax pursuant to the U.S.-Ireland income tax treaty.

(e) The Buyer shall have delivered to Company a legal opinion of Matheson, as counsel to the Buyer, in substantially the form attached hereto as Exhibit C.

(f) The Company shall have received a certificate of the Secretary of the manager of the Buyer, dated the Closing Date, certifying as to the incumbency of the officer executing this Agreement on behalf of the Buyer.

## **ARTICLE 6**

### **COVENANTS**

Section 6.1 Reporting. From and after the Closing until the quarter ending after the First Commercial Sale of a Target Product in any country, the Company shall use commercially reasonable efforts to provide the Buyer promptly following the end of every other calendar quarter, but in any event no later than forty-five (45) calendar days after the end of such calendar quarter, a reasonably detailed report of material updates (the "Report") setting forth, with respect to such six-month period, (a) the Clinical Updates, (b) the Regulatory Updates, (c) the Commercial Updates, and (d) the Intellectual Property Updates on a Target Product-by-Target Product basis, provided, that, updates and information which are subject to attorney-client privilege shall be communicated separately and to the extent and in such manner so as reasonably maximize disclosure of updates and information specified in this Agreement but protect such privilege. The Company shall also provide the Buyer with such additional reasonable information regarding the updates included in each Report as the Buyer may reasonably request from time to time. Beginning with the quarter following the First Commercial Sale of a Target Product and during the Royalty Term, the Company may provide such Report for such Target Product on an annual, rather than semi-annual basis. The Company also agrees that if a Report is not deliverable or delivered for a particular quarter, the Company shall provide the Buyer with a telephonic quarterly update of material developments during a call to be scheduled at a mutually convenient time between the Company's and the Buyer's management teams. The Company shall prepare and maintain and shall cause its Affiliates and use commercially reasonable efforts to cause any Licensees to prepare and maintain reasonably complete and accurate records of the information to be disclosed in each Report. In addition, the Company shall use commercially reasonable efforts to provide the Buyer with prompt (and in any event by the Delivery Deadline) written notice of the achievement of any development, sales, regulatory or other milestone event set forth in an Out-License. For clarity, all Reports, and the information contained therein, and information provided on the quarterly calls, shall be the Confidential Information of the Company and subject to the obligations of confidentiality set forth in Article 8 of this Agreement.

#### Section 6.2 Revenue Payments; Revenue Participation and Revenue Payment Details.

(a) Subject to the terms and conditions of this Agreement, from and after the later of (i) the Closing and (ii) the First Commercial Sale of a Target Product in any country, the Company shall cause the Target to pay to the Buyer during the Revenue Term the Revenue Payment in U.S. dollars in immediately available funds for each calendar quarter promptly, but in any event no later than forty-five (45) calendar days after the end of each such calendar quarter. A late fee of **[REDACTED]** over the Prime Rate (calculated on a per annum basis) will accrue on all unpaid amounts with respect to any Revenue Payment from the date such obligation was due. The imposition and payment of a late fee shall not constitute a waiver of the Buyer's rights with respect to such payment default.

(b) Subject to the Company's receipt of the documentation referenced in Section 5.2(d), the Company and the Buyer agree that, under currently applicable law, no deduction or withholding for or on account of any U.S. or non-U.S. tax (including, for the avoidance of doubt, German VAT and German withholding tax) is required to be made from any payment pursuant to the transactions contemplated by this Agreement. If any amount is required by applicable law to be deducted or withheld, the parties shall cooperate fully in good faith, as

and to the extent reasonably requested by the other party, (A) to eliminate or reduce any such deduction or withholding (including through the request and provision of any statement, forms or other documents to reduce or eliminate any such deduction or withholding, and the provision of any other assistance, including, for example, through a restructuring to effect such reduction or elimination, or by applying for a refund of any deducted or withheld amount), and (B) in connection with any audit, litigation or other proceeding with respect to such withholding relating to the Revenue Participation Rights.

(c) From and after the First Commercial Sale of a Target Product in any country and during the Royalty Term, the Company shall provide the Buyer promptly following the end of each calendar quarter (a “Revenue Report”), but in any event no later than forty-five (45) calendar days after the end of such calendar quarter a report setting forth in reasonable detail (i) Gross Sales and Net Sales for the applicable calendar quarter, on a country-by-country and Target Product-by-Target Product basis (including a reasonable break-down of permitted deductions from Gross Sales used to determine Net Sales and any Net Sales described in Section 6.4(d)), (ii) the calculation of the Revenue Payment payable to the Buyer for the applicable calendar quarters, identifying, on a country-by-country basis, the number of units of each Target Product sold by the Company, its Affiliates and, if available, each Licensee and (iii) foreign currency exchange rates used (which shall be rates of exchange determined in a manner consistent with the Company’s method for calculating rates of exchange in the preparation of the Company’s annual financial statements in accordance with International Financial Reporting Standards (IFRS) and/or accounting principles generally accepted in the United States), as applicable. For clarity, all Revenue Reports, and the information contained therein, shall be the Confidential Information of the Company and subject to the obligations of confidentiality set forth in Article 8 of this Agreement.

Section 6.3 Inspections and Audits of the Company. Following the Closing, upon at least ten (10) Business Days written notice and during normal business hours, no more frequently than once per calendar year, the Buyer may cause an inspection and/or audit by an independent public accounting firm reasonably acceptable to the Company to be made of the Company’s books of account for the three (3) calendar years prior to the audit for the purpose of determining the correctness of Revenue Payments made under this Agreement. All of the out-of-pocket expenses of any inspection or audit requested by the Buyer hereunder (including the fees and expenses of such independent public accounting firm designated for such purpose) shall be borne by (i) the Buyer, if the independent public accounting firm determines that Revenue Payments previously paid were incorrect by an amount less than or equal to [REDACTED] of the Revenue Payments actually paid or (ii) the Company, if the independent public accounting firm determines that Revenue Payments previously paid were incorrect by an amount greater than [REDACTED] of the Revenue Payments actually paid. Any such accounting firm shall not disclose the confidential information of the Company or any such Licensee relating to a Target Product to the Buyer, except to the extent such disclosure is either necessary to determine the correctness of Revenue Payments or otherwise would be included in a Revenue Report or other Report. All information obtained by the Buyer as a result of any such inspection or audit shall be Confidential Information.

Section 6.4 Intellectual Property Matters.

(a) The Company shall provide to the Buyer a copy of any written notice received by the Company or the Target from a Third Party alleging or claiming that the making, having made, using, importing, offering for sale or selling of a Target Product infringes or misappropriates any Patents or other intellectual property rights of such Third Party, together with copies of material correspondence sent or received by the Company or the Target related

thereto, as soon as practicable and in any event not later than the Delivery Deadline following such delivery or receipt.

(b) The Company shall promptly inform the Buyer of any infringement by a Third Party of any Patent Right of which a member of the Company's executive team or senior intellectual property manager (including those of the Target) becomes aware. Without limiting the foregoing, the Company shall provide to the Buyer a copy of any written notice of any suspected infringement of any Patent Rights delivered or received by the Company or the Target, as well as copies of material correspondence related thereto, as soon as practicable and in any event not later than the Delivery Deadline following such delivery or receipt.

(c) Where reasonably practicable, an enforcement action regarding any suspected infringement by a Third Party of any Patent Right, the Company shall provide the Buyer with written notice of such enforcement action.

(d) If the Company recovers monetary damages from a Third Party in an action brought for such Third Party's infringement of any Patent Rights with respect to a Target Product, where such damages, whether in the form of judgment or settlement, result from such infringement of such Patent Rights, such recovery will be allocated first to the reimbursement of any expenses incurred by the Company in bringing such action (including all reasonable attorney's fees), and any remaining amounts allocable to infringement of the Patent Rights will be treated as Net Sales of such Target Product.

#### Section 6.5 In-Licenses.

(a) The Company shall use commercially reasonable efforts to comply in all material respects with its obligations under any In-Licenses and shall not take any action or forego any action that would reasonably be expected to result in a material breach thereof and, prior to the Closing, shall exercise its rights under the Acquisition Agreement to ensure that the Target so complies. Promptly, and in any event by the Delivery Deadline, the Company shall provide a copy of any written notice (or a summary of any oral notice of which it is aware) from a counterparty to any In-Licensee or its Affiliates of an asserted material breach under any In-License. The Company shall use its commercially reasonable efforts to cure any material breaches by it under any In-License and shall keep the Buyer reasonably informed of the status of its curing any such breach. The Company shall provide the Buyer with written notice promptly (and in any event by the Delivery Deadline) following becoming aware of a counterparty's material breach of its obligations under any In-License. The Company further agrees to provide the Buyer with prior written notice of (i) any Company termination of any In-License and (ii) any Company notice to a counterparty to any In-License of an alleged breach by such counterparty under any such In-License.

(b) The Company shall promptly (and in any event by the Delivery Deadline) provide the Buyer with (i) reasonably redacted executed copies of each In-License entered into by the Company or its Affiliates and (ii) reasonably redacted executed copies of each material amendment, supplement, modification or written material waiver of any provision of each In-License.

#### Section 6.6 Out-Licenses.

(a) The Company may enter into an Out-License with a Third Party or enter into an agreement to research, develop or manufacture any Target Product in all or any portion of the world without the Buyer's prior written consent; provided, that such license shall not assign

or otherwise convey title to or impose any Lien with respect to any Target Products, other than the grant of the license or sublicense or ordinary course contractual rights (such as rights of first offer, negotiation, etc.), in favor of any Third Party.

(b) The Company shall reasonably promptly (and in any event by the Delivery Deadline) provide the Buyer with (i) reasonably redacted, executed copies of each Out-License and (ii) reasonably redacted executed copies of each material amendment, supplement, modification or written material waiver with respect to an Out-License.

(c) The Company shall use commercially reasonable efforts to ensure that each Out-License contains provisions permitting the Company to audit such Licensee on terms and conditions consistent in all material respects with the Buyer's rights to audit the Company set forth in Section 6.3.

(d) The Company shall provide the Buyer with prompt (and in any event by the Delivery Deadline) descriptions (in reasonable detail) of any Licensee's material breach of its obligations under any Out-License of which a member of the Company's executive team or senior legal counsel becomes aware. Promptly, and in any event by the Delivery Deadline, the Company shall provide a copy of any written notice (or a summary of any oral notice of which it is aware) from a counterparty to any Out-Licensee or its Affiliates of an asserted material breach under any Out-License.

(e) The Company shall provide the Buyer with prompt (and in any event by the Delivery Deadline) descriptions (in reasonable detail) of the termination of any Out-License.

Section 6.7 Efforts to Consummate Transactions. Subject to the terms and conditions of this Agreement, each of the Company (on its behalf and on the Target's behalf) and the Buyer will use its commercially reasonable efforts prior to the Closing to take, or cause to be taken, all actions and to do, or cause to be done, all things reasonably necessary under applicable law to consummate the transactions contemplated by the Transaction Agreements. Each of the Buyer and the Company agrees to execute and deliver such other documents, certificates, agreements and other writings and to take such other actions as may be reasonably necessary in order to consummate or implement expeditiously the transactions contemplated by this Agreement.

Section 6.8 Delivery Deadline. The Company agrees to use its commercially reasonable efforts to meet the Delivery Deadlines provided for herein; provided, that the Company shall have a ten (10) Business Day cure period to provide such notices or make such deliveries or reports, as the case may be, if the Company is unable to meet the applicable Delivery Deadline despite using its commercially reasonable efforts to do so. Commercially Reasonable Efforts.

(a) The Company shall use Commercially Reasonable Efforts to develop the Target Products to commercialization, in the ordinary course of business, consistent with past practice, and to commercialize the Target Products. "Commercially Reasonable Efforts" means, with respect to the efforts to be expended and resources required by the Company with respect to any objective, those reasonable, good faith efforts and resources to accomplish such objective as commonly used by a commercial-stage public biotechnology company of similar size and resources of the Company to accomplish a similar objective under similar circumstances. With respect to any efforts relating to development of a Target Product by the Company, generally or with respect to any particular country, the Company will be deemed to have exercised Commercially Reasonable Efforts if it has exercised those efforts normally used by it, in the relevant country, with respect to a compound, product or product candidate, as applicable (a) of similar modality controlled by it, or (b) (i) to which it has similar rights, (ii)

which is of similar market potential in such country, and (iii) which is at a similar stage in its development or product life cycle, as the Target Product, in each case, taking into account all relevant factors in effect at the time such efforts are to be expended. Further, to the extent that the performance of the Company's obligations hereunder is adversely affected by a Third Party's failure to perform its obligations, the impact of such performance failure will be taken into account in determining whether the Company has used its Commercially Reasonable Efforts to perform any such affected obligations.

(b) Notwithstanding anything to the contrary in this Agreement or any of the other RP Agreements, the Buyer hereby agrees and acknowledges that, (i) the Revenue Payment obligations will only arise if the development of any Target Products leads to Commercialization, and that there can be no assurance regarding the occurrence of such Commercialization or generation of revenue therefrom, (ii) the Company shall have no obligation to make any Revenue Payments under this Agreement unless a First Commercial Sale has occurred and (iii) consistent and in accordance with Section 6.9(a), the development or Commercialization program for each of the Target Products may be terminated in the ordinary course of business, consistent with past practice.

Section 6.10 Further Assurances. After the Closing, the Company and the Buyer agree to execute and deliver such other documents, certificates, agreements and other writings and to take such other actions as may be reasonably necessary in order to give effect to the transactions contemplated by this Agreement.

Section 6.11 **[REDACTED]**

Section 6.12 Document Delivery.

(a) Within five (5) Business Days after the Closing, the Company shall deliver to Buyer a CD or other storage media containing true, correct and complete copies of all documents uploaded to the virtual data room maintained by or otherwise provided by the Company to the Buyer specifically for this transaction.

(b) Subject to the next sentence, within ten (10) Business Days after the date hereof, the Company shall deliver to Buyer one CD or other storage media containing true, correct and complete copies of all documents uploaded to the virtual data room maintained by or otherwise provided by the Company to the Buyer specifically for this transaction. Within ten (10) Business Days after the date hereof, the Company shall deliver to Goodwin Procter LLP, counsel to the Buyer, one (1) CD or other storage media containing true, correct and complete copies of all attorney-eyes only documents uploaded to the virtual data room maintained by or otherwise provided by the Company to the Buyer specifically for this transaction, for attorney eyes only until after the Closing. For clarity, such media and its contents are Confidential Information of the Company.

Section 6.13 Bill of Sale. At or as promptly as possible after (but, in any event, on the same day as) the Offer Acceptance Time, the Company shall cause the Target to execute and deliver to the Buyer the Bill of Sale. For clarity, any breach by the Company of this Section 6.13 shall not relieve the Buyer of any of its obligations to complete the transactions contemplated hereby, but the Buyer shall in such case be subject to (i) its indemnification obligations under ARTICLE 7 and (ii) the remedies contemplated by Section 10.11.

## ARTICLE 7

### INDEMNIFICATION

Section 7.1 General Indemnity. Subject to Section 7.3, from and after the Closing:

(a) the Company hereby agrees to indemnify, defend and hold harmless the Buyer and its Affiliates and its and their directors, managers, trustees, officers, agents and employees (the “Buyer Indemnified Parties”) from, against and in respect of all Losses suffered or incurred by the Buyer Indemnified Parties to the extent arising out of or resulting from (i) any breach of any of the representations or warranties (in each case, when made) of the Company in this Agreement and (ii) any breach of any of the covenants or agreements of the Company in this Agreement; and

(b) the Buyer hereby agrees to indemnify, defend and hold harmless the Company and its Affiliates and its and their directors, officers, agents and employees (“Company Indemnified Parties”) from, against and in respect of all Losses suffered or incurred by the Company Indemnified Parties to the extent arising out of or resulting from (i) any breach of any of the representations or warranties (in each case, when made) of the Buyer in this Agreement or (ii) any breach of any of the covenants or agreements of the Buyer in this Agreement.

Section 7.2 Notice of Claims. If either a Buyer Indemnified Party, on the one hand, or a Company Indemnified Party, on the other hand (such Buyer Indemnified Party on the one hand and such Company Indemnified Party on the other hand being hereinafter referred to as an “Indemnified Party”), has suffered or incurred any Losses for which indemnification may be sought under this ARTICLE 7, the Indemnified Party shall so notify the other party from whom indemnification is sought under this ARTICLE 7 (the “Indemnifying Party”) promptly in writing describing such Loss, the amount or estimated amount thereof, if known or reasonably capable of estimation, and the method of computation of such Loss, all with reasonable particularity and containing a reference to the provisions of this Agreement in respect of which such Loss shall have occurred. If any claim, action, suit or proceeding is asserted or instituted by or against a Third Party with respect to which an Indemnified Party intends to claim any Loss under this Section 7.2, such Indemnified Party shall promptly notify the Indemnifying Party of such claim, action, suit or proceeding and tender to the Indemnifying Party the defense of such claim, action, suit or proceeding. A failure by an Indemnified Party to give notice and to tender the defense of such claim, action, suit or proceeding in a timely manner pursuant to this Section 7.2 shall not limit the obligation of the Indemnifying Party under this ARTICLE 7, except to the extent such Indemnifying Party is actually prejudiced thereby.

Section 7.3 Limitations on Liability.

(a) General. No party hereto shall be liable for any indirect, consequential, punitive, special or incidental damages under this Agreement, including as a result of any breach or violation of any covenant or agreement of such party (including under this ARTICLE 7) in or pursuant to this Agreement (including the Bill of Sale). Notwithstanding the foregoing, the Buyer shall be entitled to make indemnification claims, in accordance with the procedures set forth in this ARTICLE 7, for Losses of Revenue Payments that the Buyer was entitled to receive in respect of its ownership of the Revenue Participation Rights but did not receive timely or at all due to such indemnifiable event, and such missing or Revenue Payments shall not be deemed indirect, consequential, punitive, special or incidental damages.

Section 7.4 Third-Party Claims. Upon providing notice to an Indemnifying Party by an Indemnified Party pursuant to Section 7.2 of the commencement of any action, suit or proceeding

against such Indemnified Party by a Third Party with respect to which such Indemnified Party intends to claim any Loss under this ARTICLE 7, such Indemnifying Party shall have the right to defend such claim, at such Indemnifying Party's expense and with counsel of its choice reasonably satisfactory to the Indemnified Party. If the Indemnifying Party assumes the defense of such claim, the Indemnified Party shall, at the request of the Indemnifying Party, use commercially reasonable efforts to cooperate in such defense; provided, that the Indemnifying Party shall bear the Indemnified Party's reasonable out-of-pocket costs and expenses incurred in connection with such cooperation. So long as the Indemnifying Party is conducting the defense of such claim as provided in this Section 7.4, the Indemnified Party may retain separate co-counsel at its expense and may participate in the defense of such claim, and the Indemnifying Party shall not consent to the entry of any Judgment or enter into any settlement with respect to such claim without the prior written consent of the Indemnified Party unless such Judgment or settlement (A) provides for the payment by the Indemnifying Party of money as sole relief (if any) for the claimant (other than customary and reasonable confidentiality obligations relating to such claim, Judgment or settlement), (B) results in the full and general release of the Indemnified Party from all liabilities arising out of, relating to or in connection with such claim and (C) does not involve a finding or admission of any violation of any law, rule, regulation or Judgment, or the rights of any Person, and has no effect on any other claims that may be made against the Indemnified Party. In the event the Indemnifying Party does not or ceases to conduct the defense of such claim as so provided, (i) the Indemnified Party may defend against, and consent to the entry of any Judgment or enter into any settlement with respect to, such claim in any manner it may reasonably deem to be appropriate, (ii) subject to the limitations set forth in Section 7.3, the Indemnifying Party shall reimburse the Indemnified Party promptly and periodically for the reasonable out-of-pocket costs of defending against such claim, including reasonable attorneys' fees and expenses against reasonably detailed invoices, and (iii) the Indemnifying Party shall remain responsible for any Losses the Indemnified Party may suffer as a result of such claim to the full extent provided in this ARTICLE 7.

Section 7.5 Exclusive Remedy. Except as set forth in Section 10.11, from and after Closing, the rights of the parties hereto pursuant to (and subject to the conditions of) this ARTICLE 7 shall be the sole and exclusive remedy of the parties hereto and their respective Affiliates with respect to any claims (whether based in contract, tort or otherwise) resulting from or relating to any breach of the representations, warranties covenants and agreements made under this Agreement or any certificate, document or instrument delivered hereunder, and each party hereto hereby waives, to the fullest extent permitted under applicable law, and agrees not to assert after Closing, any other claim or action in respect of any such breach. Notwithstanding the foregoing, claims for fraud shall not be waived or limited in any way by this ARTICLE 7.

## **ARTICLE 8** **CONFIDENTIALITY**

Section 8.1 Confidentiality. Except as provided in this ARTICLE 8 or otherwise agreed in writing by the parties, the parties hereto agree that, beginning on the Closing Date and lasting until the expiration or termination of the last-to-expire or last-to-terminate Transaction Agreement, and for five (5) years thereafter (or for so long as any trade secrets are maintained as trade secrets by the Company), each party (the "Receiving Party") shall (and shall cause its Subsidiaries to) keep confidential and shall not publish or otherwise disclose and shall not use for any purpose other than as provided for in the Transaction Agreements (which includes the exercise of any rights or the performance of any obligations hereunder or thereunder) any information furnished to it by or on behalf of the other party (the "Disclosing Party") pursuant to the Transaction Agreements (such information, "Confidential Information" of the Disclosing Party), except for that portion of such information that:

- (a) was already known to the Receiving Party, other than under an obligation of confidentiality, at the time of disclosure by the Disclosing Party;

(b) was generally available to the public or otherwise part of the public domain at the time of its disclosure to the Receiving Party;

(c) became generally available to the public or otherwise part of the public domain after its disclosure and other than through any act or omission of the Receiving Party in breach of any Transaction Document;

(d) is independently developed by the Receiving Party or any of its Affiliates, as evidenced by written records, without the use of or reference of the Confidential Information; or

(e) is subsequently disclosed to the Receiving Party on a non-confidential basis by a Third Party without obligations of confidentiality with respect thereto.

Section 8.2 Certain Disclosure Limitations. Notwithstanding anything in this Agreement to the contrary, with respect to information which is subject to attorney-client or other privilege or confidentiality obligations to Third Parties and asserted to be obligated to be disclosed by this Agreement, then, to the extent so obligated by this Agreement to be disclosed by this Agreement, shall be communicated separately and to the extent and in such manner so as reasonably maximize disclosure of updates and information specified in this Agreement but protect such privilege and to abide by confidentiality obligations.

Section 8.3 Authorized Disclosure.

(a) Either party may disclose Confidential Information with the prior written consent of the Disclosing Party or to the extent such disclosure is reasonably necessary in the following situations:

(i) prosecuting or defending litigation;

(ii) complying with applicable laws, rules and regulations, including regulations promulgated by securities exchanges;

(iii) complying with a valid order of a court of competent jurisdiction or other Governmental Entity;

(iv) for regulatory, tax or customs purposes;

(v) for audit purposes, provided that each recipient of Confidential Information must be bound by customary obligations of confidentiality and non-use prior to any such disclosure;

(vi) disclosure to its Affiliates and Representatives on a need-to-know basis, provided that each recipient of Confidential Information must be bound by customary obligations of confidentiality and non-use prior to any such disclosure; or

(vii) disclosure as reasonably required to other sources of funding, including debt financing, or potential partners, collaborators or acquirers, and their respective accountants, financial advisors and other professional representatives, provided, that such disclosure shall be made only to the extent customarily required to consummate such investment, financing transaction partnership, collaboration or

acquisition and that each recipient of Confidential Information must be bound by customary obligations of confidentiality and non-use prior to any such disclosure.

(b) Notwithstanding the foregoing in this ARTICLE 8, in the event the Receiving Party is required to make a disclosure of the Disclosing Party's Confidential Information pursuant to Sections 8.3(a)(i), (ii), (iii) or (iv), it will, except where impracticable, give reasonable advance notice to the Disclosing Party of such disclosure and, in any case use reasonable efforts to secure confidential treatment of such information.

(c) Except for a press release previously approved in form and substance by the Company and the Buyer or any other public announcement using substantially the same text as such press release, or by the Target, for clarity, neither the Buyer nor the Company shall, and each party hereto shall cause its respective Representatives, Affiliates and Affiliates' Representatives not to, issue a press release or other public announcement or otherwise make any public disclosure with respect to this Agreement, the other Transaction Agreements or the subject matter hereof or thereof without the prior written consent of the other party hereto or thereto (which consent shall not be unreasonably withheld, conditioned or delayed), except as may be required by applicable law or stock exchange rule (in which case the party hereto required to make the press release or other public announcement or disclosure shall allow the other party hereto reasonable time to comment on such press release or other public announcement or disclosure in advance of such issuance). Information already public shall not be subject to the foregoing obligations.

## **ARTICLE 9**

### **TERMINATION**

Section 9.1 Mutual Termination. This Agreement may be terminated by mutual written agreement of the Buyer and the Company.

Section 9.2 Automatic Termination. Unless earlier terminated as provided in Section 9.1, this Agreement shall continue in full force and effect until the earlier of (a) sixty (60) days after such time as the Company is no longer obligated to make any Revenue Payments under this Agreement and (b) the termination of the Acquisition Agreement pursuant to its terms and the parties rights thereunder, at which point this Agreement shall automatically terminate, except in each case with respect to any rights that shall have accrued prior to such termination.

Section 9.3 Survival. Notwithstanding anything to the contrary in this ARTICLE 9, the following provisions shall survive termination of this Agreement and any of the other RP Agreements: ARTICLE 7 (Indemnification), ARTICLE 8 (Confidentiality), this Section 9.3 (Survival) and ARTICLE 10 (Miscellaneous). Termination of any Transaction Agreement shall not relieve any party of liability in respect of breaches under any Transaction Agreement by any party on or prior to termination.

## **ARTICLE 10**

### **MISCELLANEOUS**

Section 10.1 Notices. All notices and other communications under this Agreement shall be in writing and shall be by email with PDF attachment, facsimile, courier service or personal delivery to the following addresses, or to such other addresses as shall be designated from time to time by a party hereto in accordance with this Section 10.1:

If to the Company, to it at:

MorphoSys  
Semmelweisstrasse7  
82152 Planegg  
Germany  
Attention: CEO  
Facsimile: Copy: General Counsel  
Email: [REDACTED]

AG

With a copy to:

Skadden, Arps, Slate, Meagher & Flom LLP

500  
Boston,  
Attention: [REDACTED]

Boylston  
Massachusetts

Street  
02116

If to the Buyer, to it at:

Royalty  
110  
New  
Attention:  
Email: [REDACTED]

Pharma  
E. 59th  
York,

Investments  
Street,  
New

2019  
Suite  
York

ICAV  
3300  
10022

[REDACTED]

With a copy to:

Goodwin Procter LLP  
100 Northern Avenue  
Boston, Massachusetts 02210  
Attention: [REDACTED]  
Email: [REDACTED]

All notices and communications under this Agreement shall be deemed to have been duly given (i) when delivered by hand, if personally delivered, (ii) when received by a recipient, if sent by email, (iii) when sent, if sent by facsimile, with an acknowledgement of sending being produced by the sending facsimile machine or (iv) one (1) Business Day following sending within the United States by overnight delivery via commercial one- (1)-day overnight courier service.

Section 10.2 Expenses. Except as otherwise provided herein, all fees, costs and expenses (including any legal, accounting and banking fees) incurred in connection with the preparation, negotiation, execution and delivery of this Agreement and to consummate the transactions contemplated hereby shall be paid by the party hereto incurring such fees, costs and expenses.

Section 10.3 No Transfer of Beneficial Ownership; No Granting of Rights. Notwithstanding any other provision in this Agreement, the parties hereto agree that (i) the Company

does not sell or transfer to the Buyer the legal or beneficial ownership of any intellectual property rights registered in a German register in connection with the Revenue Participation Rights, and (ii) the Company does not grant to the Buyer the right to use any intellectual property or other rights registered in a German register, or exploited or used in Germany, under, or as a consequence of, this Agreement.

Section 10.4 Assignment. The Company shall not sell or assign its or its Subsidiaries' right, title or interest in any Target Product, the Target Product Rights or this Agreement to any Person, including by operation of law, merger, or otherwise, unless (A) to (i) an Affiliate, (ii) as part of a merger, operation of law or otherwise with respect to all or substantially all of its business or (iii) to a Third Party with respect to a Target Product and (B) in connection with any sale or assignment contemplated by clause (iii) to a Third Party, such Third Party acquires all or substantially all of the Company's and its Subsidiaries' right, title and interest in all of such Target Product, the material Target Product Rights related to such Target Product and obligations under this Agreement with respect thereto and (C) in connection with any transaction contemplated by clause (i), (ii) or (iii), the Company causes such successor or assignee to deliver to the Buyer a writing reasonably acceptable to the Buyer in which such Person assumes such obligations of the Company to the Buyer under this Agreement, or alternatively the Company remains responsible. For clarity, any assignment in connection with the foregoing may be subject to applicable Third Party consents. The Buyer may not sell or assign its or its Subsidiaries' right, title or interest in this Agreement, including by operation of law, merger, or otherwise, unless to (i) an Affiliate, (ii) as part of a merger, operation of law or otherwise with respect to all or substantially all of its business or (iii) in whole or in part with respect to a Target Product to a financial (rather than strategic) buyer or other Third Party, other than, with respect to (i), (ii) or (iii) a Third Party that then is developing, manufacturing, marketing or selling a competing product with respect to a Target Product (and if such competitor becomes an Affiliate while this Agreement is in effect, that Third Party shall be firewalled so as to prevent any access to Confidential Information of the Company or its Affiliates (including the Target and its Subsidiaries)), provided that the Buyer promptly thereafter notifies the Company in writing thereof and the assignee has agreed in writing to be bound by the terms of this Agreement as if it were the Buyer hereunder. Any purported sale or assignment in violation of this Section 10.4 shall be null and void. This Agreement shall be binding upon, inure to the benefit of and be enforceable by, the parties hereto and their respective permitted successors and assigns.

Section 10.5 Amendment and Waiver.

(a) This Agreement may be amended, modified or supplemented only in a writing signed by each of the parties hereto. Any provision of this Agreement may be waived only in a writing signed by the parties hereto granting such waiver.

(b) No failure or delay on the part of any party hereto in exercising any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy. No course of dealing between the parties hereto shall be effective to amend, modify, supplement or waive any provision of this Agreement.

Section 10.6 Entire Agreement. This Agreement, the Exhibits annexed hereto and the Disclosure Schedule constitute the entire understanding between the parties hereto with respect to the subject matter hereof and supersede all other understandings and negotiations with respect thereto.

Section 10.7 No Third Party Beneficiaries. This Agreement is for the sole benefit of the Company and the Buyer and their permitted successors and assigns and nothing herein expressed or implied shall give or be construed to give to any Person, other than the parties hereto and such successors and assigns, any legal or equitable rights hereunder.

Section 10.8 Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York without giving effect to any choice or conflict of law provision or rule that would cause the application of the laws of any other jurisdiction.

Section 10.9 Relationship of the Parties. Nothing contained in this Agreement shall be deemed or construed as creating a joint venture or partnership between the parties hereto. No party hereto is by virtue of this Agreement authorized as an agent, employee or legal representative of the other party. No party hereto shall have the power to control the activities and operations of the other and their status is, and at all times shall continue to be, that of independent contractors with respect to each other. No party hereto shall have any power or authority to bind or commit the other party. No party hereto shall hold itself out as having any authority or relationship in contravention of this Section 10.9.

Section 10.10 JURISDICTION; VENUE.

(a) EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS RESPECTIVE PROPERTY AND ASSETS, TO THE EXCLUSIVE JURISDICTION OF ANY NEW YORK STATE COURT OR FEDERAL COURT OF THE UNITED STATES OF AMERICA SITTING IN NEW YORK COUNTY, NEW YORK, AND ANY APPELLATE COURT THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT IN RESPECT THEREOF, AND THE BUYER AND THE COMPANY HEREBY IRREVOCABLY AND UNCONDITIONALLY AGREE THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH NEW YORK STATE COURT OR, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL COURT. THE BUYER AND THE COMPANY HEREBY AGREE THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY APPLICABLE LAW. EACH OF THE BUYER AND THE COMPANY HEREBY SUBMITS TO THE EXCLUSIVE PERSONAL JURISDICTION AND VENUE OF SUCH NEW YORK STATE AND FEDERAL COURTS. THE BUYER AND THE COMPANY AGREE, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THAT PROCESS MAY BE SERVED ON THE BUYER OR THE COMPANY IN THE SAME MANNER THAT NOTICES MAY BE GIVEN PURSUANT TO SECTION 10.1 HEREOF.

(b) EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT IT MAY LEGALLY AND EFFECTIVELY DO SO, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT IN ANY NEW YORK STATE OR FEDERAL COURT. EACH OF THE BUYER AND THE COMPANY HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

(c) Each party hereto irrevocably and unconditionally waives any right to trial by jury with respect to any proceeding arising out of, relating to or in connection with this Agreement or any transaction contemplated hereby.

Section 10.11 Severability. If any term or provision of this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any situation in any jurisdiction, then, to the

extent that the economic and legal substance of the transactions contemplated hereby is not affected in a manner that is materially adverse to either party hereto, all other terms and provisions of this Agreement shall nevertheless remain in full force and effect and the enforceability and validity of the offending term or provision shall not be affected in any other situation or jurisdiction.

Section 10.12 Specific Performance. Each of the parties acknowledges and agrees that the other parties would be damaged irreparably in the event any of the provisions of this Agreement are not performed in accordance with their specific terms or otherwise are breached or violated. Accordingly, notwithstanding Section 7.5, each of the parties agrees that, without posting bond or other undertaking, the other parties shall be entitled to an injunction or injunctions to prevent breaches or violations of the provisions of this Agreement and to enforce specifically this Agreement and the terms and provisions hereof in any action, suit or other proceeding instituted in any court of the United States or any state thereof having jurisdiction over the parties and the matter in addition to any other remedy to which it may be entitled, at law or in equity. Each party further agrees that, in the event of any action for specific performance in respect of such breach or violation, it shall not assert that the defense that a remedy at law would be adequate.

Section 10.13 Counterparts. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Copies of executed counterparts transmitted by telecopy, facsimile or other similar means of electronic transmission, including "PDF," shall be considered original executed counterparts, provided receipt of such counterparts is confirmed.

*[Signature Page Follows]*

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered by their respective representatives thereunto duly authorized as of the date first above written.

COMPANY

MORPHOSYS AG

By: \_\_\_\_\_  
Name:  
Title:

and

By: \_\_\_\_\_  
Name:  
Title:

BUYER

ROYALTY PHARMA INVESTMENTS  
2019 ICAV

By: RP Management, LLC, its Manager and  
lawfully appointed attorney

By: \_\_\_\_\_  
Name:  
Title:

**Exhibit A**  
**Bill of Sale and Supplementary Agreement**

**Exhibit B-1**  
**Form of Skadden Opinion<sup>1</sup>**

**[REDACTED]**

**Exhibit B-2**

**[REDACTED]**

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<sup>1</sup> Note to Draft: All opinion letters to include appropriate qualifications/assumptions, but we have not included those here for purposes of having the substance of the opinion paragraphs agreed to.

**Exhibit C**  
**Form of Buyer Opinion**

[REDACTED]

## DEVELOPMENT FUNDING BOND PURCHASE AGREEMENT

This DEVELOPMENT FUNDING BOND PURCHASE AGREEMENT, dated as of June 2, 2021 (this “**Agreement**”), is made and entered into by and between MorphoSys AG, a German stock corporation (*Aktiengesellschaft*) (the “**Guarantor**”), and Royalty Pharma USA, Inc., a Delaware corporation (the “**Buyer**”), and, effective as of its execution of a Joinder at or following the closing of the Merger (as defined below), Constellation Pharmaceuticals, Inc., a Delaware corporation (the “**Issuer**”).

### RECITALS

WHEREAS, the Guarantor and Royalty Pharma Investments 2019 ICAV an affiliate of the Buyer are parties, to that certain Royalty Purchase Agreement and to that Revenue Participation Rights Purchase and Sale Agreement, each dated of even date herewith (as amended, restated or otherwise modified from time to time, respectively, the “**RPA**” and the “**RPR P&S**,” and collectively with this Agreement and the Subscription Agreement (as defined below), the “**RP Transaction Agreements**”), pursuant to which the Buyer will purchase various royalties from the Guarantor and revenue participation rights from the Issuer.

WHEREAS, the Guarantor and Royalty Pharma Investments 2019 ICAV are entering into that Equity Investment and Purchase Agreement, dated of even date herewith (as amended, restated or otherwise modified from time to time, the “**Subscription Agreement**”), pursuant to which the Guarantor will issue and sell, and Royalty Pharma Investments 2019 ICAV will purchase, new ordinary shares of the Guarantor.

WHEREAS, the Guarantor, MorphoSys Development Inc., an indirect wholly-owned subsidiary of the Guarantor (“**MergerSub**”), and the Issuer are entering into that Agreement and Plan of Merger, dated of even date herewith (as amended, restated or otherwise modified from time to time, the “**Merger Agreement**”), pursuant to which MergerSub will merge with and into the Issuer with the Issuer continuing as the surviving corporation (such transaction, the “**Merger**”).

WHEREAS, the Buyer desires to purchase the Development Funding Bond(s) (as defined below) from the Issuer in exchange for the Buyer’s payment of the Purchase Price(s) (as defined below), and the Issuer desires to issue and sell the Development Funding Bond(s) to the Buyer in exchange for the Buyer’s payment of the Purchase Price(s), in each case on the terms and conditions set forth in this Agreement.

WHEREAS, as partial consideration for the Buyer’s purchase of the Development Funding Bond(s), the Guarantor is making various representations, warranties, covenants and agreements to the Buyer hereunder, including to guarantee all of the payment, covenants, compliance, performance and other obligations of the Issuer hereunder.

NOW THEREFORE, in consideration of the representations, warranties, covenants and agreements set forth in the RP Transaction Agreements and for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Guarantor and the Buyer and, effective as of the closing of the Merger, the Issuer, hereby agree as follows:

## SECTION 1

### Purchase and Sale of Development Funding Bonds

#### 1.1 *Issuance and Sale of Development Funding Bonds.*

(a) Subject to the terms and conditions hereof, the Issuer shall issue and sell to the Buyer, and the Buyer shall purchase from the Issuer, at one or more Closings (as defined below), bond(s) issued by the Issuer under this Agreement in the form set forth as Exhibit A hereto (each, a “**Development Funding Bond**”) in the original aggregate principal amount of at least \$150,000,000 and up to a maximum amount of \$350,000,000 (the “**Maximum Bond Amount**”).

(b) The closing(s) of the issuance and sale of each Development Funding Bond shall occur on the date(s) selected by the Issuer, but shall occur no later than the first anniversary of the consummation of the Merger (each such date, the “**Closing Date**”). The Issuer shall notify the Buyer in writing of (i) each Closing Date at least 45 calendar days in advance thereof and (ii) the amount of the Development Funding Bond to be issued to the Buyer at such Closing (a “**Closing Notice**”). The purchase price to be paid by the Buyer to the Issuer at such Closing for the issuance and sale of the Development Funding Bond shall be equal to the amount of the Development Funding Bond set forth in such notice (the “**Purchase Price**”). [REDACTED] Each Closing Date shall be a Business Day (as defined in the RPA) no later than the one year anniversary of the consummation of the Merger.

(c) [REDACTED].

1.2 *Closing.* Each purchase and sale of a Development Funding Bond (the “**Closing**”) shall take place remotely via the exchange of documents and signatures on each Closing Date. At each Closing, the Issuer shall deliver or cause to be delivered to the Buyer a duly executed Development Funding Bond in the aggregate principal amount equal to the Purchase Price detailed in the applicable Closing Notice and, concurrently, the Buyer shall pay to the Issuer such Purchase Price by wire transfer of immediately available funds in accordance with the Issuer’s written instructions.

1.3 *Use of Proceeds.* The Issuer shall use the proceeds from the issuance and sale of the Development Funding Bond for the clinical development of biopharmaceutical product candidates and the commercialization of biopharmaceutical products.

## SECTION 2

### Representations and Warranties of the Guarantor

The Guarantor hereby makes the following representations and warranties to the Buyer as of the date hereof and as of each Closing Date:

2.1 *Organization and Good Standing and Qualifications.* The Guarantor is a public limited company (*Aktiengesellschaft*) duly organized, validly existing and in good standing under the laws of Germany. The Guarantor has all requisite power and authority to own, lease, operate and occupy its properties and to carry on its business as now being conducted. The Guarantor is duly qualified as a foreign corporation to do business and is in good standing in every jurisdiction in which the nature of the business conducted or property owned or leased by it makes such qualification necessary, other than those in which the failure so to qualify or be in good standing would not reasonably be expected to have a Material Adverse Effect. For purposes of this Agreement, “**Material Adverse Effect**” shall mean any event or condition that

would reasonably be likely to have a material adverse effect on the business, operations, properties, or financial condition of the Guarantor and its consolidated subsidiaries, taken as a whole, or adversely affect in any material respect the ability of the Guarantor to perform its obligations, or the Buyer's rights, under any of the RP Transaction Agreements or the Development Funding Bond.

**2.2 Authorization.** (i) The Guarantor has the requisite corporate power and authority to enter into and perform its obligations under this Agreement and the Merger Agreement; (ii) the execution and delivery of this Agreement and the Merger Agreement by the Guarantor, the consummation by the Guarantor of the transactions contemplated hereby and thereby have been duly authorized by all necessary corporate action, and no further consent or authorization of the Guarantor, its Supervisory Board or Management Board or its shareholders is required; and (iii) this Agreement and the Merger Agreement has each been duly executed and delivered and constitutes a valid and binding obligation of the Guarantor enforceable against the Guarantor in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, securities, insolvency, or similar laws relating to, or affecting generally the enforcement of, creditors' rights and remedies, or indemnification or by other equitable principles of general application. The Guaranty (as defined below) has been duly authorized by the Guarantor and, when the Development Funding Bond has been duly executed, issued and delivered and paid for as provided herein, will be a valid and legally binding obligation of the Guarantor, enforceable against the Guarantor in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, securities, insolvency, or similar laws relating to, or affecting generally the enforcement of, creditors' rights and remedies, or indemnification or by other equitable principles of general application.

**2.3 No Conflict.** The execution, delivery and performance by the Guarantor of this Agreement and the Merger Agreement and the consummation of the transactions contemplated hereby and thereby, including the issuance of the Guaranty in respect of the Development Funding Bonds, do not and will not (i) contravene or conflict with the Guarantor's articles of association (*Satzung*), rules of procedure of Guarantor's supervisory board (*Aufsichtsrat*) or rules of procedure of Guarantor's management board (*Vorstand*), (ii) contravene or conflict with or violate any federal, state, local or foreign statute, rule, regulation, judgment, order, writ or decree binding upon or applicable to the Guarantor, (iii) contravene or conflict with or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any material contract or other material agreement, mortgage, deed of trust, indenture, note, bond, license, lease agreement, instrument or obligation binding upon or applicable to the Guarantor, or (iv) create or impose a lien, charge or encumbrance on any property of the Guarantor under any agreement or other commitment to which the Guarantor is a party or by which the Guarantor is bound, in the case of each of clauses (ii), (iii) and (iv), which would reasonably be expected to have a Material Adverse Effect.

**2.4 Consents.** Except for the consummation of the Merger, no consent, approval, license, order, authorization, registration, declaration or filing with or of any governmental entity or other person is required to be done or obtained by the Guarantor in connection with (i) the execution and delivery by the Guarantor of this Agreement, (ii) the performance by the Guarantor of its obligations under this Agreement, or (iii) the consummation by the Guarantor of any of the transactions contemplated by this Agreement.

**2.5 Compliance.** The Guarantor is not (i) in violation or default of any provision of any instrument, mortgage, deed of trust, loan, contract, commitment to which it or any of its subsidiaries is a party, (ii) in violation of any provision of any judgment, decree, order or obligation to which it or any of its subsidiaries is a party or by which any of its or their properties or assets are bound, or (iii) in violation of any federal, state or, to its knowledge, local statute, rule or governmental regulation, in the case of each of clauses (i), (ii) and (iii), which would have a Material Adverse Effect.

**2.6 Commission Documents, Financial Statements.** Since January 1, 2020, the Guarantor has timely filed all reports, schedules, forms, statements and other documents required to be filed by it with the

Commission pursuant to the reporting requirements of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), including material filed pursuant to Section 13(a) or 15(d) of the Exchange Act (all of the foregoing, including filings incorporated by reference therein, being referred to herein as the “**Commission Documents**”). As of its date, each Commission Document filed since January 1, 2020, complied in all material respects with the requirements of the Exchange Act and the rules and regulations of the Commission promulgated thereunder applicable to such document, and, as of its date, after giving effect to the information disclosed and incorporated by reference therein, no such Commission Document since January 1, 2020, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. As of their respective dates, the financial statements of the Guarantor included in the Commission Documents filed with the Commission since January 1, 2020, complied as to form and substance in all material respects with applicable accounting requirements and the published rules and regulations of the Commission or other applicable rules and regulations with respect thereto. Such financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) applied on a consistent basis during the periods involved (except (i) as may be otherwise indicated in such financial statements or the notes thereto or (ii) in the case of unaudited interim statements, to the extent they may not include footnotes or may be condensed or summary statements), and fairly present in all material respects the financial position of the Guarantor as of the dates thereof and the results of operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments).

**2.7 Internal Controls and Procedures.** The Guarantor maintains disclosure controls and procedures as such terms are defined in, and required by, Rule 13a-15 and Rule 15d-15 under the Exchange Act. Except as disclosed in the Commission Documents, such disclosure controls and procedures are effective as of the latest date of management’s evaluation of such disclosure controls and procedures as set forth in the Commission Documents to ensure that all material information required to be disclosed by the Guarantor in the reports that it files or furnishes under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Commission. Except as disclosed in the Commission Documents, the Guarantor maintains a system of internal controls over financial reporting sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management’s general or specific authorizations; and (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with IFRS.

**2.8 Material Adverse Change.** Since December 31, 2020, no event or series of events has or have occurred that would, individually or in the aggregate, reasonably expected to have a Material Adverse Effect.

**2.9 No Undisclosed Liabilities.** The Guarantor and its consolidated subsidiaries, taken as a whole, do not have any liabilities, obligations, claims or losses (whether liquidated or unliquidated, secured or unsecured, absolute, accrued, contingent or otherwise) that would be required to be disclosed on a balance sheet of the Guarantor and its consolidated subsidiaries (including the notes thereto) in conformity with IFRS and are not disclosed in the Commission Documents, other than those incurred in the ordinary course of the Guarantor’s or its subsidiaries’ respective businesses since March 31, 2021.

**2.10 No Undisclosed Events or Circumstances.** Except for the transactions contemplated by this Agreement, the RPA, the RPR P&S or the Merger Agreement, no event or circumstance has occurred or exists with respect to the Guarantor, its subsidiaries, or their respective businesses, properties, operations or financial condition, which, under applicable law, rule or regulation, requires public disclosure or announcement by the Guarantor but which has not been so publicly announced or disclosed and which, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect.

2.11 **Actions Pending.** There is no action, suit, claim, investigation or proceeding pending or, to the knowledge of the Guarantor, threatened against the Guarantor or any subsidiary which questions the validity of this Agreement or the transactions contemplated hereby or any action taken or to be taken pursuant hereto. Except as set forth in the Commission Documents, there is no action, suit, claim, investigation or proceeding pending or, to the knowledge of the Guarantor, threatened, against or involving the Guarantor, any subsidiary, or any of their respective properties or assets that would be reasonably expected to have a Material Adverse Effect. Except as set forth in the Commission Documents, no judgment, order, writ, injunction or decree or award has been issued by or, to the knowledge of the Guarantor, requested of any court, arbitrator or governmental agency which would be reasonably expected to result in a Material Adverse Effect.

2.12 **Compliance with Law.** The businesses of the Guarantor and its subsidiaries have been and are presently being conducted in accordance with all applicable federal, state and local governmental laws, rules, regulations and ordinances, except as would not reasonably be expected to cause a Material Adverse Effect. The Guarantor and each of its subsidiaries have all franchises, permits, licenses, consents and other governmental or regulatory authorizations and approvals necessary for the conduct of its business as now being conducted by it, except for such franchises, permits, licenses, consents and other governmental or regulatory authorizations and approvals, the failure to possess which, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect.

2.13 **Investment Company.** The Guarantor is not and, after giving effect to the offering and sale of the Development Funding Bond, will not be an "investment company" as defined in the Investment Company Act of 1940, as amended.

2.14 **Brokers.** No brokers, finders or financial advisory fees or commissions will be payable by the Guarantor or any of its subsidiaries in respect of the transactions contemplated by this Agreement.

### SECTION 3

#### Representations and Warranties of the Issuer

The Issuer hereby makes the following representations and warranties to the Buyer as of effective as of the closing of the Merger and as of each Closing Date:

3.1 **Organization and Good Standing and Qualifications.** The Issuer is a corporation duly organized, validly existing and in good standing under the laws of state of Delaware. The Issuer has all requisite power and authority to own, lease, operate and occupy its properties and to carry on its business as now being conducted. The Issuer is duly qualified as a foreign corporation to do business and is in good standing in every jurisdiction in which the nature of the business conducted or property owned or leased by it makes such qualification necessary, other than those in which the failure so to qualify or be in good standing would not reasonably be expected to have a Material Adverse Effect.

3.2 **Authorization.** (i) The Issuer has the requisite corporate power and authority to enter into and perform its obligations under this Agreement; (ii) the execution and delivery of this Agreement by the Issuer, the consummation by the Issuer of the transactions contemplated hereby, including the issuance, sale and delivery of any Development Funding Bond, has been duly authorized by all necessary corporate action, and no further consent or authorization of the Issuer, its board of directors or its stockholders is required; and (iii) this Agreement has been duly executed and delivered and constitutes a valid and binding obligation of the Issuer enforceable against the Issuer in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, securities, insolvency, or similar laws relating to, or affecting generally the enforcement of, creditors' rights and remedies, or indemnification or by other equitable principles of general application.

3.3 **Valid Issuance of Development Funding Bond.** The issuance of each Development Funding Bond has been duly authorized by all requisite corporate action. Each Development Funding Bond has, prior to its issuance, been duly authorized by the Issuer and, when duly executed, issued and delivered and paid for as provided herein, will be duly and validly issued and outstanding and will constitute a valid and legally binding obligation of the Issuer enforceable against the Issuer in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, securities, insolvency, or similar laws relating to, or affecting generally the enforcement of, creditors' rights and remedies, or indemnification or by other equitable principles of general application.

3.4 **No Conflict.** The execution, delivery and performance by the Issuer of this Agreement and the consummation of the transactions contemplated hereby do not and will not (i) contravene or conflict with the certificate of incorporation or bylaws of the Issuer, (ii) contravene or conflict with or violate any federal, state, local or foreign statute, rule, regulation, judgment, order, writ or decree binding upon or applicable to the Issuer, (iii) contravene or conflict with or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any material contract or other material agreement, mortgage, deed of trust, indenture, note, bond, license, lease agreement, instrument or obligation binding upon or applicable to the Issuer, or (iv) create or impose a lien, charge or encumbrance on any property of the Issuer under any agreement or other commitment to which the Issuer is a party or by which the Issuer is bound, in the case of each of clauses (ii), (iii) and (iv), which would reasonably be expected to have a Material Adverse Effect.

3.5 **Consents.** No consent, approval, license, order, authorization, registration, declaration or filing with or of any governmental entity or other person is required to be done or obtained by the Issuer in connection with (i) the execution and delivery by the Issuer of the joinder to this Agreement, (ii) the performance by the Issuer of its obligations under this Agreement, or (iii) the consummation by the Issuer of any of the transactions contemplated by this Agreement, including the issuance and sale of any Development Funding Bond in accordance with the terms hereof.

3.6 **Compliance.** The Issuer is not (i) in violation or default of any provision of any instrument, mortgage, deed of trust, loan, contract, commitment to which it or any of its subsidiaries is a party, (ii) in violation of any provision of any judgment, decree, order or obligation to which it or any of its subsidiaries is a party or by which any of its or their properties or assets are bound, or (iii) in violation of any federal, state or, to its knowledge, local statute, rule or governmental regulation, in the case of each of clauses (i), (ii) and (iii), which would have a Material Adverse Effect.

3.7 **Brokers.** No brokers, finders or financial advisory fees or commissions will be payable by the Issuer or any of its subsidiaries in respect of the transactions contemplated by this Agreement.

## SECTION 4

### Representations and Warranties of the Buyer

The Buyer hereby makes the following representations and warranties to the Guarantor as of the date hereof and as of each Closing Date:

4.1 **Experience.** The Buyer is experienced in evaluating companies such as the Guarantor, has such knowledge and experience in financial and business matters that the Buyer is capable of evaluating the merits and risks of the Buyer's prospective investment in the Guarantor, and has the ability to bear the economic risks of the investment.

4.2 **Investment.** The Buyer is acquiring the Development Funding Bond for investment for the Buyer's own account and not with the view to, or for resale in connection with, any distribution thereof. The Buyer understands that the Development Funding Bond has not been and will not be registered under the Securities Act by reason of a specific exemption from the registration provisions of the Securities Act which depends upon, among other things, the bona fide nature of the investment intent as expressed herein. The Buyer further represents that it does not have any contract, undertaking, agreement or arrangement with any person to sell, transfer or grant participation to any third person with respect to any of the Development Funding Bond.

4.3 **Access to Information.** The Buyer has received and reviewed information about the Guarantor and has had an opportunity to discuss the Guarantor's business, management and financial affairs with its management and to review the Guarantor's facilities. The Buyer has had a full opportunity to ask questions of and receive answers from the Guarantor, or any person or persons acting on behalf of the Guarantor, concerning the terms and conditions of an investment in the Development Funding Bond. The Buyer is not relying upon, and has not relied upon, any statement, representation or warranty made by any person, except for the statements, representations and warranties contained in this Agreement.

4.4 **Authorization.** This Agreement when executed and delivered by the Buyer will constitute a valid and legally binding obligation of the Buyer, enforceable in accordance with its terms, subject to: (i) judicial principles respecting election of remedies or limiting the availability of specific performance, injunctive relief, and other equitable remedies; and (ii) bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect generally relating to or affecting creditors' rights.

4.5 **Investor Status.** The Buyer acknowledges that it is either (i) an institutional "accredited investor" as defined in Rule 501(a) of Regulation D of the Securities Act (an "**Institutional Accredited Investor**") or (ii) a "qualified institutional buyer" as defined in Rule 144A of the Securities Act.

4.6 **No Inducement.** The Buyer was not induced to participate in the offer and sale of the Development Funding Bond by the filing of any registration statement in connection with any public offering of the Guarantor's securities, and the Buyer's decision to purchase the Development Funding Bond hereunder was not influenced by the information contained in any such registration statement.

4.7 **No Conflicts.** The execution, delivery and performance by the Buyer of this Agreement do not and will not (i) contravene or conflict with the organizational documents of the Buyer, (ii) contravene or conflict with or constitute a default under any material provision of any law binding upon or applicable to the Buyer or (iii) contravene or conflict with or constitute a default under any material contract or other material agreement, judgment, order, writ, injunction, citation, award or decree binding upon or applicable to the Buyer.

4.8 **Consent.** No consent, approval, license, order, authorization, registration, declaration or filing with or of any governmental entity or other person is required to be done or obtained by the Buyer in connection with (i) the execution and delivery by the Buyer of this Agreement, (ii) the performance by the Buyer of its obligations under this Agreement or (iii) the consummation by the Buyer of any of the transactions contemplated by this Agreement.

4.9 **Financing.** The Buyer has sufficient cash to pay the Purchase Price at each Closing.

## SECTION 5

### Conditions to the Buyer's Obligations at each Closing

The obligations of the Buyer under this Agreement at each Closing are subject to the fulfillment on or before such Closing (except as otherwise indicated) of each of the following conditions, any of which may be waived in writing by the Buyer (except to the extent not permitted by law):

**5.1 *No Injunction, etc.*** No preliminary or permanent injunction or other binding order, decree or ruling issued by a court or governmental agency shall be in effect which shall have the effect of preventing the consummation of any of the transactions contemplated by this Agreement. No action or claim shall be pending before any court or quasi-judicial or administrative agency of any federal, state, local or foreign jurisdiction or before any arbitrator wherein an unfavorable injunction, judgment, order, decree, ruling or charge would be reasonably likely to (i) prevent consummation of any of the transactions contemplated by this Agreement, (ii) cause any of the transactions contemplated by this Agreement to be rescinded following consummation or (iii) have the effect of making illegal the purchase of, or payment for, any of the Development Funding Bond by the Buyer.

**5.2 *Representations and Warranties.*** The representations and warranties of the Guarantor contained in Section 2 and the representations and warranties of the Issuer in Section 3 shall be true and correct in all respects on and as of such Closing with the same effect as though such representations and warranties had been made on and as of such Closing Date.

**5.3 *Performance.*** The Guarantor shall (i) have performed and complied with all covenants, agreements, obligations and conditions contained in this Agreement that are required to be performed, or complied with, by it on or before such Closing (ii) not be in breach of any of the RP Transaction Agreements.

**5.4 *Closing Certificate.*** The Buyer shall have received a certificate, executed by a duly authorized officer of each of the Guarantor and the Issuer, on such Closing Date certifying on behalf of the Guarantor and the Issuer, respectively, as to its compliance with, and satisfaction of, Section 5.2 and Section 5.3.

**5.5 *Securities Laws.*** The offer and sale of the Development Funding Bond to the Buyer pursuant to this Agreement at such Closing shall be exempt from the registration requirements of the Securities Act and the registration and/or qualification requirements of all applicable state securities laws.

**5.6 *Authorizations.*** All authorizations, approvals or permits, if any, of any governmental authority or regulatory body that are required in connection with the lawful issuance and sale of the Development Funding Bond pursuant to this Agreement shall have been duly obtained and shall be effective on and as of such Closing.

**5.7 *Legal Opinion.*** The Buyer shall have received legal opinions from counsel to the Guarantor and the Issuer, dated as of such Closing Date and in a form reasonably acceptable to the Buyer, covering corporate existence, authority, enforceability and non-contravention in respect of certain contracts and the organizational documents of the Guarantor and Issuer and applicable law.

**5.8 *Consummation of the Merger.*** The Merger contemplated by the Merger Agreement shall have been consummated.

## SECTION 6

### Conditions to the Issuer's Obligations at each Closing

The obligations of the Issuer under this Agreement at each Closing are subject to the fulfillment on or before such Closing (except as otherwise indicated) of each of the following conditions, any of which may be waived in writing by the Issuer (except to the extent not permitted by law):

**6.1 *No Injunction, etc.*** No preliminary or permanent injunction or other binding order, decree or ruling issued by a court or governmental agency shall be in effect which shall have the effect of preventing the consummation of any of the transactions contemplated by this Agreement. No action or claim shall be pending before any court or quasi-judicial or administrative agency of any federal, state, local or foreign jurisdiction or before any arbitrator wherein an unfavorable injunction, judgment, order, decree, ruling or charge would be reasonably likely to (i) prevent consummation of any of the transactions contemplated by this Agreement, (ii) cause any of the transactions contemplated by this Agreement to be rescinded following consummation or (iii) have the effect of making illegal the purchase of, or payment for, any of the Development Funding Bond by the Buyer

**6.2 *Representations and Warranties.*** The representations and warranties of the Buyer contained in Section 4 shall be true and correct in all respects on and as of such Closing with the same effect as though such representations and warranties had been made on and as of such Closing Date.

**6.3 *Closing Certificate.*** The Issuer shall have received a certificate, executed by a duly authorized officer of the Buyer, on such Closing Date certifying on behalf of the Buyer as to its compliance with, and satisfaction of, Section 6.2.

**6.4 *Securities Law Compliance.*** The offer and sale of the Development Funding Bond to the Buyer pursuant to this Agreement at such Closing shall be exempt from the registration requirements of the Securities Act and the registration and/or qualification requirements of all applicable state securities laws.

**6.5 *Authorization.*** All authorizations, approvals or permits, if any, of any governmental authority or regulatory body that are required in connection with the lawful issuance and sale of the Development Funding Bond pursuant to this Agreement shall have been duly obtained and shall be effective on and as of such Closing.

**6.6 *Consummation of the Merger.*** The Merger contemplated by the Merger Agreement shall have been consummated.

## SECTION 7

### Covenants

**7.1 *Joinder.*** At or as promptly as possible after (but, in any event, within one Business Day) the closing of the Merger, the Guarantor shall cause the Issuer to execute and deliver to the Buyer the Joinder Agreement, in a form mutually agreeable to the Guarantor and the Buyer, following which the Issuer shall become a party to this Agreement. For clarity, any breach by the Guarantor of this Section 7.1 shall not relieve any affiliate of Buyer of any of its obligations to complete the financings under either the RPA or the RPR P&S, but the Guarantor shall in such case be subject to (i) its indemnification obligations under Section 9.1(a) and (ii) the remedies contemplated by Section 10.10.

**7.2 [REDACTED]**

### 7.3 *Guaranty; Continued Existence of Obligors*

(a) The Guarantor hereby unconditionally guarantees to the Buyer, irrespective of the validity and enforceability of this Agreement, any Development Funding Bond or the obligations of the Issuer hereunder or thereunder: (a) that any amounts payable under any Development Funding Bond shall be promptly paid in full when due; and (b) the due and punctual performance of, and compliance by the Issuer with, all of its obligations under this Agreement or any Development Funding Bond ((a) and (b) together, the “**Guaranty**”). Failing payment when due of any amount so guaranteed or any performance so guaranteed for whatever reason, the Guarantor shall be obligated to pay the same immediately. The Guarantor agrees that this is a guaranty of payment and not a guaranty of collection. The Guarantor hereby agrees that its obligations hereunder shall be unconditional, irrespective of the validity, regularity or enforceability of this Agreement or the Development Funding Bonds, the absence of any action to enforce the same, any waiver or consent by the Buyer with respect to any provisions hereof or thereof, the recovery of any judgment against the Issuer, any action to enforce the same or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a guarantor. The Guarantor hereby waives, to the extent permitted by applicable law, diligence, presentment, demand of payment, filing of claims with a court in the event of insolvency or bankruptcy of the Issuer, any right to require a proceeding first against the Issuer, protest, notice and all demands whatsoever and covenant that the Guaranty shall not be discharged except by complete performance of the obligations contained in this Agreement and the Development Funding Bonds. The Guarantor agrees that it shall not be entitled to any right of subrogation in relation to the Buyer in respect of any obligations guaranteed hereby until payment in full, and satisfaction of all nonpayment, obligations guaranteed hereby.

(b) Other than the Merger, the Issuer shall not merge, consolidate or amalgamate with or into or wind up into, or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the properties or assets of the Issuer and its subsidiaries, in one or more related transactions, to any entity unless (i)(a) the Issuer is the surviving entity or (b) the entity formed by or surviving any such merger, consolidation or amalgamation (if other than the Issuer) or to which such sale, assignment, transfer, lease, conveyance or other disposition will have been made is an entity organized or existing under the laws of the jurisdiction of organization of the Issuer or the laws of the United States, any state thereof or the District of Columbia and shall expressly assume all of the obligations of the Issuer under this Agreement and each Development Funding Bond by way of one or more agreements or instruments in form and substance reasonably acceptable to Buyer and (ii) no Event of Default exists.

(c) The Guarantor shall not merge, consolidate or amalgamate with or into or wind up into, or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties or assets, in one or more related transactions, to any entity unless (i)(a) the Guarantor is the surviving entity or (b) the entity formed by or surviving any such merger, consolidation or amalgamation (if other than the Guarantor) or to which such sale, assignment, transfer, lease, conveyance or other disposition shall have been made expressly assumes all the obligations of the Guarantor under this Bond Purchase Agreement, including, unless the transaction or series of related transactions involves the bona fide sale of all of the properties or assets of the Guarantor for fair value on an arms’ length basis to an unrelated third party, on a joint and several basis with the Guarantor if the Guarantor continues to exist, by way of one or more agreements or instruments in form and substance reasonably acceptable to Buyer and (ii) no Event of Default exists.

7.4 **Further Assurances.** Each of the Buyer and the Guarantor and, following the consummation of the Merger and the execution by the Issuer of the Joinder Agreement, the Issuer, shall execute such

further documents and shall take, or shall cause to be taken, such further actions as may be reasonably required to carry out the provisions of this Agreement and give effect to the transactions contemplated hereby.

## SECTION 8

### TERMINATION

8.1 **Automatic Termination**. Unless earlier terminated by the mutual written agreement of the parties hereto, this Agreement shall continue in full force and effect until the earlier of (a) sixty (60) days after such time as the Guarantor and the Issuer have satisfied in full their payment obligations under any Development Funding Bond(s) or otherwise under this Agreement and (b) the termination of the Merger Agreement pursuant to its terms and the parties rights thereunder, at which point this Agreement shall automatically terminate, except in each case with respect to any rights that shall have accrued prior to such termination.

8.2 **Survival**. Notwithstanding anything to the contrary in this Section 8, the following provisions shall survive termination of this Agreement and any of the other RP Transaction Agreements: Section 9 (Indemnification), this Section 8.2 (Survival) and Section 10 (Miscellaneous). Termination of any Transaction Agreement shall not relieve any party of liability in respect of breaches under any Transaction Agreement by any party on or prior to termination.

## SECTION 9

### Indemnification

9.1 ***General Indemnity***. Subject to Section 9.3, from and after the Closing:

(a) the Guarantor and the Issuer, each hereby jointly and severally agrees to indemnify, defend and hold harmless the Buyer and its Affiliates and its and their directors, managers, trustees, officers, agents and employees (the “**Buyer Indemnified Parties**”) from, against and in respect of all Losses (as defined in the RPA) suffered or incurred by the Buyer Indemnified Parties to the extent arising out of or resulting from (i) any breach of any of the representations or warranties (in each case, when made) of the Guarantor or the Issuer in this Agreement or any Development Funding Bonds and (ii) any breach of any of the covenants or agreements of the Guarantor or the Issuer in this Agreement or any Development Funding Bonds; and

(b) the Buyer hereby agrees to indemnify, defend and hold harmless the Guarantor and its Affiliates and its and their directors, officers, agents and employees (“**Guarantor Indemnified Parties**”) from, against and in respect of all Losses suffered or incurred by the Guarantor Indemnified Parties to the extent arising out of or resulting from (i) any breach of any of the representations or warranties (in each case, when made) of the Buyer in this Agreement or any Development Funding Bonds or (ii) any breach of any of the covenants or agreements of the Buyer in this Agreement or any Development Funding Bonds. For purposes of this Agreement, “**Losses**” means any and all judgment, order, writ, injunction, citation, award or decree of any nature, damages, losses, claims, costs, liabilities and expenses, including reasonable fees and out-of-pocket expenses of counsel.

9.2 ***Notice of Claims***. If either a Buyer Indemnified Party, on the one hand, or a Guarantor Indemnified Party, on the other hand (such Buyer Indemnified Party on the one hand and such Guarantor Indemnified Party on the other hand being hereinafter referred to as an “**Indemnified Party**”), has suffered or incurred any Losses for which indemnification may be sought under this Section 9, the Indemnified Party

shall so notify the other party from whom indemnification is sought under this Section 9 (the “**Indemnifying Party**”) promptly in writing describing such Loss, the amount or estimated amount thereof, if known or reasonably capable of estimation, and the method of computation of such Loss, all with reasonable particularity and containing a reference to the provisions of this Agreement in respect of which such Loss shall have occurred. If any claim, action, suit or proceeding is asserted or instituted by or against a Third Party (as defined in the RPA) with respect to which an Indemnified Party intends to claim any Loss under this Section 9.2, such Indemnified Party shall promptly notify the Indemnifying Party of such claim, action, suit or proceeding and tender to the Indemnifying Party the defense of such claim, action, suit or proceeding. A failure by an Indemnified Party to give notice and to tender the defense of such claim, action, suit or proceeding in a timely manner pursuant to this Section 9.2 shall not limit the obligation of the Indemnifying Party under this Section 9, except to the extent such Indemnifying Party is actually prejudiced thereby.

**9.3 Limitations on Liability.** No party hereto shall be liable for any consequential, punitive, special or incidental damages under this Section 9 (and no claim for indemnification hereunder shall be asserted) as a result of any breach or violation of any covenant or agreement of such party (including under this Section 9) in or pursuant to this Agreement.

**9.4 Third-Party Claims.** Upon providing notice to an Indemnifying Party by an Indemnified Party pursuant to Section 9.2 of the commencement of any action, suit or proceeding against such Indemnified Party by a Third Party with respect to which such Indemnified Party intends to claim any Loss under this Section 9, such Indemnifying Party shall have the right to defend such claim, at such Indemnifying Party’s expense and with counsel of its choice reasonably satisfactory to the Indemnified Party. If the Indemnifying Party assumes the defense of such claim, the Indemnified Party shall, at the request of the Indemnifying Party, use commercially reasonable efforts to cooperate in such defense; provided that the Indemnifying Party shall bear the Indemnified Party’s reasonable out-of-pocket costs and expenses incurred in connection with such cooperation. So long as the Indemnifying Party is conducting the defense of such claim as provided in this Section 9.4, the Indemnified Party may retain separate co-counsel at its expense and may participate in the defense of such claim, and the Indemnifying Party shall not consent to the entry of any judgment or enter into any settlement with respect to such claim without the prior written consent of the Indemnified Party unless such judgment or settlement (A) provides for the payment by the Indemnifying Party of money as sole relief (if any) for the claimant (other than customary and reasonable confidentiality obligations relating to such claim, judgment or settlement), (B) results in the full and general release of the Indemnified Party from all liabilities arising out of, relating to or in connection with such claim and (C) does not involve a finding or admission of any violation of any law, rule, regulation or judgment, or the rights of any Person, and has no effect on any other claims that may be made against the Indemnified Party. In the event the Indemnifying Party does not or ceases to conduct the defense of such claim as so provided, (i) the Indemnified Party may defend against, and consent to the entry of any judgment or enter into any settlement with respect to, such claim in any manner it may reasonably deem to be appropriate, (ii) subject to the limitations set forth in Section 9.3, the Indemnifying Party shall reimburse the Indemnified Party promptly and periodically for the reasonable out-of-pocket costs of defending against such claim, including reasonable attorneys’ fees and expenses against reasonably detailed invoices, and (iii) the Indemnifying Party shall remain responsible for any Losses the Indemnified Party may suffer as a result of such claim to the full extent provided in this Section 9.

**9.5 Exclusive Remedy.** Except as set forth in Section 10.10, from and after Closing, the rights of the parties hereto pursuant to (and subject to the conditions of) this Section 9 shall be the sole and exclusive remedy of the parties hereto and their respective Affiliates with respect to any claims (whether based in contract, tort or otherwise) resulting from or relating to any breach of the representations, warranties covenants and agreements made under this Agreement or any certificate, document or instrument delivered hereunder, and each party hereto hereby waives, to the fullest extent permitted under applicable law, and

agrees not to assert after Closing, any other claim or action in respect of any such breach. Notwithstanding the foregoing, claims for fraud shall not be waived or limited in any way by this Section 9.

## SECTION 10

### Miscellaneous

10.1 **Notices.** All notices and other communications under or in connection with this Agreement or any Development Funding Bond shall be in writing and shall be by email with PDF attachment, facsimile, courier service or personal delivery to the following addresses, or to such other addresses as shall be designated from time to time by a party hereto in accordance with this Section 10.1:

If to the Guarantor, to it at:

MorphoSys AG  
Semmelweisstraße Planegg  
82152  
Germany  
Attention: [REDACTED][REDACTED]  
Email: [REDACTED][REDACTED]

With a copy to:

Skadden, Arps, Slate, Meagher & Flom LLP  
500 Boylston Street  
Boston, Massachusetts 02116  
Attention: [REDACTED][REDACTED][REDACTED]  
Email: [REDACTED][REDACTED][REDACTED]

If to the Issuer, to it at:

Constellation Pharmaceuticals, Inc.  
215 First Street, Suite 200  
Cambridge, Massachusetts 02142  
Attention: [REDACTED][REDACTED]  
Email: [REDACTED][REDACTED]

With a copy to:

Wachtell, Lipton, Rosen & Katz  
51 West 52nd Street  
New York, NY 10019  
Attention: [REDACTED]  
E-mail:[REDACTED]  
Facsimile:  
Email:

If to the Buyer, to it at:

Royalty Pharma USA, Inc.  
110 E. 59th Street, Suite 3300  
New York, New York 10022  
Attention: [REDACTED]  
Email: [REDACTED]

With a copy to:

Goodwin Procter LLP  
100 Northern Avenue  
Boston, Massachusetts 02210  
Attention: [REDACTED]  
Email: [REDACTED]

All notices and communications under or in connection with this Agreement or any Development Funding Bond shall be deemed to have been duly given (i) when delivered by hand, if personally delivered, (ii) when received by a recipient, if sent by email, (iii) when sent, if sent by facsimile, with an acknowledgement of sending being produced by the sending facsimile machine or (iv) one Business Day (as defined in the RPA) following sending within the United States by overnight delivery via commercial one-day overnight courier service.

10.2 **Expenses.** Except as otherwise provided herein, all fees, costs and expenses (including any legal, accounting and banking fees) incurred in connection with the preparation, negotiation, execution and delivery of this Agreement and the Development Funding Bond(s) and to consummate the transactions contemplated hereby shall be paid by the party hereto incurring such fees, costs and expenses.

10.3 **Assignment.** The Guarantor and, upon being a party hereto, the Issuer shall not sell, assign or otherwise transfer all or any portion of this Agreement, any Development Funding Bonds or their rights hereunder or thereunder to any Person, including by operation of law, merger, change of control, or otherwise without the Buyer's prior written consent except as permitted by Section 7.3(b) or Section 7.3(c), as applicable. Subject to the registration requirement of Section 11 of the Development Funding Bond, the Buyer may assign this Agreement and any or all Development Funding Bonds, in each case, in whole or in part, provided that such assignment of the Development Funding Bonds is permitted under the Securities Act of 1933, as amended, and under the securities laws of applicable states, and that the Buyer promptly thereafter notifies the Guarantor in writing thereof; and provided further, that any such assignment to (i) an investment fund that has initiated more than one proxy contest with respect to a public company or (ii) a competitor of the Guarantor, the Issuer and/or their respective subsidiaries shall require the prior written consent of the Guarantor (not to be unreasonably withheld or delayed). Any purported assignment in violation of this Section 10.3 shall be null and void. This Agreement shall be binding upon, inure to the benefit of and be enforceable by, the parties hereto and their respective permitted successors and assigns.

10.4 **Amendment and Waiver.**

(a) This Agreement may be amended, modified or supplemented only in a writing signed by each of the parties hereto. Any provision of this Agreement may be waived only in a writing signed by the parties hereto granting such waiver.

(b) No failure or delay on the part of any party hereto in exercising any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy. No course of dealing between the parties hereto shall be effective to amend, modify, supplement or waive any provision of this Agreement.

10.5 **Entire Agreement.** This Agreement and the Exhibits annexed hereto, including the Development Funding Bond(s), constitute the entire understanding between the parties hereto with respect to the subject matter hereof and supersede all other understandings and negotiations with respect thereto.

10.6 **No Third-Party Beneficiaries.** This Agreement is for the sole benefit of the Guarantor and the Buyer and their permitted successors and assigns and nothing herein expressed or implied shall give or be construed to give to any Person, other than the parties hereto and such successors and assigns, any legal or equitable rights hereunder.

10.7 **Governing Law.** This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York without giving effect to any choice or conflict of law provision or rule that would cause the application of the laws of any other jurisdiction.

10.8 **JURISDICTION; VENUE.**

(a) EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS RESPECTIVE PROPERTY AND ASSETS, TO THE EXCLUSIVE JURISDICTION OF ANY NEW YORK STATE COURT OR FEDERAL COURT OF THE UNITED STATES OF AMERICA SITTING IN NEW YORK COUNTY, NEW YORK, AND ANY APPELLATE COURT THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT IN RESPECT THEREOF, AND THE PARTIES HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY AGREE THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH NEW YORK STATE COURT OR, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL COURT. THE PARTIES HERETO HEREBY AGREE THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY APPLICABLE LAW. EACH OF PARTIES HERETO HEREBY SUBMITS TO THE EXCLUSIVE PERSONAL JURISDICTION AND VENUE OF SUCH NEW YORK STATE AND FEDERAL COURTS. THE PARTIES HERETO AGREE, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THAT PROCESS MAY BE SERVED ON SUCH PARTY IN THE SAME MANNER THAT NOTICES MAY BE GIVEN PURSUANT TO SECTION 10.1 HEREOF.

(b) EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT IT MAY LEGALLY AND EFFECTIVELY DO SO, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT IN ANY NEW YORK STATE OR FEDERAL COURT. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

(c) Each party hereto irrevocably and unconditionally waives any right to trial by jury with respect to any proceeding arising out of, relating to or in connection with this Agreement or any transaction contemplated hereby.

10.9 **Severability.** If any term or provision of this Agreement or any Development Funding Bond shall for any reason be held to be invalid, illegal or unenforceable in any jurisdiction, then, to the extent that the economic and legal substance of the transactions contemplated hereby is not affected in a manner that is materially adverse to either party hereto, all other terms and provisions of this Agreement or the Development Funding Bond(s) shall nevertheless remain in full force

and effect and the enforceability and validity of the offending term or provision shall not be affected in any other situation or jurisdiction.

10.10 ***Specific Performance.*** Each of the parties acknowledges and agrees that the other parties would be damaged irreparably in the event any of the provisions of this Agreement are not performed in accordance with their specific terms or otherwise are breached or violated. Accordingly, notwithstanding Section 9.5, each of the parties agrees that, without posting bond or other undertaking, the other parties shall be entitled to an injunction or injunctions to prevent breaches or violations of the provisions of this Agreement and to enforce specifically this Agreement and the terms and provisions hereof in any action, suit or other proceeding instituted in any court of the United States or any state thereof having jurisdiction over the parties and the matter in addition to any other remedy to which it may be entitled, at law or in equity. Each party further agrees that, in the event of any action for specific performance in respect of such breach or violation, it shall not assert that the defense that a remedy at law would be adequate.

10.11 ***Counterparts.*** This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Copies of executed counterparts transmitted by telecopy, facsimile or other similar means of electronic transmission, including "PDF," shall be considered original executed counterparts, provided receipt of such counterparts is confirmed.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties have executed this Development Funding Bond Purchase Agreement as of the date first set forth above.

**MORPHOSYS AG**, as the Guarantor

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

**ROYALTY PHARMA USA, INC.**, as the Buyer

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

*[Signature Page to Development Funding Bond Purchase Agreement]*

**EXHIBIT A**  
**Form of Development Funding Bond**

1295109.02A-NYCSR01A - MSW

ACTIVE/110017159

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1295109.02A-NYCSR01A - MSW

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**Entity Name (Jurisdiction)**

1. Constellation Pharmaceuticals, Inc. (USA)
2. Constellation Securities Corp. (USA)
3. MorphoSys US Inc. (USA)

Certification of the Chief Executive Officer

I, Jean-Paul Kress, M.D., certify that:

1. I have reviewed this Annual Report on Form 20-F of MorphoSys AG;
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(s) 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(s) 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: March 16, 2022

/s/ Jean-Paul Kress, M.D.

Name: Jean-Paul Kress, M.D.

Title: CEO and member of the Board of Management

Certification of the Chief Financial Officer

I, Sung Lee, certify that:

1. I have reviewed this Annual Report on Form 20-F of MorphoSys AG;
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(s) 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(s) 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: March 16, 2022

/s/ Sung Lee

Name: Sung Lee

Title: CFO and member of the Board of Management

**Exhibit 13.1**

Certification of CEO and CFO Pursuant to 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 on Form 20-F of MorphoSys AG for the fiscal year ended December 31, 2021 as filed with the SEC on the date hereof (the "Report"), Jean-Paul Kress, M.D., as CEO of the Company, and Sung Lee, as CFO of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act 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/ Jean-Paul Kress, M.D.

Name: Jean-Paul Kress, M.D.

Title: CEO and member of the Board of Management

Date: March 16, 2022

/s/ Sung Lee

Name: Sung Lee

Title: CFO and member of the Board of Management

Date: March 16, 2022

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This certification accompanies the Report pursuant to section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of section 18 of the Securities Exchange Act of 1934.

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-226422, 333-227692, 333-230869, 333-234511 and 333-260520) of MorphoSys AG of our report dated March 14, 2022 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 20-F.

Munich, Germany  
March 16, 2022

PricewaterhouseCoopers GmbH  
Wirtschaftsprüfungsgesellschaft

/s/ Stefano Mulas  
Wirtschaftsprüfer  
(German Public Auditor)

/s/ Holger Lutz  
Wirtschaftsprüfer  
(German Public Auditor)