

**Written report of the Management Board on agenda item 8  
pursuant to section 203 para. 1 sentence 1 in conjunction with  
section 186 para. 4 sentence 2 AktG**

**(Resolution on the creation of an Authorized Capital 2021-III under exclusion of subscription rights for the purpose of serving “Restricted Stock Units” to be issued to senior managers and employees of MorphoSys US Inc. under the “Restricted Stock Unit Program 2021” of the Company; amendment to the Articles of Association)**

Under agenda item 8, the Management Board and the Supervisory Board propose to the general meeting on May 19, 2021 to create a new authorized capital (Authorized Capital 2021-III). Pursuant to section 203 para. 1 sentence 1 in conjunction with section 186 para. 4 sentence 2 AktG, the Management Board provides the following report on agenda item 8 to the general meeting on the reason for the exclusion of subscription rights of the shareholders when issuing new shares from the Authorized Capital 2021-III:

**1. Background on the proposal for the creation of a new Authorized Capital 2021-III**

In July 2018, MorphoSys AG founded a 100 % subsidiary in the USA, MorphoSys US Inc. MorphoSys US Inc. has since served as our Company’s strong local presence in the U.S., particularly currently for the purpose of a sustained, successful market introduction and strong placement of the MorphoSys-developed medicament Monjuvi®. In July of last year, the U.S. Food and Drug Administration (FDA) approved Monjuvi® (tafasitamab-cxix) in combination with Lenalidomide for the treatment of adult patients with relapsed or refractory diffuse large b-cell lymphoma (DLBCL).

An attractive and competitive remuneration program is essential for the recruitment and long-term commitment of highly qualified employees. In particular, with a view to MorphoSys US Inc., a share-based employee participation program is required, which takes into account US standards and expectations. For this purpose, the Management Board, with the approval of the Supervisory Board, has already implemented a "Restricted Stock Unit Program" in 2019, based on the resolutions of the Annual General Meeting of May 22, 2019, as a long-term, share-based compensation element for executives and employees of MorphoSys US Inc. Under the Restricted Stock Unit Program from 2019, so-called “Restricted Stock Units” can be

## **Convenience translation only**

issued for the last time in April 2021. Against this background, the Management Board intends, with the consent of the Supervisory Board, to resolve on a further Restricted Stock Unit Program to function as a long-term, share-based remuneration component for senior managers and employees (including directors and officers) of MorphoSys US Inc. (the “**RSUP 2021**” or “**Restricted Stock Unit Program 2021**”).

The RSUP 2021 is intended to be substantially similar to the Restricted Stock Unit Program dating from 2019, which is already in place at MorphoSys US Inc. Accordingly, also pursuant to the planned RSUP 2021, the Company shall be allowed to grant so-called “Restricted Stock Units” (“**RSUs**”) to beneficiaries, which – if certain requirements are met – grant the beneficiaries a claim against the Company for a cash payment, depending on the stock exchange price of the shares of the Company (further details are given below under no. 2 of this report). However, the terms and conditions of the RSUP 2021 shall give the Company the right to fulfill the cash payment claims of the RSU beneficiaries by delivering shares of the Company. In order for the Company to be able to issue new shares in such case, and to fulfill the payment claims of the respective beneficiaries under the RSUP 2021 when due, the Authorized Capital 2021-III shall be created.

The Authorized Capital 2019-I, which was created by resolution of the Annual General Meeting on May 22, 2019, is required to service entitlements under the Restricted Stock Unit Program from 2019. In addition, the statutory maximum duration of an authorized capital of five years (here: of the Authorized Capital 2019-I) requires the Annual General Meeting to reissue a corresponding authorization after the expiry of two years: Since Restricted Stock Units are issued to beneficiaries under the Restricted Stock Unit Program 2019 in tranches with a term of three years each, the last time that Restricted Stock Units can be serviced under this program until the expiry of the Authorized Capital 2019-I on April 30, 2024 are Restricted Stock Units issued or to be issued in 2021.

## **2. Key aspects of the planned RSUP 2021**

It is currently planned to implement the RSUP 2021 as follows:

### **a. Granting of RSUs to beneficiaries**

Under the RSUP 2021, only the Employees will be eligible for participation, to the extent they are not at the same time members of the Management Board or employees of MorphoSys AG. Each tranche of the RSUP 2021 has a term of three years. The

## **Convenience translation only**

Company may, at the beginning of a tranche, grant a certain number of RSUs to beneficiaries. In this context, the basis for calculation shall be an individual award amount for each beneficiary as well as the stock exchange price of the MorphoSys share. To calculate the exact number of RSUs, the respective individual award amount is divided by the average Xetra closing price of the MorphoSys share on the regulated market of the Frankfurt Stock Exchange on the last 30 trading days before the grant date.

### **b. Vesting and key performance indicators**

In order for a cash payment claim to arise against the Company from the granted RSUs, it is necessary that the RSUs have become partially or fully exercisable at the end of the respective tranche. For this purpose, each tranche will be divided into three annual cycles. One third of the granted RSUs may vest at the end of each annual cycle, subject to the achievement of certain key performance indicators (“**KPIs**”). The relevant KPIs will be determined by the Board of Directors of MorphoSys US Inc. with the consent of the Management Board. With respect to the KPIs, the revenue of MorphoSys US Inc. shall be weighted at 40 %, the contribution margin shall be weighted at 20 % and the development of the stock exchange price of the MorphoSys share shall equally be weighted at 40 %. The percentage resulting from the KPI achievement (“**KPI Achievement Rate**”) will be applied to the relevant one-third portion of RSUs granted to a beneficiary, whereby, however, a minimum hurdle of 50 % must be achieved and a cap of 175 % exists. The result shall be the number of RSUs that vests, for the relevant annual cycle, at the end of such annual cycle.

#### **Example (1):**

A beneficiary was granted 300 RSUs at the beginning of a tranche. During the first annual cycle, a KPI Achievement Rate of 80 % was achieved, during the second annual cycle a KPI Achievement Rate of 40 % was achieved, and during the third annual cycle a KPI Achievement Rate of 175 % (Cap) was achieved. Accordingly, at the end of the first annual cycle, 80 RSUs have vested (1/3 of the 300 granted RSUs x 80 %), at the end of the second annual cycle 0 RSUs have vested (since the minimum hurdle of 50 % was not achieved) and at the end of the third annual cycle 175 RSUs have vested (1/3 of the 300 granted RSUs x 175 %), thus in total 255 RSUs (80 + 0 + 175).

## ***Convenience translation only***

The vesting of RSUs for a certain annual cycle (at the end of such cycle) is conditional on the beneficiary still having a service or employment relationship with MorphoSys US Inc. at the end of the relevant annual cycle. If the beneficiary leaves MorphoSys US Inc. during the term of a tranche, such beneficiary will retain the RSUs that have vested until the point in time of leaving, unless the beneficiary qualifies as a so-called “bad leaver” due to him leaving for cause, but the beneficiary rather qualifies as a so-called “good leaver”. The additional RSUs that were granted to such beneficiary will not continue to vest, rather they are forfeited without compensation. No partial vesting will take place within an annual cycle of a tranche.

### **Example (2):**

If the beneficiary in example (1) above leaves MorphoSys US Inc. as a “good leaver” during the second annual cycle, such beneficiary will retain the 80 RSUs vested at the end of the first annual cycle, however, the remaining 200 RSUs granted to such beneficiary will forfeit without compensation. No further vesting will occur at the end of the second and the third annual cycle.

#### c. Cash payment claim and the option to fulfill in shares

The RSUs that have vested during the three annual cycles of a tranche will become exercisable at the end of the tranche – i.e. after the end of the third annual cycle. The total number of RSUs that have vested during a tranche determines the respective amount of the cash payment claim of the beneficiary against the Company. The amount of the cash claim resulting from one vested RSU corresponds to the relevant stock exchange price of one MorphoSys share immediately prior to the payout. The cash payment claim of a beneficiary against the Company is thus determined by multiplying the total number of vested RSUs with the relevant stock exchange price of one MorphoSys share immediately prior to the payout. A payout of the respective cash amount shall only be made for all vested RSUs after the expiry of the three-year term of a tranche. In particular, this shall also apply to cases where a beneficiary leaves MorphoSys US Inc. as a “good leaver” during the term of a tranche: The cash payment amount of such leaver, dependent on the number of vested RSUs, only becomes due and payable after the expiry of the third annual cycle (in example (2) above: 80 RSUs, multiplied by the relevant stock exchange price immediately prior to the payout).

## **Convenience translation only**

The terms and conditions of the RSUP 2021 shall give the Company the right to opt, in its full discretion, whether to fulfill the cash payment claims from the beneficiaries' vested RSUs by delivering shares of the Company. In order to give the Company the required flexibility to grant new shares, the Authorized Capital 2021-III shall be created (as laid out in detail under no. 3 of this report). In this regard, the stock exchange price of one MorphoSys share immediately prior to the utilization of the Authorized Capital 2021-III by the Management Board, with the consent of the Supervisory Board, shall be relevant, such that one vested RSU corresponds to one new share.

A short presentation giving an overview of the currently planned terms and conditions of the RSUP 2021 is available on the internet under [www.morphosys.com/agm](http://www.morphosys.com/agm), providing some non-binding background information; the presentation is not part of this invitation to the general meeting.

### **3. Authorized Capital 2021-III**

The registered share capital of the Company currently amounts to 32,890,046.00 €. Under the Authorized Capital 2021-III, the Management Board shall be 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*), i.e. by approximately 0.96 % of the current registered share capital. All future conditional and authorized capitals of the Company, also taking into account the further resolutions proposed to the Annual General Meeting on May 19, 2021 and including the amount of this Authorized Capital 2021-III of up to 315,000.00 €, and the respective number of up to 315,000 new shares, together corresponds to a proportion of 50 % of the current share capital. The total volume of all authorized capitals, also taking into account the further resolutions proposed to the Annual General Meeting on May 19, 2021 in this connection, would amount to 8,624,577.00 €, i.e. approximately 26.22 % of the current registered share capital. Adding together all conditional and authorized capital under which new shares can be issued in connection with employee incentive programs would result in a total volume of up to 2,530,202.00 € and accordingly a total number of up to 2.530,202 new shares, i.e. around 7.69 % of the current share capital.

To increase the flexibility of the Company and preserve its liquidity, the Company shall be given the possibility, through the creation of the Authorized Capital 2021-III, to fulfill the cash payment claims of beneficiaries whose RSUs have fully vested under the RSUP 2021 by

## ***Convenience translation only***

delivering new shares. Namely, pursuant to the terms and conditions of the RSUP 2021, the Company shall be authorized to opt, in its full discretion, to fulfill the cash payment claims by delivering shares. The fulfillment of the cash payment claims by delivering shares instead of paying a cash amount has the advantage that no cash outflow will occur and that the Company will continue to have the respective liquidity at its disposal. In the view of the Management Board, the available liquidity should primarily be invested into existing and future research and development programs, as well as into the further setup and expansion of the distribution organization.

### **4. Exclusion of subscription rights and issue price**

Under the Authorized Capital 2021-III, the subscription rights of shareholders shall be excluded in accordance with section 203 para. 1 sentence 1 in conjunction with section 186 paras. 3, 4 AktG. The background is that the Authorized Capital 2021-III shall serve the sole purpose of delivering shares of the Company against the contribution of payment claims resulting from RSUs in order to fulfill RSUs that were granted to Employees under the RSUP 2021. Shares issued from the Authorized Capital 2021-III may solely be issued for this purpose; the issuance of shares for any other purpose – or to other beneficiaries – is not permitted.

The issue price of the new shares from the Authorized Capital 2021-III 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. Furthermore, the amount of a cash claim resulting from one fully vested RSU corresponds to the stock exchange price of one MorphoSys share immediately prior to the payout. The Management Board shall be 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 be determined in deviation from section 60 para. 2 AktG, also for the profit of an already completed fiscal year.

A potential dilution of voting rights of the shareholders whose subscription rights are excluded is limited, amongst others, due to the small size of the Authorized Capital 2021-III. Taking into consideration all relevant factors, the Management Board and the Supervisory Board conclude that the exclusion of subscription rights under the respective limitations is appropriate, necessary and adequate and lies in the best interest of the Company.

***Convenience translation only***

**5. Utilization of the Authorized Capital 2021-III**

The Management Board will report to the Annual General Meeting on each utilization of Authorized Capital 2021-III.

Planegg, March 26, 2021

***Convenience translation only***

MorphoSys AG

The Management Board

Jean-Paul Kress, M.D.  
Chief Executive Officer

Sung Lee  
Chief Financial Officer

Malte Peters, M.D.  
Chief Research and Development Officer

Roland Wandeler, Ph.D.  
Chief Operating Officer