NON-BINDING ENGLISH TRANSLATION OF THE GERMAN ORIGINAL VERSION FOR CONVENIENCE PURPOSES ONLY

Auditor's report

Audit of the adequacy of the cash compensation for the transfer of the shares of the minority shareholders

of

MorphoSys AG
Planegg

to

Novartis BidCo Germany AG
Munich

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For computational reasons, rounding differences of +/- one unit (€, %, etc.) may occur in the tables.

List of abbreviations and symbols

€	EUR
$	US dollar
%	Percent
§	Section
&	and
3M VWAP	Weighted average domestic market price of a share during the last three months prior to publication
loc. cit.	*loco citato*, meaning "in the place cited"
Adjusted Beta	Adjusted Beta (combination of Raw Beta and Market Portfolio Beta (by definition = 1.0), which are included in the calculation with a weighting of two or one third respectively)
ADS	American Depositary Share (share of a non-US company held by a US depositary bank and traded on a stock exchange in the United States)
AG	*Aktiengesellschaft* (German stock corporation); *Die Aktiengesellschaft* (journal)
AktG	Corporation Act
ASCO	American Society of Clinical Oncology, Alexandria, Virginia, USA
ASH	American Society of Hematology, Washington, D.C., USA
BaFin	German Federal Financial Supervisory Authority, Bonn and Frankfurt
BeckRS	Electronic decision database in beck-online (for journalistic use, Verlag C.H.BECK)
BET	Proteins with bromodomain and extra-terminal domain
Beta factor	Systematic risk (market risk) according to the Capital Asset Pricing Model
BetriebsBerater	Journal
Valuation Expert	ValueTrust Financial Advisors Deutschland GmbH
Valuation Object	MorphoSys AG
BewertungsPraktiker	Journal
Valuation date	Date of the resolution of the general meeting of MorphoSys AG on the squeeze-out of the minority shareholders (27 August 2024)
FSC	Federal Supreme Court, Karlsruhe
BGHZ	Collection of decisions of the Federal Supreme Court in civil cases (journal)
Bid-ask spread	Bid-ask spread
Biogen	Biogen Inc., Cambridge, Massachusetts, USA
FCC	Federal Constitutional Court, Karlsruhe
BVerfGE	Collection of decisions of the Federal Constitutional Court (journal)
BvR	File number of a constitutional complaint to the Federal Constitutional Court
CAGR	Compound annual growth rate (geometric average of the annual growth rate)

CAPM	Capital asset pricing model (capital market model based on portfolio theory)
CDAX	Composite DAX (broadest German share index, comprising all shares listed in the General Standard and Prime Standard segments on the Frankfurt Stock Exchange)
CF	*Corporate Finance* (magazine)
CFB	*Corporate Finance Biz* (magazine)
Co-Development	Joint further development of a drug candidate as part of a collaboration with a partner
Constellation	Constellation Pharmaceuticals, Inc., together with its subsidiary Constellation Securities Corp., both Boston, Massachusetts, USA
Constellation Inc.	Constellation Pharmaceuticals, Inc., Boston, Massachusetts, USA
Corp.	Corporation (US or Canadian legal form; comparable to an AG)
D.C.	District of Columbia
DAX	German share index (designation for the German share index, which contains the 40 largest companies measured by market capitalisation and order book turnover)
dejure	Legal information system
DVFA	DVFA German Association for Financial Analysis and Asset Management e.V., Frankfurt am Main
DVFA recommendations	"Best Practice Recommendations for Enterprise Valuation" of the Working Group "Corporate Transactions and Valuation" of DVFA Deutsche Vereinigung für Finanzanalyse und Asset Management e.V.
e.V.	Registered association
EBIT	Earnings before interest and taxes, also known as the "operating result"
EBITDA	Earnings before interest, taxes, depreciation and amortisation of goodwill
EC	European Community
EMS	European Medicines Agency, Amsterdam, The Netherlands (responsible for the evaluation and supervision of medicinal products in the European Union)
EU	European Union
EU5 countries	Germany, France, Great Britain, Italy and Spain
EUR	Euro (international currency code according to ISO 4217)
Euribor	Euro Interbank Offered Rate (reference interest rate for unsecured time deposits in euro in interbank business)
EZH	Enhancer of zeste homolog
EZH2	Enzyme that suppresses the expression of target genes
f.	Next (page)
Fast Track	U.S. Food and Drug Administration approval process that can speed the availability of new drugs for patients in need
FAUB	Expert Committee for Enterprise Valuation and Business Administration of the German Independent Auditors' Institute (Institut der Wirtschaftsprüfer in Deutschland e.V.)
FDA	U.S. Food and Drug Administration, Silver Spring, Maryland, USA (US authority that controls the safety and efficacy of human and veterinary drugs,

	biological products, medical devices, food, radiation-emitting devices, tobacco products and cosmetics)
FD&C	Federal Food, Drug and Cosmetic Act (legislation authorising the U.S. Food and Drug Administration to oversee the safety of food, drugs, medical devices and cosmetics)
ff.	Following (pages)
FP&A	Financial Planning & Analysis
FTE	Full-time equivalent
Company	MorphoSys AG
GmbH	*Gesellschaft mit beschränkter Haftung* (limited liability company)
Expert Opinion	Expert opinion on the enterprise value of MorphoSys AG and on the determination of the adequate cash compensation in connection with the planned transfer of the shares of the minority shareholders pursuant to § 62(5), Sentence 8 UmwG as related to §§ 327a ff. of the German Stock Corporation Act (AktG) as of 27 August 2024
Income statement	Income statement
GWR	Journal for corporate and business law
HI-Bio	Human Immunology Biosciences, Inc., San Francisco, CA, USA
Main Shareholder	Novartis BidCo Germany AG
Commercial Code	Commercial Code
HRB	Commercial Register, Division B
Ed.	Publisher
IDW	German Independent Auditors' Institute, Düsseldorf
IDW-FN	*IDW Fachnachrichten* (journal; today, *IDW Life*)
IDW Life	Member magazine of the German Independent Auditors' Institute
IDW Guideline 2/2017	IDW Practice Guideline: Assessment of Corporate Planning in Valuation, Restructuring, Due Diligence and Fairness Opinion (IDW Practice Guideline 2/2017).
IDW S 1	IDW Standard: Principles for the performance of enterprise valuations (IDW S 1, 2008 version) of 2 April 2008
IFRS	International Financial Reporting Standards
Inc.	Incorporated (Anglo-Saxon corporate form, comparable to a German joint stock corporation or Aktiengesellschaft)
Incyte	Incyte Inc., Wilmington, Delaware, USA
Inhibitor	used in pharmacology as an enzyme-inhibiting substance
ISIN	International Securities Identification Number
ISO	International Organization for Standardization
IMF	International Monetary Fund, Washington D.C., USA
JAK inhibitor	Janu kinase inhibitor (type of medication for immunomodulation)
KFS/BW 1	Expert opinion on enterprise valuation (Austria)
KStG	Corporate Tax Act
LLC	Limited Liability Company (US legal form in which the characteristics of a corporation are combined with those of a partnership)

M&A	Mergers & Acquisitions (transactions on the market for companies)
MDAX	Mid-Cap-DAX (German share index containing the 50 largest companies - measured by market capitalisation and order book turnover - that follow the 40 companies in the DAX)
Minority Shareholders	Other shareholders (minority shareholders) in the terms of § 327a AktG
MOR AG	MorphoSys AG, Planegg
MorphoSys	MorphoSys AG together with its dependent companies in accordance with § 17 AktG
MOR share(s)	No-par-value bearer share(s) of MorphoSys AG with a notional value of € 1.00 each in the share capital
MSCI World	Global stock index
MüKoAktG	Munich Commentary on the German Stock Corporation Act (AktG), 6th Edition, Volume 5 (§§ 278-328 AktG, SpruchG), Munich 2023
n.a.	Not available or information not meaningful
N.V.	Naamloze Vennootschap (Dutch legal form, comparable to a public limited company)
NASDAQ	National Association of Securities Dealers Automated Quotations, fully electronic trading platform operated by Nasdaq, Inc., New York, New York, USA
NASDAQ Composite Index	Broadest market equity index in the US (all equity instruments listed on NASDAQ with a focus on technology, currently around 3,340)
NASDAQ Health Care Index	All stocks listed on the NASDAQ that are broadly focused on healthcare (currently around 920)
Novartis	Novartis AG, Basel, Switzerland
Novartis BidCo	Novartis BidCo AG, Basel, Switzerland
Novartis BidCo Germany	Novartis BidCo Germany AG, Munich
Novartis Group	Novartis AG together with its dependent companies in accordance with § 17 AktG
No.	Number
HRC	Higher Regional Court
openJur	Database of legal rulings
Operating result	EBIT
p.a.	Per annum (per year)
Peer	comparable enterprises
Peer group	Group of comparable (listed) companies
plc	Public limited company (legal form in Anglo-Saxon jurisdictions)
Raw Beta	Beta factor computed based on historical data
Royalty Pharma	Royalty Pharma plc, New York, New York, USA
Marginal No.	Marginal number
S&P Global	S&P Global Market Intelligence LLC (formerly S&P Global Capital IQ), a business of S&P Global Inc., New York, New York USA
p.	Page

SDAX	Small-Cap DAX (German share index comprising the 70 largest companies - measured by market capitalisation and order book turnover - which follow the 40 companies in the DAX and the 50 companies in the MDAX)
Squeeze-out	Exclusion of Minority Shareholders
SpruchG	Act on the judicial review proceedings about the exclusion of minority shareholders in corporate law (*Spruchverfahrensgesetz*)
SWOT	Strengths, weaknesses, opportunities and threats; a strategic planning tool developed by Harvard Business School.
t test	Statistical hypothesis test
TecDAX	German Technologie-DAX share index (designation for the German share index, which contains the 30 largest technology stocks measured by market capitalisation and order book turnover)
Translational medicine	Activities and measures that deal with the implementation of research results from medicine and health sciences in healthcare
Acquisition offer	Voluntary public acquisition offer (cash offer) by Novartis BidCo AG to the shareholders of MorphoSys AG to acquire all no-par-value bearer shares, including all no-par-value bearer shares of MorphoSys AG represented by American Depositary Shares, in return for payment of a cash consideration of € 68.00 per share of MorphoSys AG (offer document dated 11 April 2024)
Transfer Report	Transfer Report dated 12 July 2024 - Report of Novartis BidCo Germany AG as majority shareholder of MorphoSys AG Aktiengesellschaft on the requirements for the transfer of the shares of the minority shareholders of MorphoSys AG to Novartis BidCo Germany AG as well as explaining and justifying the adequacy of the determined cash compensation pursuant to § 62(5), Sentence 8 UmwG as related to § 327c(2), Sentence 1 AktG
UmwG	Act on the Transformation of Companies
Unlevered Beta	Beta factor for an unlevered enterprise
US	United States of America
USA	United States of America
USD	US dollar (international currency code according to ISO 4217)
ValueTrust	ValueTrust Financial Advisors Deutschland GmbH, Munich
Regulation (EG) 1287/2006	Regulation (EC) 1287/2006 of 10 August 2006 implementing Directive 2004/39/EC of the European Parliament and of the Council as regards record-keeping obligations for investment firms, transaction reporting, market transparency, admission of financial instruments to trading and certain definitions for the purposes of that Directive
Merger Agreement	Merger Agreement between Novartis BidCo Germany AG with registered office in Munich as the Acquiring Company and MorphoSys AG with registered office in Planegg as the Transferring Company (12 June 2024)
cf.	conferatur (compare)
WM	*Wertpapier Mitteilungen* (Journal)
WPg	*Die Wirtschaftsprüfung* (journal)
WPH	Independent Auditor's Manual
WpÜG	Securities Acquisition and Takeover Act
WpÜG-AngebV	Ordinance on the content of tender documents, consideration in acquisition offers and mandatory offers, and the exemption from the obligation to publish and make offers (*WpÜG-Angebotsverordnung*)

XETRA	Designation (e**x**change **e**lectronic **tra**ding) of an exchange trading place of Deutsche Börse AG, Frankfurt am Main
e.g.	*exempli gratia*
ZIP	Journal for commercial law and insolvency practice

A. Engagement and performance of audit

Novartis BidCo Germany AG, Munich,[1] as Main Shareholder, and

MorphoSys AG, Planegg,[2]

plans to have a resolution adopted on the transfer of the shares of the minority shareholders of MOR AG to Novartis BidCo Germany by way of a so-called "squeeze-out" in merger law[3] at the annual general shareholders' meeting of MOR AG scheduled for 27 August 2024.

Novartis BidCo Germany and MOR AG signed a merger agreement on this date.[4] By way of this Agreement, MOR AG is to transfer its assets as a whole to Novartis BidCo Germany under dissolution without wind-up in accordance with §§ 2(1), 4 ff. and 60 ff. UmwG to Novartis BidCo Germany. The Merger Agreement specifies that the minority shareholders of MOR AG are to be squeezed out in connection with the merger in return for adequate cash compensation. The Merger Agreement provides that its validity is subject to the condition precedent that a resolution of the shareholders of MOR AG in general meeting in accordance with § 62(5), Sentence 1 UmwG as related to § 327a(1), Sentence 1 AktG on the transfer of the shares of the Minority Shareholders of MOR AG to Novartis BidCo Germany as the Main Shareholder be entered in the commercial register of the registered office of MOR AG with the note in accordance with § 62(5), Sentence 7 UmwG.

As consideration for the transfer of their shares, the minority shareholders are to be granted adequate cash compensation.[5] The Main Shareholder is to determine the amount of the cash compensation taking into account the circumstances of the Company at the time of the resolution of the general shareholders' meeting.[6]

The cash compensation to be granted to the minority shareholders of MOR AG is to be derived from the enterprise value of MOR AG, unless a higher lower limit is to be observed for the cash compensation. The Main Shareholder has commissioned ValueTrust Financial Advisors Deutschland GmbH, Munich,[7] to determine the enterprise value of MOR AG as of 27 August 2024 and the adequate cash compensation per no-par-value bearer share of MOR AG with a notional interest in the share capital of € 1.00 each.[8]

On this date, ValueTrust submitted an "Expert Opinion on the determination of the enterprise value of MorphoSys AG and on the determination of the adequate cash compensation in connection with the planned transfer of the shares of the minority shareholders pursuant to §§ 327a ff. of the German Stock Corporation Act (AktG) as of 27 August 2024".[9]

Likewise submitted on this date, the "Transfer Report of 12 July 2024 - Report of Novartis BidCo Germany AG as majority shareholder of MorphoSys AG on the prerequisites for the transfer of the shares of the minority shareholders of MorphoSys AG to Novartis BidCo Germany AG as well as explaining and justifying

1 "Novartis BidCo Germany" or "Main Shareholder"
2 "MOR AG", "Company" or "Valuation Object"; together with the companies dependent on it in in accordance with § 17 AktG, "MorphoSys"
3 Also "squeeze-out under the law of transformation of companies".
4 Merger Agreement between Novartis BidCo Germany AG with registered office in Munich as the Acquiring Company and MorphoSys AG with registered office in Planegg as the Transferring Company (12 July 2024).
5 § 62(5), Sentence 8 UmwG as related to § 327a(1), Sentence 1 AktG.
6 § 62(5), Sentence 8 UmwG as related to § 327b(1), Sentence 1 AktG.
7 "ValueTrust" or the "Valuation Expert"
8 "MOR Share"
9 "Expert Opinion"

the adequacy of the determined cash compensation pursuant to § 62(5), Sentence 8 UmwG in conjunction with § 327c(2), Sentence 1 AktG"[10] contains the full version of the Expert Opinion as Annex 7 thereof. Novartis BidCo Germany fully adopts the statements in and result of the Expert Opinion.

The adequacy of the cash compensation is to be audited by one or more expert auditors.[11]

It was originally intended that MOR AG as the future controlled company and Novartis BidCo AG, Basel, Switzerland,[12] as the future controlling company would conclude a domination and profit and loss transfer agreement in accordance with § 291(1), Sentence 1 AktG. Novartis Germany BidCo and MOR AG have therefore filed a joint application with the competent district court to appoint a joint contract auditor. By order dated 12 April 2024, the District Court of Munich I - 5th Commercial Division - selected and appointed us as joint contract auditor to audit the Domination and Profit and Loss Transfer Agreement between MOR AG and Novartis BidCo AG. We had previously confirmed to the Court that there were no legal grounds for exclusion.[13] Novartis BidCo and MOR AG commissioned us with the audit following this order.

In the meantime, Novartis BidCo has increased its stake in MOR AG to around 91.04% of the share capital or, after deducting the number of treasury shares in accordance with § 62(1), Sentence 2 UmwG, around 91.17% of the voting share capital of MOR AG. In view of the shareholding, the original plan to conclude a domination and profit and loss transfer agreement was relinquished. Instead, as described above, the intention is to carry out a squeeze-out according to merger law. For this reason, Novartis BidCo's stake in MOR AG was transferred to Novartis BidCo Germany. Novartis BidCo Germany has filed an application with the competent district court to appoint an expert auditor.

By order of 21 June 2024,[14] the District Court of Munich I, 5th Commercial Division, selected and appointed us[15] as the auditor for the audit of the adequacy of the cash compensation.[16] We had previously assured the Court that the original confirmation that there were no statutory grounds for exclusion also applied in relation to Novartis BidCo Germany. We can therefore confirm that we complied with the regulations on independence when we accepted and carried out our audit.[17] Novartis BidCo Germany then instructed us to continue the already initiated audit of the enterprise value of MOR AG and the adequate cash compensation.

The appointment order does not contain any requirements for the performance of the audit or report on the audit. Insofar as certain issues are often typically discussed judicial review proceedings following structural measures in corporate law or the law governing transformation of companies, we will take up these issues at an appropriate point.

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10 "Transfer Report"
11 § 62(5), Sentence 8 UmwG as related to § 327c(2), Sentence 2 AktG.
"Novartis BidCo"
13 § 62(5), Sentence 8 UmwG. § 327c(2), Sentence 4 and § 293d(1), Sentence 1 AktG in conjunction with §§ 319(1) to (4) and 319b(1) HGB. (general grounds for exclusion) and Article 5(1) of Regulation (EU) No 537/2014 (grounds for exclusion for capital market-oriented companies).
14 Case 5 HK O 7165/24; cf. Annex 1.
15 Person in charge: Wolfram Wagner, Independent Auditor.
16 Section 2 of the resolution also includes our appointment as auditor of the Merger Agreement.
17 Analogous application of § 321(4a) of the Commercial Code.

The subject of our audit is the adequacy of the cash compensation determined by Novartis BidCo Germany as the Main Shareholder of the Company in its written report to the general meeting of MOR AG.[18]

The Management Board of the Main Shareholder is responsible for the due content of the Transfer Report. An audit of the completeness and accuracy of the Transfer Report does not form part of the tasks of the adequacy auditor.

We further expressly note that we have not performed any audit of the accounting, the financial statements, the management reports, the consolidated financial statements and consolidated management reports or the management of the companies involved. Such audits likewise did not form part of our audit. The compliance of the audited financial statements presented with the relevant legal requirements has been confirmed unrestrictedly by the auditor. With regard to the completeness of the financial statements and compliance with accounting principles, we therefore assume that the documents submitted to us are correct.

We commenced our audit of the adequacy of the cash compensation following the upstream audit of our independence and impartiality and the ensuing noting of our court appointment on 15 April 2024,[19] thus before the conclusion of the valuation work by ValueTrust (12 July 2024). This procedure is customary within the framework of adequacy tests and is recognised by high court rulings.[20] It is justified by the need to deliver an audit opinion promptly after completion of the valuation work. There were no diverging opinions between the Valuation Expert and ourselves. Audit findings were incorporated into the valuation model. We obtained several draft versions of the Expert Opinion and the Transfer Report during the course of our audit.

In performing the engagement, we observed the pronouncements of the German Independent Auditors Institute (IDW), Düsseldorf,[21] which are relevant for valuations. These include in particular the IDW standard: Principles for the performance of enterprise valuations (IDW S 1, 2008 version) dated 2 April 2008[22] and the IDW Practice Guideline: Assessment of Corporate Planning in Valuation, Restructuring, Due Diligence and Fairness Opinion (IDW Practice Guideline 2/2017).[23] In addition, we have also taken into account further technical advice[24] from the IDW's expert committee for business valuation and business administration.[25]

IDW S 1 is the central document that describes how auditors evaluate companies. It is therefore not binding for courts in particular. However, the recommendations contained in it are an essential source of information for the courts in their examination of the adequacy of compensation performances (compensation (*Abfindungen*), recurring compensation payments (*Ausgleichszahlungen*) or exchange ratios in order to be able to judge whether the respective procedure as to how an enterprise value has been fundamentally analytically determined is flawless methodologically in each specific case.[26]

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18 § 62(5), Sentence 8 UmwG as related to § 327c(2), Sentence 2 AktG.
19 According to the original appointment order adopted on 12 April 2024 (see above).
20 Cf. FSC, Ruling of 18 September 2006 ("DSL Holding"), Case II ZR 225/04, BB 2006, pp. 2543 ff.
21 "IDW"
22 "IDW S 1"
23 IDW Guideline 2/2017.
24 Such as the "Impact of the spread of the coronavirus on enterprise valuations" from 25 March 2020 and the "Impact of Russia's war against the Ukraine on enterprise valuations" from 20 March 2022.
25 "FAUB"
26 Cf. e.g. Federal Supreme Court, Ruling of 29 September 2015 ("Stinnes"), Case II ZB 23/14, *AG* 2016, pp. 135 ff.

During the course of our audit, we held numerous meetings with representatives of the Novartis Group, particularly of MorphoSys, and the Valuation Expert. During these meetings, representatives of MOR AG explained the business model and strategy, the market and competitive environment, the opportunities and risks as well as the estimates presented and answered our questions.

In light of the large number of documents made available, the Valuation Expert set up a portal to exchange data in order to ensure the necessary confidentiality and efficient performance of the valuation and audit work, and provided us with access as of 3 May 2024. MOR AG documents were made available to us via another data portal as early as 25 April 2024. In addition, we exchanged some documents and working papers with the project participants via e-mail.

A large number of documents were submitted to us for our audit. The following documents are particularly important:

- Transfer Report
- Expert Opinion
- Current articles of association of MOR AG (version of 14 December 2023) and extract from the commercial register (retrieved on 9 July 2024)
- Minutes of the meetings of the Supervisory Board of MOR AG and its committees as well as the Executive Committee[27] of MorphoSys from financial year 2022 onwards[28]
- Minutes of the meetings of the respective Boards of Directors of the three US Group companies from financial year 2022 onwards[29]
- Reports on the audit of the consolidated financial statements and the consolidated management reports of MOR AG prepared in accordance with International Financial Reporting Standards,[30] as applicable in the European Union,[31] and the supplementary requirements of German commercial law in accordance with § 315e(1) of the Commercial Code for financial years 2021 to 2023 including the accompanying consolidated financial statements and consolidated management report which bear an unqualified auditor's opinion and have been attached as annexes
- 1. Quarterly statement January to March 2024 for the MOR AG Group (unaudited)
- Reports on the audit of the annual financial statements and management reports of MOR AG prepared in accordance with the German Commercial Code for financial years 2021 to 2023, including the annual financial statements and management report issued an unqualified auditor's opinion as an annex
- Consolidated estimates of MorphoSys
- Presentations and breakdowns by MorphoSys on the respective business models and strategies as well as details of the estimates presented and past estimates and developments
- Excerpts from the working papers of the Valuation Expert and the valuation model used to derive the value[32]
- Information on the market and competitive environment of MorphoSys
- Letter from the Federal Financial Supervisory Authority, Bonn and Frankfurt am Main,[33] dated 28 June 2024 on the weighted three-month average price pursuant to § 5 WpÜG-AngebV[34] for the MOR share until 20 June 2024 (also up to and including 19 June 2024)

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27 Management Board of MOR AG and other senior executives of MorphoSys.
28 Insofar as these have already been approved.
29 Insofar as these have already been approved.
30 "IFRS"
31 "EU"
32 We have included the valuation model and other models (in particular for deriving the capital market data) as a "value copy" in our files. For the purposes of the audit, the Valuation Expert also provided us with read-only virtual access to its original models.
33 "BaFin"
34 "3M VWAP"

In addition, we made use of other publicly available information, particularly capital market data. When determining capital market data, we relied primarily on the data provided by the financial information service provider S&P Global Market Intelligence LLC (formerly S&P Global Capital IQ), a business of S&P Global Inc, New York, NY USA.[35]

Our audit results are essentially based on the audit of documents of MOR AG, on information provided by the persons appointed to provide information, as well as on the Expert Opinion and supplementary information provided by the Valuation Expert. In addition to the information obtained in this way, we have made our own investigations and calculations.

All explanations and documentation requested by us were readily provided.

On this date, the representatives of Novartis BidCo Germany and MOR AG submitted to us a declaration of general representativeness in compliance with professional standards, confirming in writing that the explanations and information relevant to the audit of the adequacy of the cash compensation have been provided completely and accurately.

If, in the period between the conclusion of our audit (12 July 2024) and the planned date of the resolution of the general meeting of MOR AG on the squeeze-out of the minority shareholders (27 August 2024), which determines the Valuation Date,[36] there should be material changes compared with the assumptions made when the Expert Opinion or this Audit Report was signed, such changes would have to be taken into account in determining the adequate cash compensation. In this regard, we will obtain declarations updating the letters of general representativeness on the day of the general meeting of MOR AG to adopt the resolution and we will issue a declaration as of the reporting date on the adequacy of the cash compensation.

We have documented the nature and scope of our audit procedures in our working papers.

Pursuant to § 62(5), Sentence 8 UmwG as related to § 327c (2), Sentence 4 AktG and in analogous application of § 293e AktG, we submit the following report on the results of our adequacy audit.

This Audit Report has been prepared solely for the purposes set out above. These include the provision of the Audit Report in the run up to the general shareholders' meeting of MOR AG to resolve on the squeeze-out of the minority shareholders and the submission of the Report to the competent court.[37]

Our Audit Report may only be passed on in full, with a written declaration of the purpose of the underlying engagement, subject to our express written consent and the restrictions on disclosure and liability conditions underlying the engagement, and then only to third parties provided the respective third party has previously agreed in writing to the General Terms and Conditions of Engagement, supplemented by an individual liability agreement and a binding confidentiality obligation towards us.

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35 "S&P Global"
36 § 62(5), Sentence 2 UmwG as related to § 327b(1), Sentence 1 AktG.
37 Also in court proceedings subsequent to a general meeting where shareholders pass resolutions, such as actions for voidance, release proceedings and judicial review proceedings about the exclusion of minority shareholders [*Spruchverfahren*].

The execution of the engagement and our responsibility, also in relation to third parties, shall be governed by the "General Terms and Conditions of Engagement for Independent Auditors and Independent Auditing Companies" as amended on 1 January 2024 and attached as Annex 3. Our responsibility towards Novartis BidCo Germany and MOR AG as well as their shareholders is governed by § 62(5), Sentence 8 UmwG as related to §§ 327c(2), Sentence 4, 293d(2) AktG and 323 HGB.

B. Subject, type and scope of adequacy audit

Pursuant to § 62(5), Sentence 8 UmwG, the provisions on squeeze-outs in stock corporation law apply to squeeze-outs in merger law. Pursuant to § 327c(2), Sentence 2 AktG, the adequacy of the cash compensation must be audited in the event of a squeeze-out according to stock corporation law. The provisions for the squeeze-out in stock corporation law[38] in turn refer primarily to the provisions that have been issued for the conclusion of enterprise agreements for the protection of minorities--which are applicable analogously.[39]

In the case of a squeeze-out according to stock corporation law, the subject of the audit is solely the adequacy of the cash compensation,[40] not, for example, the existence of the bank's guarantee, the participation of the Main Shareholder of at least 95%, the legality of the Transfer Report, the tax consequences or the solvency of the Main Shareholder. The auditors must retrace the calculation of the cash compensation and explain whether they consider the calculated compensation to be adequate.[41] By analogy, this also applies to the squeeze-out according to merger law.[42]

The audit report to be issued[43] must be concluded with a statement as to whether the cash compensation determined by the Main Shareholder is adequate.[44] The following must therefore be indicated:[45]

- the methods used to determine the cash compensation;
- the reasons why the use of these methods is appropriate;
- the cash compensation which would result from the application of different methods, if more than one has been applied; at the same time, the weight given to the different methods in determining the fixed cash compensation and the values on which it is based and the particular difficulties encountered in the valuation.

38 § 327c(2), Sentence 4 AktG
39 §§ 293d and 293e AktG.
40 § 327c(2), Sentence 4 as related to § 293e(1), Sentence3 AktG.
41 Cf. MüKoAktG, Grunewald, § 327c, Marginal No. 11.
42 A shareholding of at least 90% is sufficient (§ 62 (1), Sentence 1 UmwG).
43 § 62(5), Sentence 8 UmwG as related to § 327c(2), Sentence 4 and § 293e(1), Sentence 1 AktG
44 § 62(5), Sentence 8 UmwG as related to §§ 327c(2), Sentence 4 and 293e(1), Sentence 2 AktG
45 § 62(5), Sentence 8 UmwG as related to § 327c(2) , Sentence 4 and § 293e(1), Sentence 3 AktG

C. General audit findings

I. Methods for determining adequate compensation

When minority shareholders are excluded or a domination and/or profit and loss transfer agreement is concluded, minority or outside shareholders must be granted adequate compensation (cash compensation [*Abfindung*] or recurring compensation payments [*Ausgleichszahlung*]) for relinquishing their ownership of the share or reducing their rights in a contractual group.

According to business administration theory and legal rulings[46] on structural measures in corporate law and the law of transformation of companies, and according to valuation practice, the value of an enterprise forms the appropriate basis for determining the value of a share in such enterprise and thus for determining compensation. The value of the enterprise as a whole is decisive. This is in line with the postulate developed by the courts that compensation should be paid at the full value of the investment.

No specific method for estimating the enterprise value is prescribed by law. However, the method used must be recognised in economics and in common use in practice.[47] According to business administration theory, the estimate of the "full real" value is generally made with the aid of a fundamental enterprise valuation.

In the case of companies whose shares are traded on stock exchanges, the stock exchange price can, under certain circumstances, replace a fundamental valuation according to recent legal rulings of the Federal Supreme Court.[48] However, there are strong arguments in specific cases against using share price to derive the value of the shares.

The question of whether the stock market price should be taken into account as a method of valuing an enterprise or a share in it must be distinguished from the question of whether the stock market price should be taken into account as the lower limit of cash compensation.

Based on supreme court rulings, the stock market price must not be disregarded in the case of structural measures of listed companies in stock corporation law.[49] While this was initially decided in the case of the conclusion of enterprise agreements,[50] the Federal Constitutional Court has since clarified that the principles and requirements formulated in the aforementioned decisions are to be applied accordingly to mergers and are thus of a general nature.[51]

For legal reasons, according to legal rulings to date, the stock market price as the price of the share can at least be used as a lower limit for the assessment of a recurring compensation payment. In this respect, a divestment price is relevant. This is the price at which an individual share - not a block of shares or even the enterprise as a whole - could have been sold on the market, abstracting from the structural measure.

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46 Cf. in particular Federal Constitutional Court ("FedCC"), Ruling of 27 April 1999 (“DAT/Altana”), Case 1 BvR 1613/94, BVerfGE 100, pp. 289 ff. and Federal Supreme Court ("FSC"), Ruling of 12 March 2001 (“DAT/Altana”), Case II ZB 15/00, *BGHZ* 147, pp. 108 ff.

47 Cf. Federal Supreme Court, Ruling of 12 January 2016 (“Nestlé Deutschland”), Case II ZB 25/14, AG 2017, pp. 790 ff.

48 Cf. FSC, Ruling of 21 February 2023 ("TLG/WCM"), Case II ZB 12/21, openJur 2023, p. 4380, and FSC, Ruling of 31 January 2024 ("Vodafone/Kabel Deutschland"), Case II ZB 5/22, openJur 2024, p. 4211.

49 Cf. FedCC, Ruling of 27 April 1999 ("DAT/Altana"), Case 1 BvR 1613/94, loc. cit., FSC, Ruling of 12 March 2001, ("DAT/Altana"), *loc. cit*., and of 19 July 2010, ("Stollwerck"), Case II ZB 15/00, openJur 2010, 11922.

50 Cf. FedCC, Ruling of 27 April 1999 (“DAT/Altana”), Case 1 BvR 1613/94, *loc. cit.*

51 Cf. FedCC, Ruling of 26 April 2011, Case 1 BvR 2658/10 ("Deutsche Telekom/T-Online"), openJur 2012, 133638, and of 24 May 2012 (“Daimler-Benz/Chrysler”), Case 1 BvR 3221/10, openJur 2013, 26198.

For the purpose of determining the lower limit of compensation by a stock market price, it is only relevant whether a sale was actually possible at this price.

When converting the total enterprise value calculated to a share, any special features of the respective valuation object[52] may have to be taken into account by allocating the enterprise value in a way that differs from the proportional allocation.

The compensation due in the event of an exclusion of minority shareholders may also result from the present value of the compensation payments to be made under an enterprise agreement existing at the time of the squeeze-out of the minority shareholders. Since the compensation claim only replaces the prospect of dividends, but not the share in the asset substance, this present value regularly only represents the minimum value of the compensation.[53]

When determining cash compensation, there is no legal claim to consideration of prices paid by a majority shareholder to other shareholders for shares in the company to be valuated ("pre-acquisition prices").[54]

II. Valuation principles and methods

The application of a specific valuation method is not prescribed by either constitutional or ordinary law.

The value of an enterprise regularly results from the benefit that the enterprise can provide in the future, in particular due to its substantive assets, its innovative strength, its products and position on the market, its internal organisation and its management. Provided that only financial targets are pursued, the value of a company is derived from its ability to generate financial surpluses for the company's owners through the interaction of all factors influencing its profitability.

In business administration, legal rulings and valuation practice, generally accepted valuation principles have developed that are applied to the valuation of enterprises. These are reflected in IDW S 1 in particular.

In accordance with the principles of IDW S 1, the fundamental enterprise value is to be determined in line with German legal rulings and long-standing valuation practice for valuation occasions under company law as a value independent of the individual value perceptions of the parties concerned (objectified enterprise value) and with direct consideration of the taxation of the shareholders ("after personal taxes").[55]

The objective enterprise value normally represents a typified and intersubjectively verifiable value for future success from the point of view of a domestic shareholder with unlimited tax liability if the enterprise is continued according to an unchanged concept. The following presentation is intended to describe general valuation principles, but refers exclusively to the objectified enterprise value in accordance with IDW S 1.

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52 E.g. different share classes
53 Cf. Federal Supreme Court, Ruling of 12 January 2016 ("Wella"), Case II ZB 6/20, AG 2020, pp. 949 ff.
54 Cf. FedCC, Ruling of 27 April 1999 ("DAT/Altana"), *loc. cit.*
55 Cf. IDW S 1, Marginal No. 29.

1. Value of future success

The value of future success corresponds to the present value of the net income of the company's owners associated with the ownership of the company.[56] The future success value can be determined using the earnings value method or a discounted cash flow method.[57] Both methods are basically equivalent and lead to identical results with the same valuation assumptions and simplifications, especially with regard to financing, as they are based on the same investment theory (net present value calculation).[58]

The earnings value is calculated as the present value, discounted at the discount rate, of the future financial surpluses accruing to the enterprise owners. These surpluses are derived from the future earnings surpluses from operating assets and the financial results from the sale of non-operating assets or the valuations of other separately valuated assets.[59]

Proper application of the net present value calculation presupposes that the numerator (shareholder income) and denominator (discount rate) of the valuation equation must be equivalent in terms of uncertainty, breadth and temporal structure (principle of equivalence). The central principle of risk equivalence may be taken into account either with the security equivalence method or the risk surcharge method. Since the quantification of security equivalents, particularly with regard to a typification of shareholders, has not yet been convincingly resolved to date, the risk surcharge method has established itself, at least in the determination of objective enterprise values, in science, legal rulings and valuation practice.[60]

With regard to the problem of a clear demarcation, the risk surcharge method is not supposed to distinguish between enterprise-specific and general risks, but is supposed to consider all risk exclusively in the discount rate. The numerator in the valuation equation must therefore always include (realistic) values expected for the financial surpluses or income of the shareholders.[61]

The forecast of future financial surpluses represents the core problem of any enterprise valuation.[62] The earnings power proven in the past generally serves as a starting point for plausibility assessments.[63] Within the framework of an objective evaluation, only those surpluses are to be taken into account which result from measures already initiated as of the Valuation Date and/or from a sufficiently documented and concrete business concept.[64] If the earnings prospects are different in the future for reasons related to the enterprise and/or due to changed market and competitive conditions, recognisable differences must be taken into account.

When forecasting future financial surpluses, it must be assessed whether and, if so, to what extent synergy effects are to be taken into account. Synergy effects are defined as changes in financial surpluses

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56 Cf. IDW S 1, Marginal No. 4.
57 Cf. IDW S 1, Marginal No. 7.
58 Cf. IDW S 1, Marginal No. 101.
59 Cf. IDW S 1, Section 7.2.
60 Cf. e.g. IDW, WPH Edition, *Bewertung und Transaktionsberatung*, Düsseldorf 2018, Chapter A, Marginal Nos. 210 ff. The term "breadth" refers to the absolute amount and future growth of surpluses as well as the associated currencies and taxation.
61 Cf. e.g. IDW, WPH Edition, *Bewertung und Transaktionsberatung*, loc. cit., Chapter A, Marginal No. 332.
62 Cf. IDW S 1, Marginal No. 68.
63 Cf. IDW S 1, Marginal No. 72.
64 Cf. IDW S 1, Marginal No. 32.

resulting from the economic integration of two or more companies and differing from the sum of the isolated surpluses. As amended, IDW S 1 distinguishes between genuine and non-genuine synergies.

Real synergies concern changes that can be realised as a result of the measure giving rise to the valuation. Virtual synergy effects can also be realised without the valuation occasion. According to the current version of IDW S 1, only non-genuine synergies are to be taken into account in an objectified valuation and only if the synergy-generating measures have already been initiated or documented in the enterprise concept and only to the extent that they are attributable to the valuation object.[65]

In the valuation of enterprises that are the parent company of a corporate group, the financial surpluses can be determined using various methods.[66] The appropriate method in each specific case results from the planning and management approach of the corporate group, taking into account the question of whether a presentation of the assets of individual group companies is meaningful, desirable or necessary.

The objective enterprise value is determined on the basis of the distribution of those financial surpluses that are actually available for distribution after taking into account the enterprise concept[67] documented on the valuation date and legal restrictions (e.g. regulatory requirements).[68]

If the planning distinguishes two or three phases, the first phase[69] divides the surplus into distributions and reinvested funds, including their appropriation, from the estimates themselves. If there are no plans for the use of reinvested amounts and the investment planning does not provide for any concrete use, an appropriate premise for the use of funds must be established. If the increases in value conditioned by reinvestment are subject to a capital gains tax, this must be taken into account in the valuation.[70]

For the second and third phase,[71] it is to be assumed that the distribution behaviour of the company to be valuated is equivalent to that of the alternative investment. For the reinvestment of reinvested funds of the second and third phase, it is assumed that this can be represented either by an investment at the discount rate before income taxes of the company, which is neutral in terms of net present value, or by a notional direct allocation of the reinvestments to the shareholders.[72]

The value of an enterprise is determined by the amount of freely available net inflows to the investor. These net inflows must be determined in accordance with the IDW's recommendations, with due regard to the enterprise's income taxes and the owners' income taxes resulting from ownership of the enterprise.[73] Due to the relevance of personal income taxes to value, it is necessary to classify the tax circumstances of shareholders in relation to specific occasions when determining objective enterprise values.[74]

In accordance with many years of valuation practice and German legal rulings, in the case of corporate and contractual valuation occasions, the (direct) classification is based on the tax situation of a domestic

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65 Cf. IDW S 1, Marginal No. 33 f.
66 Step-by-step by including the results in the investment result of each participating company or simultaneously by summation and consolidation. In addition, the valuation of corporate groups can also be carried out by adding the values of each group company, with due regard to the shareholding structure ("sum-of-the-parts").
67 Including the planning of distributions
68 Cf. IDW S 1, Marginal No. 35.
69 The so-called "detailed forecast phase", possibly supplemented by a so-called "convergence phase" or "rough planning phase".
70 Cf. IDW S 1, Marginal No. 36.
71 The so-called "phase of perpetual annuity" or "continuation phase".
72 Cf. IDW S 1, Marginal No. 37.
73 Cf. IDW S 1, Marginal No. 28 ff.
74 Cf. IDW S 1, Marginal No. 43 ff.

natural person with unlimited tax liability who is not significantly involved. When determining the classification, appropriate assumptions regarding the personal taxation of the net inflows must be made based on the valuation object or an alternative investment.

In the currently applicable withholding tax system, income of a typical shareholder from dividends and capital gains as a consequence of increases in value (price gains) as well as his or her interest income are subject to a uniform nominal tax rate of 26.375%.[75] For distributed profits, the resulting effective tax burden is derived directly from a deduction of the nominal tax liability.

Based on the interest effect, the effective tax liability of capital gains on reinvested earnings depends on the personal holding period of the shareholder. In the opinion of FAUB, it is appropriate to assume long holding periods and a correspondingly low effective tax liability on reinvested earnings when estimating the effective personal tax rate for capital gains.

The IDW expert committee recommends assuming an effective tax liability of half the nominal tax rate.[76] Accordingly, a tax rate of 13.1875% is currently to be applied as the effective tax liability on capital gains on reinvested earnings.

The discount rate to be used to derive the present value of the net cash inflows represents the return on the most adequate alternative investment possible to the investment in the enterprise being valuated.[77] This rate of return can be broken down according to the capital asset pricing model[78] into a risk-free rate (base interest rate) and a risk premium demanded by shareholders in exchange for the assumption of entrepreneurial risk.

In the case of a valuation with direct consideration of income taxes, income tax effects at the shareholder level must also be taken into account in the discount rate in accordance with the equivalence principle.

In order to record growth effects in the form of steadily growing financial surpluses after the end of the detailed forecast phase (if relevant, supplemented by a rough estimate phase), the discount rate is reduced by a growth discount.

Any non-operating assets must be taken into account separately from the earnings value of the operating assets in the enterprise valuation. This encompasses those assets that can be freely sold without affecting the actual corporate purpose of the enterprise. Consideration as a special asset is also possible for other circumstances that cannot or can only incompletely be reflected in the determination of the earnings value.

2. Liquidation value and net asset value

Pursuant to IDW S 1, the lower limit for the enterprise value is the liquidation value if the present value of the financial surpluses that would result from the liquidation of the enterprise as a whole exceeds the earnings value when assuming that the enterprise will continue as a going concern.

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75 Income tax including the solidarity surcharge; church tax is not taken into account.
76 For valuation dates as of 1 January 2009; cf. FAUB, IDW-FN 2007, pp. 443 ff.
77 Cf. e.g. IDW, WPH Edition, *Bewertung und Transaktionsberatung*, loc. cit., Chapter A, Marginal No. 331.
78 "CAPM"

The net asset value is the reconstruction or replacement value of all assets and liabilities in the enterprise. Since the net asset value is generally not directly related to future financial surpluses, it generally has no independent significance in computing the enterprise value.

3. Simplified pricing

Comparative analyses based on public capital market data or on transactions can be undertaken to check the plausibility of enterprise valuations based on internal business data. According to IDW S 1, such simplified pricing cannot replace a "fundamental analytical" enterprise valuation.[79]

The plausibility of an enterprise value is assessed according to this method on the basis of a multiple of a success or portfolio variable or an industry-specific key figure determined by means of a multiplier. Suitable multipliers are derived either from capital market data of comparable listed enterprises[80] or from comparable transactions.

The values determined on the basis of multipliers can normally only provide a first rough indication. On the one hand, some multipliers do not take sufficient account of enterprise-specific earnings and cost structures. On the other hand, the forecast periods of the analysts' estimates for the peers are often not long enough to adequately take into account the changes expected for the valuation object in the distant future based on internal data. Finally, other special features of the valuation object, such as loss carryforwards and non-operating assets, can also limit the meaningfulness of multiplier valuations.

In the case of multipliers derived based on transaction prices, it should also be noted that purchase prices actually paid are determined by the interests of the transaction partners. They take into account, for example, subjective expectations, particularly regarding the synergy effects that can be achieved. In addition, the specific form of the agreements and their influence on the agreed purchase price are generally not known. In this respect, this approach is normally less meaningful for the plausibility check of an objective enterprise value compared to multiples derived from stock market prices.

The ratios computed through comparative analyses can therefore only be transferred to the valuation object to a limited extent. However, a multiplier valuation usually nonetheless makes it possible to subject the valuation result to a final overall assessment by comparing it with the computed range.

4. Purchase prices and market prices paid

Actual prices paid for companies and shares in companies can be used to assess the plausibility of enterprise values and share values, provided they are comparable to the object of the valuation and are sufficiently recent. However, they are no substitute for an enterprise valuation.[81]

Pre-acquisition prices paid by a major shareholder in factual and temporal connection with a structural measure are generally irrelevant to the assessment of the adequate compensation. In exceptional cases only, these may be used by courts in estimating the value of the enterprise.[82]

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79 Cf. IDW S 1, Marginal No. 143 f.
80 "Peers"; together, the "peer group".
81 Cf. IDW S 1, Marginal No. 13.
82 Cf. Federal Supreme Court, Ruling of 13 September 2021 (“ANZAG”), Case 21 W 38/15, *AG* 2022, pp. 83 ff.

In the opinion of the FAUB,[83] the value of a company or the value of shares in a company must be fundamentally distinguished from stock market prices and from a market capitalisation determined on the basis of stock market prices.

For legal reasons, according to legal rulings to date, the stock market price as the price of the share can at least be used as a lower limit for the assessment of a recurring compensation payment. In this respect, a divestment price is relevant.[84]

While the extent of information efficiency and the associated appropriate pricing or "accurate" valuation by the market is not decisive in determining the lower limit of compensation, from an economic point of view the enterprise value can only be derived with certainty from stock market prices if the relevant information and allocation are strictly efficient.

In reality, according to the FAUB, no such strict information efficiency exists. Accordingly, in particular in the case of so-called “dominated valuation events”, it is not possible from an economic point of view to draw conclusions directly from the stock market prices as to the enterprise value.

However, to the extent stock market prices are available for company shares, these must be used pursuant to IDW S 1 to assess the plausibility of the fundamental enterprise values determined using recognised economic methods. Special influences which may have had an effect on the formation of stock exchange prices must be carefully analysed and presented.[85]

In the past, legal rulings of the higher courts, including the FSC, have nevertheless repeatedly decided that, in the case of listed companies, the stock market price alone can be used for valuation purposes in the context of structural measures in stock corporation or company transformation law and that compensation or a value ratio can be determined on the basis of the stock market prices of the companies involved. This has been expressly confirmed recently by the FSC in two new rulings.[86]

Accordingly, the use of a company's stock market price can be a suitable method for estimating the enterprise value. The consideration of the stock market price is based on the assumption that market participants accurately assess the company's earnings power on the basis of the information and information options made available to them and that the market assessment is reflected in the stock market price of the shares. Strict allocation and information efficiency is not required. However, if it cannot be assumed in the specific case that the market provides effective information, the enterprise value cannot be determined using the stock market price.

FAUB discussed the first decision above at its meeting on 13 June 2023 and published the results of its discussion on its website.[87] The Committee first points out that it is not appropriate to base the determination of adequate compensation and other adequacy tests solely on the stock market price without making a future success value calculation.

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83 Cf. below WPg 2021, pp. 958 ff.
84 Cf. Section C.I
85 Cf. IDW S 1, Marginal No. 15.
86 Cf. FSC, ruling of 21 February 2023 ("TLG/WCM"), Case II ZB 12/21, *loc. cit.* and FSC, ruling of 31 January 2024 ("Vodafone/Kabel Deutschland"), Case II ZB 5/22, *loc. cit*.
87 Cf. also FAUB, *WPg* 2023, p. 765.

The first case above decided by the FSC has some special features that are not usually present in typical compensation cases. For example, value-relevant internal company information (e.g. medium and long-term business planning) is not known to the capital market and is therefore not reflected in the share price. In addition, empirical studies have shown that the market and share prices are subject to short-term moods and that share prices therefore do not reflect the fundamental enterprise value.

It is also contrary to the protective purpose of adequacy tests to use stock market prices as a basis for assessment without taking into account the value-relevant internal and external information and without carrying out a fundamental enterprise valuation.

FAUB's view is confirmed by the business literature that has dealt with the ruling of the FSC.[88] A methodical orientation based solely on the stock market value is neither recognised in business administration theory nor common in business administration practice. Insofar as differing views are put forward, these are not the views of representatives of business administration theory.

From a business administration perspective, it is still necessary to determine an earnings value in order to be able to make a sufficiently reliable assessment or plausibility check of the informative value of the stock market price and, in particular, the "effective assessment of information" by the market. Since neither the stock market price nor the earnings value are "perfect" measures of value, a "coexistence of stock market price and earnings value" is still necessary, especially in view of the decision of the FSC.

The HRC Munich[89] also states that no valuation method can provide a clear, precise measurement of value. Therefore, additional considerations are all the more important, "which support the result found - by whatever method." A valuation using the earnings value method can also be used to check whether the stock market price falls within a reasonable range.

In the opinion of the FSC, these objections to using the stock market price as a basis for estimating the enterprise value are not legally valid. However, the FSC considers an overall assessment taking into account the stock market price and the enterprise value determined using the earnings value method to be permissible.[90] The Higher Regional Court of Frankfurt am Main also recently ruled that the enterprise value determined on the basis of the stock market price can be checked for plausibility by the enterprise value determined using the earnings value method.[91]

For the reasons stated above, we consider it necessary, when examining whether there are indications of an ineffective valuation of the information available to the capital market and whether the use of stock market prices could raise concerns due to the circumstances of the specific case, not only to use the criteria cited by legal rulings, but also to determine a fundamental value as a reference point.

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88 Cf. Ruthardt, *BewertungsPraktiker* 2023, pp. 50 ff. with further references.
89 Cf. HRC Munich, Decision of 14 December 2021 ("Kabel Deutschland"), 31 Wx 190/20, *BeckRS* 2021, p. 43656.
90 Cf. Federal Supreme Court, Ruling of 31 January 2024 ("Vodafone/Kabel Deutschland"), Case II ZB 5/22, *loc. cit.*
91 Cf. Federal Supreme Court, Ruling of 9 February 2024 ("ISRA Vision"), Case 21 W 129/22, dejure.

III. Audit procedures

As mandated, the Valuation Expert computed the enterprise value of MOR AG in ranges.

In doing so, the Valuation Expert considers company law legal rulings by determining the objectified enterprise value in accordance with IDW S 1 as the earnings value, taking direct account of personal taxes, as the fundamental value and, in addition, an enterprise value derived from an average stock market price. During our audit, we comprehensively examined these valuations and also considered whether the liquidation value as the lower limit of a fundamentally determined enterprise value is relevant in the present valuation cases.

Due to the fact that the result of the determination of an enterprise value can only be an estimate and in accordance with the "Best practice recommendations for enterprise valuation"[92] of the "Corporate Transactions and Valuation" Working Group of DVFA Deutsche Vereinigung für Finanzanalyse und Asset Management e.V., Frankfurt am Main,[93] the Valuation Expert also performed valuations using other valuation methods. As part of our audit, we used these valuations as a plausibility check to verify whether the alternative valuations support the valuation results of the valuation methods relevant according to legal rulings.

In our audit, we focused on verifying whether the derivation of the objectified enterprise value in accordance with IDW S 1 was performed appropriately.

In this context, the representatives of MorphoSys and the Valuation Expert presented the following topics in particular, both verbally and in writing:

- Business activities including the market and competitive environment
- Operating results achieved in the past and planned for the future[94]
- Determination of financial result and corporate taxes
- Valuation approach and status of ongoing valuation work

With the aid of the documents provided and the supplementary verbal information, we have checked the plausibility, consistency and arithmetical correctness of the planning approaches and traced the valuation methodically and in terms of content.

In addition, we carried out our own supplementary investigations and calculations, in particular with regard to the components of the discount rate.

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92 "DVFA recommendations"
93 "DVFA"
94 This is the "EBIT" (earnings before interest and taxes).

Our audit of the objectified enterprise value in accordance with IDW S 1 focused on the following issues:

- Plausibility of the estimates submitted by the Company
- Appropriate transfer of the estimates to the valuation model
- Proper derivation of net income by the Valuation Expert supplementing the estimates
- Appropriate derivation of the discount rate
- Appropriate and generally appropriate application of the valuation methodology
- Identification and, if necessary, appropriate inclusion of state of affairs to be separately assessed, such as assets not required for operations

In addition to these key audit matters, in our audit of the objectified enterprise value in accordance with IDW S 1, we focused on the significance of individual components of earnings and net income in terms of value.

For the plausibility check of the estimates presented, we have applied the "IDW Practice Guideline 2/2017: Standards for plausibility are accordingly:

- The mathematical and formal plausibility
- The material, internal plausibility
- The material, external plausibility

The analysis of historical data provides a basis for checking the internal substantive plausibility of the estimates. We have satisfied ourselves that any material non-recurring or unplannable effects on earnings in the past that are likely to occur in the future have not been extrapolated in the determination of the estimates as such. For this purpose, we have analysed the financial statements and auditor's reports[95] presented for the comparative period in the past. However, in view of the changes in MorphoSys's business model, only a limited amount of information could be obtained from the historical analysis to check the plausibility of the estimates.

In order to be able to assess the quality of MorphoSys's planning system, we first had the planning process explained to us and verified whether it complies with the principles of proper planning. In addition, we obtained an explanation of how MorphoSys prepared the updated estimates on which the valuation is based.

The quality of the planning system can also be assessed in particular on the basis of a retrospective analysis of the estimates in the past. In valuation practice, the focus is usually only on the budget for the following year, since the accuracy of estimates generally decreases with an increasing forecast horizon.

Accordingly, the Valuation Expert analysed the accuracy of the estimates by comparing the revenue actually generated in financial years 2022 and 2023 with the product already marketed, the associated gross margin and the operating expenses with the corresponding estimates from each previous year. In the case of operating expenses, the Valuation Expert considered research and development expenses separately from selling and general administrative expenses due to their significance. We have examined

[95] Financial years 2021 to 2023.

whether the Valuation Expert's analyses are proper and whether the conclusions derived from them are comprehensible.

The prospective assessment of specific estimates normally draws on the actual (adjusted) figures of the past and thus on trends in development of the enterprise (time comparison; material internal plausibility) as well as on actual and forecast values for the relevant markets and competitors (peer comparison; material external plausibility). In the present case, however, only a limited amount of information can be obtained from an analysis of the past to check the plausibility of the estimates. The Valuation Expert therefore refrained from adjusting the past figures for comprehensible reasons.

The Company's estimates focus on the estimate of the operating result, supplemented by information on cash flows. The Valuation Expert has converted the estimates submitted by MorphoSys into integrated estimates in its valuation model. In consultation with the Company, the Expert made assumptions regarding financing and tax expenses and prepared an estimated balance sheet using agreed assumptions regarding the distribution policy. As a result, we examined whether the estimates presented had been fully and correctly incorporated into the valuation model and properly supplemented. We also verified that the valuation model was methodologically consistent overall.

As a biopharmaceutical company, the horizon of MorphoSys's estimates differs from the horizon of other industries. In view of the long periods of time required to obtain approval for active ingredients that have already been developed and to be able to market them, MorphoSys's estimates cover the entire product life cycle of all conceivable applications for the existing active ingredients. The product life cycles of MorphoSys's current portfolio are expected to end in 2044.

In view of the high risks and uncertainties of potential income surpluses that may arise after this date, the Valuation Expert is of the opinion that it is not appropriate to take into account inflows from ongoing business after financial year 2044. We have evaluated this assessment and can confirm it. Unlike in most other industries, the Company's estimates not followed by a continuation phase. The Valuation Expert has therefore modeled that the wind-up of MOR AG and the liquidation of the remaining assets will take place prior to 2044.

The Valuation Expert also dealt with the question of whether synergies that could be leveraged even without a merger of MOR AG into Novartis BidCo Germany, i.e. from the current de facto corporate group relation, have already been taken into account in the estimates presented. We have subjected the considerations made by the Expert in the plausibility check of the estimates, including the additions by the Expert, to a separate assessment.

ValueTrust determined the discount rate by referring to the return on an alternative investment adequate to the investment in the enterprise being valuated. We verified the derivation of the individual components of the discount rate in terms of both method and content and reconciled it with the associated observations from capital market data.

On this basis, the Valuation Expert has applied interest to the earnings value as of the technical valuation date (31 March 2024) on the legal valuation date, the planned date of the general meeting of MOR AG which is to adopt the corresponding resolution (27 August 2024). We have verified this calculation.

ValueTrust has recognised special values for a shareholding and for the value contribution of tax-free distributions from the tax contribution account. We have verified these valuations. The Valuation Expert has not identified any further states of affairs that cannot be included in an earnings value approach or can only be included in an incomplete fashion, in particular assets that are not required for operations. We have verified whether this assessment is correct.

The Valuation Expert also subjected the objectified business value determined in this way in accordance with IDW S 1 to a sensitivity analysis. In doing so, the Expert varied the beta factor and the market risk premium as parameters for the amount of the cost of shareholders' equity and thus the denominator of the valuation equation to take account of the fact that the current change in the business model entails a change in MorphoSys's risk situation, which could be quantified in a range.

ValueTrust did not compute the liquidation value of MOR AG. We have verified the considerations set out in the Expert Opinion and the resulting conclusion that the going concern value is higher than the liquidation value assuming a previous break-up.

In addition to the objectified enterprise value in accordance with IDW S 1, the Valuation Expert also determined the enterprise value before personal taxes in accordance with the DVFA recommendations and conducted a sensitivity analysis. In accordance with the principles of IDW S 1, we assess as a neutral expert[96] the adequacy of the cash compensation for the going concern value on the basis of an objectified enterprise value[97] in accordance with IDW S 1. We have also verified the enterprise value before personal taxes determined by the Valuation Expert in accordance with the DVFA recommendations, but have not examined it in detail insofar as this is based on different premises compared to a valuation in accordance with IDW S 1.

The Valuation Expert has converted the calculated enterprise values to one share in each case and extended the range for the value per share by the enterprise values that the Expert had calculated on the basis of multiples.

We take up the alternative valuations of the Valuation Expert in our plausibility check of the objectified enterprise value.

The Valuation Expert also dealt with the question of whether the stock market prices of the MOR share represent a suitable valuation benchmark in the terms of the legal rulings. We have verified the associated calculations and examined the conclusions drawn from them.

With regard to the enterprise value resulting from a valuation at market prices, the Valuation Expert also dealt with the question of whether the period between the announcement of the measure and the valuation date should be regarded as a prolonged period in the terms of the legal rulings. We made a separate assessment of these considerations and the conclusion that a prolonged period does not exist and that a projection of the stock market price is therefore not appropriate.

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96 Cf. IDW S 1, Marginal No. 12.
97 Cf. IDW S 1, Marginal No. 31.

The adequate cash compensation is determined from the calculated enterprise value of the valuation object, taking into account the number of outstanding shares.[98] As part of our audit, we verified whether the related calculations were performed properly.

The amount of the adequate cash compensation results from the circumstances as of the valuation date (27 August 2024). Compared to the circumstances known today, there may still be value-relevant changes up to the valuation date. On the day of the general meeting which is to resolve on the squeeze-out of the minority shareholders, we will verify what cash compensation is to be regarded as adequate at that time.

On the one hand, it will be necessary to review whether expectations regarding MOR AG's future business development have changed compared to the current state of knowledge. Second, it will be necessary to check whether conditions on the capital market have changed in the meantime.

IV. Valuation date

In the terms of the "information delimitation function of the valuation date", the legal valuation date is the date of the general meeting of MOR AG which is to adopt the relevant resolution, i.e. 27 August 2024.[99]

The Valuation Expert chose 31 March 2024 as the technical valuation date in the terms of the "value delimitation function of the valuation date". It takes into account the fact that the Company's business model changed fundamentally in the first quarter of 2024 because the sale of the only product already marketed by MorphoSys to date was completed and recognised in the accounts in this period.

In valuation practice, the end of the financial year just closed is usually selected as the technical valuation date, as the result of the current financial year achieved prior to the legal valuation date often cannot be accrued with sufficient certainty during the year due to accounting and estimates in annual periods. In the present valuation case, the result for the first quarter of the current financial year can be taken from the quarterly financial statements of MOR AG. The Valuation Expert bases itself on a balance sheet in which the loss incurred in the first quarter of the 2024 financial year is included in the profit carried forward. MorphoSys's budget is estimated on a monthly basis. The result for the remaining quarters can therefore also be derived from the estimates.

For purposes of valuation, the Valuation Expert assumes for the sake of simplicity that the net results accrue evenly throughout the year. In line with standard valuation practice, the Expert allocates the distributions of the net results to the shareholders on a uniform basis at the end of each financial year.

The value contributions from the distributions (dividends) are discounted on the technical valuation date (31 March 2024) using the period-specific discount rates and accrued as of the legal valuation date (27 August 2024).

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98 Ultimately, the main shareholder set the cash compensation at € 68.00 per MOR share, which is slightly higher than the amount we considered adequate. The fixed cash compensation is also adequate (cf. Section H).

99 § 327b(1), Sentence 1 AktG

In summary, we consider the above-described procedure to be appropriate. It was also carried out correctly from a mathematical point of view.

Audit result
The valuation date (27 August 2024) conforms with § 327b(1), Sentence 1 AktG.

V. Valuation methods

The Valuation Expert determined the enterprise value of MOR AG according to the earnings value approach set forth in IDW S 1. According to prevailing opinion in business administration theory and in the auditing profession, the value of future success and thus also the earnings value method as a possible procedure for its determination is the authoritative and recognised method for determining the value of enterprises in which the going concern value exceeds the liquidation value. The earnings value method is also recognised as common practice in legal rulings.

In accordance with prevailing opinion, ValueTrust determined the enterprise value as an objective enterprise value, i.e. according to the perspective of a typical shareholder. This typical shareholder is assumed to be a domestic natural person with unlimited tax liability who, due to his or her small shareholding, is unable to exert any financial or corporate influence. This valuation takes into account so-called "non-genuine synergies". In accordance with the current valuation principles of IDW S 1, the Valuation Expert did not recognise so-called "genuine synergies".

The Valuation Expert did not compute the liquidation value of MOR AG. In summary, the Expert justifies this approach by stating that it cannot be assumed that wind-up is more advantageous than continuing as a going concern. We have verified these considerations and also do not consider it necessary to derive the liquidation value.

In addition to the objectified enterprise value in accordance with IDW S 1, the Valuation Expert also determined the enterprise value before personal taxes in accordance with the DVFA recommendations. In our function as a neutral expert, we assess the adequacy of the cash compensation for the going concern value on the basis of the objectified enterprise value. As a result, although we have verified the results of a valuation before personal taxes, we have not examined them in detail.

The Valuation Expert converted the calculated going concern value to one share and expanded its range analysis for the value per share to include a sensitivity analysis for the value before and after personal taxes as well as enterprise values per share, which the Expert determined on the basis of multiples.

We take up the alternative valuations of the Valuation Expert in our plausibility check of the objectified enterprise value and the resulting cash compensation.

The Valuation Expert also determined the enterprise value of MOR AG on the basis of a valuation based on the stock market price. In view of the legal rulings of the FSC, the stock market price is also a suitable valuation standard, provided certain requirements are met. The Valuation Expert is of the opinion that a valuation using the stock market price fulfills the requirements that legal rulings consider necessary so

that a valuation using the stock market price can also be a suitable valuation method. We consider the statement to be accurate.

Audit result
We consider the procedure of using the earnings value method as an objectified enterprise value in accordance with IDW S 1 and a stock market valuation to be appropriate for determining the enterprise value of MOR AG.

VI. Valuation Object

1. Legal and tax circumstances

MorphoSys AG has its registered office in Planegg and is entered in the Commercial Register of the Local Court of Munich under Commercial Register No. B 121023. The business address is: Semmelweisstrasse 7, 82152 Planegg.

The articles of association of MOR AG were last amended based on authorisations issued by the general meeting on 17 May 2023. The amendments relate to changes in the authorised and conditional capital, the authorisation to hold virtual annual general meetings and the virtual participation of the members of the Supervisory Board at these meetings.

The corporate purpose is comprehensively defined in § 2 of the Articles of Association. In accordance with Section 2(1) of the Articles of Association, this consists in "the identification, research, optimisation, development, application, marketing and distribution of technologies, processes and products in the field of drugs, active pharmaceutical ingredients and corresponding intermediates and the provision of related services."

The financial year of MOR AG corresponds to the calendar year.

The fully paid-in share capital of the Company amounted to € 37,655,137.00 as of 31 December 2023 and is divided into 37,655,137 no-par-value registered shares of the same class with a notional value of € 1.00 per share in the share capital. Share options were exercised as of 31 March 2024, increasing the share capital by € 61,286.00 and the number of shares by 61,286.[100] At the time the Transfer Report was prepared, the fully paid-in share capital amounted to € 37,716,423.00. It is divided into 37,716,423 shares. According to the Transfer Report, MOR AG holds 53,685 treasury shares.

The Management Board of MOR AG is authorised to increase the Company's share capital by up to € 8,866,847 in return for cash and/or non-cash contributions.[101] The share capital has also been conditionally increased by up to € 6,627,120.00[102] to grant options. Of the total number of share options still outstanding at the time the Expert Opinion was signed, 107,044 are in the money.[103] As a payout contingent on the MOR share price can no longer be granted in future as a result of the intended merger, the

[100] This change has not yet been entered in the Company's commercial register.
[101] Authorised Capital 2023-I (€ 6,846,388.00), Authorised Capital 2022-I (€ 1,978,907.00) and Authorised Capital 2021-III (€ 41,552.00).
[102] Conditional Capital 2016-I (€ 2,475,437.00), Conditional Capital 2021-I (€ 3,289,004.00), Conditional Capital 2016-III (€ 355,011.00) and Conditional Capital 2020-I (€ 507,668.00).
[103] They therefore have a so-called "intrinsic value", as the strike price, i.e. the purchase price fixed in each case, could be lower than the possible share price on the possible exercise dates (however, it will no longer be possible to determine a share price after the merger).

programs are to be converted into purely cash-based programs without performance targets, subject to the approval of the respective beneficiary. Provisions have been formed for the expected disbursements. Creditors of a convertible bond will also lose their right to convert into MOR shares once the merger becomes effective.

The MOR shares (ISIN DE0006632003) were admitted to trading on the regulated market with additional post-admission obligations on the Frankfurt Stock Exchange (Prime Standard). They are therefore also traded on the electronic XETRA trading platform. The shares are also traded on the over-the-counter markets of the stock exchanges in Berlin, Düsseldorf, Hamburg, Hanover, Munich and Stuttgart as well as via the Tradegate Exchange in Berlin. In addition, MOR shares are traded in the United States on the technology exchange NASDAQ[104] as American Depositary Shares.[105] Four ADSs correspond to one MOR share.

After the MOR share was temporarily no longer included in the MDAX, it was included in the MDAX once again between 18 March 2024 and 24 June 2024.[106] It moved back to the SDAX on 24 June 2024 due to the lower market capitalisation of the free float as a result of the acquisition offer.[107] It is still included in the TecDAX[108] and CDAX[109] share indices. Due to the ADS program, MOR AG is also included in the NASDAQ Composite Index[110] and NASDAQ Health Care Index.[111]

According to the Transfer Report, Novartis BidCo Germany directly holds 34,337,809 MOR shares. This corresponds to a stake of 91.17% in the voting share capital[112] of MOR AG. According to the information provided, the remaining 3,324,929 MOR shares are in free float.

The participation of Novartis BidCo Germany in MOR AG resulted from a voluntary (cash) public acquisition offer of Novartis BidCo AG to the shareholders of MorphoSys AG for the acquisition of all no-par-value bearer shares, including all no-par-value bearer shares of MorphoSys AG represented by ADSs, in return for payment of a cash consideration of € 68.00 per share of MorphoSys AG.[113]

On 5 February 2024, MOR AG announced the following in an ad hoc announcement in this context:

- Conclusion of a business combination agreement with Novartis BidCo[114] and Novartis
- Publication of the intention of the partners to the Business Combination Agreement to submit the aforementioned acquisition offer
- Offer price corresponds to a total shareholder's equity value of MOR AG of € 2.7 billion and a premium of

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104 National Association of Securities Dealers Automated Quotations, fully electronic trading platform operated by Nasdaq, Inc., New York, New York, USA
105 "ADS"; share of a non-US company held by a US custodian bank and traded on a stock exchange in the United States.
106 Mid-Cap-DAX (German share index containing the 50 largest companies - measured by market capitalisation and order book turnover - that follow the 40 companies in the DAX)
107 Small-Cap DAX (German share index comprising the 70 largest companies - measured by market capitalisation and order book turnover - which follow the 40 companies in the DAX and the 50 companies in the MDAX)
108 German share index (designation for the German share index, which contains the 30 largest companies measured by market capitalisation and order book turnover)
109 Composite DAX (broadest German share index, comprising all shares listed in the General Standard and Prime Standard segments on the Frankfurt Stock Exchange)
110 Broadest equity market index in the US (all equity instruments listed on NASDAQ with a focus on technology, currently comprising around 3,340 stocks).
111 All stocks listed on the NASDAQ that focus on healthcare in the broadest sense (currently around 920).
112 Subscribed capital less non-voting shares held as treasury shares.
113 "Acquisition Offer"
114 At that time still operating under the name "Novartis data42 AG".

- 94% on the volume-weighted average price of the last month at the unaffected closing price on 25 January 2024
- 142% on the 3M VWAP at the unaffected closing price on 25 January 2024
- 89% of the unaffected closing price on 25 January 2024

- Novartis' efforts to acquire exclusive worldwide rights to develop and commercialise pelabresib, a BET inhibitor,[115] and tulmimetostat, a next-generation dual inhibitor of EZH2 and EZH1, for all indications
- Full development of the potential of pelabresib
  - Improvement in all disease characteristics of myelofibrosis with the combination of pelabresib and ruxolitinib versus standard treatment of this disease in Phase 3 MANIFEST-2 study
  - Pelabresib and ruxolitinib as first-line therapy for myelofibrosis could bring about a paradigm shift
  - Early data suggest clinical benefits for pelabresib in additional indications beyond myelofibrosis
  - Novartis with extensive financial resources, additional scientific expertise and global presence to realise the full potential of pelabresib
- Sale and transfer of the worldwide rights to tafasitamab to Incyte Inc., Wilmington, Delaware, USA,[116] with whom the Company had already been working on tafasitamab since 2020[117]

The offer document was published on 11 April 2024. Among other things, it contains the following:

- Offer price € 68.00 per MOR share
- Minimum acceptance threshold 65%
- Necessary official approvals, in particular merger control clearance by the relevant antitrust authorities, already granted
- Intention to conclude a domination and profit and loss transfer agreement and to pursue a squeeze-out if the relevant thresholds are exceeded[118]
- Intention to carry out a delisting

On the same day, the Management and Supervisory Board of MOR AG came to the conclusion in their joint reasoned statement pursuant to § 27(1) WpÜG that "the Offer, including the Offer Price, is highly attractive and adequate." After expiry of the additional acceptance period[119] on 30 May 2024, 24:00 hours (Frankfurt am Main local time) / 18:00 hours (New York City local time), 29,336,378 MOR Shares were tendered based on the Offer. During the acceptance period and the additional acceptance period, the acquisition offer of approximately 77.78% of the total share capital of MorphoSys was thus accepted. In addition, Novartis BidCo acquired a further 11.56% of the share capital through purchases outside the acquisition offer.

Subsequently, Novartis BidCo contributed the acquired shares to Novartis BidCo Germany.

MOR AG announced on 20 June 2024 that the Company has entered into a delisting agreement with Novartis BidCo and Novartis. In addition, Novartis BidCo Germany has informed MOR AG of its intention to merge MOR AG with a company of the Novartis Group and to initiate a squeeze-out of the minority shareholders of MOR AG.

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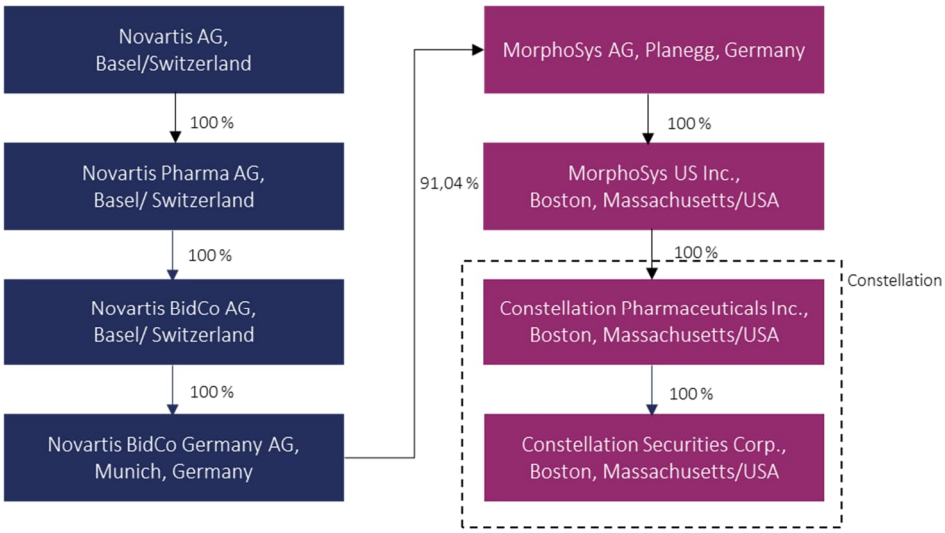
115 BET = proteins with bromodomain and extra-terminal domain
116 "Incyte"
117 Jointly marketed in the United State under the product name Monjuvi® and outside the US by Incyte under the product name Minjuvi®.
118 90 or 95%.
119 § 16(2) WpÜG

Novartis BidCo Germany is an indirect subsidiary of Novartis. Novartis is a listed company whose shares are traded on the SIX Swiss Exchange and on the New York Stock Exchange in the form of ADSs. Novartis specialises in the research, development, manufacture, distribution, marketing and sale of innovative pharmaceuticals. The focus is on the four core therapeutic areas of cardiovascular, renal/metabolic diseases, immunology, neurosciences/oncology, as well as on established brands.

In financial year 2023, the Novartis Group generated revenue of $ 45.4 billion, of which $13.6 billion was attributable to the sale of active ingredients in the oncology segment. With an EBIT margin of 21.4%, Novartis generated net income from continuing operations of $ 8.6 billion. As of 31 December 2023, the Novartis Group employed a total of 76,057 full-time employees[120] at over 250 sites worldwide.

[120] Full-time equivalent ("FTE").

The indirect participation of Novartis in the capital of MOR AG and the structure of the group managed by MOR AG[121] are as follows as of this date:



Source: Corporate information

The central Group functions such as accounting, controlling, human resources, legal, intellectual property, purchasing, corporate communications and investor relations as well as the translational research departments[122] are located at the Planegg site. Constellation's activities are focused on the clinical research and development of its drug candidates and related general administration tasks. In 2023, MorphoSys US Inc. was responsible for the commercialisation of the active ingredient tafasitamab.

All subsidiaries are included in the consolidated financial statements of MOR AG by way of full consolidation. Before its sale, the shareholding in the associated company HI-Bio was accounted in the consolidated financial statements using the equity method.

Positive taxable income of MOR AG is subject to corporation tax (15%) including the solidarity surcharge (5.5% of corporation tax). Trade income is also subject to trade tax of 10.85%.[123] The combined nominal income tax rate of MOR AG is therefore 26.675%.

The US subsidiaries form a tax group. Their results are subject to both the standard federal corporate income tax of 21.0% and state taxes. The Massachusetts tax rate (8%) is decisive for the future burden.[124] Taking into account the deductibility of State Corporate Income Tax under the Federal Corporate Income Tax, the combined nominal income tax rate of the tax bases taxed in the US is 27.32%.

There are no indications that the aforementioned tax rates will change in the future after the conclusion of the valuation and audit work.

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121 Constellation Pharmaceuticals, Inc. and Constellation Securities Corp., collectively "Constellation". The shareholding in Human Immunology Biosciences ("HI-Bio") was sold on 2 July 2024 and is no longer included in the graph (see also Section D.IV.2).
122 Translational medicine = activities and measures that deal with the implementation of research results from medicine and health sciences in healthcare.
123 With an assessment rate of 310% for the municipality of Planegg.
124 The weighted average tax rate for state taxes of 6.38% observed in the past was influenced by special factors.

Due to the start-up losses resulting from the development of active ingredients and the implementation of clinical trials, MOR AG has accumulated loss carryforwards for tax purposes. As of 31 December 2023, the following loss carryforwards are available for the various income taxes:

- Corporate income tax € 267.8 million
- Trade tax € 283.0 million
- Federal Corporate Income Tax $ 650.2 million
- State Corporate Income Tax total $ 608.2 million

The US Tax Group has received tax credits for research and development work carried out in the past. Tax credits of USD 81.1 million have been granted for research into orphan drugs[125] until 31 December 2023. Further tax credits of $ 14.7 million are available for research activities that do not relate to orphan drugs. The former can only be offset against future liabilities from the Federal Corporate Income Tax, the latter also against liabilities from the State Corporate Income Tax.

As of 31 March 2024, MOR AG had a tax deposit account in the amount of € 941.1 million. Distributions from the tax deposit account are in principle not subject to withholding tax.

The US Tax Group also has additional paid-in capital. As of 31 December 2023, this amounted to USD 1,512.0 million. As long as the additional paid-in capital exceeds the distributions of the US subsidiaries to MOR AG, the distributions are not subject to US withholding tax.

As long as the US subsidiaries use the Additional Paid-In Capital for distributions, these distributions are tax-free under the double taxation agreement concluded between the US and Germany, but are also not subject - in contrast to other tax-free income from investments - to the prohibition on the deduction of business expenses and the associated flat-rate addition of 5% of the tax-free income.

MOR AG has been audited for tax purposes up to and including 2015. A follow-up audit is currently underway for 2016 to 2019. Selected business transactions up to 2022 were audited at the US tax group.

2. Financial fundamentals

a) Business model and strategy

MorphoSys is a global biopharmaceutical company whose mission is to develop and commercialise innovative therapies for patients. MorphoSys focuses its activities on hematology and oncology, a branch of internal medicine that deals with benign and malignant diseases of the blood, malignant diseases of the lymph nodes and the lymphatic system as well as malignant solid tumors such as breast cancer or lung cancer. The Company aims to achieve medium and long-term growth by concentrating on researching, developing and marketing its own drugs.

MorphoSys's priority today is the development of its lead candidate pelabresib and its market launch as well as the development of further clinical candidates.

[125] Medicinal products for the prevention, diagnosis and treatment of rare diseases.

MorphoSys primarily drives the clinical development of its own compounds. Further antibody candidates are being developed clinically by partners. In the course of the clinical phases, the Company decides on a case-by-case basis whether and when it will seek a partnership for further development and marketing. A drug candidate can either be completely out-licenced, developed together with a partner as part of a collaboration[126] or developed independently.

In the years following its foundation in 1992, MorphoSys initially only developed active substances for renowned pharmaceutical companies. The necessary expansion of personnel and material capacities was ensured by the funds raised during the IPO in 1999 and, in addition, by financial resources provided by partner companies in the form of performance-related milestone payments.

In 2007, MorphoSys began to develop its own drugs, but continued to focus on collaborations with large pharmaceutical companies. The active ingredient tafasitamab, which forms the basis for a cooperation and licence agreement with Incyte in 2020 for its further development and marketing,[127] received accelerated approval[128] from the U.S. Food and Drug Administration, Silver Spring, Maryland,USA in the same year.[129] Monjuvi® is a preparation for the treatment of an aggressive form of blood cancer.

After MOR AG was able to finance itself with equity securities on the US capital market by issuing ADSs on the NASDAQ since 2018, MorphoSys has established a commercial infrastructure in the US via the Group company MorphoSys US Inc.

The acquisition of the US biotech company Constellation in 2021 represented a major milestone in the development of MorphoSys. Constellation discovers and develops novel therapeutics that address a significant unmet medical need in patients with cancers associated with abnormal gene expression or drug resistance. Constellation's two leading product candidates, pelabresib and CPI-0209,[130] were already in late- or mid-stage clinical development at the time of the acquisition. MorphoSys expects the acquisition to accelerate growth with promising drug candidates in mid- to late-stage clinical development and to expand its own portfolio with potential therapies for solid tumors. MorphoSys paid a total of $ 1,635.2 million in cash for the shares of Constellation Pharmaceuticals Inc.

MorphoSys has entered into a long-term strategic partnership with Royalty Pharma plc, New York, New York, USA,[131] to finance this acquisition and further develop the MorphoSys and Constellation product pipelines. Royalty Pharma's business model is aimed at financing innovation throughout the biopharmaceutical industry. This is provided in particular through the purchase of biopharmaceutical licences.

As part of the agreed strategic partnership with MorphoSys, Royalty Pharma made a non-refundable upfront payment of $1,425.0 million to MorphoSys in a financing agreement. In addition, the contracting parties agreed on a conditional purchase price payment of a further USD 100.0 million, contingent on the

126 "Co-development"
127 Cf. Section C.VI.1
128 "Fast track status": approval procedure that can accelerate the availability of new drugs for patients in need. In cases where there is an urgent need for a new treatment, e.g. in the case of life-threatening illnesses, there is the possibility of an accelerated procedure. This is intended to speed up the testing and approval process without compromising safety or efficacy. The aim of this procedure is to give patients the earliest possible access to potentially life-saving treatments.
129 U.S. Food and Drug Administration (US authority that controls the safety and efficacy of human and veterinary drugs, biological products, medical devices, food, radiation-emitting devices, tobacco products and cosmetics)
130 Today referred to by the product name "Tulmimetostat".
131 "Royalty Pharma"

achievement of certain milestones in the further development of the drug candidates Otilimab, Gantenerumab and Pelabresib.

In return, MorphoSys undertook to sell royalty cashflows as follows:

- 100% of the royalties due to MorphoSys from Tremfya's net revenues generated since 1 April 2021
- 80% of future royalties and 100% of future milestone payments for Otilimab
- 60% of future royalties for Gantenerumab
- 3% of future net revenues of the clinical-stage compounds pelabresib and CPI-0209 (as a commitment by Constellation)

In addition, the contracting parties concluded a development financing agreement. Under the terms of the agreement, Constellation was obliged to draw a total amount of $ 150.0 million to $ 350.0 million from Royalty Pharma within one year. Repayment is to be made at 2.2 times the amount utilised according to a fixed schedule within ten years and nine months of utilisation without repayment in the first two years after utilisation. MorphoSys ultimately drew down a total of $300.0 million, which was paid out on 12 September 2022.

As part of a cash capital increase excluding the subscription rights of existing shareholders, Royalty Pharma also subscribed for shares in MOR AG and paid consideration of $ 100.0 million for the shares received.

Since the acquisition of Constellation, MorphoSys has also conducted its research and development at the Boston site. The translational research departments are located at the Planegg site. Constellation's activities are focused on the clinical research and development of its drug candidates.[132] On 2 March 2023, MorphoSys announced that it has discontinued its preclinical research programs and all related activities in order to optimise its cost structure. As a result, MorphoSys reduced its workforce at its headquarters in Planegg by around 17%. This measure and other steps already taken in financial year 2022 will allow MorphoSys to focus its resources on the mid- to late-stage oncology pipeline. In financial year 2023, 365 out of 564 employees worked in research and development.[133]

In December 2023, MOR AG carried out a cash capital increase, making full use of its Authorised Capital 2023-II. With a placement price of € 30.00 per new MOR share, MOR AG received gross issue proceeds of around € 102.7 million.

In the first quarter of financial year 2024, MorphoSys received additional funds from the sale of tafasitamab to Incyte.[134] With a selling price of $ 25.0 million paid in cash, the quarterly report shows a net cash inflow of € 14.7 million from the discontinued operations.[135]

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132 Cf. Section C.VI.1
133 Annual average, by headcount; financial year 2022: 438 of 647.
134 Cf. Section C.VI.1
135 A loss from the discontinued operations of € 3.9 million is reported in the income statement.

In light of the aforementioned capital increase in particular, the Management Board of MOR AG expects to have extended the liquidity reach on a stand-alone basis[136] until the beginning of 2026, which also includes the repayment of convertible bonds.

The available funds will be used primarily for activities to further develop the leading clinical programme pelabresib and the product candidate tulmimetostat.

The clinical development of pelabresib is currently focused on myelofibrosis. Myelofibrosis is a rare form of blood cancer in which blood-forming cells are overgrown by connective tissue in the bone marrow, with the result that not enough healthy blood cells can be formed and the spleen enlarges. The FDA granted pelabresib fast-track designation for the treatment of myelofibrosis in October 2018. Currently, the treatment of myelofibrosis is based on the use of JAK inhibitors, which alleviate the symptoms of myelofibrosis but do not change the course of the disease. Ruxolitinib,[137] a JAK inhibitor, is currently the standard therapy for myelofibrosis both in the US and at the European Medicines Agency, Amsterdam, Netherlands,[138] as a monotherapy, but only achieves sufficient control of symptoms in half of the patients. Furthermore, as many patients only respond suboptimally to treatment with JAK inhibitors, there is a need for other treatment options that have a more lasting effect and can change the course of the disease instead of just combating the symptoms.

According to its own statements, MorphoSys achieved its targets in clinical research and development in financial year 2023 and thus strengthened its business fundamentals. The Company continued to make exceptional progress in its mid- to late-stage oncology pipeline, completing enrollment of pivotal trials ahead of schedule and presenting data at key scientific conferences, resulting in positive feedback and, by its own admission, excitement in the cancer community.

At the 2023 annual meeting of the American Society of Hematology, Washington, D.C., USA,[139] MorphoSys presented comprehensive results from the Phase 3 study[140] MANIFEST-2[141] on 10 December 2023. These showed that the combination of pelabresib, a BET inhibitor in clinical development, and the JAK inhibitor ruxolitinib improved all four disease characteristics of myelofibrosis (spleen size, anemia,[142] bone marrow fibrosis[143] and disease-related symptoms) compared to the administration of ruxolitinib, the standard therapy for myelofibrosis, plus a placebo. The combination therapy of pelabresib and ruxolitinib almost doubled the proportion of patients who achieved a reduction in spleen volume of 35% or more, the primary endpoint of the study. Given the link between spleen volume reduction and patient survival, this is considered an important finding. The combination therapy showed a strong positive trend in reducing the burden of disease-related symptoms. In addition, the combination improved measures of anemia, including greater hemoglobin response rates,[144] fewer red blood cell transfusions and fewer side

136 In other words, excluding any cash flows that could result from the Business Combination Agreement concluded with Novartis.
137 Marketed by Incyte under the trade name Jakafi® and by Novartis under the trade name Jakavi®.
138 European Medicines Agency (responsible for the evaluation and supervision of medicinal products in the EU)
139 "ASH"
140 Clinical studies in which the active substance is tested on a larger group of patients to determine whether the efficacy and safety shown in the previous studies can also be confirmed in a large number of different patients.
141 The study investigated the efficacy of the active substance pelabresib, which is currently in clinical development, in the treatment of myelofibrosis, a disease of the bone marrow. Pelabresib is a so-called "BET inhibitor", which is designed to inhibit the function of the BET protein Brd4 and thereby reduce the effects of myelofibrosis.
142 Disease in which the number of red blood cells (erythrocytes) is reduced.
143 Disease in which the bone marrow loses its ability to form blood cells.
144 Increase in hemoglobin compared to the initial value. Hemoglobin is a protein that binds and transports oxygen. It makes up around 90% of red blood cells.

effects of anemia and fatigue, and improved bone marrow fibrosis by at least one grade in more patients. The combination therapy also showed a tolerability that is consistent with the assessments from previous clinical studies. In addition, pelabresib plus ruxolitinib was associated with fewer grade 3 or higher adverse events compared to placebo plus ruxolitinib.

These results indicate a paradigm shift in myelofibrosis treatment that MorphoSys believes myelofibrosis patients and physicians have been waiting for.

The most important patents for pelabresib currently run until 2032 (US) and 2031 (Europe). Supplementary protection certificates or term extensions could postpone the loss of exclusivity until 2037. In the US, the use of pelabresib for the treatment of myelofibrosis is protected by patent until 2039.

In view of the convincing results of the Phase 3 MANIFEST-2 study outlined above, MorphoSys intends to submit a marketing authorisation application to the FDA and a marketing authorisation application to the EMA for pelabresib in combination with ruxolitinib in the coming months.

Pelabresib could also be a promising product candidate for other applications. In the Phase 2 MANIFEST study, pelabresib is being investigated for four possible applications, partly as a monotherapy and partly in combination with ruxolitinib. The ongoing MANIFEST study is expected to be completed in 2024.

Part of MorphoSys's financial resources will also be used for the further development of tulmimetostat. The product candidate tulmimetostat can in principle be used for various indications of solid tumors as well as blood cancers. The main patents for tulmimetostat have a term until at least 2039.

At the 2023 annual meeting of the American Society of Clinical Oncology, Alexandria, Virginia, USA,[145] updated results from the Phase 1/2 trial of tulmimetostat, a next-generation dual EZH2 and EZH1 inhibitor in clinical development, were presented with respect to various tumor types. The data suggest a response or stabilisation of the disease in all cohorts with solid tumors, including those with heavily pretreated patients. It is noteworthy that a complete and partial response was also observed in the lymphoma cohort. According to MorphoSys, physicians were impressed by the response rates observed in heavily pretreated patients with tulmimetostat. Tulmimetostat has a higher efficacy, a longer residence time at the target site and a longer half-life than first-generation EZH2 inhibitors. In September 2023, the FDA granted fast-track designation for tulmimetostat for the treatment of patients with advanced, recurrent or metastatic endometrial cancer (uterine cancer) who have ARID1A mutations and in whom the cancer has progressed after at least one prior line of treatment.

In MorphoSys's current business strategy, the remaining product candidates are used to generate funds for the further development of the aforementioned compounds. MorphoSys currently has numerous projects in which clinical development is carried out by partners. MorphoSys receives milestone payments and/or royalties for the loss of intellectual property on these compounds. According to MorphoSys, its key partnering programs, which have emerged from the Company's antibody technology platform, continue to evolve and have the potential to generate significant value. Although these programs are not

145 "ASCO"

central to MorphoSys's business strategy, they offer potential benefits and provide options for non-dilutive financing.

Due to the different uses of developed compounds, MorphoSys distinguishes between the following revenue categories:

- Product sales[146]
- Royalties
- License fees from the use of intellectual property
- Milestone payments for progress in the research and development or approval process
- Service fees for the provision of personnel
- Other revenue

b) Macroeconomic situation and outlook

The development of real gross domestic product and consumer prices has an impact on purchasing power and therefore also on potential expenditure on medicines. The Valuation Expert presents these macroeconomic data (2015 to 2023) and forecasts (2024 to 2029) on the basis of the forecasts published in April 2024 by the International Monetary Fund, Washington, D.C., USA.[147] In view of the US's overwhelming share of global expenditure on cancer drugs and the importance of the European markets, the Expert's comments focus on these regions.

Now that real GDP growth rates have normalised again, the IMF expects global growth to remain unchanged compared to 2023 at between 3.2 and 3.1% over the forecast horizon. The recently observed trend of declining consumer price increases is expected to continue in the coming years. Average global inflation is expected to fall to 3.4%. High growth and inflation rates are expected for developing countries, while industrialised countries are growing at significantly lower rates, meaning that the potential for price increases is also lower there.

In the US, the current higher growth rates are expected to fall to a level of around 2% from 2025 and the still comparatively high inflation rate is also expected to normalise at around 2%.

The current weak growth in the EU is to be overcome. After an increase of up to 1.8% (2025), growth rates are expected to fall to 1.5%. Following the significant rates of price increases in the last two years, the IMF expects inflation in the EU to gradually fall to 2.0%, the target value of the European Central Bank, Frankfurt am Main.

These developments suggest at least moderate growth for cancer drugs. However, sector-specific growth rates can differ significantly from macroeconomic trends.

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146 After the sale of the active ingredient tafasitamab to Incyte, revenue from product sales is only expected from the commercialization of pelabresib again in the future.

147 "IMF"

c) Market and competitive environment and market position

The global pharmaceutical market, and thus also the market for cancer drugs, is characterised by a high degree of complexity due to a large number of product categories, private and public market participants and different regulatory requirements.

Oncology is by far the largest medical therapy area and is expected to further widen the gap to the other therapy areas with growth rates of 9 to 12% in the period from 2020 to 2025.[148] Oncology deals with the research, diagnosis, treatment and prevention of tumors and types of cancer. The more than 300 types of cancer currently known require different treatments, which is why the potential of a single drug is also limited.

In view of this diversity and the market potential, the number of clinical trials and marketing authorisations for new drugs is growing. Many of these new drugs and therapies have been developed to combat rare cancers such as non-Hodgkin's lymphoma and are increasingly using novel modes of action. Suppliers must invest considerable amounts in the further development of their products and the generation of new product candidates, i.e. in research and development, including the conduct of clinical trials. In addition to the ability to innovate, the capital resources of competitors are therefore also of decisive importance.

After global spending on cancer drugs has already risen to $ 196 billion in the past (2017 to 2022) with high average growth rates of 12.0%,[149] growth is expected to accelerate further (CAGR 13.8%) in the future (2022 to 2027), so that a market volume of $ 375 billion is already expected for 2027. This growth is driven by the above-average growth of the US market (14.1%), by far the largest market, and by the development in the so-called “pharmerging markets” (15.5%). However, pharmerging markets such as China and India are also characterised by high price sensitivity and the promotion of domestic production. The expected significant increase in market volume is partly due to an increase in the number of patients and deaths.

The oncology market can be segmented into solid tumors and blood cancers. The blood cancer segment is divided into four areas: lymphoma, leukemia, myeloma and less common forms of blood cancer, including myelofibrosis. The market for treatments for solid tumors is significantly larger ($ 174.1 billion in 2022) and is also expected to grow much more dynamically (to $ 337.6 billion) than the market for the treatment of blood cancer at 13.9% (CAGR) by 2027. The latter is expected to grow from $ 61.1 billion (2022) to $ 87.7 billion at a growth rate of 7.3% (CAGR).

The most important subtypes of blood cancer are myeloma, lymphoma and leukemia. The largest submarket to date, the treatment of myeloma ($ 21.7 billion in 2022), is also expected to grow the fastest (CAGR 10.5%) to $ 53.5 billion by 2031. The global market for lymphoma therapeutics is expected to grow at a CAGR of 8.4% from $15.7 billion (2022) to $32.4 billion (2031). The leukemia market is the least significant submarket in terms of both current size and growth expectations.

[148] The authoritative study was published in 2021.
[149] “CAGR" (compound annual growth rate)

Clinical trials set up for the product candidate pelabresib are investigating its efficacy for the treatment of myelofibrosis.[150] Myelofibrosis is a rare disease that is diagnosed in only four to six out of one hundred thousand people in the US, for example. Accordingly,[151] in the US and EU5 countries[152] together only around 6,100 people were diagnosed with myelofibrosis for the first time each year. An increase to more than 7,200 first diagnoses of myelofibrosis is expected by 2031, corresponding to an average annual growth rate of 1.8% (CAGR).

Despite the small number of patients, drugs for the treatment of myelofibrosis generate global revenues totaling around USD 0.7 billion (2022).[153] On this basis, the Valuation Expert estimates the average annual expenditure per patient for medication for myelofibrosis at around $150,000. Revenues are also expected to increase at a compound annual growth rate (CAGR) of 4.1% to $ 1.1 billion by 2031, which is disproportionately high compared to the development of new cases, based on the incidence for the United States plus the EU5 countries.

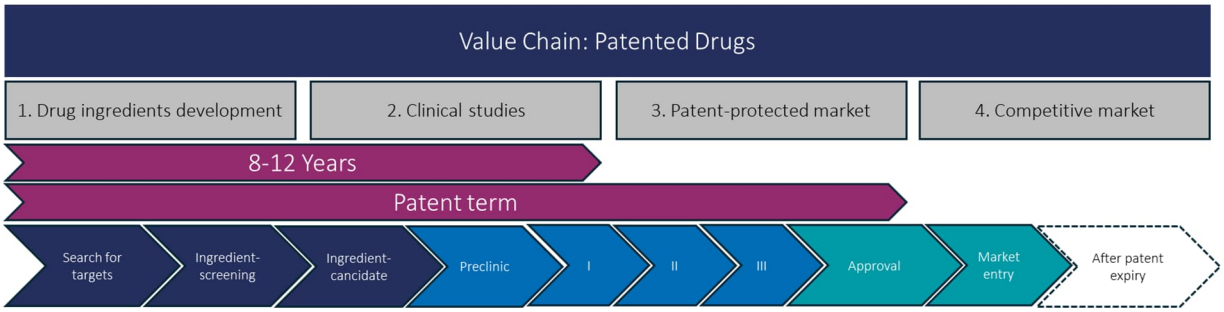
However, this market is not fully addressable for MorphoSys, as pelabresib - as well as the other drugs already offered by competitors on the market or the product pipeline of further drugs from competitors - can only be used for certain forms of myelofibrosis. In this respect, the products are rarely subject to direct competition, especially as patent protection also exists.

Patent protection is granted to an active substance candidate from the date on which the patent application is confirmed. In the United States and the EU, this is usually granted for a period of 20 years. If the useful life is shortened due to a lengthy further research and development process or delayed approval, the term of the patent can be extended by a further five years if necessary.

As the application for a patent is usually filed at an early stage of the research and development process in order to prevent the theft of intellectual property in due time at an early stage, the process until a drug is ready for the market usually takes many years, and the patent holders or manufacturers often only have twelve years to market the product on an exclusive basis.

[150] The product candidate tulmimetostat can in principle be used for various indications of solid tumors as well as blood cancers.
[151] Circumstances in 2022
[152] Germany, France, Great Britain, Italy and Spain.
[153] Average value derived by the Valuation Expert from the available studies on the global market.

The Valuation Expert has presented these relationships graphically as follows:



MorphoSys's main competitors are pharmaceutical companies and biotechnology companies, but also academic research institutions. Some of the competitors have significantly higher financial and technical production resources. Competition can also be differentiated according to which phase of the above-mentioned product life cycle of a patented pharmaceutical is primarily covered by the business model of the respective competitor.

Since its foundation, MorphoSys has already passed the first phases and is currently focusing on the mid to late clinical phase with its key product candidates. These products will be used to pass through the subsequent phases of the product life cycle.

Academic research institutions develop their activities in this market primarily in the early phases, often only in the "search for targets" phase. In this respect, they can only be regarded as competitors if they succeed in discovering and possibly developing active substances that may later receive marketing authorisation as drugs and replace MorphoSys's products. This also applies to companies that have specialised in the further development of active substances into a product candidate, but are primarily active in an earlier phase.

The main competitors are currently pharmaceutical companies and biotechnology companies whose product candidates are in a mid to late clinical phase. These are often very specialised and focused companies.

In the coming years, these companies will also be regarded as competitors if they not only develop product candidates but also market approved drugs. However, this is usually done by large pharmaceutical companies, some of which also make use of product candidates developed by smaller competitors. This often takes the form of in-licencing and out-licencing. By transferring rights to developed product candidates or approved drugs, smaller competitors can obtain the funds required to develop further product candidates. However, it can also be observed that smaller competitors in particular are being completely taken over by large pharmaceutical companies.

Finally, after patent protection expires, pharmaceutical companies that specialise in marketing generics are the most important competitors.

Furthermore, MorphoSys's competitors are essentially only those companies that develop and/or market product candidates or drugs for certain diseases and indications in oncology. MorphoSys's leading asset, pelabresib, competes with four other product candidates and four marketed drugs. Jakafi is the

combination partner for the future use of pelabresib, which is currently being investigated as a priority in the MANIFEST study. Jakafi is based on the active substance ruxolitinib. The drug is marketed by Incyte and Novartis. Jakafi is currently considered the standard for the first-line treatment of myelofibrosis and therefore has a market penetration rate of around 50%. The active substance ruxolitinib is expected to lose its patent protection in 2027. Competition will increase considerably after 2030. Opportunities for pelabresib arise from the fact that the available study results indicate that pelabresib is superior in first-line therapy and should also be suitable for second-line therapy. Compared to ruxolitinib, pelabresib will lose its patent protection much later.

A larger number of indications are considered promising for tulmimetostat. As a result, a higher number of potentially competing products can also be assumed. MorphoSys has analysed a total of six potential uses of tulmimetostat to determine which drugs already on the market or product candidates in various phases of clinical development for each specific indication should be considered competitive products. Ultimately, tulmimetostat is currently considered innovative in four indications or areas of application, should the present results be confirmed in later studies.

The Valuation Expert describes in detail the processes by which medicinal products are approved in the US and EU and the further regulatory provisions they are subject to in production and distribution once approval has been granted. A table clearly shows that the regulatory processes and requirements for clinical trials are very similar between the two major economic areas and key markets under consideration.

At this point, only the essential aspects are to be briefly pointed out as follows:

- In general, tasks are primarily performed by a central body (FDA or EMA), but different provisions of individual US states or European countries must also be observed.
- Institution of accelerated assessment by granting fast-track status in the US for patients in need
- Special tax or other subsidies for so-called “orphan drugs”, which are granted in the case of these rare diseases
- At least four phases of preclinical (phase 0) or clinical (phases 1 to 3) tests with increasing numbers of test subjects

The main long-term trends in the global oncology market can be summarised as follows:

- Demographic change in the industrialised nations and the associated aging of society with correspondingly higher demand for pharmaceutical products
- Global population growth with a corresponding increase in global economic demand
- Improved access to medicines and therapies in emerging and pharmerging markets
- Rising disposable income and higher penetration of health insurance solutions
- Increased risk of cancer due to lifestyle changes towards unhealthy lifestyles and worsening environmental factors
- Meeting the increased demand resulting from the above factors through increasing research and development of new drugs
- Structural market changes such as repositioning, mergers and acquisitions and the trend towards affordable drugs

The Valuation Expert also comes to the conclusion that the target markets USA and EU are very similar not only in terms of regulatory provisions, but also in terms of all other significant market influencing factors.

d) Financial, liquidity and earnings position

The Valuation Expert has performed an analysis of the financial, liquidity and earnings position of MorphoSys based on the published consolidated financial statements for the financial years 2021 to 2023. The Expert does not consider it expedient to adjust the reported figures for items of a one-off or non-recurring, off-period or extraordinary nature due to the many individual states of affairs that influenced business development in the past under review. It also points out the significant changes to the business model described above.

In our opinion, it is therefore not only unnecessary to adjust the past under review, but also to analyse the unadjusted figures in detail, as only very limited insights can be gained from this analysis for a comparison over time. In our summary, we therefore only address the developments from which insights can be gained when analysing the estimates.[154]

In our opinion, the following comments should be made on the financial, liquidity and earnings position in the past:

- Reduction in operating expenses due to measures to optimise the cost structure in research and development[155] and to rationalise and focus sales activities
- Use of funds primarily for intangible assets and cash and cash equivalents[156]
- Intangible assets mainly include patents, licences, licences for marketed products and programs under development, and in particular assets acquired or created in connection with pelabresib, as well as goodwill from the acquisition of the shares in Constellation Pharmaceuticals Inc.
- Financial assets relate to 12.1% of the share capital of HI-Bio[157]
- Cash and cash equivalents in the past still reduced by cash outflows due to negative cash flows from operating activities

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154 For a detailed analysis of the financial, liquidity and earnings position in the past, we refer to the Valuation Expert's detailed analyses.
155 Cf. Section C.VI.2.a)
156 And, of course, also for financing the operating business during the year (which is not apparent when looking at the balance sheet as of the reporting date).
157 As of 31 March 2024. The shareholding was sold on 2 July 2024. Cf. Section C.VI.1 and Section D.IV.2

- Source of funds mainly characterised by financing from Royalty Pharma[158]
- Shareholders' equity reduced to € 49.0 million due to accumulated losses

Audit result

A dedicated analysis of the financial, liquidity and earnings positions of MorphoSys is not necessary, nor is an adjustment of the past, as an analysis of the estimates cannot be carried out by means of a time comparison.

3. Key success factors of the business concept

The Valuation Expert summarises its comprehensive analysis of the financial fundamentals of MorphoSys in a SWOT analysis.[159] This can be summarised as follows:

Strengths	Weaknesses
▪ Development pipeline focusing on innovative active ingredients in late (pelabresib) and mid (tulmimetostat) phases of clinical trials ▪ Research and development expertise built up over decades with experienced teams and proven competence in the testing and approval of medicinal products ▪ Own sales network with a focus on hematology and oncology in the US as well as an extensive network of partners ▪ Stable income from milestone payments and royalties from the various partner programs with minimal costs ▪ Over 110 patent families on active ingredients, processes and technologies	▪ Dependence on the "leading asset" pelabresib ▪ Financing requirements for the high costs of research and development and clinical trials as well as for the establishment of a distribution network beyond the US, which, given MorphoSys's low capitalisation, result in dependence on development partners ▪ Only limited ability to react to changes in the market and competitive environment, as research and development expertise is very specialised
Opportunities	**Risks**
▪ Exploiting the current development pipeline, in particular with pelabresib as a potential "best and first in class product" for the first-line treatment of myelofibrosis ▪ Significant increase in demand due to demographic and global macroeconomic trends	▪ Constantly changing market and competitive environment in a generally highly competitive market ▪ Unexpected developments in study results and uptake of products on the market ▪ Dependence on partners for the expansion of the distribution network ▪ Dependence on the acceptance of the products by doctors and payers

As can be seen from the above list, the strengths and weaknesses as well as opportunities and risks of MorphoSys in the markets relevant to it are balanced overall. The strengths suggest profitable growth. The risks show that such development is exposed to numerous dangers.

158 Cf. Section C.VI.2.a)
159 Strengths, weaknesses, opportunities and threats; a strategic planning tool developed by Harvard Business School

D. Valuation using the objectified enterprise value in accordance with IDW S 1

I. Structure and delimitation of the Valuation Object

MOR AG, including its subsidiaries, is considered the Valuation Object.

The valuation of corporate groups can be carried out according to various methods, which, if properly applied, must lead to identical results.[160] The selection of one of these methods depends on the structure of the estimates on which it is based, the control purposes pursued with it and the question of whether it makes sense or is necessary to display individual assets.

In the present case, business is planned and managed primarily at the Group level. In accordance with the structure of the estimates presented, the Valuation Expert therefore carried out a simultaneous valuation at the Group level and derived the earnings value from the Group plans presented. In addition, the determination of enterprise values for individual subsidiaries is not necessary in this specific valuation case.

For the reasons stated above, we consider the reasons described above to be expedient. We have ensured through consultations that the subsidiaries have been fully included in the calculation of the enterprise value of MOR AG.

In summary, we consider the procedure used by the Valuation Expert to structure and demarcate the Valuation Object to be appropriate.

II. Derivation of the net income to be capitalised

1. Structure of the estimates and planning process (including synergies)

MorphoSys's regular planning process includes the following two planning tools:

- Medium-term plan, including the budget for the current financial year and planning for three further financial years
- Long-term planning, in which the development of all products in the clinical pipeline is forecast up to the end of the last product life cycle and which is also used for the purposes of annual or case-by-case impairment tests

The planning instruments are interlinked in such a way that the budget drawn up in April and May of the respective financial year is expanded in the period from August to December to include planning for the following three financial years and integrated into long-term planning at the same time.

The contents of the plans include the revenues and operating expenses, whereby the planning is cash-flow-oriented. The net interest income, taxes and the balance sheet are not estimated in detail. However, as the development bond, the convertible bond as well as tax payments are or may be associated with significant payments, these are likewise estimated in a simplified manner. Distributions are not estimated. However, the income and expenses directly attributable to the products and product candidates are

[160] Cf. Section C.II.1.

estimated in detail and separately for each self-marketed or out-licenced active ingredient. The forecasts essentially use the following information:

- Data on the number of new patients diagnosed with the respective clinical picture each year
- Current and estimated market shares of MorphoSys's products and product candidates and the market shares of competing products and product candidates
- Monthly and annual number of patients to be treated with the respective active ingredient
- Dosage and duration of the respective medication
- Actual prices of drugs on the market and estimated or expected prices of own product candidates and those of competing providers, converted into monthly treatment costs

In principle, this information is collected by the employees responsible for the products or product candidates and then consolidated from the bottom up. Central management requirements are taken into account and general cost items are integrated into the estimates. In addition to those directly responsible for the product and the employees responsible for cooperation with partner companies and those responsible for general cost centers, external specialists are also consulted on specific issues. The planning process and the consolidation into a Group plan is managed by the Finance and Planning Department. Approval then takes place in several stages with the involvement of the Head of Business Development, the CFO, the Executive Committee and the entire Management Board. The medium-term plan is also submitted to the Supervisory Board of MOR AG for approval.

In the present case, however, the estimates prepared in the regular planning process were finalised and approved later and then revised again. These delays and revisions are due to the following circumstances among others:

- Announcement of the sale and transfer of the worldwide rights of tafasitamab to Incyte (5 February 2024)
- Conclusion of a Business Combination Agreement with Novartis BidCo and Novartis and submission of an acquisition offer by the Novartis Group (5 February 2024)
- Processing of study results of the product candidate pelabresib, which is a key value driver (24 April 2024)
- Changes in the Management Board (6 June 2024), which took the following updates into account when revising the estimates (4 July 2024)
  - The assessment made and documented by the previous Management Board regarding the application to pelabresib was confirmed by the new Management Board on 4 July 2024.[161]
  - Acquisition of HI-Bio by Biogen Inc., Cambridge, Massachusetts, USA[162]
  - Announcement of the delisting of MorphoSys, which will lead to cost savings in general and administrative expenses

The Management Board of MOR AG approved these updated estimates on 4 July 2024. The Supervisory Board of MOR AG approved the amended estimates on the same day. New developments regarding the

[161] On 29 April 2024, MorphoSys announced in its Q1 2024 press release its intention to submit a new drug application to the FDA and a marketing authorisation application to the EMA for pelabresib in combination with ruxolitinib for the treatment of myelofibrosis in the second half of 2024. Previously, it was assumed that the application would be submitted by mid-2024. Based on the earnings announcement for Q1 2024, the revenue assumptions for pelabresib were adjusted accordingly, resulting in 5.4% lower revenues for pelabresib over the entire product life cycle.

[162] Biogen Inc. publicly announced on 2 July 2024 that the acquisition has been completed.

HI-Bio transaction became known at the same time as the updated estimates were being prepared for approval. The Valuation Expert has taken these into account in a further update of the estimates.[163]

Significant portions of MorphoSys's revenues and costs are denominated in USD. When converting these amounts, MorphoSys uses a uniform exchange rate for all planning periods, applying the spot rate prevailing at the time of the estimates.

The estimates presented also include synergies to a certain extent. The general and administrative expenses include cost savings that can be realised in the de facto group. In addition, Novartis will be able to achieve savings through more favorable interest conditions for loans.

In view of the systematic forecasting process described, we consider the estimates presented by the Company to be fundamentally suitable for the purposes of enterprise valuation. The deviation from the regular planning processes is due to the aforementioned circumstances and is therefore understandable.

2. Analysis of forecast accuracy

The Valuation Expert checked the accuracy of the estimates by comparing the amounts actually achieved in financial years 2022 and 2023 with the values estimated for them in the previous year for the following variables:

- Revenues from the drug Monjuvi®
- Gross margin with the drug Monjuvi® as a percentage
- Research and development expenses
- Selling expenses and general and administrative expenses

In general, MorphoSys's expectations for the drug Monjuvi® were not met in terms of revenues or earnings, although the estimates for 2023 are more reliable than that of the previous year. The shortfall in gross profit was partially offset by cost savings.

The Valuation Expert points out that the planning of pharmaceutical companies is associated with particular uncertainties, especially with regard to revenues. These arise, among other things, from unforeseeable delays in the approval process or in the acceptance of a drug by prescribing doctors and cost-bearing institutions.

In addition, general global developments also made forecasting difficult in the period under review. The succession of crises that are currently occurring at short intervals and have negative macroeconomic consequences continued after the COVID-19 pandemic with the Russian war of aggression against the Ukraine and is currently continuing with the conflicts in Israel and Gaza. A medium-term forecast of global economic development as well as inflation and interest rate trends is therefore becoming increasingly complex.

Taking into account these circumstances and the partly unforeseeable causes for the planning errors described in detail, the Valuation Expert considers MorphoSys's estimates to be suitable as a basis for an

[163] The adjustments are of minor significance.

enterprise valuation. In particular, the Expert points out that the results of its analyses show that MorphoSys has a deep understanding of the short- to medium-term development of its key performance indicators.

We have been able to comprehend the Valuation Expert's analyses without any objections and share the conclusions drawn from them.

Audit result
The estimates presented by MOR AG can be used to determine the Company's enterprise value.

The Valuation Expert has basically based its valuation on the estimates submitted unchanged.

Various current developments made it necessary to revise the previously prepared estimates (medium- and long-term plans).[164] As these changes could no longer be reflected in the Company's original and approved estimates, the Valuation Expert updated the estimates in its valuation model in accordance with the specifications in consultation with the Company. In this respect, the updated estimate for the operating result is to be regarded as the estimate of MOR AG.

As the Company only estimates the operating result in detail, the Valuation Expert has supplemented the estimates for valuation purposes with the other items on the income statement and a further development of the statement of financial position[165] and a cash flow statement. In doing so, the Expert did not recognise the shareholding in HI-Bio[166] , which was taken into account as a special asset.

We have verified the initial calculations made to supplement the estimates, the underlying assumptions and the overall methodological consistency.

[164] Cf. Section D.II.1
[165] Balance sheet as of 31 March 2024
[166] Cf. Section D.IV.2

3. Analysis of the estimated operating result (EBIT)

a) Overview

The estimated operating result presented by MOR AG - supplemented by selected key figures - is as follows:[167]

MorphoSys AG	Planning							
Income statement	Q2 - Q4							
Millions of €	2024	2025	2026	2027	2028	2029	2030	2031
Revenue	7,6	188,3	107,7	140,0	355,5	528,3	659,5	728,4
Production costs	-4,4	0,0	-2,4	-10,6	-24,7	-38,5	-47,8	-53,9
Gross Profit	**3,2**	**188,2**	**105,2**	**129,3**	**330,8**	**489,7**	**611,7**	**674,5**
Research and development costs	-137,7	-69,3	-63,3	-33,7	-19,8	-12,4	-11,8	-4,0
Distribution costs	-24,2	-40,6	-48,9	-52,9	-54,6	-53,3	-53,2	-53,3
General and administrative expenses	-52,1	-32,0	-29,8	-29,0	-29,0	-29,0	-29,0	-29,0
Other operating expenses	-2,8	0,0	0,0	0,0	0,0	0,0	0,0	0,0
EBITDA	**-213,7**	**46,4**	**-36,8**	**13,7**	**227,4**	**395,1**	**517,7**	**588,3**
Depreciation	-0,1	-0,3	-1,4	-1,2	-2,9	-4,5	-5,8	-6,1
EBIT	**-213,8**	**46,1**	**-38,2**	**12,5**	**224,6**	**390,6**	**511,9**	**582,3**
as a % of revenue:								
Production costs	-57,8%	0,0%	-2,3%	-7,6%	-6,9%	-7,3%	-7,2%	-7,4%
Gross Profit	42,2%	100,0%	97,7%	92,4%	93,1%	92,7%	92,8%	92,6%
Research and development costs	< -100%	-36,8%	-58,8%	-24,1%	-5,6%	-2,3%	-1,8%	-0,5%
Distribution costs	< -100%	-21,6%	-45,4%	-37,8%	-15,4%	-10,1%	-8,1%	-7,3%
General and administrative expenses	< -100%	-17,0%	-27,7%	-20,7%	-8,1%	-5,5%	-4,4%	-4,0%
EBITDA	< -100%	24,6%	-34,2%	9,8%	64,0%	74,8%	78,5%	80,8%
Depreciation	-1,1%	-0,1%	-1,3%	-0,9%	-0,8%	-0,9%	-0,9%	-0,8%
EBIT	< -100%	24,5%	-35,5%	8,9%	63,2%	73,9%	77,6%	79,9%

MorphoSys AG	Planning							Last
Income statement								Year
Millions of €	2032	2033	2034	2035	2036	2037	2038 - 43	2044
Revenue	808,7	863,9	973,7	970,1	978,9	524,0	[...]	72,2
Production costs	-59,8	-65,2	-72,3	-77,6	-81,4	-44,6	[...]	-3,3
Gross Profit	**748,8**	**798,6**	**901,4**	**892,5**	**897,5**	**479,5**	**[...]**	**68,8**
Research and development costs	-3,7	-3,1	-2,2	0,0	0,0	0,0	[...]	0,0
Distribution costs	-53,6	-54,0	-54,8	-54,6	-54,3	-28,1	[...]	-5,1
General and administrative expenses	-29,0	-29,0	-29,0	-27,4	-25,1	-12,2	[...]	-1,4
Other operating expenses	0,0	0,0	0,0	0,0	0,0	0,0	[...]	0,0
EBITDA	**662,7**	**712,6**	**815,4**	**810,5**	**818,1**	**439,2**	**[...]**	**62,3**
Depreciation	-6,8	-7,1	-7,6	-7,8	-8,2	-4,6	[...]	0,0
EBIT	**655,9**	**705,5**	**807,8**	**802,7**	**809,9**	**434,6**	**[...]**	**62,3**
as a % of revenue:								
Production costs	-7,4%	-7,6%	-7,4%	-8,0%	-8,3%	-8,5%	[...]	-4,6%
Gross Profit	92,6%	92,4%	92,6%	92,0%	91,7%	91,5%	[...]	95,4%
Research and development costs	-0,5%	-0,4%	-0,2%	0,0%	0,0%	0,0%	[...]	0,0%
Distribution costs	-6,6%	-6,2%	-5,6%	-5,6%	-5,5%	-5,4%	[...]	-7,0%
General and administrative expenses	-3,6%	-3,4%	-3,0%	-2,8%	-2,6%	-2,3%	[...]	-2,0%
EBITDA	81,9%	82,5%	83,7%	83,5%	83,6%	83,8%	[...]	86,4%
Depreciation	-0,8%	-0,8%	-0,8%	-0,8%	-0,8%	-0,9%	[...]	0,0%
EBIT	81,1%	81,7%	83,0%	82,7%	82,7%	82,9%	[...]	86,4%

Sources: Company information, information from the Valuation Expert, own analysis.

The Valuation Expert converted the figures estimated in USD in accordance with the Company's system using the current spot rate.[168]

[167] As estimated, operating results will fall significantly in the financial years from 2038 onwards, the present value of which is of secondary importance for the enterprise value. We have not included the estimated operating results for these years in this table in order to make the presentation clearer. In our verbal explanations, however, we have pointed out special features for individual years. For a complete description, please refer to the Expert Opinion, which is also more detailed in this respect.

[168] This is the exchange rate on 21 June 2024 (EUR/USD 1.0688). With the exception of the base interest rate, all capital market data was determined as of this reporting date.

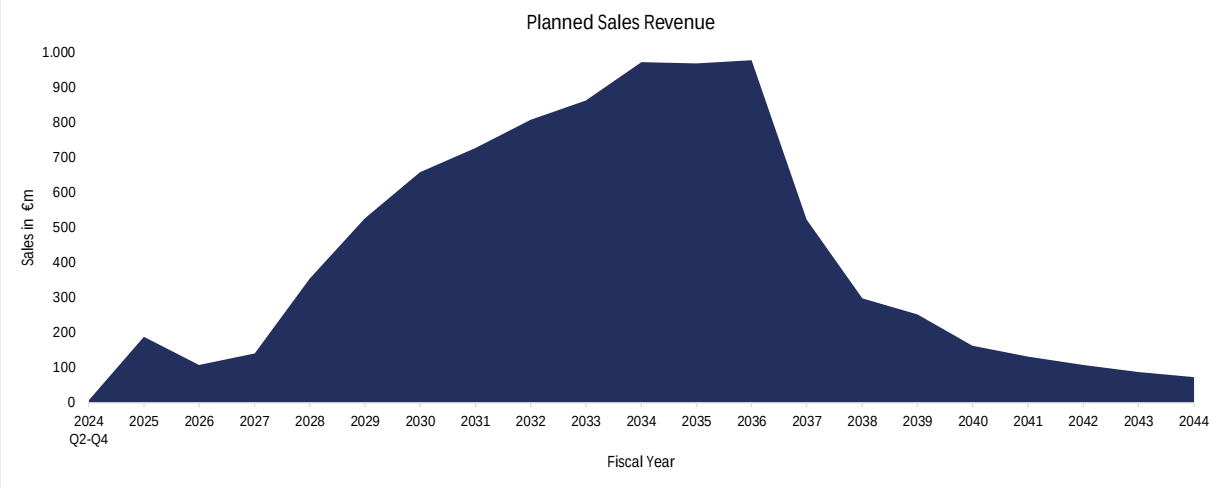
b) Revenue

Following an interim high in financial year 2025 (€ 188.3 million), MorphoSys's revenues are initially expected to fall again in financial year 2026 (€ 107.7 million) and then rise to € 978.9 million by financial year 2036. For the further forecast horizon (until 2044), MorphoSys expects revenues to decline to € 72.2 million.

Particularly strong relative and absolute growth is expected to be achieved in the forecast years 2028 to 2030, while a slump in revenue is expected primarily in 2037 and 2038.

This uneven development is due to the interplay of a number of influencing factors. The development of the main product candidates is to be viewed as a key influencing factor.

The estimated revenues for the main product candidates over time are as follows:



For the revenues presented (on a risk-adjusted basis), the product candidate pelabresib is by far the most important value driver for MorphoSys. The sum of all revenues generated as estimated with pelabresib represents 80.4% of the total revenues expected over the forecast horizon. The present value of the estimated revenues attributable to pelabresib amounts to 80.3% of total revenues.

The product candidate tulmimetostat is expected to be partnered. Partnering revenues will therefore account for 4.0% of the total revenues expected in the period from 2024 to 2044. In view of the fact that tulmimetostat is expected to generate revenue at a later date, the prorated present value is correspondingly lower at 3.3 %.

None of the numerous out-licenced product candidates is of material importance for the future development of MorphoSys. However, all out-licenced active ingredients together are expected to generate 15.6 % of the total revenues expected in the forecast horizon, which corresponds to a present value share of 16.4 %.

The revenues attributable to pelabresib relate on the one hand to the marketing of the future drug by the Company's own sales organisation in the US. These represent a significant portion of the revenues MorphoSys expects to generate with pelabresib.

For markets outside the USA, MorphoSys is dependent on finding a partner with an appropriate sales organisation. This partner will itself collect the revenue generated from the sale of the drug in the markets transferred to it. For the transfer of rights, MorphoSys will receive from the partner both milestone payments to be agreed in absolute amounts and royalties based on revenues in accordance with customary industry practice.

The expected revenues for pelabresib in 2025 are mainly characterised by milestone payments from the partner. As only lower milestone payments are expected for 2026, revenues generated with pelabresib in 2026 will decline overall. From 2027 onwards, increasing use of pelabresib and expansion to other indications are expected to lead to an increase in revenues generated by MorphoSys with pelabresib to € 781.4 million (2036). In view of the feared crowding out by competing new products from competitors and the expiry of important patents at the beginning and end of the 2030s, the revenues of MorphoSys generated with pelabresib are expected to fall significantly in 2037 and decline to € 66.9 million by 2044. Possible extensions of patent protection are not taken into account in the estimates.

A marketing partner will also have to be found for tulmimetostat. As MorphoSys intends to concentrate its sales activities in the US on the value driver pelabresib, the partner will also be responsible for commercialisation in the United States. As a result, MorphoSys will only be able to collect revenues for the product candidate tulmimetostat based on milestone payments and royalties. As planned, MorphoSys will also initially be able to collect a larger amount here based on a milestone payment for the expected approval in 2029, before revenues initially decline again. From 2032 onwards, MorphoSys also expects significant revenues from royalties due to the expected high revenues of the partner. The revenue generated with tulmimetostat from royalties and milestone plans is expected to increase to € 84.2 million (2037) and decrease until the expected end of exclusivity or cease from 2040.

For all fully out-licenced products and product candidates, MorphoSys also expects that these will initially be able to generate a slightly larger amount in aggregate (2025), before lower revenues will be incurred in 2026 and 2027; however, a not insignificant increase to € 208.7 million (2034), followed by a decline in the years 2035 to 2037, is also considered possible. For the years from 2038 onwards, the partner programs are only expected to generate revenue in the seven-digit range.

The expected revenues of a product candidate based on a calculation of price and quantity are weighted with probabilities of occurrence for the various planned indications, taking into account the uncertainties regarding approval depending on the current status of clinical development of the respective active ingredient, and thus converted to expected values.

It seems questionable to us whether the planned allocation of the surpluses from the two active substances pelabresib and tulmimetostat between MorphoSys and the respective potential partner represents an assumption that is neutral in terms of expected value. MorphoSys's expectation that the respective partner can demand terms from MorphoSys that grant it a larger share of the present value of the surpluses expected from the respective product candidate is based on the assumption that an eligible partner can use its company size and the associated financial capacities to achieve a favorable negotiating result.

c) Operating result (EBIT)

The production costs include the costs incurred in the manufacture of the various dosage forms of pelabresib. These relate only to units of pelabresib sold in the USA. The respective partners are responsible for the manufacture of pelabresib outside the US and for the manufacture of all other drugs. Secondly, the cost of production also includes the royalties payable by MorphoSys to Royalty Pharma for revenues of pelabresib (3 % of net revenues).[169] Non-recurring expenses from write-downs on inventories are also expected to be incurred in financial year 2024.

With the exception of the first forecast year (2024), the cost of production therefore develops almost in parallel with the revenue from the drug pelabresib. The gross margin is at least 87.5% in each forecast year, and in some cases significantly higher, as the revenue also includes erratic developments, e.g. due to milestone payments.

Research and development costs initially still include the costs incurred in connection with the product candidate tulmimetostat, particularly for the continuation of the ongoing study. As the active ingredient is to be licenced out to a partner from 2025, they will only include the costs that will be incurred for the product candidate pelabresib in the further course of planning. These are primarily the costs for studies for indications other than the myelofibrosis investigated in the MANIFEST-2 study, e.g. for the MANIFEST Phase 2 study.[170]

In view of the considerable upfront expenditure incurred in the years up to 2023, which resulted in correspondingly high loss carryforwards at Constellation,[171] research and development costs will fall both in absolute and relative terms over the course of the planning period and will no longer apply from forecast year 2035.

The existing sales organisation will be used exclusively for the marketing of pelabresib in the US. As the costs incurred in this regard are largely determined by the existing structure, they should increase only insignificantly in the course of the planning. As a result, considerable cost degression effects can be achieved in sales costs by 2026, the year in which the highest revenues are planned to be generated with the drug pelabresib. As a result of the expected significant decline in revenue generated with pelabresib in 2037, the sales structure is to be successively reduced from 2037 onwards, thereby substantially reducing costs.

General and administrative expenses are planned to fall to € 29.0 million by 2027 as a result of a cost-cutting programme launched in 2024 and the planned delisting. In subsequent years, costs are expected to remain at this level and will require further cost-cutting efforts in view of the expected continued cost inflation. From the forecast year 2035 onwards, the structure of MorphoSys is to be successively adapted to the end of MorphoSys's business activities in 2044 assumed in the estimates. Extraordinary costs are also incurred in the first forecast year. On the one hand, these are due to the consulting costs and special payments incurred in connection with the acquisition by Novartis. They also include costs for the redemption of stock option programs.

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169 Cf. Section C.VI.2.a)
170 Cf. Section C.VI.2.a)
171 Cf. Section C.VI.1

Due to the fact that items reported under other operating income and expenses largely relate to non-recurring, non-plannable items, a low expense balance is only estimated for financial year 2024.

In view of the low revenue and the one-off expenses incurred in financial year 2024, EBIT for the last three quarters of this year is clearly negative. In the following year, higher revenues from milestone payments are expected to result in positive EBIT. After further negative EBIT is expected for 2026, this figure is expected to be positive as early as 2027. Significant operating results are expected from 2028. They are expected to rise to € 809.9 million (2036). Following the significant decline in revenue in 2037 and the expected further decline in revenue in subsequent years, EBIT is also expected to almost halve in 2037 and subsequently decline further. Due to the estimated reduction in costs as a result of the successive adjustments to the structure, the EBIT margin should remain at the high forecast level after 2026.

d) Overall assessment

The Valuation Expert rightly points out that benchmarking the development of revenues and cost ratios or profit margins on the basis of developments at comparable companies, as is possible in other industries and with already fully established and stable business models, is not suitable as a plausibility check in the present case.

This is due to the fact that the development of the value drivers of peer companies (one or several product candidates) over time is only similar to that of MorphoSys in exceptional cases. However, the basic course of the product life cycle of pelabresib, the main value driver at MorphoSys, can be regarded as typical for the industry. In this respect, the estimates, supported by the analyses carried out and described in the Expert Opinion, can be regarded as plausible.

We consider the considerations of the Valuation Expert to be comprehensible. In our opinion, the estimates are ambitious to a certain degree, as is reflected, for example, in the expected prices for the monthly doses of pelabresib. On the other hand, we consider the division of surpluses from an active substance between MorphoSys and the potential partner not to constitute an ambitious assumption.

Overall, we consider the estimates to be justifiable.

Audit result
Based on the findings from the analysis of the planning process, the accuracy of the estimates and the submitted estimates themselves, it can be stated that the estimates submitted and updated by MOR AG form a suitable basis to derive the objectified enterprise value of MOR AG.

4. Derivation of net income after personal income taxes by the Valuation Expert

Based on the Company's asset status as of 31 March 2024, the Valuation Expert derived the financial result in its integrated model by updating the balance sheet with a financial plan. In doing so, the Expert took into account the requirements communicated by the Management Board of MOR AG regarding the minimum cash.[172]

[172] € 200.0 million for 2024 and 2025 and in the subsequent forecast years a range of three monthly requirements for operating expenses.

In light of the currently still high expenses for the development of pelabresib, which are not yet offset by revenues, and the uncertainties in the commercialisation of pelabresib, we consider the assumptions of the Management Board of MOR AG regarding the minimum cash requirement to be plausible.

No additional liquid assets are required for the further development of MorphoSys, as the Company does not need to incur any expenses to discover and develop new drugs according to its current strategic alignment. The cash inflows will therefore initially be used to repay financial liabilities. The remaining liquidity not required for operations is assumed to be distributed annually to the shareholders.

In view of the expected cash outflows from operating activities in the first forecast years and the maturity of the convertible bonds in October 2025, new financial liabilities will still need to be raised in 2024. Novartis BidCo Germany will grant MOR AG a loan for bridge financing. The conditions of this loan (twelve-month Euribor[173] plus a margin of 0.25%) are extremely favourable. Hence, the granting of the loan will generate synergies from the integration of MorphoSys into the Novartis Group.

Following an increase in shareholder financing to € 334.1 million by financial year 2028, the loan granted by Novartis BidCo Germany will be able to be repaid in full in forecast year 2030 from the expected high payment surpluses. The development financing bond issued by Royalty Pharma will be repaid by forecast year 2033 in accordance with the payment plan agreed in 2021. Lease liabilities are assumed to be constant due to their minor significance

With regard to the interest on liquid assets, the Valuation Expert assumes a credit interest rate of 2.50%, which we consider plausible in view of the current interest conditions.

Interest expenses are estimated at the respective contractually agreed interest rates. The following debit interest rates are agreed:

- Convertible bonds: 0.625%[174]
- Lease liabilities: 3.17 %[175]
- Development financing bond from Royalty Pharma: 11.08 %[176]
- Shareholder loan from Novartis BidCo Germany: variable (see above)

The Valuation Expert used forward rates when estimating the interest expenses for the shareholder loan. On this basis, the interest rate will fall from 3.87% (2024) to 3.13% (2030).

After an initial jump from € -1.6 million (2024) to € -47.4 million (2025), the net expense in the financial result is expected to initially remain at this level (until 2028). Due to the surpluses from the operating business and the resulting possible repayments, the expense balance will fall significantly in subsequent years (until 2033). From forecast year 2034, the financial result is expected to fluctuate around zero.

MorphoSys did not undertake any detailed estimates for the recognition of corporate taxes. The Valuation Expert has calculated the corporate taxes precisely, also using simplified assumptions. With regard

[173] Euro Interbank Offered Rate (reference interest rate for unsecured time deposits in euro in interbank business).
[174] In view of the conversion price, the conversion right has no value.
[175] Average implicit interest rate calculated when recognising the lease liabilities as of 31 December 2023.
[176] Implicit interest rate resulting from the granting of the loan and the repayment plan.

to its estimate of the assessment bases for taxation, the Valuation Expert used the following initial data and assumptions:[177]

- Revenues from the product candidates pelabresib and tulmimetostat as well as attributable expenses exclusively part of the taxable bases in the US
- Revenues from the (other) licenced programs and all other expenses that are part of the taxable bases in Germany
- Straight-line reversal of the deferred income recognised upon receipt of the payments received from Royalty Pharma[178] also as part of the taxable assessment bases in Germany
- Consideration of tax credits as a deduction item for taxable bases in the US (until 2034)
- Consideration of existing loss carryforwards until they are fully utilised in the assessment bases to be taxed in the US (until 2030) or in Germany[179] (until 2030)

With regard to the tax rates, the Valuation Expert has taken into account the currently valid regulations in its calculation of corporate taxes[180] as no changes have been announced.

In view of the regulations on minimum taxation in Germany, tax expenses are expected to be incurred in the period from 2025 to 2027, although pre-tax earnings at the Group level are negative under IFRS. In the forecast period from 2028 to 2032, relatively low tax expenses will be incurred in accordance with the calculations of the Valuation Expert, as the existing tax credits and loss carryforwards will result in corresponding reductions in the assessment bases. From forecast year 2033, the tax expense normalises as a result of the full consumption of these deductible items.

From an auditor's point of view, there are no objections to the addition of the financial result and the corporate taxes to the estimates presented.

According to IDW S 1, the determination of objectified enterprise values for the forecast period is to be based on the distribution of those financial surpluses that are available after taking into account the business concept documented as of the valuation date and after legal restrictions.

In the past, MOR AG was not able to make any distributions. Instead, the Company was dependent on contributions from its own and external funds. As planned, the internal financing requirements from the operating business will still have to be covered by external financing in the years up to 2027. The necessary funds are to be provided by Novartis BidCo Germany in the form of the shareholder loan. Surpluses will be generated from forecast year 2028, which are to be used exclusively for the repayment of financial liabilities until 2029. As expected, most (until 2036) or all (from 2037) of the results for the following years can be distributed.

From forecast year 2037 onwards, it will not only be possible to pay out the surpluses to the shareholders due to the expiry of the business, but also to gradually return the capital provided in full until the assumed end of business operations in 2044.

The distributions are subject to withholding tax (combined tax rate 26.375%). The repayment of contributions is generally tax-free. For reasons of presentation, the Valuation Expert has also applied the final

177 For the tax situation, cf. also Section C.VI.1.
178 Cf. Section C.VI.2.a)
179 With due regard to the regulations on minimum taxation.
180 Cf. Section C.VI.1

withholding tax to the capital repayments. The tax exemption of the return of contributions is taken into account for special assets. On the one hand, the distribution of the proceeds from the sale of the shareholding in HI-Bio is not subject to withholding tax. On the other hand, the Valuation Expert also adds the tax savings from the use of the applicable shareholders' equity as a special asset to the earnings value.[181]

In summary, we consider the procedure selected for the valuation of MOR AG with regard to the distribution behaviour and the related taxation to be adequate and reasonable for the reasons set out above.

Audit result
The net income for MOR AG shareholders is appropriately derived, taking into account personal taxes.

III. Discount rate

1. Base interest rate

When determining the basic interest rate, it must be taken into account that the investment in the company to be valuated must be compared with a maturity-equivalent risk-free alternative investment. Insofar as a company is valuated with an unlimited term, the yield of a risk-free capital market investment, which is also not limited in time, would have to be used as the base interest rate on the valuation date.

Investments without risk do not exist. In view of their quasi-safe character, top-rated public-sector bonds regularly meet the requirement of being risk-free due to the issuers' inability to become insolvent. This applies in particular to German government bonds. Moreover, the limitation to domestic bonds is generally an appropriate typification, especially if the alternative investment of domestic investors is taken as a basis.[182]

With the yields of listed German government bonds, a broad database exists for deriving base interest rates from market data. However, since government bonds are usually so-called "coupon bonds", which are characterised by an annually fixed finite cash flow, whereas cash flows from companies fluctuate and are not limited in time, such bond yields cannot be used directly for enterprise valuations. What is needed instead are maturity-specific interest rates for individual payments, so-called "zero-coupon bonds" or "zero bonds". While such zero bond yields can only be observed directly on the capital market in isolated cases, they can be derived mathematically from the observable coupon yields.[183]

However, German government bonds have a maximum term of 30 years to date. Nor are explicit forecasts available for the yield on German government bonds beyond a term of 30 years. Accordingly, an assumption must be made for risk-free returns beyond 30 years.[184]

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181 Cf. also Section D.IV.2.
182 Cf. e.g. IDW, WPH Edition, *Bewertung und Transaktionsberatung*, loc. cit., Chapter A, Marginal No. 375.
183 Cf. e.g. IDW, WPH Edition, *Bewertung und Transaktionsberatung*, loc. cit., Chapter A, Marginal No. 377.
184 Cf. e.g. IDW, WPH Edition, *Bewertung und Transaktionsberatung*, loc. cit., Chapter A, Marginal No. 377.

In this light, IDW S 1 recommends deriving the base interest rate from current yield curves.[185] This recommendation was first specified in 2005 and later modified by the FAUB in the notes published in the IDW-FN on determining the base interest rate on the basis of market data using yield curves.[186]

Yield curves can be derived or estimated in various ways. According to the recommendations of the FAUB, for reasons of objectivity, uniform use should be made of the database of the German Bundesbank or of the methodologically comparable data of the European Central Bank.

Since 1997, the yield curve has been estimated by the German Bundesbank on a daily basis using the so-called "Svensson method". This is a direct estimate of zero-coupon bond interest rates based on observed current yields on federal government bonds, federal notes and federal treasury bills with remaining maturities of up to 30 years. For the estimation of interest rates of zero-coupon bonds beyond 30 years, the FAUB is of the opinion that - in light of the residual maturities included in the exponential function developed by the German Bundesbank as well as due to general forecast uncertainties - the determined interest rate of zero-coupon bonds with a residual maturity of 30 years can generally be used as a sustainable estimate.

If a yield curve is used, the net income to be discounted must generally be discounted for each year at the respective maturity-equivalent interest rate. For reasons of practicability, a uniform base interest rate for the entire period is usually calculated from the yield curve. Depending on the length of the planning period and the assumed growth rate, a uniform interest rate equivalent to the present value is calculated from the yield curve for the subsequent perpetual annuity phase.

The derivation of the present value-equivalent basic interest rate was often in practice calculated on the basis of a payment series in which the specific inflows to the shareholders in the respective valuation case were taken into account. To simplify matters, the calculation was often made on the basis of a uniformly increasing payment series. In the low interest rate phase, this approach can lead to inconsistencies.

In this light, the FAUB decided at its meeting on 10 February 2022 to revise the information provided in its pronouncement "Questions and Answers: On the practical application of the principles for carrying out enterprise valuations according to IDW S 1 (2008 version) (Q & A to IDW S 1 (2008 version))" for the determination of the base interest rate.

The current version of this pronouncement indicates that a uniform base interest rate equivalent to present value can be derived mathematically from a uniform series of secure cash flows, i.e. a series in which the payment flows occur in the same amount each year. Accordingly, it has also adjusted the example provided in the appendix to this pronouncement and now uses a uniform payment series.[187]

The FAUB further proposes that, in order to smooth short-term market fluctuations as well as possible estimation errors, in particular with regard to the long-term yields typically relevant for business valuations, the zero bond yields estimated as of the valuation date should not be used alone, but should be based on average values. This period-specific averaging is to be derived from the yields observed in the

185 "IDW S 1", Marginal No. 117.
186 IDW-FN 2005, p. 555 f., IDW-FN 2008, p. 490 f. and IDW-FN 2013, pp. 363 ff.
187 Cf. IDW Life 2022, pp. 321 ff.

three months preceding the valuation date.[188] In valuation practice, the base interest rate is regularly rounded up or down to quarter percentage points,[189] as is recognised in legal rulings.[190]

On 19 September 2012, the FAUB had adopted updated guidance on the consideration of the financial market crisis when determining the discount rate based on the CAPM/Tax-CAPM. In the context of these recommendations, it has also decided to continue to analyze the factors influencing the measurement of the discount rate on a regular basis in its meetings and to update the recommendations accordingly in the event of changes.[191] In subsequent meetings, the FAUB always adhered to the approach described.

In legal rulings, the determination of the base interest rate on the basis of the yield curve of the German Bundesbank is considered to be appropriate and in the interests of the parties concerned, as the use of the hypothetical zero bond interest rates takes account of the need for objectification.[192]

In the literature, there is some criticism of the FAUB's proposals to use average values and round the result in order to reduce complexity and smooth out short-term market fluctuations and possible estimation errors.

With regard to the rounding of the base interest rate, it should be noted that a base interest rate set with several decimal places feigns an accuracy that is not achievable in business valuations, given the uncertainties associated with forecasting future results and a market risk premium that is usually also rounded.

Moreover, the FAUB has addressed the points of criticism expressed and explained in detail in a recent publication why it continues to consider the recommendations made up to that point to be expedient.[193]

The Valuation Expert generally followed the recommendations of the FAUB and determined and applied a uniform base interest rate before personal income taxes of 2.50% - rounded down to quarter percentage points - in the present case. This rate is based on an estimate of future average interest rates based on interest yield curve data from Deutsche Bundesbank for the three-month period before signing of the Valuation Report. In view of the special features of the present valuation case,[194] the Valuation Report took into account the specific payment series when deriving the uniform interest rate. The base interest rate - as well as all other valuation parameters - will have to be updated on the valuation date (27 August 2024).

We have been able to verify the calculations of the Valuation Expert for determining the established base interest rate without any objections. We would also like to point out that the calculation with a uniform payment series also results in a uniform base interest rate before personal income tax of 2.50%, rounded to the nearest quarter of a percentage point, for the interest structure data used.

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188 Affirmative on averaging for many e.g. Higher Regional Court of Düsseldorf, Ruling of 6 June 2016 ("MHM Mode Holding", Case I-26 W 4/12 [AktE], AG 2017, pp. 487 ff.
189 With interest rates of 1.0 % and higher for interest rates lower than 1.0%, it is recommended to round to the nearest tenth of a percentage point.
190 Cf. e.g. Higher Regional Court of Saarbrücken, Decision of 11 June 2014 ("Kaufhalle"), Case 1 W 18/13, ZIP 2014, pp. 1784 ff.
191 Cf. FAUB, IDW-FN 2012 p. 568.
192 Cf. Higher Regional Court of Duesseldorf, Ruling of 12 November 2015 ("Grohe"), Case I-26 W 9/14, AG 2016, pp. 331 ff.
193 Cf. FAUB, WPg 2023, pp. 134 ff.
194 Shareholders' income increases significantly starting from zero and then decreases and is of finite duration.

Through application of withholding tax, the base interest rate before personal taxes (2.50%) can be converted into a base interest rate after personal taxes in the amount of 1.84%.

Audit result
In summary, we consider the base interest rate after personal income taxes of 1.84% used for the valuation of MOR AG to be justified and adequate.

2. Risk surcharge

a) Detection of risk

From the investor's point of view, investing in a company entails higher risks than acquiring public-sector debt securities. In order to establish risk equivalence between the decision alternatives, the uncertainty of future financial surpluses can generally be included in the valuation as a deduction from the amount of the financial surpluses or as an addition to the discount rate.

The risk surcharge method, which is commonly used both nationally and internationally, has the advantage that it can be based on empirically observable behavior. Regardless of the form and characteristics a risk-benefit function theoretically assumes, the risk premium method can be used to depict a market-oriented approach to measuring risk premiums. The risk premium method complies with IDW S 1 and the usual procedure in valuation practice.

The risk premium is generally calculated on the basis of the shareholder's risk preference. However, with a large number of shareholders, it is not possible to ascertain their individual risk appetite. As a result, it is typical when performing objective business valuations to rely on capital market pricing models in order to ascertain the risk premium and to derive the risk premium directly from the capital market. This assumption makes it possible to reflect the risk assessment of a large number of shareholders, which is reflected in the stock market price via supply and demand, in the valuation model.

Since the company to be valued differs in terms of its specific risk structure from the other companies for which returns can be observed on the market and risk premiums derived from them, appropriate adjustments must be made to the risk premium. In this context, the company-specific risk surcharge is intended to cover both the operating risk arising from the type of operating activity and the capital structure risk influenced by the level of debt.

For the determination of the discount rate in business valuations using capital market theoretical models, IDW S 1 explicitly refers to the CAPM or the Tax-CAPM, which supplements the standard CAPM with the effect of personal income taxes.

The risk premium is calculated according to the CAPM or the Tax-CAPM by multiplying the average market price for assuming risk on the capital market (market risk premium) and the company-specific risk (beta factor). Market risk is calculated as the difference between the return on a group of listed companies[195] and the return on a quasi-risk-free capital market investment (base interest rate). Company-specific risk

[195] Normally summarised in a stock exchange index.

is measured using the beta factor, which is derived from the covariance of the fluctuation in the return of a security to the fluctuation in the market return. It thus describes the sensitivity of a security's return in relation to the development of the underlying market portfolio. If, in a particular case, the risk of the company to be valued corresponds to the risk of the equity portfolio used, the return on the equity portfolio is the same as the discount rate.

The use of the CAPM to determine the risk premium in business valuations is not undisputed in literature and legal rulings. In legal rulings, the application of the CAPM is occasionally rejected with reference to the numerous fundamental reservations against the model. One of the reasons given for this is that the capital market, due to its imperfections, does not provide any reliable information on the future risk level of a company.

The CAPM is meanwhile the preferred calculation model for determining the risk premium, both by the prevailing opinion in the business management literature and by valuation practice.[196] This conclusion is also almost universally drawn in recent legal rulings.[197]

The Higher Regional Court of Frankfurt am Main further confirms that the CAPM is superior to the free estimation of the risk premium already due to its higher transparency and emphasises that the CAPM is currently the most important model for determining risk-adjusted capital costs.[198] The Higher Regional Court of Düsseldorf had previously described the CAPM as "state of the art" and also referred in particular to its objectivity and verifiability.[199]

Audit result
For the above reasons, we also consider it appropriate in the specific valuation case to determine the risk premium using the CAPM or Tax-CAPM.

196 Cf. Wagner/Jonas/Ballwieser/Tschöpel, *WPg* 2004, pp. 889 ff.
197 Cf. e.g. HRC Düsseldorf, Decision of 30 April 2018 (“Itelligence”), Case 26 W 4/16 [AktE], openJur 2019, 11897; HRC Frankfurt am Main, Decision of 5 February 2016 (“Utimaco Safeware”), Case 21 W 69/14, AG 2016, pp. 588 ff.; HRC Düsseldorf, Decision of 12 November 2015 (“Grohe”), Case I-26 W 9/14, *loc. cit.*; HRC Karlsruhe, Decision of 23 July 2015 (“Novasoft”), Case 12a W 4/15, AG 2016, pp. 220 ff.; HRC Düsseldorf, Decision of 25 May 2016 (“UCB SP/Schwarz Pharma”), Case I-26 W 2/15 [AktE], *BeckRS* 2016, 21367.
198 Cf. HRC Frankfurt am Main, Decision of 2 May 2011 (“Radeberger”), Case 21 W 3/11, openJur 2012, 34553.
199 Cf. Higher Regional Court of Düsseldorf, Decision of 27 May 2009 (“Pilkington/Dahlbusch”), Case I-26 W 5/07 (AktE), WM 2009, pp. 2220 ff.

b) Market risk premium

The market risk premium can be determined directly on a forward-looking basis or on the basis of historical capital market analyses. Even though the immediate forward-looking calculation[200] has the conceptual advantage of being based on expected payments and current prices, it has not yet become widely used in practice, though it is increasingly recognised.[201]

In valuation practice, until 2012 the market risk premium was derived solely, or at least significantly primarily on the basis of observations of historical market data. In economic literature and jurisprudence, there has been controversy for years regarding historical derivations as to which of the numerous available capital market studies on returns observed in the past on risky securities and their comparison with (quasi) risk-free capital market investments[202] are suitable for estimating a market risk premium to be expected in the future. This is followed by the question - also controversially discussed - of how to adapt the findings obtained from observation over a period of time in the past to current conditions.

The main methodological issues in dispute are as follows:

- Composition of the market portfolio of risky securities: Selection of a reference index, in particular the question whether it should reflect national or global conditions
- Measurement of the comparative return on (quasi-)risk-free capital market investments
- Observation period: Timeliness and statistical significance regarding the start and end time as well as length of the observation period
- Condensation of the observed yield differences to a mean value: arithmetic or geometric averaging, alternative procedures or combinations of different procedures
- Influence of personal taxes of shareholders: Reconciliation of observed pre-tax returns to post-tax returns, including questions on the holding period of company shares
- Extrapolation of results observed for the past into the future: Assumption of constant market risk premiums over the long term or constant total returns over the long term, as well as adjustments to take account of expectations of future development trends or special capital market conditions

In our view, it is not to be expected that these issues will be so convincingly clarified in economics or valuation practice in the foreseeable future that all controversies will be eliminated.

In this light and with a view to standardizing valuation practice, the FAUB has been issuing recommendations since December 2004 on the level of the market risk premium before and after personal taxes to be applied in business valuations. The recommendations of the FAUB on the amount of the market risk premium - as well as those of the IDW as a whole - are regularly observed by auditors in their valuation practice and by the companies audited by them in their financial reporting. Since the interests of majority shareholders in accounting issues tend to be different from those in issues of compensation for exiting minority shareholders, we believe that the FAUB's recommendations have already taken the different purposes into account and are therefore fundamentally balanced.

The more recent legal rulings of the higher courts also consider it appropriate to follow the recommendations of the FAUB with reference to the fact that the FAUB is an expert body of auditors involved in

200 E.g., by interviewing experts or using models to estimate implicit equity costs.
201 Cf. Franken/Schulte in Fleischer/Hüttemann, *Rechtshandbuch Unternehmensbewertung*, 2nd edition 2019, § 6, Marginal No. 45 ff.
202 For a comprehensive overview of empirical data on the market risk premium in Germany and worldwide, see e.g. Wollny, *Der objektivierte Unternehmenswert*, 3rd edition, Herne 2018, pp. 557 ff.

business valuations. In particular, it was not evident that a deviation from these recommendations would lead to "more correct" enterprise values.[203]

The recommendations made by the FAUB over time[204] on the level of the market risk premium (before and after personal taxes) can be summarised as follows:

Market risk premium Recommendation of FAUB	Date of Recommendation	Before personal taxes			After personal taxes		
		Bandwidth		Mean Value	Bandwidth		Mean Value
Half-income method	10.12.2004	4,00%	5,00%	4,50%	5,00%	6,00%	5,50%
Final withholding tax	29.11.2007	4,50%	5,50%	5,00%	4,00%	5,00%	4,50%
Low interest rate environment	19.09.2012	5,50%	7,00%	6,25%	5,00%	6,00%	5,50%
Zero interest rate environment	22.10.2019	6,00%	8,00%	7,00%	5,00%	6,50%	5,75%

Source: Own presentation

In its recommendation of 19 September 2012,[205] the FAUB determined in light of the capital market situation at the time that market observations and capital market studies as well as ex-ante analyses based on forecasts by financial analysts and rating agencies on so-called "implicitly determined market risk premiums" suggested an orientation towards the upper end of the range of historically measured stock returns and the market risk premiums derived from them. This is also confirmed if the forecasts made on the basis of historical data are supplemented by considerations of the development of real stock returns.[206]

On 19 September 2012, the FAUB also decided to continue analyzing the factors influencing the measurement of the discount rate on a regular basis in its meetings and to update the recommendation accordingly in the event of changes. Since then, the FAUB has reviewed at every meeting whether the situation on the capital markets has changed in the meantime.

In light of what FAUB described in 2019 as a "unique" situation in which the yield curve determined as described above[207] was in negative territory for nearly the entire 30-year term at the time of the last published discussion of the cost-of-capital recommendations (22 October 2019), and the resulting uniform base interest rate was effectively zero percent for the first time and threatened to become negative in the foreseeable future, in 2019 the FAUB adjusted its 2012 recommendation on the level of the market risk premium.[208] No further adjustments have been made to date. The recommendation of 22 October 2019 is therefore still valid at the time of completion of the valuation and audit work.

Using the previously recommended (until 22 October 2019) range for the market risk premium before personal taxes (5.5 to 7.0%), the unchanged approach to deriving the base interest rate with a result of around zero percent, which is considered appropriate, would result in an overall expected return for the market of 5.5 to 7.0% finding its way into the valuation calculations. Using the parameters used in its pluralistic approach, on 22 October 2019 the FAUB reviewed[209] whether this result was reasonable when current observations as of 22 October 2019 were included.

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203 Cf. HRC Frankfurt am Main, Decision of 26 January 2017 ("Aton Engineering/Ruecker"), Case 21 W 75/15, juris, Marginal No. 108, and, in the outcome, also HRC Düsseldorf, Decision of 6 April 2017 ("Harpen"), Case I-26 W 10/15, *ZIP* 2017, pp. 1157 ff.

204 Neglecting the recommendations made in each case for a transitional phase.

205 Cf. IDW S 2012, p. 568.

206 The analyses and further considerations underlying the FAUB's recommendation are set forth in more detail in the following technical papers that immediately preceded or followed the recommendation: Zeidler/Tschöpel/Bertram, CFB 5/2012, pp. 70 ff; Wagner/Mackenstedt/Schieszl/Lenckner/Willershausen, *WPg* 2013, pp. 948 ff; Bertram/Castedello/Tschöpel, CF 2015, pp. 468 ff.

207 Cf. Section D.III.1

208 Cf. Online Report of Results of the 136th session of FAUB, 22 October 2019, https://www.idw.de/idw/idw-aktuell/neue-kapitalkosten-empfehlungen-des-faub/120158, last accessed 3 July 2024.

209 Historically measured stock returns, long-term real stock returns and implied cost of capital determined using ex-ante analyses.

As a result, the FAUB noted that while the analyses indicated a slight decline in overall returns - particularly in the shorter period since 2012/13, this was out of all proportion to the decline in yields on German government bonds. Based on a cautious overall assessment of all analyses, the total return is nominally more likely to be in a range of 7 to 9%, which is also supported by studies of the German Bundesbank.

On this basis, on 22 October 2019 the FAUB raised its recommendation on the market risk premium before personal taxes to between 6.0 and 8.0%. In doing so, the FAUB had tended to orientate itself towards the lower end of observable total returns, thus taking into account the possibility that these could continue to fall slightly over time. A reconciliation to a world after personal taxes resulted in a corresponding slight adjustment of the recommendation for the market risk premium after personal taxes to a range of now 5.0 to 6.5%. Even in the current situation of the Russian aggression against the Ukraine, the FAUB is sticking to its bandwidth recommendation.[210]

In the follow-up to the previously given recommendation (19 September 2012), it was criticised several times that it was not sufficiently substantiated. In particular, the FAUB was criticised for not naming a specific source for the derivation of the market risk premium or for not having specified or presented a clear, mathematically comprehensible procedure for its recommendation.[211]

In a later publication[212] , the authors, including the then and current FAUB Chair, countered this criticism by disclosing and explaining the analyses and calculations underlying the FAUB's recommendation on the market risk premium, as shown below.

The further explanations in the article by Castedello et al. are preceded by a detailed justification of why the capital market situation observed when the 2012 recommendation was derived was to be described as special with regard to the assessment of the parameters of the discount rate for the purposes of enterprise valuation and why this continues to apply.

In the case of a risk-free base interest rate derived in a forward-looking manner from the respective current market conditions, the unusually low yield of fixed-interest German government securities in a historical comparison[213] would, if the FAUB's quantitative recommendation on the market risk premium, which is primarily based on a long-term historical view[214] , were to be adopted unchanged, mathematically lead to total return expectations that did not match the empirically observable conditions on the capital market.

Unlike the market risk premium, the total return is observable on the capital market. However, there is no investment instrument from which a direct estimate of the total return can be derived in the same way as for government bonds. Several conceptual approaches are available for the indirect estimation that is therefore required. Since each of these approaches has strengths and weaknesses and none is

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210 Cf. the technical notes of FAUB dated 20 March 2022, https://www.idw.de/IDW/Medien/Arbeitshilfen-oeffentlich/Fachliche-Hinweise-oeffentlich/Downloads-Ukraine/IDW-FH-Ukraine-IDW-FachlHin-Unternehmensbewertung.pdf, most recently retrieved on 3 July 2024.
211 Cf. e.g. Rowoldt/Pillen, CF 2015, pp. 115 ff.
212 Cf. Castedello/Jonas/Schieszl/Lenckner, *WPg* 2018, pp. 806 ff.
213 Explained by the combination of a sovereign debt crisis, a corresponding flight to the remaining safe assets, and an unprecedented loose monetary policy to deal with the sovereign debt crisis.
214 In which the current capital market situation is strongly underrepresented.

superior to the others, the FAUB follows to date a pluralistic approach to take the broadest possible perspective. Accordingly, however, no single valid source or algorithm can be presented.

The FAUB believes that the results from three different methodological considerations indicated that the overall rate of return had not declined to the extent that would be indicated by the decline in the base interest rate if the market risk premium were applied at an unchanged level. On the contrary, the overall view suggested that a higher market risk premium could be assumed at that time compared to earlier average observations and still can today.

The authors of the aforementioned paper referred to the results of the following three methodological considerations as indicators of an elevated market risk premium:

- Ex-post analyses of historical real returns as well as market risk premiums calculated ex-post from average real stock returns
- Ex-ante analysis of the implicit cost of capital
- CAPM without risk-free borrowing

The ex-post analyses of historical real returns indicated that the so-called "historical approach", according to which the market risk premium is constant over time, could no longer explain the development of market returns from 2012 onward. This suggested that the so-called "total market return approach", according to which the total return is constant in the long term or moves within a corridor in the short to medium term, could provide a superior explanatory approach, at least for the particular capital market situation at the time. A regression of real market returns over investment periods of 30 years also found no evidence of a long-term decline in real returns. Consequently, it could be assumed that the market risk premium had risen for a given low base interest rate. Based on real stock returns over a longer investment period, an expected market risk premium of a solid 7% (geometric mean) or around 10% (arithmetic mean) could be derived at the time retrogradely using the total market return approach.

The ex-ante analysis has the advantage over the ex-post analysis that it - like the base interest rate - is based on current capital market data. Moreover, the idea of using this explanatory approach to determine a company's cost of equity as the denominator of the valuation equation is highly compatible with the determination and plausibility check of the numerator of the valuation equation. Accordingly, since October 2017, the FAUB's counterpart in Austria has recommended[215] to use only the implied cost of capital method to determine the market risk premium. Regardless of the individual approaches chosen to determine the implicit cost of capital, the studies available at the time concluded overall that implicit market risk premiums had risen sustainably since 2010.

A modification of the CAPM, in which the unrealistic assumption that market participants can borrow at the risk-free rate is abandoned, also indicated that the required stock return at the time was likely to be between 0.5 and 1.0% higher than the stock return that results from the traditional derivation of government bond yield plus average historical market risk premium.

Due to tax deferral effects from price gains, the conversion of the market risk premium before personal taxes (recommended range of 6.0 to 8.0%), justified in detail above and obtained from observations, into

[215] Cf. Castedello/Jonas/Schieszl/Lenckner, WPg 2018, p. 820; KFS/BW 1 E7, Marginal No. 4.

a market risk premium after personal taxes depends on the assumptions regarding the holding period, the market payout ratio, the taxation of price gains in the detailed forecast period, and the ratio of the market return to the base interest rate.

Under the currently applicable withholding tax system in Germany, the range of the FAUB's recommendation for the market risk premium before personal taxes can be used to derive a market risk premium after personal taxes that is 0.5 to 1.5 percentage points lower.

Ideally, a market risk premium before personal taxes rounded to around quarter percentage points corresponds to a lower market risk premium after personal taxes, also rounded to quarter percentage points. Necessary rounding in the conversion of the quantity[216] not specified by the Valuation Expert in the respective case is to be accepted, provided the conversion of one quantity into the other leads to plausible results.

The mean value of the FAUB's recommendation of 19 September 2012 on the range for the market risk premium after personal taxes (5.5%), which has been assessed in detail above on the basis of a current technical paper, has also largely been confirmed by legal rulings.[217] For valuation cases where the valuation reports were completed after the most recent adjustment to the FAUB's recommendation on the level of the market risk premium (22 October 2019, mean value 5.75%), a number of decisions have now also been issued that confirm the use of this mean value of 5.75% to be appropriate.[218]

The valuation report contains various analyses of the historically observable and implied market returns over a prolonged observation period. In summary, the Valuation Expert concludes that the range currently recommended by FAUB for the market risk premium before personal taxes can be justified on the basis of the capital market studies conducted by FAUB.

In the practice of enterprise valuation for structural measures in stock corporation law, it is generally customary to use the mean value of the range recommended by FAUB for the market risk premium after personal taxes (5.75 %). The Valuation Expert also followed this procedure in the present case.

We have subjected the FAUB's considerations presented and the Valuation Expert's comments to a critical appraisal. In this context, we have also acknowledged recent counter-opinions to the observations and conclusions cited by the FAUB. As a result, we consider it appropriate to follow the recommendations of FAUB.

These recommendations are deliberately formulated as ranges so that a new recommendation does not have to be issued in the event of a minor change in capital market conditions. Instead, the scope that the bandwidth allows can be used.

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216 Market risk premium before personal taxes or market risk premium after personal taxes.

217 See, e.g., for higher court legal rulings: HRC Düsseldorf, Decision of 30 April 2018 (“Itelligence”), Case 26 W 4/16 [AktE], openJur 2019, 11897; HRC Frankfurt am Main, Decision of 26 January 2017 (“Aton Engineering/Ruecker”), Case 21 W 75/15, DB 2017, p. 713, and of 29 January 2016 (“P&I Personal & Informatik”), Case 21 W 70/15, *BeckRS* 2016, 4317; HRC Hamburg, Decision of 30 June 2016 (“F. Reichelt“), Case 13 W 75/14, and of 18 September 2015 (“Shigo Asia“), Case 13 w 44/14 (both unpublished).

218 Cf. e.g. District Court of Munich I, Decision of 25 August 2023 ("Odeon Film"), Case 5 HK 12034/21; District Court of Stuttgart, Decision of 16 May 2023 ("Schuler"), Case 40 O 64/20 (both unpublished); District Court of Frankfurt am Main, Decision of 25 November 2021 ("IC Immobilien Holding"), Case 3-05 O 13/20, openJur 2022, 2247.

In the present valuation case, the Valuation Expert did not utilise this leeway with a market risk premium after personal taxes of 5.75 %, but instead chose the middle of the range.

There are therefore no objections to the recognition of a market risk premium after personal taxes of 5.75% in the present valuation case.

Audit result
For the reasons set out above, there are no objections to the approach chosen for the valuation of MOR AG of a market risk premium after personal taxes of 5.75%.

c) Beta factor

ca) Methodological and practical application issues

The risk premium estimated for an overall market portfolio (market risk premium) must be adjusted with regard to the specific risk structure of the company being valued. The relationship between general market risk and individual, company- and industry-specific risk is expressed by the so-called “beta factor”.

The beta factors derived from capital market data include both the operating risks and the financing risks of a valuation object. Common practice is to first determine an unlevered beta factor that reflects only the operational risks of a company. The impact of financing on the uncertainty of future financial surpluses is then taken into account via so-called “relevering”.

The concrete determination of a beta factor raises a number of methodological and practical application questions. In valuation practice, standards have become established for some of these questions, with the remaining choices condensed to a few reasonable approaches, ideally to a preferred approach. Nevertheless, it is not possible to define a binding standard approach, as the degree of freedom remains large despite these standards.

Even if this interim result leaves room for discretion, we believe that this is to be welcomed. This gives the Valuation Expert the opportunity to vary the procedure for determining the beta factor at its own discretion and thus to adapt it to the specific valuation case, so that the equivalence principle is adequately taken into account. The existing degrees of freedom, on the other hand, must not be exercised unilaterally. Consequently, the effects of selecting individual parameters must be questioned or the application of different combinations calculated in order to obtain an overview of the range of conceivable results. In addition, it is advisable to describe and justify the - ultimately chosen - approach in sufficient detail.

The main methodological or practical application issues and conceivable or common solutions can be summarized as follows:

- Fundamental, future-oriented or past-oriented derivation
- Reference index - national, supraregional or global as performance or price index
- Observation period five years, three years, two years or one year, combination of several annual slices
- Return interval monthly, weekly or daily

- Distortion-free share price formation, measured by the liquidity of the share
- Filtering based on statistical criteria such as coefficient of determination and t-test
- Forecast of future beta factors by updating historical, observable beta factors or adjustment by flat-rate adjustment procedures or free expert adjustment
- Consideration of capital structure risk (unlevering/relevering) for autonomous or value-based financing policy (tax shield risk) and default-threatened or non-default-threatened receivables of debt capital providers (debt beta)
- Components and fair value of net financial liabilities upon unlevering/relevering
- Beta factor of the Valuation Object or a peer group
- Qualitative and quantitative criteria for selecting potential peer companies and condensing them into a peer group

In valuation practice, the derivation of beta factors based on historical capital market data dominates. This approach is also considered appropriate in the literature[219] and is not objected to in legal rulings.

Accordingly, the Valuation Expert has calculated the beta factors on the basis of past experience.

Since a comprehensive, perfect market portfolio consisting of all risky assets existing worldwide and weighted by their market values does not exist or cannot be constructed, valuation practice uses national or international stock indices as an approximation of the ideal market portfolio. It is not possible to make a general statement about the choice of the appropriate reference index.[220] The index used should be a performance index.[221]

The Valuation Expert performed its analyses on the basis of market-wide local performance indices using the respective local currency.[222] We have also carried out calculations using the "MSCI World" global index in order to be able to assess the beta factor applied on the basis of a broader database.

The most common observation periods and return intervals are five years/monthly, two years/weekly, and one year/daily.[223] With these combinations, a sufficient number of data points are collected to reach statistically significant conclusions. One objection to measuring returns on a daily basis, however, is that these measurements tend to have less favorable empirical properties and the beta factors that result from them fluctuate more than when they are measured at longer-term intervals.[224]

Accordingly, based on our observations, the five-year/monthly and two-year/weekly combinations are by far the most common observation periods/return intervals collected in valuation practice.

The Valuation Expert collected the beta factors for these two combinations to take the broadest possible perspective. Consequently, the Expert makes use of the respective advantages of the two methods.

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219 Cf. Dörschell/Franken/Schulte, *Der Kapitalisierungszinssatz in der Unternehmensbewertung*, 2nd edition 2012, p. 134.
220 Cf. Dörschell/Franken/Schulte, *loc. cit.* pp. 149 ff.
221 Cf. Dörschell/Franken/Schulte, *loc. cit.* pp. 156, 242 f.
222 Due to the fact that all peers are domiciled or listed in the US, this is ultimately only a benchmark index and the currency USD.
223 Cf. Dörschell/Franken/Schulte, *op. cit.* p. 158.
224 "Intervalling Effect. See Dörschell/Franken/Schulte, *loc. cit*., pp. 162 ff. and the literature cited there.

ValueTrust examined the significance of the beta factors primarily on the basis of liquidity criteria (analysis of trading volume and free float and trading days, bid-ask spread as an indication of transaction costs) and additionally on the basis of the coefficient of determination and the t-test.

In valuation practice, the observed beta factors ("raw beta") are often adjusted across the board using the "adjusted beta". The adjusted beta is composed one third of a market portfolio beta (by definition = 1.0) and two thirds of raw beta. In economic terms, this approach is based on the idea that the systematic risk of companies should approach the market average in the long term.

The question of whether an extrapolation of historical betas or an adjustment, e.g. using the adjusted beta, can better reflect the future risk arises primarily when a particularly high or low risk is indicated by the historical development.

In the present valuation case, the measured beta factors are to be assessed as above average. The Valuation Expert did not perform a mathematical adjustment of the measured beta factors.[225] The question of whether and in what way an adjustment should be made is controversial. In valuation practice, no adjustment is made in the majority of cases.[226]

At least in the present valuation case, we consider it appropriate not to adjust the measured beta factors by means of a mathematical adjustment, since the Valuation Expert has already made an adjustment to the changing risk of MorphoSys by means of an expert reduction compared to the beta factors measured for the peer group on average or in the median - and adjusted for the capital structure risk.

When adjusting the leveraged beta factors for the capital structure risk, the Valuation Expert assumed uncertain tax shields and a value-oriented ("breathing") financing policy, which is plausible for capital market-oriented companies.

The Valuation Expert has taken into account the default risk of receivables from lenders in the context of unlevering by using a debt beta. None of the peer companies have been assigned a rating. As the industry is to be regarded as highly risky due to the unpredictability of research results, the Valuation Expert used the average of the non-investment grade rating classes BB+ to CCC as the rating for the comparable companies. The difference between the average interest rate on debt resulting on this basis and the secure interest rate congruent with the term is a credit spread before personal taxes. Dividing the credit spread by the market yield before personal taxes produces the debt beta for the lenders.

Within the framework of unlevering, the Valuation Expert approximated the fair value of the financial liabilities with the book values of the interest-bearing liabilities and the pension provisions. In doing so, the Expert assumes that the existing liquidity of the peer companies is to be regarded as fully necessary for operations.

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225 Cf. i-advise, *Studie zur Bewertungspraxis bei gesellschaftsrechtlichen Anlässen*, 10th edition (2010 to 2023), Duesseldorf, 2024.
226 Cf. i-advise, *op. cit*.

The Valuation Expert also made the adjustment for MorphoSys's capital structure risk ("relevering") using the formula for a value-based financing policy and taking into account the debt beta, as the cost of debt significantly exceeds the risk-free interest rate.

cb) Original beta factor of MOR AG

MOR shares are traded on stock exchanges. Thus, an original beta factor for MOR AG can be derived mathematically from the trading data.

The Valuation Expert analysed the performance of the MOR share and regressed it against the performance of the broadest German index and, due to the high proportion of revenue in the US, the broadest US index.

As a result, the Expert concludes that the beta factor measured for the past under consideration, which was unaffected by the acquisition offer,[227] is not suitable for quantifying the future risk of MorphoSys. Firstly, the business model has changed considerably in the meantime; and secondly, the measured beta factors are not meaningful for statistical reasons.

We share this estimation and were otherwise able to reconcile the data underlying the above analyses without objections. In addition, we consider the conclusions of the Valuation Expert to be well-founded and comprehensible.

cc) Selection of a group of peer companies

If a beta factor cannot be determined for the Valuation Object due to the lack of a stock exchange listing or for other reasons, if it is not meaningful or to check whether the beta factor determined on the basis of the historical data of the Valuation Object also adequately quantifies the future operating risk, it is necessary and common practice when using the CAPM to identify comparable companies with regard to the risk situation for which relevant beta factors can be determined.

Since other companies are not comparable with the valuation object in every respect, valuation practice generally attempts to include several companies in the relevant industry in order to take account of the fact that each individual comparable company is not fully comparable to the valuation object by forming an average. This approach is also based on the idea that the Valuation Object and the other companies in a sector tend to converge in terms of their risk situation.

Absolute congruence is neither possible nor necessary. However, the future payment surpluses of the selected peer companies should be generated with a largely identical business model. For this reason, companies in the same sector or with a comparable product and market structure are generally suitable for selection. When searching for peer companies, the Valuation Expert has moreover taken into account that historical trade data of sufficient scope and quality must be available for the potential comparable companies.

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[227] Cf. Section C.VI.1

The Valuation Expert took a multi-stage approach to deriving the peer group. Its approach is summarised as follows in the Expert Opinion:

- Screening of S&P Global data to identify listed operating companies that are active in a business segment[228] in which MorphoSys is also active and that have their corporate headquarters in Europe, the US or Canada (108 companies)
- Additional companies viewed by analysts and MorphoSys itself as peer companies (a further 27 companies)
- Compression to a peer group (eleven companies) by excluding companies that do not conduct research and commercialisation of comparable active ingredients or whose trading data does not allow a reliable derivation of beta factors

The 11 remaining companies that are considered sufficiently comparable in accordance with the above criteria are described in detail in the Valuation Report. The Valuation Expert also ranked these companies according to their comparability to MorphoSys. In doing so, the Expert also took into account the qualitative criteria mentioned in the Valuation Report.

The Valuation Expert's comments make it clear that the companies it selected as peers are sufficiently comparable to MorphoSys's business model and are therefore suitable for determining MorphoSys's operating risk.

We consider the selection criteria to be appropriate. Nevertheless, we reviewed whether other suitable peer companies exist based on our own research. Ultimately, we did not identify any other company that should additionally be included in the peer group. In the course of our audit and as the outcome of the comprehensive discussions on the individual companies, we were able to comprehend the derivation and step-by-step elimination of potential peer companies without any objections.

Consequently, in summary, we consider it appropriate to use the beta factors resulting for the eleven peer companies to determine the beta factor for the valuation of MOR AG.

cd) Beta factor for the valuation of MOR AG

The Valuation Expert presents the results of the Expert's calculations of the leveraged and unleveraged beta factor for the regressions against a local index as broad as possible for the analysis periods performed (five years based on returns measured monthly and two years based on returns measured weekly) for the 11 companies in the peer group in a table.

The result shows that the beta factors for the five-year period under review are at a slightly higher level. The succession of crises that are currently occurring at short intervals also has an impact on the volatility of the financial markets. A higher beta factor for the longer observation period can be explained by the particularly pronounced global consequences of one crisis, the economic consequences of the COVID-19 pandemic. In the specific valuation case, recourse to a shorter observation period is particularly appropriate because it takes into account the fact that MorphoSys's business model has changed significantly.

[228] Primary industry "Biotechnology" or "Pharmaceuticals" and specification using keywords.

Five reliable beta factors are available for this observation period. The unlevered values range from 0.64 to 1.91.

The lower end of the range relates to Incyte, a company whose comparability can be classified as a "medium fit". In view of the significantly more advanced business model and the successes from the commercialization of Jakafi® as well as the risk diversification from a large number of marketed active ingredients, Incyte is exposed to a below-average risk. For MorphoSys, Incyte could be a more comparable company if MorphoSys had already obtained regulatory approval for pelabresib and successfully commercialised this drug in the US and other countries. Until MorphoSys reaches this state as planned, the company is still exposed to a large number of risks. Applying a beta factor on the order of of 0.6 to 0.7 would obviously underestimate the risks of MorphoSys's business model.

The upper end of the range relates to Affimed N.V., Amsterdam, Netherlands, a company whose comparability can be assigned to the "strong fit" class. However, this company's leading asset has only successfully passed phase 2b of the clinical trials. In this respect, this active substance is even further away from commercialisation than is the case for pelabresib. The use of a beta factor on the order of 1.9 would therefore overstate the risks of MorphoSys's business model.

Syndax Pharmaceuticals, Inc., Waltham, Massachusetts, USA, another company in the peer group for which reliable beta factors are available and which also belongs to the "strong fit" class, has a leading asset that is being tested in phase 2 and 3 clinical trials. In this respect, the risk situation of this peer company is highly comparable to the risk situation of MorphoSys. The unlevered beta factor of Syndax Pharmaceuticals, Inc. for the two-year observation period is 1.1.

The Valuation Expert points out that the assumptions regarding the out-licencing of pelabresib outside the US are to be regarded as conservative, which is also in line with our assessment.[229]

Even taking this into account, the Expert considers it appropriate to quantify the risk of MorphoSys with a beta factor of 1.1 and not to use the arithmetic average (1.6) or the median (1.4) of the distribution for the two-year observation period.

In our opinion, this reasoning is comprehensible. We were otherwise able to comprehend the data collection and calculations of the Valuation Expert without any objections. The additional regressions we used against the MSCI World also give no reason to consider the unlevered beta factor of 1.1 used for the valuation of MOR AG to be inappropriate.

Audit result
Considering MorphoSys's business model, we consider the unlevered beta factor of 1.1 chosen for the valuation of MOR AG to be appropriate.

[229] Cf. Section D.II.3.d)

3. Overview of the discount rate

In summary, the discount rate is as follows:

MorphoSys AG	Planning							
Derivation of capital costs	Q2 - Q4							
%	2024	2025	2026	2027	2028	2029	2030	2031
Risk-free rate (before personal tax)	2,50%	2,50%	2,50%	2,50%	2,50%	2,50%	2,50%	2,50%
Personal tax	-0,66%	-0,66%	-0,66%	-0,66%	-0,66%	-0,66%	-0,66%	-0,66%
Risk-free rate (after personal tax)	**1,84%**	**1,84%**	**1,84%**	**1,84%**	**1,84%**	**1,84%**	**1,84%**	**1,84%**
Market risk premium after personal tax	5,75%	5,75%	5,75%	5,75%	5,75%	5,75%	5,75%	5,75%
Beta factor (levered)	1,59	1,23	1,26	1,22	1,27	1,24	1,13	1,10
Risk surcharge	**9,15%**	**7,10%**	**7,27%**	**7,04%**	**7,32%**	**7,14%**	**6,51%**	**6,30%**
Cost of Equity	**11,00%**	**8,94%**	**9,11%**	**8,88%**	**9,16%**	**8,98%**	**8,35%**	**8,14%**

MorphoSys AG	Planning							
Derivation of capital costs								
%	2032	2033	2034	2035	2036	2037	2038 - 43	2044
Risk-free rate (before personal tax)	2,50%	2,50%	2,50%	2,50%	2,50%	2,50%	[...]	2,50%
Personal tax	-0,66%	-0,66%	-0,66%	-0,66%	-0,66%	-0,66%	[...]	-0,66%
Risk-free rate (after personal tax)	**1,84%**	**1,84%**	**1,84%**	**1,84%**	**1,84%**	**1,84%**	**[...]**	**1,84%**
Market risk premium after personal tax	5,75%	5,75%	5,75%	5,75%	5,75%	5,75%	[...]	5,75%
Beta factor (levered)	1,10	1,10	1,11	1,11	1,11	1,12	[...]	1,51
Risk surcharge	**6,32%**	**6,34%**	**6,37%**	**6,38%**	**6,39%**	**6,43%**	**[...]**	**8,66%**
Cost of Equity	**8,16%**	**8,19%**	**8,21%**	**8,22%**	**8,23%**	**8,27%**	**[...]**	**10,50%**

Sources: S&P Global, information from the Valuation Expert, own analysis.

IV. Derivation of the enterprise value based on a valuation using the objectified enterprise value in accordance with IDW S 1

1. Earnings value of the assets required for operations

The earnings value of MOR AG's operating assets as of 27 August 2024 is determined as follows:

MorphoSys AG	Planning						
Earnings value of operating assets	Q2 - Q4						
Millions of €	2024	2025	2026	2027	2028	2029	2030
EBIT	**-213,8**	**46,1**	**-38,2**	**12,5**	**224,6**	**390,6**	**511,9**
Financial result	-1,6	-47,4	-48,3	-46,6	-45,5	-39,4	-27,7
Earnings before income taxes	**-215,3**	**-1,3**	**-86,5**	**-34,1**	**179,1**	**351,2**	**484,3**
Income taxes	0,0	-15,7	-14,0	-11,6	-17,1	-39,9	-48,5
Annual result	**-215,3**	**-17,0**	**-100,5**	**-45,7**	**162,0**	**311,3**	**435,8**
Distributions	0,0	0,0	0,0	0,0	0,0	0,0	258,8
Personal taxes on distribution	0,0	0,0	0,0	0,0	0,0	0,0	-68,3
Reinvestment with utilization planning	-215,3	-17,0	-100,5	-45,7	162,0	311,3	177,0
Capital repayment	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Personal taxes on capital repayment	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Net Income	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**190,6**
Cost of Capital	11,00%	8,94%	9,11%	8,88%	9,16%	8,98%	8,35%
Present value factor	0,9246	0,9179	0,9165	0,9185	0,9161	0,9176	0,9229
Present value at the end of the respective previous period	1.269,2	1.372,7	1.495,5	1.631,8	1.776,6	1.939,4	2.113,5

Eearnings value of operating assets as at March 31, 2024	**1.269,2**
Compounding factor	1,04
Eearnings value of operating assets as at August 27, 2024	**1.324,5**

MorphoSys AG Earnings value of operating assets Millions of €	Planning						
	2031	2032	2033	2034	2035	2036	2037
EBIT	**582,3**	**655,9**	**705,5**	**807,8**	**802,7**	**809,9**	**434,6**
Financial result	-19,2	-12,8	-5,7	0,1	0,1	0,1	0,1
Earnings before income taxes	**563,0**	**643,0**	**699,8**	**807,9**	**802,8**	**810,1**	**434,7**
Income taxes	-64,4	-147,0	-191,8	-219,4	-218,4	-220,5	-118,5
Annual result	**498,6**	**496,0**	**508,0**	**588,5**	**584,4**	**589,5**	**316,2**
Distributions	419,3	405,6	436,6	554,4	581,0	584,2	316,2
Personal taxes on distribution	-110,6	-107,0	-115,2	-146,2	-153,2	-154,1	-83,4
Reinvestment with utilization planning	79,3	90,4	71,4	34,1	3,5	5,3	0,0
Capital repayment	0,0	0,0	0,0	0,0	0,0	0,0	125,9
Personal taxes on capital repayment	0,0	0,0	0,0	0,0	0,0	0,0	-33,2
Net Income	**308,7**	**298,6**	**321,4**	**408,1**	**427,8**	**430,1**	**325,5**
Cost of Capital	8,14%	8,16%	8,19%	8,21%	8,22%	8,23%	8,27%
Present value factor	0,9247	0,9246	0,9243	0,9241	0,9241	0,9239	0,9236
Present value at the end of the respective previous period	2.099,4	1.961,6	1.823,1	1.650,9	1.378,3	1.063,8	721,2

MorphoSys AG Earnings value of operating assets Millions of €	Planning						
	2038	2039	2040	2041	2042	2043	2044
EBIT	**236,1**	**198,8**	**137,4**	**111,6**	**91,6**	**75,0**	**62,3**
Financial result	-0,2	-0,3	-0,3	-0,3	-0,3	-0,3	-0,2
Earnings before income taxes	**236,0**	**198,6**	**137,1**	**111,3**	**91,2**	**74,7**	**62,1**
Income taxes	-64,6	-54,3	-37,5	-30,5	-25,0	-20,5	-17,1
Annual result	**171,4**	**144,2**	**99,6**	**80,8**	**66,2**	**54,2**	**45,1**
Distributions	171,4	144,2	99,6	80,8	66,2	54,2	45,1
Personal taxes on distribution	-45,2	-38,0	-26,3	-21,3	-17,5	-14,3	-11,9
Reinvestment with utilization planning	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Capital repayment	60,9	12,7	25,9	8,5	6,7	0,0	2,1
Personal taxes on capital repayment	-16,1	-3,4	-6,8	-2,2	-1,8	0,0	-0,5
Net Income	**171,1**	**115,5**	**92,4**	**65,8**	**53,7**	**39,9**	**34,7**
Cost of Capital	8,33%	8,39%	8,48%	8,62%	8,84%	9,29%	10,50%
Present value factor	0,9231	0,9226	0,9218	0,9206	0,9188	0,9150	0,9049
Present value at the end of the respective previous period	455,4	322,2	233,7	161,1	109,3	65,3	31,4

Sources: Information from the Valuation Expert, own analysis.

2. Non-core assets

According to information from MorphoSys, all assets and liabilities are to be regarded as essential to operations.

We also did not identify any non-operating assets or liabilities during our audit.

The real estate used by MorphoSys is leased. We have not identified any holdings of works of art or other fixtures and fittings that go beyond what is normally required for representational purposes or that have a significant value. Cash and cash equivalents not required for business operations are distributed at the earliest possible date as part of the integrated estimates.

The Valuation Expert has recognised a special asset for each of two states of affairs: This is the value of a non-consolidated shareholding sold before the valuation date (€ 131.0 million) and the value contribution of tax-free distributions from the tax contribution account of MOR AG (€ 49.0 million).

Biogen Inc. announced on 22 May 2024 that it has entered into agreements with HI-Bio shareholders to pay $1,150.0 million for 100% of the shares and to make up to an additional $650.0 million in milestone payments. Since the shares were transferred on 2 July 2024, MorphoSys's investment in HI-Bio is no longer included in MorphoSys's assets as of the valuation date (27 August 2024). Instead, MorphoSys has received a prorated payment and the prospect of receiving further prorated payments at a later date.

The Valuation Expert has applied a risk-adjusted expected value for the further payments. The result of the Expert's calculations is a valuation for the MorphoSys shareholding (11.52 % after a dilutive capital increase) in the amount of € 131.0 million. Furthermore, the Expert has assumed that the tax contribution account of MOR AG will be used for the distribution of the equivalent value of the shareholding to the shareholders, so that a deduction of personal taxes is not necessary.

For reasons of presentation and simplification, the Valuation Expert did not include the value contribution from the tax exemption for profit distributions from the tax contribution account pursuant to § 27 KStG when determining the earnings value of the operating assets, but rather as an additional special asset. In doing so, the Expert has assumed the tax contribution account updated to 31 March 2024 (€ 941.1 million). The present value of the tax savings as of 31 March 2024 amounts to € 45.9 million.

Audit result
No non-core assets came to our attention over the course of our audit. The Valuation Expert has determined value contributions for two states of affairs in a comprehensible manner, which have been added to the earnings value in the total amount of € 179.9 million (value as of 27 August 2024).

3. Enterprise value based on a valuation using the objectified enterprise value in accordance with IDW S 1

The enterprise value of MOR AG on the date of the general meeting at which the shareholders are to pass a resolution on the squeeze-out of the minority shareholders (valuation date: 27 August 2024) is calculated by adding the earnings value of the operating assets (€ 1,324.5 million) and the value contribution from special assets (€ 179.9 million), i.e. a total of € 1,504.4 million, or the rounded equivalent of € 39.89 per MOR share.

4. Sensitivity analysis

Due to the expected change in the business model of MorphoSys following the expected approval of pelabresib and tulmimetostat and the range of unlevered beta factors of the peer group, the Valuation Expert performed a sensitivity analysis of the impact of a variation of the unlevered beta factor on the enterprise value of MOR AG. The results of this sensitivity analysis with a variation of 0.10 and 0.20 respectively to the unlevered beta factor (1.1), which is considered appropriate, downwards and upwards, and a variation of 25 and 50 basis points respectively downwards to the market risk premium (5.75%) are as follows:

MorphoSys Sensivity analysis €		Beta factor 0,90	1,00	**1,10**	1,20	1,30
	5,25%	47,57	44,79	42,17	39,70	37,36
MRP (after personal Tax)	5,50%	46,51	43,68	41,01	38,50	36,13
	5,75%	45,49	42,60	**39,89**	37,34	34,94

Sources: Database of Valuation Expert, own presentation.

We were able to verify these calculations, both substantively and mathematically, without any objections.

5. Comparison with liquidation value

The Valuation Expert did not compute the liquidation value of MOR AG. The Expert argues that the value of the shareholders' equity before and after personal taxes is obviously significantly higher than the value that could result from an immediate wind-up of the Company, which would lead to additional wind-up costs. We consider these considerations to be accurate.

E. Valuation using the stock market price

According to the findings of business administration and the legal rulings on structural measures under stock corporation and the law on the transformation of companies, the estimate of the "full real" value is generally made with the aid of a fundamental enterprise valuation.[230] In accordance with the principles of IDW S 1, this is to be determined as an objectified enterprise value in line with German legal rulings and many years of valuation practice for valuation purposes in company law.[231]

According to IDW S 1, a market capitalisation derived from stock market prices can be used to assess the plausibility of enterprise values. According to IDW S 1, however, it does not replace an enterprise valuation.

According to the most recent legal rulings of the Federal Supreme Court on the adequacy of compensation payments in the case of structural measures in stock corporation law, a valuation using the stock market price can replace a fundamental valuation under certain circumstances.[232]

However, recourse to stock market prices is ruled out if there is no functioning capital market. It must be examined on a case-by-case basis whether information is effectively processed by the market.

In the case of a squeeze-out under merger law, where the main shareholder must already hold more than 90% of the shares, the question arises as to whether the low free float enables trading from which a relevant stock market price can be derived.

The Higher Regional Court of Munich is of the opinion that the stock market value is generally not a suitable basis for estimating the enterprise value in the case of a squeeze-out, as the share lacks sufficient liquidity due to the low free float.[233] However, the FSC did not take up this fundamental objection in its subsequent ruling in the "Vodafone/Kabel Deutschland" case, but emphasised that liquidity must always be examined on a case-by-case basis using various criteria.[234]

However, the District Court of Stuttgart has affirmed the stock market price as a method for estimating the enterprise value even in the case of a squeeze-out.[235] The Higher Regional Court of Stuttgart did not have to decide this question in its order for reference and therefore left the issue open.[236]

The District Court of Frankfurt am Main also considered the stock market price to be a suitable estimator for determining the enterprise value in the case of a squeeze-out.[237] However, the Higher Regional Court of Frankfurt am Main overturned this decision, as the valuation using the stock market price was not considered a suitable valuation method in this case, as the share was not liquid.[238] In a more recent decision, however, the Higher Regional Court of Frankfurt am Main also considered the stock market price to be suitable for estimating the enterprise value in the case of a squeeze-out, whereby it also took into

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230 Cf. Section C.I.
231 Cf. Section C.II.
232 Cf. Section C.II.4.
233 Cf. HRC Munich, Decision of 14 December 2021 (“Kabel Deutschland”), Case 31 Wx 190/20, *loc.cit*.
234 Cf. Federal Supreme Court, Ruling of 31 January 2024 (“Vodafone/Kabel Deutschland”), Case II ZB 12/22, openJur 2024, p. 4211.
235 Cf. District Court of Stuttgart, Decision of 3 April 2018 ("Kässbohrer"), Case 31 O 138/15 KfH SpruchG, dejure.
236 Cf. HRC Frankfurt, Decision of 26 June 2019 (“Kässbohrer”), Case 20 W 27/18.
237 Cf. District Court of Frankfurt am Main, Decision of 13 August 2020 ("Elektrische Licht- und Kraftanlagen"), Case 3-05 O 79/19.
238 Cf. HRC Frankfurt am Main, Decision of 20 June 2022 (“Elektrische Licht- und Kraftanlagen”), Case 21 W 135/20, openJur 2021, p. 21807.

account the objectified enterprise value determined using the earnings value method.[239] In this case, the liquidity of the share was sufficient, especially as the prorated earnings value also supported this valuation.

The question of whether the estimation of the enterprise value on the basis of the valuation by the capital market can also be considered in cases where the free float is less than 5 or 10% has obviously not yet been uniformly and conclusively clarified by legal rulings. For this reason, the criteria developed in business administration theory and legal rulings were used to examine whether the stock market price could be used to estimate the enterprise value in the present case.

On the basis of criteria developed by existing legal rulings on the question of effective information processing by the market[240] and other suggestions that have emerged from the legal and financial discussion of this issue,[241] the following indicators or analyses can be derived for the purpose of assessing the relevance of the share price:

- Analysis of a potential information gap between companies and market participants
  - Existence and fulfillment of extensive market-related information obligations
  - Monitoring by external analysts and quality of forecasts compared to management expectations
- Analysis of a possible share price distortion in the sense of a decoupling of the share price development from the operational development of the company
  - Analysis of share prices over an extended period of time with a focus on the reaction to company-related information
  - Analysis of share prices over an extended period of time with a focus on comparison with market or sector developments
- Analysis of the liquidity of equity trading
  - Criteria of § 5(4) WpÜG-AngebV as insufficient minimum requirements
  - Criteria of Article 22(1) of Regulation (EC) 1287/2006 as maximum requirements that do not necessarily have to be met
  - Inclusion in share indices
  - Relative amount of free float
  - Relative trading volume
  - Absolute trading volume
  - Bid-ask spread
- Suitability of the original beta factor for enterprise valuation purposes

It is questionable for which period the above-mentioned criteria would have to be analysed or should be fulfilled. In some cases, the analysis period is predefined.

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239 Cf. HRC Frankfurt am Main, Decision of 9 February 2024 ("ISRA Vision"), Case 21 W 129/22, dejure.

240 These are in particular the ruling of the FSC of 21 February 2023 ("TLG/WCM"), Case II ZB 12/21, *loc. cit*, and the underlying decisions of the Higher Regional Court of Frankfurt am Main of 26 April 2021, 21 W 139/19, openJur 2021, 18980, as well as the Higher Regional Court of Frankfurt am Main of 20 August 2019, 3-05 O 25/18, dejure; also FSC, Ruling of 12 March 2001 ("DAT/Altana"), Case II ZB 15/00, *loc. cit*., HRC Stuttgart, Decision of 17 October 2011 (Kässbohrer Geländefahrzeug"), Case 20 W 7/11, openJur 2012, 137702, HRC Munich, Decision of 11 July 2006 ("ICN Immobilien"), Case 31 Wx 041/05, dejure, HRC Frankfurt am Main, Decision of 2 November 2006 ("Deutsche Vita Polymere/Koepp Schaum"), Case 20 W 233/93, openJur 2012, 28184, District Court of Frankfurt am Main, Decision of 17 January 2006 ("MAN Roland Druckmaschinen"), Case 3-5 O 75/03, ZIP 2006, p. 845.

241 E.g. lectures by Schumann, presiding judge of the 31st Division for Commercial Matters at the Higher Regional Court of Stuttgart, and von Ruthardt at the 16th International Assessors' Conference of EACVA from 30 November to 1 December 2023 in Berlin and the panel discussion on this topic held there.

In accordance with § 5(1) WpÜG-AngebV, the consideration to be offered in takeover and mandatory offers for the shares of a target company whose shares are admitted to trading on a domestic stock exchange must at least correspond to the weighted average domestic stock exchange price of these shares during the last three months prior to the publication of the decision to make an offer or to obtain control of the target company.[242]

In accordance with § 5(4) WpÜG-AngebV, the 3M VWAP is not to be offered as minimum consideration if the cumulative existence of certain negative criteria of stock exchange trading is established. In these cases, the amount of the consideration must at least correspond to the value of the enterprise determined on the basis of a valuation of the target company if the following applies:

- During the last three months prior to publication on less than one third of the trading days, determination of stock exchange prices and
- Deviation of several consecutively determined stock exchange prices by more than five percent

The assessment of legislators that takeover and mandatory offers should be based on an average price rather than a closing price is due to the fact that this makes it easier to exclude the possibility of extraordinary daily fluctuations or erratic developments within a few days, which do not stabilize, influencing the level of the relevant stock exchange price. With a three-month period, it can generally be assumed that random influences and short-term distortions are compensated to a sufficient extent. If, on the other hand, the period of time for submitting the offer is longer, there would no longer be any temporal proximity.

This assessment is based on the legal rulings of the FSC. In 2001, in a resolution on the adequacy of compensation measures in the case of a structural measure in stock corporation law,[243] the Supervisory Board decided that any relevant stock market price should be determined as the 3M VWAP. The 3M VWAP must therefore also be determined as representative of the stock market price in the case of structural measures in stock corporation law.

If the average share price is to be determined for a three-month period, then it is obvious that the above analyses of the relevance of the share price must relate to this period. For specific criteria, we believe it makes sense to analyse a longer period of time in order to be able to derive reliable statements from the analyses. In the following presentation of our analysis results, we indicate the period to which we refer in each case.

Therefore, if the average share price is to be determined for a three-month period and analyses of the relevance of the share price are to be carried out primarily for this period, the question arises as to when this three-month period ends.

Since the circumstances of MorphoSys involved at the time of the meeting of the shareholders of MOR AG are decisive for the adequacy of the determined cash compensation, the stock market prices for the three months prior to the date of the general meeting of MOR AG to resolve on the squeeze-out of the minority shareholders (27 August 2024) would actually have to be determined. However, from the time

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242 "3M VWAP"
243 Cf. Federal Supreme Court, Ruling of 12 March 2001 ("DAT/Altana"), Case II ZB 15/00, *loc. cit.*

of the announcement of an impending measure, stock market prices are regularly influenced by speculation on compensation or other factors and can therefore no longer be used to estimate the value of a company. In a departure from its previous legal rulings, the FSC ruled in 2010 that the relevant reference period ends on the day before the announcement of a structural measure.[244]

The question therefore arises as to when the intended squeeze-out of minority shareholders was announced. In a recent ruling,[245] the FSC addressed, among other things, the question of when a domination and profit and loss transfer agreement preceded by a voluntary public acquisition offer is made public in this sense. This is not assessed uniformly. According to one view, the announcement is deemed to have been made if the legal basis for being able to implement the structural measure in the foreseeable future has been created with an unconditional announcement.[246] On 20 June 2024, Novartis BidCo Germany made an unconditional announcement by way of an ad hoc announcement that it intends to merge MOR AG into it and to initiate a squeeze-out of the minority shareholders of MOR AG.

The announced squeeze-out under merger law is subject, among other things, to the condition that a resolution be passed at the general meeting of MOR AG with the required qualified majority of more than 75% of the share capital represented in the vote.[247] Novartis BidCo Germany holds a total of 91.04% of the shares in MOR AG after expiry of the acceptance period of the acquisition offer on 13 May 2024 and the two-week extension period, which ended on 30 May 2024, including further acquisitions outside the acquisition offer as of 20 June 2024.[248] This ensures that Novartis BidCo Germany can bring about the merger resolution with a qualified majority of more than 75% at the general meeting of MOR AG. It can also bring about a resolution to exclude the minority shareholders, as it owns at least 90% of the share capital of MOR AG.[249] Hence, the legal basis has been created for this measure to be implemented in the foreseeable future.

In this view, the relevant reference period therefore begins on 20 March 2024 and ends on 19 June 2024.

Another view assumes that a voluntary acquisition offer prior to the conclusion of a structural measure under company law may already have the potential to influence the share price, so that a flexible approach is required to determine the reference period and in some cases it may be appropriate to bring the reference period forward.[250]

On 5 February 2024, Novartis BidCo's acquisition offer for MOR AG was published at a price of € 68.00 per MOR share. As a result of this announcement, the stock market price of MOR AG hovered close to the acquisition price of € 68.00 over the period from 5 February 2024 until the end of the offer on 30 May 2024 due to the high probability of success[251] obviously attributed to it by the capital market. However, the measure announced on 20 June 2024 was not yet known, so that it could not influence the

244 Cf. Federal Supreme Court, Ruling of 19 July 2010 ("Stollwerck"), Case II ZB 18/09, *loc. cit.*
245 Cf. Federal Supreme Court, Ruling of 31 January 2024 ("Vodafone/Kabel Deutschland"), Case II ZB 5/22, *loc. cit.*
246 Cf. Federal Supreme Court, Ruling of 21 December 2010 ("RSE"), Case 5 W 15/10, juris, 17th Edition, § 305, Marginal No. 43; Stephan in K. Schmidt/Lutter, AktG, 5th edition, § 305, Marginal No. 97; Bröel/Karami, WPg 2011, p. 418 ff.; Hasselbach/Ebbinghaus, Der Konzern 2010, pp. 467 ff.; Wasmann, ZGR 2011, pp. 83 ff.
247 Cf. § 65(1), Sentence 1 UmwG
248 Novartis BidCo had originally submitted the acquisition offer. Subsequently, Novartis BidCo transferred the acquired shares in MOR AG to Novartis BidCo Germany by way of a contribution to the surplus capital, so that Novartis BidCo Germany is now the majority shareholder of MOR AG.
249 Cf. § 62(5), Sentence 1 UmwG
250 Cf. MüKoAktG, van Rossum, 6th Edition, § 305, Marginal No. 104.
251 Among other things, a minimum acceptance threshold of 65% had been set as a condition in the acquisition offer.

share price beyond that. In this view, the relevant reference period therefore begins on 4 November 2023 and ends on 4 February 2024.

Novartis has adopted the first legal interpretation, according to which the relevant reference period begins on 20 March 2024 and ends on 19 June 2024, resulting in a higher 3M VWAP compared to the one based on the second interpretation.

The question then still arises as to how the volume-weighted average price required by legal rulings is to be determined in concrete terms. This includes, on the one hand, the question of which prices are to be used and, on the other, the question of which trading venues are to be considered.

The fact that the prices are to be determined on a volume-weighted basis shows that only the actual trading volumes, i.e. the traded items at the respective execution prices, are to be considered.

As shown above, the 3M VWAP must be determined both for structural measures and for takeover and mandatory offers. While the legal rulings on the 3M VWAP for structural measures does not provide any reliable indication as to whether all trading venues are to be taken into account in the calculation or whether the investigation should be limited to certain trading venues, § 5(3) WpÜG-AngebV contains the provision that only turnover on organized markets is to be used in the calculation of the 3M VWAP.

In accordance with § 2(7) WpÜG, "organised markets" are the regulated market on a stock exchange in Germany and certain foreign markets. In accordance with § 5(1) WpÜG-AngebV, however, only domestic turnover is relevant for the calculation of the 3M VWAP. This means that only domestic turnover in the regulated market is used to calculate the 3M VWAP. The regulated market is the Frankfurt Stock Exchange, including trading in the XETRA electronic trading system. For all other stock exchanges, the issuer can apply for admission to the regulated market.

MOR AG has not submitted such applications. Consequently, only the turnover on the Frankfurt Stock Exchange, including XETRA, is relevant. According to information from the Frankfurt Stock Exchange, a total of 14,076,373 MOR shares were traded for a total of around € 950.4 million during the relevant period. The result of the calculations is a 3M VWAP of € 67.52 (rounded up). A letter submitted to us[252] in connection with the squeeze-out of minority shareholders states that the calculated 3M VWAP of the MOR share amounted to € 67.53 on the relevant reporting date of 20 June 2024. For reasons of objectivity, the Valuation Expert uses the 3M VWAP provided. Extrapolated, this results in a market capitalisation for MorphoSys of € 2,547.0 million.

Below, it will be examined whether the 3M VWAP of € 67.53 per MOR share was formed on the basis of effective information processing by the market and whether the resulting market capitalisation of € 2,547.0 million - following the opinion of the FSC in its most recent legal rulings - represents a suitable estimator for the enterprise value.

To this end, we first examined the following criteria already mentioned above:

- Analysis of a potential information gap between companies and market participants

[252] Notice from BaFin dated 28 June 2024.

- Existence and fulfillment of extensive market-related information obligations
- Monitoring by external analysts and quality of forecasts compared to management expectations

- Analysis of a possible share price distortion in the sense of a decoupling of the share price development from the operational development of the company
  - Analysis of share prices over an extended period of time with a focus on the reaction to company-related information
  - Analysis of share prices over an extended period of time with a focus on comparison with market or sector developments

As a company whose shares are admitted to trading in the Prime Standard, MOR AG is subject to extensive information requirements that go beyond general standard requirements and are described by the Frankfurt Stock Exchange as leading in Europe. These requirements include reporting in accordance with international accounting standards, which must also be carried out on a quarterly basis, and the obligation to publish so-called "insider information" as quickly as possible (ad hoc publicity). In connection with our audit, we have not received any indications that MOR AG has not properly fulfilled its duty to provide information.

As a company whose shares are not only traded in the Prime Standard, but are part of a major stock index with the TECDAX and SDAX,[253] MOR AG is monitored by numerous analysts. We have examined the analysts' reports to determine whether the forecasts they contain are essentially in line with management's expectations. As a result of our analysis of the broker reports on MOR shares, we note that the future share price targets are largely linked to the success of the MANIFEST-2 study. The analysts are therefore of the opinion that MorphoSys's business is largely dependent on the pelabresib approval. In most cases, therefore, it was only the latest news regarding the study in question that determined the analysts' assessment of the share and their price targets. The analysts' view is therefore largely in line with that of MOR AG's management.

It can be stated that analysts' valuation models generally do not take sufficient account of medium and long-term changes in the Valuation Object, as the internal company data are not available. Nevertheless, the price targets determined by analysts using their valuation models are highly relevant for many market participants in their investment decisions. Stock market prices resulting from these investment decisions therefore often do not reflect management's internal expectations. For this reason, IDW S 1 postulates that a valuation based on the company's own stock market price as well as a valuation based on stock market multiples - derived from analysts' estimates and the prices of comparable companies - can only serve to check the plausibility of fundamental enterprise values derived from internal data.

In summary, however, it can be assumed in the case of the MOR share that effective information processing by the market is possible - apart from the fundamental limitations mentioned - as the negative criteria mentioned for the analysis of a potential information gap are not met.

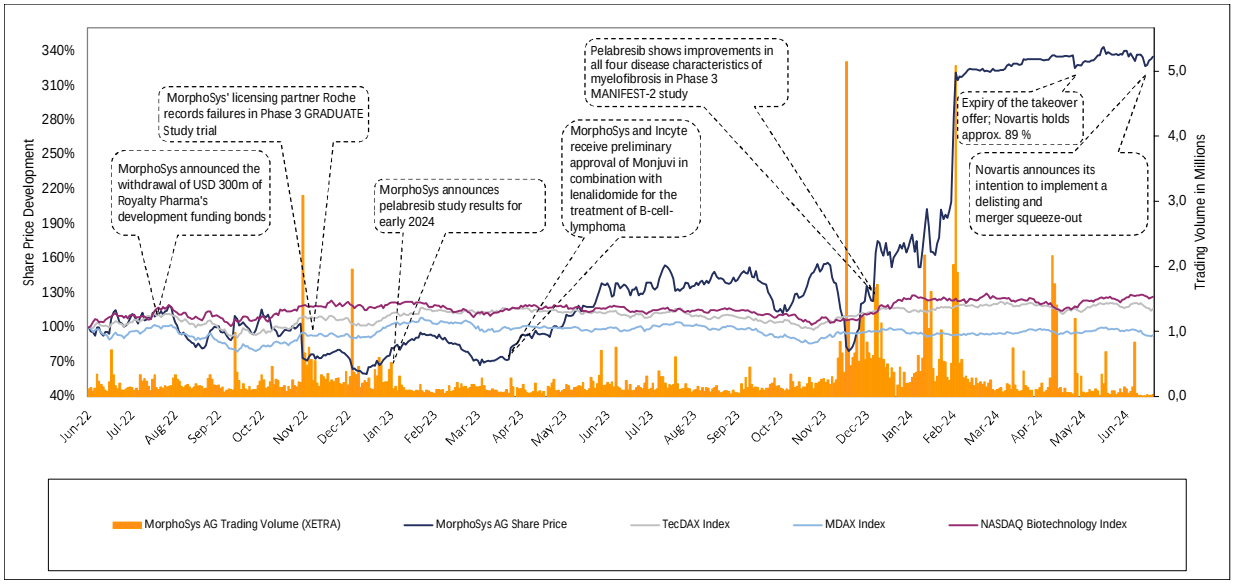
With regard to the analysis of a possible share price distortion, the Valuation Expert analysed the development of the MOR share price over a period from the start of 2022 until 20 June 2024 and also presented

[253] Due to the lower market capitalisation of the free float following the acquisition offer, the MOR share moved from the MDAX to the SDAX on 24 June 2024.

it graphically in the Valuation Report. As a result of his analyses, it can be stated that the development of the MOR share price can be explained by the events mentioned by the Valuation Expert.

We have been able to comprehend the analyses of the Valuation Expert and have supplemented them with our own analyses. We analysed whether major price changes can be explained by internal or external changes in MorphoSys's financial situation or analysts' price targets and whether price changes occurred when changes in MorphoSys's financial situation or analysts' price targets were expected to result in price changes.

For the last two years until the announcement of the squeeze-out request, the relative performance of the MOR share price compared to reference indices and the daily trading volume of MOR shares are as follows:



As can be seen in the chart above, the performance of the MOR share has been more volatile than that of the benchmark indices since the beginning of the period under review. The share price rose at the end of 2022 following the first announcement of when the MANIFEST-2 study was expected to be published. This positive expectation was largely reflected in the share price until the conclusion of the study in November 2023. The price increase was all the greater following the announcement of the results, which showed a strong positive trend in symptom reduction.

The price development of the MOR share on the days on which the events listed by us became known shows an evident reaction of the share price to the respective event in most cases. In other cases, no reaction is evident. At this point, we would like to point out that a direct correlation between the development of a share price and the publication date of an event cannot always be proven. On the one hand, this can be explained by the fact that the market anticipates certain information or operational developments before they are published. On the other, the specific developments are also overlaid by other factors. In addition, short-term distortions on the stock market due to market exaggerations or speculative developments cannot be ruled out.

The largest deviation of two daily prices is recorded for 5 February 2024. Following the announcement of the purchase offer of € 68.00 per MOR share, the share price jumped to this level and subsequently leveled off at this level. After the acceptance period for the offer had expired, the MOR share price remained close to this level until the announcement of the delisting and the intention to carry out a squeeze-out under merger law.

The results of our analyses described above regarding a possible decoupling of the MorphoSys share price allow us to draw the following conclusions:

- Announcement of Novartis's intention to make an acquisition offer of € 68.00 per MOR share (5 February 2024), as a result of which the share price development is subsequently decoupled from the market development and determined by the offer price
- Relevant reference period for the calculation of the 3M VWAP therefore ending before 20 June 2024

In order to determine whether the calculated 3M VWAP was formed on the basis of effective information processing by the market and whether the resulting market capitalisation could represent a suitable estimate of the enterprise value, we analysed the liquidity of share trading in a second step - following the first step of our review described in detail above - and examined the following criteria, also mentioned above:

- Criteria of § 5(4) WpÜG-AngebV as insufficient minimum requirements
- Criteria of Article 22(1) of Regulation (EC) 1287/2006 as maximum requirements that do not necessarily have to be met
- Inclusion in share indices
- Relative amount of free float
- Relative trading volume
- Absolute trading volume
- Bid-ask spread

With regard to the negative criteria of § 5(4) WpÜG-AngebV, we have determined the following:

- Required trading fulfilled on at least one third of the trading days in the reference period through daily trading.
- Several consecutively determined stock market prices do not deviate from each other by more than five percent in the reference period.[254]

The share prices are therefore considered meaningful in accordance with the criteria of § 5(4) WpÜG-AngebV.

The Valuation Expert has also extended the observation period for examining these criteria to the period from the start of 2022 until 20 June 2024. MOR shares were also traded daily on the other days of this extended period. This means that one of the two negative criteria of § 5(4) WPÜG-AngebV is not fulfilled, so that the stock market prices are also considered meaningful in the extended period. The fact that the

[254] The misleading wording of legislators ("several successively determined stock exchange prices") is to be understood as follows: "According to BaFin, the fluctuation criterion is fulfilled for three consecutive trading days with transactions for which the daily average price deviates by more than 5% from day 1 to day 2 and from day 2 to day 3" (Noack/Zetzsche in Schwark/Zimmer, *Kapitalmarktrechtskommentar*, 5th edition, Munich 2020, § 31 WpÜG, Marginal No. 41). In contrast to deviations of more than 5% between the prices of two trading days, we refer to these as "price jumps".

second negative criterion of § 5(4) WPÜG-AngebVO is not met over an extended period of time because there were several consecutive price jumps of more than 5% is not relevant.

As the aforementioned criteria would not be sufficient from a business perspective to consider share trading as sufficiently liquid and therefore meaningful for extrapolating the enterprise value from the price of the individual share, the Valuation Expert reviewed further liquidity criteria.

In accordance with Article 22(1) of Regulation (EC) 1287/2006, a share admitted to trading on a regulated market is considered to have a liquid market if the following conditions are met:

- Daily trading
- Free float not less than € 500 million
- Daily trading on average in at least 500 trades or with an average turnover of at least € 2 million

As shown above, the MOR share was traded daily during the reference period. In the reference period, daily turnover in MOR shares averaged € 15.09 million, which corresponds to many times the relevant threshold. The requirement for a market capitalisation of € 500 million corresponds to a free float of around 20% in the case of MOR AG. This cannot be documented, at least as of the end of the relevant reference period, as Novartis BidCo already held 79.6% of the shares after the end of the acceptance period on 13 May 2024 and increased this to 91.04% (20 June 2024) during the two-week grace period and through further over-the-counter purchases.

However, the specialist literature also reports cases of squeeze-outs, where there is regularly a low percentage of free float in which - as in the case of MOR AG - one million or more shares are still outstanding.[255] Although a high degree of free float is conducive to a high trading volume and high trading turnover, it is not an independent prerequisite for the recognition of sufficient informative value of the share price. High trading volumes and turnover, which are essential for assessing the liquidity of a share, can also occur in cases where the structural measure does not follow quickly after the announced and successfully completed acquisition and the free float is then usually well below 30%.[256]

Considering these aspects, this means, in our opinion, that trading in MOR shares during the reference period can also be considered liquid in accordance with the strict criteria of Article 22(1) of Regulation (EC) 1287/2006.

In this respect, with regard to the MOR share, a further examination in accordance with other criteria proposed by legal rulings and literature to verify the liquidity of a share is actually superfluous. The Valuation Expert nevertheless provided further arguments as to why trading in MOR shares should be regarded as liquid.

In summary, the results of the analysis of the previously uninvestigated criteria for examining the liquidity of share trading for the MOR share are as follows:

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[255] Cf. District Court Munich I, Decision of 22 June 2022 ("HypoVereinsbank"), Case 5 HKO 16226/08, dejure.
[256] Cf. Decher, AG 2023, pp. 106 ff.

- Inclusion in share indices: the MOR share is included in several share indices,[257] whereby, in our opinion, the inclusion in the SDAX[258] and TECDAX is a clear fulfillment of this requirement.
- Relative level of free float: the limit of the relative free float of 5.0% specified by the Valuation Expert on the basis of the legal rulings cited is clearly fulfilled in the reference period, as apart from Novartis BidCo Germany (maximum 91.04%), no other shareholders held more than a 5% stake[259] at the end of the reference period.
- Relative trading volume: the limit of the relative daily trading volume of 0.018% specified by the Valuation Expert on the basis of the legal rulings cited is clearly met with an average of 0.59 % in the reference period.
- Absolute trading volume: the less stringent threshold (T€ 115) frequently cited by legal rulings on the informative value of original beta factors[260] is clearly met with daily trading volumes of T€ 0.7 million to T€ 147.1 million.
- Bid-ask spread (bid-ask spread): the limit of 1.0 or 1.25% specified by the Valuation Expert in accordance with the cited legal rulings is clearly met with an average of 0.24% in the reference period.

The Valuation Expert has additionally extended the observation period of the above analyses to the period from the start of 2022 until 20 June 2024. The results of the analyses for the reference period are also confirmed for this period. The Expert also correctly points out that, from an economic perspective, the bid-ask spread as a measure of transaction costs is the most important of the aforementioned criteria.

In summary, it should be noted that the second criterion for determining effective information processing by the market (liquidity of share trading) does not preclude the use of the stock market price as an estimator for the enterprise value in the present case.

In order to determine whether the 3M VWAP determined was formed on the basis of effective information processing by the market and whether the resulting market capitalisation could represent a suitable estimator of the enterprise value, after the two further steps of our review described in detail above, we have in a final step addressed the question of the extent to which the original beta factor of the MOR share can be regarded as suitable for the purposes of business valuation. As shown above,[261] the beta factor resulting from the trading of the MOR share is not considered suitable, and the Valuation Expert therefore used the beta factors of the peer companies to determine the fundamental enterprise value of MOR AG.

In its most recent ruling,[262] the FSC commented on the significance of the original beta factor. Some higher court rulings conclude from the unsuitability of a company's stock market price for its original beta factor that the stock market price is also unsuitable as a basis for determining the enterprise value.[263] Whether such a connection exists, however, can be left open in the opinion of the FSC. In any case, when reviewing the adequacy of contractually agreed compensation in judicial review proceedings, a stock market price distorted upwards by takeover speculation, irrespective of any resulting distortion of the company's original beta factor and its rejection in the context of determining the earnings value, would

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257 Cf. Section C.VI.1.
258 Due to the lower market capitalisation of the free float following the acquisition offer, the MOR share moved from the MDAX to the SDAX on 24 June 2024.
259 Limit from Article 22(4) of Regulation (EC) 1287/2006, above which no further allocation to free float takes place.
260 In the opinion of Deutsche Börse AG, a share is sufficiently liquid if the average daily order book turnover is at least € 2.5 million. Even this criterion is fulfilled by the MOR share, as we have already shown in connection with the examination of the criteria of Article 2(1) of Regulation (EC) 1287/2006. In addition, a total of 14.08 million shares were traded in the reference period, corresponding to an average of 223.4 thousand shares per trading day.
261 Cf. Section D.III.2.cb).
262 Cf. Federal Supreme Court, Ruling of 31 January 2024 (“Vodafone/Kabel Deutschland”), Case II ZB 5/22, *loc. cit.*
263 Cf. e.g. HRC Munich, Decision of 9 April 2021 ("Sky/Sky Deutschland"), Cases 31 Wx 2/19 and 31 Wx 142/19, juris; HRC Munich, Decision of 3 December 2020 ("PULSION Medical Systems"), Case 3 1 Wx 330/16, juris.

not argue against its use as a basis for estimating the enterprise valuation.[264] This is because the upwardly distorted share price, which may exceed the company's operating profitability, puts the shareholder in a better position. The original beta factor may thus be distorted and therefore unusable for the calculation of the earnings value without affecting the suitability of the stock market prices as a basis for estimating the enterprise value.

The assessment made by the FSC presupposes - as in the present case - an upwardly distorted share price due to takeover speculation. Thus, it should be noted that the third criterion for determining effective information processing by the market does not preclude the use of the stock market price as an estimator for the enterprise value in the present case.

A further recent decision of the Federal Supreme Court on the relevance of the stock market price in determining adequate compensation[265] likewise focused on the question of whether a valuation using the stock market price can replace a fundamental valuation under certain circumstances because there is effective information processing by the market. Based on the legal rulings available to date on the use of stock market prices,[266] particularly in the case of resolutions dealing with the question of whether the stock market price determines the lower limit of cash compensation as the divestment price, the stock market price is not considered relevant if there are indications of market manipulation or insider trading.

We did not receive any such indications during our audit. In this context, we would like to point out that a positive confirmation that neither market manipulation nor insider trading has occurred requires a forensic audit. The adequacy test is not designed as a forensic test.

In summary, on the basis of criteria developed by existing legal rulings on the question of effective information processing by the market and further suggestions that have emerged from the legal and financial discussion on this issue, we have found no evidence that the 3M VWAP of the MOR share for the period prior to 20 June 2024 (€ 67.53) might not be suitable for deriving the enterprise value of MOR AG from a projection of the stock market price. According to this valuation method, the enterprise value of MOR AG as of 20 June 2024 is € 2,547.0 million.

However, it is not the enterprise value as of 20 June 2024 that is decisive, but the enterprise value as of the valuation date (27 August 2024). In view of conceivable distortions of the stock market price due to the announcement of a measure, the enterprise value cannot be determined by a three-month average price prior to the measure.[267] The FSC also addressed this issue in its decision, in which it considered this period to be decisive for the first time - in a departure from the principles that had applied until then.[268] Accordingly, a protection is required if an "extended period of time" elapses between the announcement of the structural measure and the date of the annual general meeting and the development of the share price makes an "adjustment appear necessary". In the case decided, the FSC ruled that a period of seven and a half months was sufficient for an extended period.

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264 Cf. also Decher, AG 2023, pp. 106 ff.; different view Knoll/Sekera-Terplan, GWR 2022, pp. 341 ff.
265 FSC, Ruling of 21 February 2023 ("TLG/WCM"), Case II ZB 12/21, *loc. cit*.
266 These ultimately all refer to the decisions of the FedCC (Decision of 27 April 1999, Case 1 BvR 1613/94, *loc. cit*.) and the FSC (Decision of 12 March 2001 ("DAT/Altana"), Case II ZB 15/00, *loc. cit*.), in which the issue of market manipulation and insider trading has already been addressed.
267 See above.
268 Cf. FSC, Ruling of July 19, 2010 ("Stollwerck") in the version of the corrected ruling of 5 August 2010, II ZB 18/09, *loc. cit*.

The question of whether a period of less than seven and a half months can also constitute an "extended period" in the terms of the Stollwerck decision is the subject of debate in legal rulings and literature. A specialist article from 2021 presents the current state of opinion and the existing legal rulings of the lower courts.[269] Accordingly, in the cases mentioned, there were no extended periods of six and a half months or more. "Extended periods" were only assumed in cases lasting eight months or more. In the present case, there is a period of two months and 15 days between the announcement of the planned squeeze-out and the expected date of the general meeting of MorphoSys, which is to pass a resolution on the squeeze-out. This period cannot therefore represent an "extended period".

A projection according to the "general or industry-typical value development, taking into account the price development since then" is therefore not to be made. The enterprise value of MOR AG calculated on the basis of a valuation at the stock market price therefore also amounts to € 2,547.0 million as of 27 August 2024.

[269] Cf. Bungert/Becker, DB 2021, pp. 940 ff.

F. Particular difficulties in the valuation

The valuation of MOR AG did not give rise to any particular difficulties in the terms of §§ 60 and 12(2), Sentence 2, No. 4 UmwG.

G. Plausibility check of the enterprise value

The Valuation Expert has determined the enterprise value of MOR AG as of 27 August 2024 in accordance with the Agreement on the basis of the valuation methods recognised in the practice of business valuation and legal rulings. In addition to the objectified enterprise value as defined by IDW S 1, the Expert also determined the enterprise value of MOR AG using other valuation methods.

Since enterprise valuations should often be no more than "indications" of an estimate, "because the determination of value in accordance with the individual methods is associated with numerous prognostic estimates and methodical individual decisions, each of which is not accessible to a judgment of accuracy, but only to a judgment of justifiability",[270] a paradigm shift from the "theoretically correct value" to a "range of justifiable values" can also take place in a "norm-based" valuation.[271]

In the present valuation case, the Valuation Expert determined an objectified enterprise value in accordance with IDW S1 of € 39.89 per MOR share. We have comprehensively audited the valuation in accordance with IDW S 1, which results in a value per MOR share of € 39.89, and presented the results of our audit in detail. In our opinion, the valuation performed in accordance with IDW S 1 is appropriate and results in an enterprise value per share that can be used to determine adequate cash compensation.

The results of a valuation before personal taxes of € 42.68 per MOR share undertaken by the Valuation Expert in accordance with DVFA recommendations are above the results of a valuation using the objectified enterprise value in accordance with IDW S 1.

As part of the determination of a market value based on the BaFin letter, the Valuation Expert considered a 3M VWAP of € 67.53 per MOR share. After a comprehensive analysis of the criteria for the validity of this 3M VWAP developed by business administration theory and legal rulings, which we have set out in detail, the 3M VWAP determined for the MOR shares does represent a suitable method for determining the enterprise value of MOR AG and is thus a suitable basis for determining adequate cash compensation, in the opinion of the Valuation Expert shared by us.

As the valuations in accordance with IDW S 1 and the DVFA recommendations are significantly lower than the 3M VWAP, the Valuation Expert carried out a plausibility check using other valuation methods. In this respect, it is advantageous that the Valuation Expert also comprehensively derives the results from further valuation methods.

The comparative valuation derived in detail in the valuation report using the multipliers method and applying the data for comparable listed companies results in a range of € 31.33 to € 55.16 per MOR share. This range is also well below the 3M VWAP of the MOR share.

Using data from comparable transactions, the comparative valuation based on the multiples method results in a similar range of € 29.22 to € 45.42 per MOR share. In the Expert's detailed analysis, however, the Valuation Expert points out possible limitations to the informative value of this plausibility check.

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[270] Cf. HRC Stuttgart, Decision of 14 September 2011, Case I 20 W 6/08, AG 2012, pp. 49 ff.
[271] Cf. Hüttemann in Fleischer/Hüttemann, *loc. cit*., Marginal No. 1.76 with further references.

A sensitivity calculation with a beta factor of 0.9 to 1.3 and a market risk premium after personal taxes of 5.25 to 5.75% results in a range of € 34.94 to 47.57, which is also significantly below the 3M VWAP.

A further plausibility check could be carried out using the price targets published in the run-up to the announcement. In the period from November 2023 to the day before the acquisition offer was announced on 5 February 2024, 13 analysts published price targets of between € 11.00 and 47.00 for the MOR share.[272] All price targets are below the 3M VWAP, while some are above the objectified enterprise value in accordance with IDW S 1. With regard to the share price targets as a plausibility benchmark, it should be put into perspective that in the research-intensive pharmaceutical and biotech sector, the assessment of the success or failure of research activities is decisive for analysts' share price targets. Accordingly, the price targets here are very wide-ranging, as the assessments of pelabresib and tulmimetostat are obviously very different.

Finally, the valuation results can also be checked for plausibility with the communication in connection with the acquisition offer. The Management and Supervisory Board of MOR AG deemed consideration of € 68.00 per MOR share to be attractive, fair and adequate in the terms of § 31(1) WpÜG. In their joint statement, they relied, among other things, on a written offer opinion from the financial advisor Centerview Partners LLC. They also pointed to the high premium on the historical share prices of MOR AG, to other negotiations that had been conducted and also to the fact that a stand-alone scenario was less attractive than a merger with a strong partner such as Novartis. The Management Board also had an enterprise valuation carried out in accordance with IDW S 1 and used it in its assessment, which came to the conclusion that the value determined in this way was significantly below the offer price. Also based on its own knowledge of MorphoSys' financial position, prospects and strategic objectives, the Management Board concluded that the Offer Price exceeds the value of MorphoSys, including its potential for growth and acquisition opportunities.

In view of the stock market valuation, a large majority of investors evidently likewise considered the consideration to be an attractive exit opportunity and accepted the offer.

In summary, the 3M VWAP is significantly higher than the values per MOR share according to all other valuation methods. The 3M VWAP is significantly influenced by the acquisition offer (€ 68.00 per MOR share). Novartis would not have made such an offer if it did not estimate the potential value from an acquisition of MorphoSys to be at least € 68.00 per MOR share. In our view, the difference between the offer price, which significantly influenced the 3M VWAP, and the intrinsic value of MOR AG is due to the potential created value that Novartis expects from an integration of MorphoSys into the Novartis Group and, in particular, the commercialisation of pelabresib by the Novartis Group. In this respect, Novartis has also priced in synergy potential when submitting the acquisition offer. These synergies are not reflected in the other valuations.

In our opinion, the stock market price is therefore a suitable basis for estimating the enterprise value of MOR AG.

[272] The average is € 29.16. Analyst price targets following the publication of the acquisition offer are all based on the offer price of € 68.00.

H. Adequacy of the determined cash compensation

There are no different classes of shares or other reasons according to which the enterprise value would not have to be converted proportionately to one share. As a result of the business valuation carried out, the adequate cash compensation thus corresponds to the prorated enterprise value of MOR AG.

According to legal rulings of the higher courts, including the FSC,[273] it has been repeatedly decided that, in the case of listed companies, the stock market price alone can be used for valuation purposes in the context of structural measures in stock corporation or company transformation law and that compensation or a value ratio can be determined on the basis of the stock market prices of the companies involved. Accordingly, the use of a company's stock market price can be a suitable method for estimating the enterprise value.

The Expert Opinion contains comprehensive comments on the relevance of the stock market price. The statements of the Expert Opinion on the authoritative nature of the stock market price can be summarized as follows:

- Relevant reference period 20 March to 19 June 2024
- Volume-weighted average price according to BaFin letter € 67.53
- No demonstrable market narrowness in the terms of WpÜG-AngVO
- Three-month weighted average price of MOR shares fundamentally relevant for determining cash compensation
- Nor does an analysis based on the period from the beginning of 2022 to 19 June 2024 lead to different results

As part of our audit, we have examined the arguments presented and the data on which they are based. From an auditor's point of view, there is no objection to the statement that the weighted three-month average price of the MOR share is relevant for the determination of the cash compensation. Based on our audit, we can also confirm the amount of the average price stated.

The enterprise value of AG as of the day of the general meeting at which the shareholders pass the resolution (valuation date; 27 August 2024) corresponds to the value derived from the stock market price (€ 2,457.0 million).

Audit result
The cash compensation was accordingly set at € 68.00 per MOR share. In summary, based on our audit, we consider this to be appropriate.

If, in the period between the conclusion of our audit (12 July 2024) and the intended date of the resolution of the general meeting of MOR AG on the squeeze-out of the minority shareholders (27 August 2024), material changes in the in the circumstances taken into account in the determination of the adequate cash compensation should occur, these would still have to be taken into account in the assessment

[273] Cf. FSC, ruling of 21 February 2023 ("TLG/WCM"), Case II ZB 12/21, *loc. cit.* and FSC, ruling of 31 January 2024 ("Vodafone/Kabel Deutschland"), Case II ZB 5/22, *loc. cit*.

of the cash compensation, to the extent that the changes would result in a value per MOR share that exceeds the contractually proposed cash compensation.

I. Concluding statement

As the court-appointed auditor, we have audited the adequacy of the cash compensation determined by Novartis BidCo Germany AG, Munich, as the majority shareholder, for the transfer of the shares of the minority shareholders of MorphoSys AG, Planegg.

We issue the final declaration pursuant to § 62(5), Sentence 8 UmwG as related to § 327c(2), Sentence 4 and § 293e(1), Sentence 2 AktG as follows:

"According to our findings, the cash compensation for the minority shareholders of MorphoSys AG in the amount of € 68.00 per share determined by Novartis BidCo Germany AG as the majority shareholder is adequate for the reasons set out above.

The cash compensation was determined on the basis of the enterprise value, whereby the enterprise value was estimated using both a valuation based on the objectified enterprise value in accordance with IDW S 1 (after personal taxes) and before personal taxes as well as a valuation based on the volume-weighted average share price for a period of three months prior to the announcement of the intention to carry out a squeeze-out of the minority shareholders. Other methods applied were used to check plausibility and were not used to determine the adequate cash compensation.

The enterprise valuation in accordance with the principles of IDW S 1 is in line with German legal rulings and many years of valuation practice. A valuation before personal taxes can generally be transferred to this valuation. The valuation at the stock market price follows the latest rulings of the Federal Supreme Court.

An estimate of the enterprise value based on the objectified enterprise value in accordance with IDW S 1 (after personal taxes) would result in cash compensation of € 39.89 per MorphoSys AG no-par-value share.

An estimate of the enterprise value using the discounted cash flow method (before personal taxes) would result in cash compensation of € 42.68 per MorphoSys AG no-par-value share.

An estimate of the enterprise value based on the volume-weighted average share price for a period of three months prior to the announcement of the intention to squeeze out the minority shareholders would result in cash compensation of € 67.53 per no-par-value share of MorphoSys AG.

No particular difficulties have arisen in the valuation of MOR AG."

Düsseldorf, 12 July 2024

ADKL AG
Wirtschaftsprüfungsgesellschaft

Wolfram Wagner
Auditor

p.p. Axel Augustin
Auditor

Beglaubigte Abschrift

Landgericht München I

Az.: 5 HK O 7165/24

In dem Verfahren

Novartis BidCo Germany AG, vertreten durch den Vorstand, Roonstrasse 25, 90429 Nürnberg
- Antragstellerin -

Verfahrensbevollmächtigte:
Rechtsanwälte **Freshfields Bruckhaus Deringer**, Rechtsanwälte Steuerberater PartG mbB, Bockenheimer Anlage 44, 60322 Frankfurt

wegen Prüferbestellung

erlässt das Landgericht München I - 5. Kammer für Handelssachen - durch Vorsitzenden Richter am Landgericht Dr. Krenek am 21.06.2024 folgenden

Beschluss:

1. Auf Antrag der

Novartis BidCo Germany AG
Roonstraße 25
90429 Nürnberg

bestellt der Vorsitzende der 5. Kammer für Handelssachen beim LG München I gem. § 62 Abs. 5 UmwG i.V.m. §§ 327 c Abs. 2 Satz 3 und Satz 4, 293 c Abs. 1 AktG

ADKL AG Wirtschaftsprüfungsgesellschaft
Herrn Wirtschaftsprüfer Wolfram Wagner
Breite Straße 29 - 31
40213 Düsseldorf

zum Prüfer für die Überprüfung der Angemessenheit einer zu gewährenden Barabfindung an die Aktionäre der MorphoSys AG mit Sitz in Planegg, eingetragen im Handelsregister des Amtsgerichts – Registergericht – München HRB 121023.

2. Auf Antrag der

Novartis BidCo Germany AG
Roonstraße 25
90429 Nürnberg

bestellt der Vorsitzende der 5. Kammer für Handelssachen beim LG München I gem. §§ 60, 10 UmwG

ADKL AG Wirtschaftsprüfungsgesellschaft
Herrn Wirtschaftsprüfer Wolfram Wagner
Breite Straße 29 - 31
40213 Düsseldorf

zum Prüfer des Verschmelzungsvertrages zwischen der MorphoSys AG mit Sitz in Planegg, eingetragen im Handelsregister des Amtsgerichts – Registergericht – München HRB 121023 übertragendem Rechtsträger und der Novartis BidCo Germany AG mit Sitz in München, eingetragen im Handelsregister des Amtsgerichts – Registergericht – München HRB 283042 als übernehmendem Rechtsträger.

3. Der Geschäftswert wird auf **€ 5.000,--** festgesetzt, § 36 Abs. 3 GNotKG.

Gründe:

Die von der Antragstellerin benannte Wirtschaftsprüfungsgesellschaft ist für die Prüfung geeignet. Hinderungsgründe bestehen nicht, so dass diese vom Gericht entsprechend der Anregung der Antragstellerin bzw. der Antragstellerinnen aus den beiden vorgeschlagenen Wirtschaftsprüfungsgesellschaften ausgewählt werden konnte.

gez.

Dr. Krenek
Vorsitzender Richter am Landgericht

BAYERN LANDGERICHT

Für die Richtigkeit der Abschrift
München, 21.06.2024

Spensberger, JAng
Urkundsbeamtin der Geschäftsstelle

Dokument unterschrieben
von: Spensberger, Landgericht München I
am: 21.06.2024 09:17

[Translator's notes are in square brackets]

General Engagement Terms

for
Wirtschaftsprüferinnen, Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften
[German Public Auditors and Public Audit Firms]
as of January 1, 2024

1. Scope of application

(1) These engagement terms apply to contracts between German Public Auditors (Wirtschaftsprüferinnen/Wirtschaftsprüfer) or German Public Audit Firms (Wirtschaftsprüfungsgesellschaften) – hereinafter collectively referred to as "German Public Auditors" – and their engaging parties for assurance services, tax advisory services, advice on business matters and other engagements except as otherwise agreed in writing (Textform) or prescribed by a mandatory rule.

(2) Third parties may derive claims from contracts between German Public Auditors and engaging parties only when this is agreed or results from mandatory rules prescribed by law. In relation to such claims, these engagement terms also apply to these third parties. A German Public Auditor is also entitled to invoke objections (Einwendungen) and defences (Einreden) arising from the contractual relationship with the engaging party to third parties.

2. Scope and execution of the engagement

(1) Object of the engagement is the agreed service – not a particular economic result. The engagement will be performed in accordance with the German Principles of Proper Professional Conduct (Grundsätze ordnungsmäßiger Berufsausübung). The German Public Auditor does not assume any management functions in connection with his services. The German Public Auditor is not responsible for the use or implementation of the results of his services. The German Public Auditor is entitled to make use of competent persons to conduct the engagement.

(2) Except for assurance engagements (betriebswirtschaftliche Prüfungen), the consideration of foreign law requires an express agreement in writing (Textform).

(3) If circumstances or the legal situation change subsequent to the release of the final professional statement, the German Public Auditor is not obligated to refer the engaging party to changes or any consequences resulting therefrom.

3. The obligations of the engaging party to cooperate

(1) The engaging party shall ensure that all documents and further information necessary for the performance of the engagement are provided to the German Public Auditor on a timely basis, and that he is informed of all events and circumstances that may be of significance to the performance of the engagement. This also applies to those documents and further information, events and circumstances that first become known during the German Public Auditor's work. The engaging party will also designate suitable persons to provide information.

(2) Upon the request of the German Public Auditor, the engaging party shall confirm the completeness of the documents and further information submitted as well as the explanations and statements provided in a statement as drafted by the German Public Auditor in a legally accepted written form (gesetzliche Schriftform) or any other form determined by the German Public Auditor.

4. Ensuring independence

(1) The engaging party shall refrain from anything that endangers the independence of the German Public Auditor's staff. This applies throughout the term of the engagement, and in particular to offers of employment or to assume an executive or non-executive role, and to offers to accept engagements on their own behalf.

(2) Were the performance of the engagement to impair the independence of the German Public Auditor, of related firms, firms within his network, or such firms associated with him, to which the independence requirements apply in the same way as to the German Public Auditor in other engagement relationships, the German Public Auditor is entitled to terminate the engagement for good cause.

5. Reporting and oral information

To the extent that the German Public Auditor is required to present results in a legally accepted written form (gesetzliche Schriftform) or in writing (Textform) as part of the work in executing the engagement, only that presentation is authoritative. Drafts of such presentations are non-binding. Except as otherwise provided for by law or contractually agreed, oral statements and explanations by the German Public Auditor are binding only when they are confirmed in writing (Textform). Statements and information of the German Public Auditor outside of the engagement are always non-binding.

6. Distribution of a German Public Auditor's professional statement

(1) The distribution to a third party of professional statements of the German Public Auditor (results of work or extracts of the results of work whether in draft or in a final version) or information about the German Public Auditor acting for the engaging party requires the German Public Auditor's consent be issued in writing (Textform), unless the engaging party is obligated to distribute or inform due to law or a regulatory requirement.

(2) The use by the engaging party for promotional purposes of the German Public Auditor's professional statements and of information about the German Public Auditor acting for the engaging party is prohibited.

7. Deficiency rectification

(1) In case there are any deficiencies, the engaging party is entitled to specific subsequent performance by the German Public Auditor. The engaging party may reduce the fees or cancel the contract for failure of such subsequent performance, for subsequent non-performance or unjustified refusal to perform subsequently, or for unconscionability or impossibility of subsequent performance. If the engagement was not commissioned by a consumer, the engaging party may only cancel the contract due to a deficiency if the service rendered is not relevant to him due to failure of subsequent performance, to subsequent non-performance, to unconscionability or impossibility of subsequent performance. No. 9 applies to the extent that further claims for damages exist.

(2) The engaging party must assert a claim for subsequent performance (Nacherfüllung) in writing (Textform) without delay. Claims for subsequent performance pursuant to paragraph 1 not arising from an intentional act expire after one year subsequent to the commencement of the time limit under the statute of limitations.

(3) Apparent deficiencies, such as clerical errors, arithmetical errors and deficiencies associated with technicalities contained in a German Public Auditor's professional statement (long-form reports, expert opinions etc.) may be corrected – also versus third parties – by the German Public Auditor at any time. Misstatements which may call into question the results contained in a German Public Auditor's professional statement entitle the German Public Auditor to withdraw such statement – also versus third parties. In such cases the German Public Auditor should first hear the engaging party, if practicable.

8. Confidentiality towards third parties, and data protection

(1) Pursuant to the law (§ [Article] 323 Abs 1 [paragraph 1] HGB [German Commercial Code: Handelsgesetzbuch], § 43 WPO [German Law regulating the Profession of Wirtschaftsprüfer: Wirtschaftsprüferordnung], § 203 StGB [German Criminal Code: Strafgesetzbuch]) the German Public Auditor is obligated to maintain confidentiality regarding facts and circumstances confided to him or of which he becomes aware in the course of his professional work, unless the engaging party releases him from this confidentiality obligation.

(2) When processing personal data, the German Public Auditor will observe national and European legal provisions on data protection.

9. Liability

(1) For legally required services by German Public Auditors, in particular audits, the respective legal limitations of liability, in particular the limitation of liability pursuant to § 323 Abs. 2 HGB, apply.

(2) Insofar neither a statutory limitation of liability is applicable, nor an individual contractual limitation of liability exists, claims for damages due to negligence arising out of the contractual relationship between the

engaging party and the German Public Auditor, except for damages resulting from injury to life, body or health as well as for damages that constitute a duty of replacement by a producer pursuant to § 1 ProdHaftG [German Product Liability Act: Produkthaftungsgesetz], are limited to € 4 million pursuant to § 54 a Abs. 1 Number 2 WPO. This applies equally to claims against the German Public Auditor made by third parties arising from, or in connection with, the contractual relationship.

(3) When multiple claimants assert a claim for damages arising from an existing contractual relationship with the German Public Auditor due to the German Public Auditor's negligent breach of duty, the maximum amount stipulated in paragraph 2 applies to the respective claims of all claimants collectively.

(4) The maximum amount under paragraph 2 relates to an individual case of damages. An individual case of damages also exists in relation to a uniform damage arising from a number of breaches of duty. The individual case of damages encompasses all consequences from a breach of duty regardless of whether the damages occurred in one year or in a number of successive years. In this case, multiple acts or omissions based on the same source of error or on a source of error of an equivalent nature are deemed to be a single breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the German Public Auditor is limited to € 5 million.

(5) A claim for damages expires if a suit is not filed within six months subsequent to the written statement (Textform) of refusal of acceptance of the indemnity and the engaging party has been informed of this consequence. This does not apply to claims for damages resulting from scienter, a culpable injury to life, body or health as well as for damages that constitute a liability for replacement by a producer pursuant to § 1 ProdHaftG. The right to invoke a plea of the statute of limitations remains unaffected.

(6) § 323 HGB remains unaffected by the rules in paragraphs 2 to 5.

10. Supplementary provisions for audit engagements

(1) If the engaging party subsequently amends the financial statements or management report audited by a German Public Auditor and accompanied by an auditor's report (Bestätigungsvermerk), he may no longer use this auditor's report.

If the German Public Auditor has not issued an auditor's report, a reference to the audit conducted by the German Public Auditor in the management report or any other public reference is permitted only with the German Public Auditor's consent, issued in a legally accepted written form (gesetzliche Schriftform), and with a wording authorized by him.

(2) If the German Public Auditor revokes the auditor's report, it may no longer be used. If the engaging party has already made use of the auditor's report, then upon the request of the German Public Auditor he must give notification of the revocation.

(3) The engaging party has a right to five official copies of the report. Additional official copies will be charged separately.

11. Supplementary provisions for assistance in tax matters

(1) When advising on an individual tax issue as well as when providing ongoing tax advice, the German Public Auditor is entitled to use as a correct and complete basis the facts provided by the engaging party – especially numerical disclosures; this also applies to bookkeeping engagements. Nevertheless, he is obligated to indicate to the engaging party any material errors he has identified.

(2) The tax advisory engagement does not encompass procedures required to observe deadlines, unless the German Public Auditor has explicitly accepted a corresponding engagement. In this case the engaging party must provide the German Public Auditor with all documents required to observe deadlines – in particular tax assessments – on such a timely basis that the German Public Auditor has an appropriate lead time.

(3) Except as agreed otherwise in writing (Textform), ongoing tax advice encompasses the following work during the contract period:

a) preparation and electronic transmission of annual tax returns, including financial statements for tax purposes in electronic format, for income tax, corporate tax and business tax, namely on the basis of the annual financial statements, and on other schedules and evidence documents required for the taxation, to be provided by the engaging party
b) examination of tax assessments in relation to the taxes referred to in (a)
c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)
d) support in tax audits and evaluation of the results of tax audits with respect to the taxes referred to in (a)
e) participation in petition or protest and appeal procedures with respect to the taxes mentioned in (a).

In the aforementioned tasks the German Public Auditor takes into account material published legal decisions and administrative interpretations.

(4) If the German Public auditor receives a fixed fee for ongoing tax advice, the work mentioned under paragraph 3 (d) and (e) is to be remunerated separately, except as agreed otherwise in writing (Textform).

(5) Insofar the German Public Auditor is also a German Tax Advisor and the German Tax Advice Remuneration Regulation (Steuerberatungsvergütungsverordnung) is to be applied to calculate the remuneration, a greater or lesser remuneration than the legal default remuneration can be agreed in writing (Textform).

(6) Work relating to special individual issues for income tax, corporate tax, business tax and valuation assessments for property units as well as all issues in relation to sales tax, payroll tax, other taxes and dues requires a separate engagement. This also applies to:

a) work on non-recurring tax matters, e.g. in the field of estate tax and real estate sales tax;
b) support and representation in proceedings before tax and administrative courts and in criminal tax matters;
c) advisory work and work related to expert opinions in connection with changes in legal form and other re-organizations, capital increases and reductions, insolvency related business reorganizations, admission and retirement of owners, sale of a business, liquidations and the like, and
d) support in complying with disclosure and documentation obligations.

(7) To the extent that the preparation of the annual sales tax return is undertaken as additional work, this includes neither the review of any special accounting prerequisites nor the issue as to whether all potential sales tax allowances have been identified. No guarantee is given for the complete compilation of documents to claim the input tax credit.

12. Electronic communication

Communication between the German Public Auditor and the engaging party may be via e-mail. In the event that the engaging party does not wish to communicate via e-mail or sets special security requirements, such as the encryption of e-mails, the engaging party will inform the German Public Auditor in writing (Textform) accordingly.

13. Remuneration

(1) In addition to his claims for fees, the German Public Auditor is entitled to claim reimbursement of his expenses; sales tax will be billed additionally. He may claim appropriate advances on remuneration and reimbursement of expenses and may make the delivery of his services dependent upon the complete satisfaction of his claims. Multiple engaging parties are jointly and severally liable.

(2) If the engaging party is not a consumer, then a set-off against the German Public Auditor's claims for remuneration and reimbursement of expenses is admissible only for undisputed claims or claims determined to be legally binding.

14. Dispute Settlement

The German Public Auditor is not prepared to participate in dispute settlement procedures before a consumer arbitration board (Verbraucherschlichtungsstelle) within the meaning of § 2 of the German Act on Consumer Dispute Settlements (Verbraucherstreitbeilegungsgesetz).

15. Applicable law

The contract, the performance of the services and all claims resulting therefrom are exclusively governed by German law.