# 03

# Financial Statements

# Consolidated Statement of Profit or Loss (IFRS)

| in € | Note | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| **Revenues** | **2.7.1, 5.1** | **327,698,465** | **71,755,303** | **76,442,505** |
| **Operating Expenses** | | | | |
| Cost of Sales | 2.7.2, 5.2.1 | (9,174,146) | (12,085,198) | (1,796,629) |
| Research and Development | 2.7.2, 5.2.2 | (141,426,832) | (108,431,600) | (106,397,017) |
| Selling | 2.7.2, 5.2.3 | (107,742,684) | (22,671,481) | (6,382,510) |
| General and Administrative | 2.7.2, 5.2.4 | (51,403,257) | (36,664,666) | (21,927,731) |
| **Total Operating Expenses** | | **(309,746,919)** | **(179,852,945)** | **(136,503,887)** |
| Other Income | 2.7.3, 5.3 | 14,584,829 | 804,739 | 1,644,632 |
| Other Expenses | 2.7.4, 5.3 | (5,175,177) | (626,678) | (689,343) |
| **Earnings before Interest and Taxes (EBIT)** | | **27,361,198** | **(107,919,581)** | **(59,106,093)** |
| Finance Income | 2.7.5, 5.3 | 92,047,221 | 2,799,473 | 417,886 |
| Finance Expenses | 2.7.5, 5.3 | (96,214,409) | (2,272,369) | (753,588) |
| Income from Reversals of Impairment Losses / (Impairment Losses) on Financial Assets | 2.3.1 | (702,000) | 872,000 | (1,035,000) |
| Income Tax Benefit | 2.7.6, 5.4 | 75,398,566 | 3,506,419 | 4,304,674 |
| **Consolidated Net Profit / (Loss)** | | **97,890,576** | **(103,014,058)** | **(56,172,121)** |
| Earnings per Share, Basic and Diluted | 2.7.7, 5.5 | – | (3.26) | (1.79) |
| Earnings per Share, Basic | 2.7.7, 5.5 | 3.01 | – | – |
| Earnings per Share, diluted | 2.7.7, 5.5 | 2.97 | – | – |
| Shares Used in Computing Earnings per Share, Basic and Diluted | 2.7.7, 5.5 | – | 31,611,155 | 31,338,948 |
| Shares Used in Computing Earnings per Share, Basic | 2.7.7, 5.5 | 32,525,644 | – | – |
| Shares Used in Computing Earnings per Share, Diluted | 2.7.7, 5.5 | 33,167,852 | – | – |

The Notes are an integral part of these consolidated financial statements.

# Consolidated Statement of Comprehensive Income (IFRS)

| in € | 2020 | 2019 | 2018 |
|---|---|---|---|
| **Consolidated Net Profit / (Loss)** | **97,890,576** | **(103,014,058)** | **(56,172,121)** |
| Items that will not be reclassified to Profit or Loss | | | |
| Change in Fair Value of Shares through Other Comprehensive Income | 1,260,132 | (1,160,160) | (127,458) |
| Items that may be reclassified to Profit or Loss | | | |
| Foreign Currency Translation Differences from Consolidation | 2,247,005 | 75,332 | (83,432) |
| Other Comprehensive Income | 3,507,137 | (1,084,828) | (210,890) |
| **Total Comprehensive Income** | **101,397,713** | **(104,098,886)** | **(56,383,011)** |

The Notes are an integral part of these consolidated financial statements.

# Consolidated Balance Sheet (IFRS)

| in € | Note | 12/31/2020 | 12/31/2019 |
|---|---|---|---|
| **Assets** | | | |
| **Current Assets** | | | |
| Cash and Cash Equivalents | 2.8.1, 6.1 | 109,794,680 | 44,314,050 |
| Financial Assets at Fair Value through Profit or Loss | 2.8.1, 6.2 | 287,937,972 | 20,454,949 |
| Other Financial Assets at Amortized Cost | 2.8.1, 6.2 | 649,713,342 | 207,735,195 |
| Accounts Receivable | 2.8.2, 6.3 | 83,354,276 | 15,081,702 |
| Financial Assets from Collaborations | 2.8.3, 4 | 42,870,499 | 0 |
| Income Tax Receivables | 2.8.2, 6.6 | 401,826 | 145,817 |
| Other Receivables | 2.8.2, 6.4 | 2,159,475 | 1,613,254 |
| Inventories, Net | 2.8.4, 6.5 | 9,962,657 | 288,212 |
| Prepaid Expenses and Other Current Assets | 2.8.5, 6.6 | 20,621,493 | 14,059,627 |
| **Total Current Assets** | | **1,206,816,220** | **303,692,806** |
| **Non-current Assets** | | | |
| Property, Plant and Equipment, Net | 2.8.6, 6.7 | 6,323,753 | 4,652,838 |
| Right-of-Use Assets, Net | 2.8.7, 6.8 | 44,417,767 | 43,160,253 |
| Patents, Net | 2.8.8, 6.9 | 1,937,856 | 2,981,282 |
| Licenses, Net | 2.8.8, 6.9 | 11,835,619 | 2,350,002 |
| Licenses for Marketed Products | 2.8.8, 6.9 | 55,485,886 | 0 |
| In-process R&D Programs | 2.8.8, 6.9 | 0 | 35,683,709 |
| Software, Net | 2.8.8, 6.9 | 115,788 | 107,137 |
| Goodwill | 2.8.8, 6.9 | 1,619,233 | 3,676,233 |
| Other Financial Assets at Amortized Cost, Net of Current Portion | 2.8.1, 6.2 | 196,587,542 | 84,922,176 |
| Shares at Fair Value through Other Comprehensive Income | 2.8.9, 6.10 | 0 | 14,076,836 |
| Deferred Tax Asset | 2.9.8, 5.4, 6.11 | 132,806,097 | 0 |
| Prepaid Expenses and Other Assets, Net of Current Portion | 2.8.10, 6.12 | 1,567,259 | 1,136,030 |
| **Total Non-current Assets** | | **452,696,800** | **192,746,496** |
| **Total Assets** | | **1,659,513,020** | **496,439,302** |

The Notes are an integral part of these consolidated financial statements.

| in € | Note | 12/31/2020 | 12/31/2019 |
|---|---|---|---|
| **Liabilities and Stockholders' Equity** | | | |
| **Current Liabilities** | | | |
| Accounts Payable and Accruals | 2.9.2, 7.1 | 128,554,203 | 57,041,902 |
| Current Portion of Lease Liabilities | 2.8.6, 6.7 | 3,055,608 | 2,515,097 |
| Tax Liabilities | 2.9.3, 7.2 | 65,727,675 | 94,732 |
| Other Provisions | 2.9.2, 7.2 | 0 | 323,000 |
| Current Portion of Contract Liability | 2.9.4, 7.3 | 2,543,903 | 1,570,801 |
| Current Portion of Convertible Bond | 2.9.6, 7.5 | 422,945 | 0 |
| Current Portion of Financial Liabilities from Collaborations | 2.9.9, 4 | 154,895 | 0 |
| Convertible Bonds due to Related Parties | 2.9.7 | 0 | 12,324 |
| **Total Current Liabilities** | | **200,459,229** | **61,557,856** |
| **Non-current Liabilities** | | | |
| Lease Liabilities, Net of Current Portion | 2.8.6, 6.7 | 41,963,794 | 40,041,581 |
| Other Provisions, Net of Current Portion | 2.9.2, 7.2 | 1,527,756 | 23,166 |
| Contract Liability, Net of Current Portion | 2.9.5, 7.3 | 71,829 | 114,927 |
| Deferred Tax Liability | 2.9.8, 5.4, 7.4 | 5,057,465 | 0 |
| Convertible Bond, Net of Current Portion | 2.9.6, 7.5 | 272,759,970 | 0 |
| Financial Liabilities from Collaborations, Net of Current Portion | 2.9.9, 4 | 516,350,960 | 0 |
| **Total Non-current Liabilities** | | **837,731,774** | **40,179,674** |
| **Total Liabilities** | | **1,038,191,003** | **101,737,530** |
| | | | |
| **Stockholders' Equity** | | | |
| Common Stock | 2.9.10, 7.6.1 | 32,890,046 | 31,957,958 |
| Ordinary Shares Issued (32,890,046 and 31,957,958 for 2020 and 2019, respectively) | | | |
| Ordinary Shares Outstanding (32,758,632 and 31,732,158 for 2020 and 2019, respectively) | | | |
| Treasury Stock (131,414 and 225,800 shares for 2020 and 2019, respectively), at Cost | 2.9.10, 7.6.4 | (4,868,744) | (8,357,250) |
| Additional Paid-in Capital | 2.9.10, 7.6.5 | 748,978,506 | 628,176,568 |
| Other Comprehensive Income Reserve | 2.9.10, 7.6.6 | 2,211,419 | (1,295,718) |
| Accumulated Deficit | 2.9.10, 7.6.7 | (157,889,210) | (255,779,786) |
| **Total Stockholders' Equity** | | **621,322,017** | **394,701,772** |
| **Total Liabilities and Stockholders' Equity** | | **1,659,513,020** | **496,439,302** |

The Notes are an integral part of these consolidated financial statements.

# Consolidated Statement of Changes in Stockholders' Equity (IFRS)

| | | Common Stock | | |
|---|---|---|---|---|
| | | Shares | € | |
| **Balance as of January 1, 2018** | | **29,420,785** | **29,420,785** | |
| Capital Increase, Net of Issuance Cost of € 15,038,362 | | 2,386,250 | 2,386,250 | |
| Compensation Related to the Grant of Stock Options, Convertible Bonds and Performance Shares | | 0 | 0 | |
| Exercise of Convertible Bonds Issued to Related Parties | | 32,537 | 32,537 | |
| Transfer of Treasury Stock for Long-Term Incentive Programs | | 0 | 0 | |
| Transfer of Treasury Stock to Members of the Management Board | | 0 | 0 | |
| **Reserves:** | | | | |
| Change in Fair Value of Shares through Other Comprehensive Income | | 0 | 0 | |
| Foreign Currency Translation Differences from Consolidation | | 0 | 0 | |
| Consolidated Net Loss | | 0 | 0 | |
| **Total Comprehensive Income** | | **0** | **0** | |
| **Balance as of December 31, 2018** | | **31,839,572** | **31,839,572** | |
| **Balance as of January 1, 2019** | | **31,839,572** | **31,839,572** | |
| Compensation Related to the Grant of Stock Options and Performance Shares | 8.1, 8.3 | 0 | 0 | |
| Exercise of Convertible Bonds Issued to Related Parties | | 118,386 | 118,386 | |
| Transfer of Treasury Stock for Long-Term Incentive Programs | 8.3.1 | 0 | 0 | |
| Transfer of Treasury Stock to Related Parties | | 0 | 0 | |
| **Reserves:** | | | | |
| Change in Fair Value of Shares through Other Comprehensive Income | | 0 | 0 | |
| Foreign Currency Translation Differences from Consolidation | | 0 | 0 | |
| Consolidated Net Loss | | 0 | 0 | |
| **Total Comprehensive Income** | | **0** | **0** | |
| **Balance as of December 31, 2019** | | **31,957,958** | **31,957,958** | |
| **Balance as of January 1, 2020** | | **31,957,958** | **31,957,958** | |
| Capital Increase, Net of Issuance Cost of € 100,370 | 4, 7.6.1 | 907,441 | 907,441 | |
| Equity Component of the Convertible Bond | 2.9.7, 7.5, 7.6.5 | 0 | 0 | |
| Compensation Related to the Grant of Stock Options and Performance Shares | 8.1, 8.3 | 0 | 0 | |
| Exercise of Convertible Bonds Issued | 8.2 | 24,647 | 24,647 | |
| Transfer of Treasury Stock for Long-Term Incentive Programs | 7.6.4, 8.3.2 | 0 | 0 | |
| **Reserves:** | | | | |
| Change in Fair Value of Shares through Other Comprehensive Income | 6.10, 7.6.6 | 0 | 0 | |
| Foreign Currency Translation Differences from Consolidation | 7.6.6 | 0 | 0 | |
| Consolidated Net Profit | 7.6.7 | 0 | 0 | |
| Total Comprehensive Income | | 0 | 0 | |
| **Balance as of December 31, 2020** | | **32,890,046** | **32,890,046** | |

The Notes are an integral part of these consolidated financial statements.

| | Treasury Stock | | Additional Paid-in Capital | Other Comprehensive Income Reserve | Accumulated Deficit | Total Stockholders' Equity |
|---|---|---|---|---|---|---|
| | Shares | € | € | € | € | € |
| | **319,678** | **(11,826,981)** | **438,557,856** | **0** | **(96,593,607)** | **359,558,053** |
| | 0 | 0 | 176,189,256 | 0 | 0 | 178,575,506 |
| | 0 | 0 | 5,584,969 | 0 | 0 | 5,584,969 |
| | 0 | 0 | 1,004,580 | 0 | 0 | 1,037,117 |
| | (17,219) | 636,414 | (636,414) | 0 | 0 | 0 |
| | (21,423) | 791,794 | (791,794) | 0 | 0 | 0 |
| | 0 | 0 | 0 | (127,458) | 0 | (127,458) |
| | 0 | 0 | 0 | (83,432) | 0 | (83,432) |
| | 0 | 0 | 0 | 0 | (56,172,121) | (56,172,121) |
| | **0** | **0** | **0** | **(210,890)** | **(56,172,121)** | **(56,383,011)** |
| | **281,036** | **(10,398,773)** | **619,908,453** | **(210,890)** | **(152,765,728)** | **488,372,634** |
| | **281,036** | **(10,398,773)** | **619,908,453** | **(210,890)** | **(152,765,728)** | **488,372,634** |
| | 0 | 0 | 6,654,470 | 0 | 0 | 6,654,470 |
| | 0 | 0 | 3,655,168 | 0 | 0 | 3,773,554 |
| | (52,328) | 1,934,043 | (1,934,043) | 0 | 0 | 0 |
| | (2,908) | 107,480 | (107,480) | 0 | 0 | 0 |
| | 0 | 0 | 0 | (1,160,160) | 0 | (1,160,160) |
| | 0 | 0 | 0 | 75,332 | 0 | 75,332 |
| | 0 | 0 | 0 | 0 | (103,014,058) | (103,014,058) |
| | **0** | **0** | **0** | **(1,084,828)** | **(103,014,058)** | **(104,098,886)** |
| | **225,800** | **(8,357,250)** | **628,176,568** | **(1,295,718))** | **(255,779,786)** | **394,701,772** |
| | **225,800** | **(8,357,250)** | **628,176,568** | **(1,295,718** | **(255,779,786)** | **394,701,772** |
| | 0 | 0 | 79,590,657 | 0 | 0 | 80,498,098 |
| | 0 | 0 | 36,483,050 | 0 | 0 | 36,483,050 |
| | 0 | 0 | 7,455,761 | 0 | 0 | 7,455,761 |
| | 0 | 0 | 760,976 | 0 | 0 | 785,623 |
| | (94,386) | 3,488,506 | (3,488,506) | 0 | 0 | 0 |
| | 0 | 0 | 0 | 1,260,132 | 0 | 1,260,132 |
| | 0 | 0 | 0 | 2,247,005 | 0 | 2,247,005 |
| | 0 | 0 | 0 | 0 | 97,890,576 | 97,890,576 |
| | 0 | 0 | 0 | 3,507,137 | 97,890,576 | 101,397,713 |
| | **131,414** | **(4,868,744)** | **748,978,506** | **2,211,419** | **(157,889,210)** | **621,322,017** |

# Consolidated Statement of Cash Flows (IFRS)

| in € | Note | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| **Operating Activities:** | | | | |
| Consolidated Net Profit/(Loss) | | 97,890,576 | (103,014,058) | (56,172,121) |
| **Adjustments to Reconcile Consolidated Net Profit/(Loss) to Net Cash Provided by/(Used in) Operating Activities:** | | | | |
| Impairments of Assets | 6.7, 6.9 | 16,480,272 | 2,317,489 | 24,033,479 |
| Depreciation and Amortization of Tangible and Intangible Assets and of Right-of-Use Assets | 6.7, 6.8, 6.9 | 8,329,559 | 6,245,162 | 3,750,259 |
| Net (Gain)/Loss of Financial Assets at Fair Value through Profit or Loss | 6.2 | 13,401,584 | (752,257) | 79,330 |
| Net (Gain)/Loss of Financial Assets at Amortized Cost | 6.2 | 8,378,845 | 705,952 | 0 |
| (Income) from Reversals of Impairments/Impairments on Financial Assets | 2.3.1 | 702,000 | (872,000) | 1,035,000 |
| Net (Gain)/Loss on Derivative Financial Instruments | 6.4 | 4,252,171 | (1,261,618) | 121,717 |
| Non Cash Effective Net Change in Financial Assets/Liabilities from Collaborations | 4 | (36,551,618) | 0 | 0 |
| Non Cash Effective Change of Financial Liabilities at Amortized Cost | 7.5 | 2,453,561 | 0 | 0 |
| (Income) from Reversals of Impairments on Inventories | 6.5 | (13,270,968) | 0 | 0 |
| Gain from Deconsolidation of Subsidiaries | 5.3 | (379,173) | 0 | 0 |
| Net (Gain)/Loss on Sale of Property, Plant and Equipment | | 0 | (21,408) | (24,093) |
| Non-cash Income from Recognition of previously unrecognized Intangible Assets | 6.9 | 0 | 0 | (350,000) |
| Recognition of Contract Liability | 7.3 | (12,500,264) | (5,335,977) | (1,993,763) |
| Share-based Payment | 5.2.5, 8 | 8,955,307 | 6,654,470 | 5,584,969 |
| Income Tax Benefit | 5.4 | (75,398,566) | (3,506,419) | (4,304,674) |
| **Changes in Operating Assets and Liabilities:** | | | | |
| Accounts Receivable | 6.3 | (69,619,751) | 2,667,232 | (6,610,625) |
| Inventories, Prepaid Expenses and Other Assets, Tax Receivables and Other Receivables | 6.4. 6.5, 6.6 | (8,485,396) | (4,422,409) | 545,816 |
| Accounts Payable and Accruals, Lease Liabilities, Tax Liabilities and Other Provisions | 7.1, 7.2 | 77,505,284 | 13,202,429 | 1,890,046 |
| Other Liabilities | | 0 | 316,288 | (2,718,825) |
| Contract Liability | 7.3 | 13,430,268 | 6,069,450 | 2,386,009 |
| Income Taxes Paid | | (303,974) | (62,560) | (33,837) |
| **Net Cash Provided by/(Used in) Operating Activities** | | **35,269,717** | **(81,070,234)** | **(32,781,313)** |

The Notes are an integral part of these consolidated financial statements.

| in € | Note | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| **Investing Activities:** | | | | |
| Cash Payments to Acquire Financial Assets at Fair Value through Profit or Loss | | (495,970,604) | (28,305,339) | (84,511,324) |
| Cash Receipts from Sales of Financial Assets at Fair Value through Profit or Loss | | 214,209,301 | 53,159,814 | 126,388,925 |
| Cash Payments to Acquire Other Financial Assets at Amortized Cost | | (1,249,729,925) | (246,461,961) | (366,810,000) |
| Cash Receipts from Sales of Other Financial Assets at Amortized Cost | | 686,568,082 | 318,720,000 | 149,980,211 |
| Cash Receipts from (+)/Cash Payments for (–) Derivative Financial Instruments | 6.4 | (3,855,905) | 931,595 | (488,201) |
| Cash Payments to Acquire Property, Plant and Equipment | 6.7 | (4,455,323) | (3,103,330) | (1,820,749) |
| Cash Receipts from Sales of Property, Plant and Equipment | | 0 | 20,469 | 28,444 |
| Cash Payments to Acquire Intangible Assets | 6.9 | (44,881,207) | (562,314) | (644,575) |
| Cash Payments for Acquisitions of Shares at Fair Value through Other Comprehensive Income | 6.10 | 0 | (15,004,996) | (9,458) |
| Cash Receipts from Sales of Shares at Fair Value through Other Comprehensive Income | 6.10 | 14,804,287 | 0 | 0 |
| Cash Receipts from Sales of Subsidiaries | | 2,477,760 | 0 | 0 |
| Interest Received | | 1,210,668 | 90,156 | 136,124 |
| **Net Cash Provided by/(Used in) Investing Activities** | | **(879,622,866)** | **79,484,094** | **(177,750,603)** |
| | | | | |
| **Financing Activities:** | | | | |
| Cash Proceeds from Issuing Shares | 4, 7.6.1, 7.6.5 | 80,598,468 | 0 | 193,613,868 |
| Cash Payments for Costs from Issuing Shares | 7.6.5 | (100,370) | 0 | (15,038,362) |
| Cash Proceeds in Connection with Convertible Bonds Granted to Related Parties | 8.2 | 773,300 | 3,714,361 | 1,020,849 |
| Cash Receipts from Financing from Collaborations | 4 | 510,186,974 | 0 | 0 |
| Cash Proceeds from Issuing Convertible Bonds | 7.5 | 319,946,211 | 0 | 0 |
| Cash Payments for Principal Elements of Lease Payments | 6.5 | (2,786,972) | (2,349,801) | 0 |
| Interest Paid | 6.8 | (1,431,487) | (1,011,321) | (134,269) |
| **Net Cash Provided by/(Used in) Financing Activities** | | **907,186,124** | **353,239** | **179,462,086** |
| Effect of Exchange Rate Differences on Cash | | 3,397,655 | 87,115 | (59,463) |
| Increase/(Decrease) in Cash and Cash Equivalents | | 66,230,630 | (1,145,786) | (31,129,293) |
| Disposal of Cash and Cash Equivalents due to Deconsolidation of Subsidiaries | | (750,000) | 0 | 0 |
| **Cash and Cash Equivalents at the Beginning of the Period** | | **44,314,050** | **45,459,836** | **76,589,129** |
| **Cash and Cash Equivalents at the End of the Period** | | **109,794,680** | **44,314,050** | **45,459,836** |

The Notes are an integral part of these consolidated financial statements.

# Notes

## 1 General Information

### Business Activities and the Company

MorphoSys AG ("the Company" or "MorphoSys") is a commercial-stage biopharmaceutical company dedicated to the discovery, development and commercialization of therapeutic antibodies for patients suffering from cancer and autoimmune diseases. The Company has a proprietary portfolio of compounds and a pipeline of compounds developed with partners from the pharmaceutical and biotechnology industry. MorphoSys was founded as a German limited liability company in July 1992. In June 1998, MorphoSys became a German stock corporation. In March 1999, the Company completed its initial public offering on Germany's "Neuer Markt": the segment of the Deutsche Börse designated, at that time, for high-growth companies. On January 15, 2003, MorphoSys AG was admitted to the Prime Standard segment of the Frankfurt Stock Exchange. On April 18, 2018, MorphoSys completed an IPO on the Nasdaq Global Market through the issue of American Depositary Shares (ADS). MorphoSys AG's registered office is located in Planegg (district of Munich), and the registered business address is Semmelweisstrasse 7, 82152 Planegg, Germany. The MorphoSys AG consolidated and separate financial statements can be viewed at this address. The Company is registered in the Commercial Register B of the District Court of Munich under the number HRB 121023.

## 2 Summary of Significant Accounting Policies

### 2.1 Basis of and Changes in Accounting Standards

#### 2.1.1 Basis of Application

These consolidated financial statements were prepared in accordance with the International Financial Reporting Standards ("IFRS"), taking into account the recommendations of the International Financial Reporting Standards Interpretations Committee (IFRS IC). We have applied all standards and interpretations that were in force as of December 31, 2020 and adopted by the European Union (EU). As of December 31, 2020, there were no standards or interpretations that affected our consolidated financial statements for the years ended December 31, 2020, 2019 and 2018 that were in effect, but not yet endorsed into European law. As a result, our consolidated financial statements comply with both the IFRSs published by the International Accounting Standards Board (IASB) and those adopted by the EU. These consolidated financial statements also take into account the supplementary provisions under commercial law, which must be applied in accordance with Section 315e (1) of the German Commercial Code (Handelsgesetzbuch – HGB). In accordance with the regulations of the United States Securities and Exchange Commission, the statement of profit or loss is presented for a comparative period of three years. This extends beyond the comparative period of two years in accordance with the requirements of IFRS as adopted by the EU.

The consolidated financial statements as of the reporting dates of December 31, 2020 and 2019, as well as the periods from January 1 through December 31 for the years 2020, 2019 and 2018, comprise MorphoSys AG and its subsidiaries (collectively, the "MorphoSys Group" or the "Group"). MorphoSys AG prepares the consolidated financial statements for the largest and the smallest consolidated group.

In preparing the consolidated financial statements in accordance with IFRS, the Management Board is required to make certain estimates and assumptions, which have an effect on the amounts recognized in the consolidated financial statements and the accompanying notes. The actual results may differ from these estimates. The estimates and underlying assumptions are subject to continuous review. Any changes in estimates are recognized in the period in which the changes are made and in all relevant future periods.

All figures in this report were rounded to the nearest euro, thousand euros or million euros.

There was no material impact on the business, estimates and assumptions made or the recoverability of assets as a result of COVID-19.

Due to the market approval of Monjuvi, the corresponding amount reported under the balance sheet item "In-process research and development programs" was reclassified to the balance sheet item "License fees for marketed products" in the financial year 2020.

In the consolidated statement of cash flows, cash inflows and outflows for derivative financial instruments were reclassified from operating activities to investing activities due to incorrect classification. In order to provide comparable information for the previous year, the prior-year figures were adjusted accordingly. In financial year 2019, these were cash receipts of € 0.9 million and in 2018 cash payments of € 0.5 million.

Unless stated otherwise, the accounting policies set out below were applied consistently to all periods presented in these consolidated financial statements.

### 2.1.2 Changes in Accounting Policies and Disclosures

The accounting principles applied generally correspond to the policies used in the prior year.

#### New or Revised Standards and Interpretations Adopted for the First Time in the Financial Year

| Standard / Interpretation | | Mandatory Application for financial years starting on | Adopted by the European Union | Possible Impact on MorphoSys |
|---|---|---|---|---|
| IFRS 3 (A) | Business Combinations | 01/01/2020 | yes | none |
| IFRS 9, IAS 39 and IFRS 7 (A) | Interest Rate Benchmark Reform | 01/01/2020 | yes | none |
| IFRS 16 (A) | Covid 19-Related Rent Concessions | 01/01/2020 | yes | none |
| IAS 1 and IAS 8 (A) | Definition of Material | 01/01/2020 | yes | yes |
| | Amendments to References to the Conceptual Framework in IFRS Standards | 01/01/2020 | yes | none |
| | | | | |
| (A) Amendments | | | | |

The effects of the amendments to IAS 1 and IAS 8 on the consolidated financial statements are not considered material and are therefore not individually explained.

#### New or Revised Standards and Interpretations Not Yet Mandatorily Applicable

The following new or revised standards that were not yet mandatory in the reporting period or have not yet been adopted by the European Union, have not been applied prematurely. The effects on the consolidated financial statements of standards marked with "yes" are considered probable and are currently being examined by the Group. Only significant effects are described in more detail. The effects on the consolidated financial statements of the extensions to IAS 1 and IAS 8 are not considered material and, therefore, not explained separately. Standards with the comment "none" are not expected to have a material impact on the consolidated financial statements.

| Standard / Interpretation | | Mandatory Application for financial years starting on | Adopted by the European Union | Possible Impact on MorphoSys |
|---|---|---|---|---|
| IFRS 3 (A) | Reference to the Conceptual Framework | 01/01/2022 | no | none |
| IFRS 4 (A) | Extension of the Temporary Exemption from Applying IFRS 9 | 01/01/2021 | no | none |
| IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (A) | Interest Rate Benchmark Reform — Phase 2 | 01/01/2021 | yes | none |
| IFRS 17 and IFRS 17 (A) | Insurance Contracts and Amendments to IFRS 17 | 01/01/2023 | no | none |
| IAS 1 (A) | Classification of Liabilities as Current or Non-current | 01/01/2023 | no | yes |
| IAS 1 (A) | Disclosure of Accounting policies | 01/01/2023 | no | yes |
| IAS 8 (A) | Definition of Accounting Estimates | 01/01/2023 | no | yes |
| IAS 16 (A) | Property, Plant and Equipment — Proceeds before Intended Use | 01/01/2022 | no | none |
| IAS 37 (A) | Amended by Onerous Contracts — Cost of Fulfilling a Contract | 01/01/2022 | no | none |
| | Annual Improvements to International Financial Reporting Standards, 2018–2020 | 01/01/2022 | no | none |
| | | | | |
| (A) Amendments | | | | |

## 2.2 Consolidation Principles

### 2.2.1 Consolidated Companies and Scope of Consolidation

MorphoSys AG, as the ultimate parent company, is located in Planegg, near Munich. MorphoSys AG has one wholly owned subsidiary, MorphoSys US Inc. in Boston, Massachusetts, USA (collectively referred to as the "MorphoSys Group" or the "Group").

Effective November 16, 2020, the 100 % direct investment in Lanthio Pharma B.V. (Groningen, the Netherlands) and the 100 % indirect investment via Lanthio Pharma B.V. in LanthioPep B.V. (Groningen, the Netherlands) were sold. The two companies were no longer included in MorphoSys AG's scope of consolidation as of this date.

The consolidated financial statements as of December 31, 2020, were prepared by the Management Board on March 11, 2021, by resolution of the Management Board, authorized for issue, and forwarded to the Supervisory Board for review and approval. The members of the Group's Management Board are Jean-Paul Kress, M.D., as Chief Executive Officer (Chair of the Management Board), Sung Lee as Chief Financial Officer, Malte Peters, M.D., as Chief Research and Development Officer and Roland Wandeler, Ph.D., as Chief Operating Officer.

Markus Enzelberger, Ph.D., stepped down as a member of the Management Board with effect from the end of February 29, 2020.

Jens Holstein stepped down as a member of the Management Board with effect from the end of November 13, 2020. Sung Lee assumed the position as Chief Financial Officer on February 2, 2021.

### 2.2.2 Consolidation Methods

The following Group subsidiary was included in the scope of consolidation, as shown in the table below.

| Company | Purchase of Shares / Establishment | Included in Basis of Consolidation since |
|---|---|---|
| MorphoSys US Inc., Boston, Massachusetts, USA | July 2018 | 07/02/2018 |

This subsidiary is fully consolidated as it is a direct wholly owned subsidiary. MorphoSys controls the subsidiary due to its full power over the investee. Additionally, MorphoSys is subject to risk exposure and has rights to variable returns from its involvement with the investee. MorphoSys also has unlimited capacity to exert power over the investee to influence its returns.

The Group does not have any entities consolidated as joint ventures using the equity method, nor does it exercise a controlling influence.

The assets and liabilities of the fully consolidated international entity are recognized using Group-wide uniform accounting and valuation methods. The consolidation methods applied have not changed from the previous year.

Upon consolidation, the carrying amounts of the parent company's investments in each subsidiary are offset against the parent's share in the equity of each subsidiary. Inter-company assets and liabilities, income and expenses, and profits or losses arising from transactions between Group companies are eliminated in full. The arm's length principle was applied to all contracts and transactions between Group companies.

### 2.2.3 Principles of Foreign Currency Translation

The Group's consolidated financial statements are presented in euros, which is also the parent company's functional currency. For each entity, the Group determines the functional currency. The items included in the financial statements of each entity are measured using that functional currency.

#### Transactions and Balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items relating to operating business are recognized in other income or expenses. For monetary items relating to investing and financing activities, differences are recognized in finance income or finance expenses.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

#### Group Companies

On consolidation, the assets and liabilities of foreign operations are translated into euros at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized in "other comprehensive income reserve" (equity).

## 2.3 Financial Instruments and Financial Risk Management

### 2.3.1 Credit Risk and Liquidity Risk

Financial instruments in which the Group may have a concentration of credit and liquidity risk are mainly cash and cash equivalents, financial assets at fair value, with changes recognized in profit or loss, other financial assets at amortized cost, derivative financial instruments and receivables. The Group's cash and cash equivalents are mainly denominated in euros and US dollars. Financial assets at fair value, with changes recognized in profit or loss and other financial assets at amortized cost are high quality assets. Cash and cash equivalents, financial assets at fair value, with changes recognized in profit or loss, and other financial assets at amortized cost are generally held at numerous reputable financial institutions in Europe and the United States. With respect to its positions, the Group continuously monitors the financial institutions that are its counterparties to the financial instruments, as well as their creditworthiness, and does not anticipate any risk of non-performance.

The changes in impairment losses for credit risks (see Note 2.4*) recognized in the statement of profit or loss for the financial years 2020, 2019 and 2018 under the item impairment losses on financial assets were determined based on the rationale that negative values represent additions and positive values represent reversals of risk provisions. There were no impairments in the 2020 financial year. The increase in this allowance compared to January 1, 2020 was primarily the result of the increase of financial assets at amortized cost for which impairment losses are determined.

*cross-reference to page 154

| | General Impairment Model | | | Simplified Impairment Model | | Total |
|---|---|---|---|---|---|---|
| in 000' € | Stage 1 | Stage 2 | Stage 3 | Stage 2 | Stage 3 | |
| Balance as of January 1, 2019 | (665) | (506) | 0 | (90) | 0 | (1,261) |
| Unused Amounts Reversed | 445 | 427 | 0 | 90 | 0 | 962 |
| Increase in Impairment Losses for Credit Risks recognized in Profit or Loss during the Year | 0 | 0 | 0 | (80) | 0 | (80) |
| Change between Impairment Stages | (79) | 79 | 0 | 0 | 0 | 0 |
| Amounts written off during the Year as uncollectible | 0 | 0 | 0 | 0 | 0 | 0 |
| **Balance as of December 31, 2019** | **(299)** | **0** | **0** | **(80)** | **0** | **(379)** |
| | | | | | | |
| Balance as of January 1, 2020 | (299) | 0 | 0 | (80) | 0 | (379) |
| Unused Amounts Reversed | 299 | 0 | 0 | 80 | 0 | 379 |
| Increase in Impairment Losses for Credit Risks recognized in Profit or Loss during the Year | (1,001) | 0 | 0 | (424) | 0 | (1,425) |
| Change between Impairment Stages | 0 | 0 | 0 | 0 | 0 | 0 |
| Amounts written off during the Year as uncollectible | 0 | 0 | 0 | 0 | 0 | 0 |
| **Balance as of December 31, 2020** | **(1,001)** | **0** | **0** | **(424)** | **0** | **(1,425)** |

The Group recognizes impairment losses for default risks for financial assets as follows:

| Balance Sheet Item as of December 31, 2020 | Internal Credit Rating | Basis for Recognition of Expected Credit Loss Provision | Gross Carrying Amount (in 000' €) | Impairment (in 000' €) | Carrying Amount (in 000' €) | Average Impairment Rate |
|---|---|---|---|---|---|---|
| Cash and Cash Equivalents | low | Expected Twelve-Month Loss | 109,797 | (2) | 109,795 | 0.0% |
| Other Financial Assets at Amortized Cost | low | Expected Twelve-Month Loss | 847,300 | (999) | 846,301 | 0.1% |
| Accounts Receivable | low | Lifetime Expected Credit Losses | 83,778 | (424) | 83,354 | 0.5% |

| Balance Sheet Item as of December 31, 2019 | Internal Credit Rating | Basis for Recognition of Expected Credit Loss Provision | Gross Carrying Amount (in 000' €) | Impairment (in 000' €) | Carrying Amount (in 000' €) | Average Impairment Rate |
|---|---|---|---|---|---|---|
| Cash and Cash Equivalents | low | Expected Twelve-Month Loss | 44,314 | 0 | 44,314 | 0.0% |
| Other Financial Assets at Amortized Cost | low | Expected Twelve-Month Loss | 293,958 | (299) | 293,659 | 0.1% |
| Accounts Receivable | low | Lifetime Expected Credit Losses | 15,162 | (80) | 15,082 | 0.5% |

The Group is also exposed to credit risk from debt instruments that are measured at fair value in profit or loss. This includes the items "Financial Assets at Fair Value through Profit or Loss" and "Financial Assets from Collaborations". As of December 31, 2020, the maximum credit risk corresponded to the carrying amounts of these items amounting to € 330.8 million (December 31, 2019: € 20.5 million).

One of the Group's policies requires that all customers who wish to transact business on credit undergo a credit assessment based on external ratings. Nevertheless, the Group's revenue and accounts receivable are still subject to credit risk from customer concentration. The Group's single most significant customer accounted for € 50.1 million of accounts receivables as of December 31, 2020 (December 31, 2019: € 8.0 million), or 60 % of the Group's total accounts receivable at the end of 2020. The Group's top three customers individually accounted for 78 %, 14 % and 1 % of the total revenue in 2020.

As of December 31, 2019, 53 % of the Group's accounts receivable balance related to a single customer; of the total revenue in 2019, three customers individually accounted for 45 %, 31 % and 13 %.

On December 31, 2018, one customer had accounted for 33 % of the Group's accounts receivable, and the top three customers in 2018 individually accounted for 65 %, 25 % and 5 % of the Group's revenue.

The table below shows the accounts receivables by region as of the reporting date.

| in € | 12/31/2020 | 12/31/2019 |
|---|---|---|
| Europe and Asia | 4,451,611 | 6,984,944 |
| USA and Canada | 79,326,304 | 8,176,758 |
| Other | 0 | 0 |
| Impairment | (423,639) | (80,000) |
| **Total** | **83,354,276** | **15,081,702** |

On December 31, 2020 and December 31, 2019, the Group's exposure to credit risk from derivative financial instruments was assessed as low. The maximum credit risk (equal to the carrying amount) for rent deposits and other deposits on the reporting date amounted to € 1.4 million (December 31, 2019: € 1.0 million).

The following table shows the contractual cash flows of financial liabilities as of the reporting date.

| in €; due in | 12/31/2020 Less than One Year | 12/31/2020 Between One and Five Years | 12/31/2020 More than Five Years | 12/31/2020 Total |
|---|---|---|---|---|
| Trade Accounts Payable | 47,558,635 | 0 | 0 | 47,558,635 |
| Convertible Bonds | 2,031,250 | 333,125,000 | 0 | 335,156,250 |
| Financial Liabilities from Collaborations | 161,250 | 180,346,823 | 529,337,547 | 709,845,620 |

| in €; due in | 12/31/2019 Less than One Year | 12/31/2019 Between One and Five Years | 12/31/2019 More than Five Years | 12/31/2019 Total |
|---|---|---|---|---|
| Trade Accounts Payable | 10,655,014 | 0 | 0 | 10,655,014 |
| Convertible Bonds due to Related Parties | 12,324 | 0 | 0 | 12,324 |

Financial assets and financial liabilities were not netted as of December 31, 2020. Currently, there is no legal right to offset amounts recognized, to settle on a net basis, or to realize an asset and settle a liability simultaneously. There were no financial instruments pledged as collateral as of December 31, 2020.

### 2.3.2 Market Risk

Market risk represents the risk that changes in market prices, such as foreign exchange rates, interest rates or equity prices, will affect the Group's results of operations or the value of the financial instruments held. The Group is exposed to both currency and interest rate risks.

#### Currency Risk

The consolidated financial statements are prepared in euros. Both revenues and expenses of the Group are incurred in euros and US dollars. Throughout the year, the Group monitors the necessity to hedge foreign exchange rates to minimize currency risk and addresses this risk by using derivative financial instruments.

In accordance with the Group's hedging policy, highly probable cash flows and definite foreign currency receivables collectible within a twelve-month period are tested to determine if they should be hedged. MorphoSys had begun using foreign currency options and forwards to hedge its foreign exchange risk against US-dollar receivables in 2003. For derivatives with a positive fair value, unrealized gains are recorded in other receivables and for derivatives with a negative fair value, unrealized losses are recorded in other liabilities.

As of December 31, 2020, there was no unsettled foreign exchange forward agreement (December 31, 2019: one unsettled foreign exchange forward agreement; December 31, 2018: nine unsettled foreign exchange forward agreements). The unrealized gross gains in prior years from foreign exchange forward agreements were recorded in the finance result in the respective years (December 31, 2019: € 0.4 million; December 31, 2018: € 0.1 million).

The Group's exposure to foreign currency risk based on the carrying amounts of the items is shown in the table below.

| as of December 31, 2020; in € | US$ | Other |
|---|---|---|
| Cash and Cash Equivalents | 76,581,756 | 0 |
| Financial Assets at Fair Value through Profit or Loss | 115,134,211 | 0 |
| Other Financial Assets at Amortized Cost | 57,326,015 | 0 |
| Accounts Receivable | 28,455,909 | 0 |
| Financial Assets from Collaborations | 42,870,499 | 0 |
| Restricted Cash (included in Other Assets, Net of Current Portion) | 712,891 | 0 |
| Accounts Payable and Accruals | (51,436,436) | (52,305) |
| Financial Liabilities from Collaborations | (516,505,855) | 0 |
| **Total** | **(246,861,010)** | **(52,305)** |

| as of December 31, 2019; in € | US$ | Other |
|---|---|---|
| Cash and Cash Equivalents | 17,913,455 | 0 |
| Financial Assets at Fair Value through Profit or Loss | 16,221,808 | 0 |
| Other Financial Assets at Amortized Cost | 41,756,008 | 0 |
| Accounts Receivable | 978,368 | 0 |
| Restricted Cash (included in Other Assets, Net of Current Portion) | 289,537 | 0 |
| Accounts Payable and Accruals | (4,910,130) | (5,662) |
| **Gesamt** | **72,249,046** | **(5,662)** |

Different foreign exchange rates and their impact on assets and liabilities were simulated in a sensitivity analysis to determine the effects on profit or loss. A 10% increase in the euro versus the US dollar as of December 31, 2020, would have reduced the consolidated net profit by € 82.9 million. A 10% decline in the euro versus the US dollar would have increased the consolidated net profit by € 96.2 million.

A 10% increase in the euro versus the US dollar as of December 31, 2019, would have increased the consolidated net loss by € 6.7 million. A 10% decline in the euro versus the US dollar would have reduced the consolidated net loss by € 7.9 million.

A 10% increase in the euro versus the US dollar as of December 31, 2018, would have increased the consolidated net loss by € 1.4 million. A 10% decline in the euro versus the US dollar would have reduced the consolidated net loss by € 1.7 million.

#### Interest Rate Risk

The Group's risk exposure to changes in interest rates mainly relates to fixed-term deposits and corporate bonds. Changes in the general level of interest rates may lead to an increase or decrease in the fair value of these securities. The Group's investment focus places the safety of an investment ahead of its return and the ability to plan future cash flows. Interest rate risks are limited because all securities can be liquidated within a maximum of two years and due to the partially fixed interest rates during the term in order to ensure that planning is possible. In addition, changes in interest rates may affect the fair value of financial assets from collaborations.

Different interest rates and their effect on existing investments with variable interest rates and on financial assets from collaborations were simulated in a sensitivity analysis in order to determine the effect on profit or loss. An increase of the variable interest rate by 0.5% would have increased the consolidated net profit by € 1.2 million as of December 31, 2020 (December 31, 2019: reduction of consolidated net loss by € 0.3 million; December 31, 2018: reduction of consolidated net loss by € 0.4 million). A decrease of the variable interest rate by 0.5% would have decreased the consolidated net profit by € 1.4 million as of December 31, 2020 (December 31, 2019: increase of consolidated net loss by € 0.3 million; December 31, 2018: increase consolidated net loss by € 0.1 million).

The Group is not subject to significant interest rate risks from the liabilities currently reported on the balance sheet.

### 2.3.3 Fair Value Hierarchy and Measurement Methods

The fair value is the price that would be achieved for the sale of an asset in an arm's length transaction between independent market participants or the price to be paid for the transfer of a liability (disposal or exit price). Measurement at fair value requires that the sale of the asset or the transfer of the liability takes place on the principal market or, if no such principal market is available, on the most advantageous market. The principal market is the market a company has access to that has the highest volume and level of activity.

Fair value is measured by using the same assumptions and taking into account the same characteristics of the asset or liability as would an independent market participant. Fair value is a market-based, not an entity-specific measurement. The fair value of non-financial assets is based on the best use of the asset by a market participant. For financial instruments, the use of bid prices for assets and ask prices for liabilities is permitted but not required if those prices best reflect the fair value in the respective circumstances. For simplification, mean rates are also permitted. This not only applies to financial assets but all assets and liabilities.

MorphoSys applies the following hierarchy in determining and disclosing the fair value of financial instruments:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities to which the Company has access.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: Inputs for asset or liability that are not based on observable market data (that is, unobservable inputs).

The carrying amounts of financial assets and liabilities, such as other financial assets at amortized cost, as well as accounts receivable and accounts payable, approximate their fair value because of their short-term maturities.

### Hierarchy Level 1

The fair value of financial instruments traded in active markets is based on the quoted market prices on the reporting date. A market is considered active if quoted prices are available from an exchange, dealer, broker, industry group, pricing service, or regulatory body that is easily and regularly accessible, and prices reflect current and regularly occurring market transactions at arm's length conditions. For assets held by the Group, the appropriate quoted market price is the buyer's bid price. These instruments fall under Hierarchy Level 1 (see Note 6.2*).

*cross-reference to page 179

### Hierarchy Levels 2 and 3

The fair value of financial instruments not traded in active markets can be determined using valuation methods. In this case, fair value is estimated using the results of a valuation method that makes maximum use of market data and relies as little as possible on entity-specific inputs. If all significant inputs required for measuring fair value by using valuation methods are observable, the instrument is allocated to Hierarchy Level 2. If significant inputs are not based on observable market data, the instrument is allocated to Hierarchy Level 3.

Hierarchy Level 2 contains foreign exchange forward agreements to hedge exchange rate fluctuations, term deposits and the convertible bonds. Future cash flows for these foreign exchange forward agreements are determined based on forward exchange rate curves. The fair value of these instruments corresponds to their discounted cash flows. The fair value of the term deposits and restricted cash is determined by discounting the expected cash flows at market interest rates. The fair value of the convertible bonds was determined by calculating the present value of all cash flows associated with the liability using the applicable reference interest rate with an adjustment to reflect MorphoSys's credit risk premium.

Hierarchy Level 3 financial assets comprise investments at fair value, with changes recognized directly in equity, as well as financial assets and financial liabilities from collaborations. The underlying valuations are generally carried out by employees in the finance department who report directly to the Chief Financial Officer. The valuation process and results are reviewed and discussed among the persons involved on a regular basis. To determine the fair value of financial assets from collaborations, expected cash inflows from Incyte's planned losses resulting from the co-promotion activities of Monjuvi in the USA are discounted using market interest rates of financial instruments with comparable currencies and maturities, taking into account Incyte's credit risk. In order to determine the fair value of the financial liabilities from collaborations for disclosure purposes (these are accounted for at amortized cost using the effective interest method as described in Note 4*), expected cash outflows from the planned profits to Incyte resulting from the co-promotion activities of Monjuvi in the USA are discounted using market interest rates of financial instruments with comparable currencies and maturities, taking into account the credit risk of MorphoSys. The cash inflows and outflows represent estimates of future revenues and costs from the co-promotion activities of Monjuvi in the USA and are subject to significant discretion. These estimates are based on assumptions that are jointly arrived at and approved of twice each year by the responsible departments at MorphoSys and Incyte. Financial assets and financial liabilities from collaborations are furthermore subject to significant uncertainties from currency exchange rate developments.

*cross-reference to page 170

Hierarchy Level 3 financial assets are presented in Notes 4* and 6.10* of the notes to the consolidated financial statements. Hierarchy Level 3 financial liabilities are presented in Note 4*.

*cross-reference to page 170 and page 185

Reclassifications between the hierarchy levels are generally taken into account as of the reporting dates; however, no transfers were made between the fair value hierarchy levels in 2020 or 2019.

The table below shows the fair values of financial assets and liabilities and the carrying amounts presented in the consolidated balance sheet.

| December 31, 2020; in 000' € | Note | Hierarchy Level | Not classified into a Measurement Category | Financial Assets at Amortized Cost | |
|---|---|---|---|---|---|
| Cash and Cash Equivalents | 6.1 | * | 0 | 109,795 | |
| Financial Assets at Fair Value through Profit or Loss | 6.2 | 1 | 0 | 0 | |
| Other Financial Assets at Amortized Cost | 6.2 | * | 0 | 649,713 | |
| Accounts Receivable | 6.3 | * | 0 | 83,354 | |
| Financial Assets from Collaborations | 4 | 3 | 0 | 0 | |
| Other Receivables | | * | 0 | 2,159 | |
| **Current Financial Assets** | | | **0** | **845,021** | |
| Other Financial Assets at Amortized Cost, Net of Current Portion | 6.2 | 2 | 0 | 196,588 | |
| Prepaid Expenses and Other Assets, Net of Current Portion | 6.12 | | | | |
| thereof Non-Financial Assets | | n/a | 183 | 0 | |
| thereof Restricted Cash | | 2 | 0 | 1,384 | |
| **Non-current Financial Assets** | | | **183** | **197,972** | |
| **Total** | | | **183** | **1,042,993** | |
| Accounts Payable and Accruals | 7.1 | * | 0 | 0 | |
| Current Portion of Lease Liabilities | 6.8 | n/a | (3,056) | 0 | |
| Current Portion of Convertible Bond | 7.5 | 2 | 0 | 0 | |
| Current Portion of Financial Liabilities from Collaborations | | | 0 | 0 | |
| Current Financial Liabilities | | | (3,056) | 0 | |
| Lease Liabilities, Net of Current Portion | 6.8 | n/a | (41,964) | 0 | |
| Convertible Bond, Net of Current Portion | 7.5 | 2 | 0 | 0 | |
| Financial Liabilities from Collaborations, Net of Current Portion | 4 | 3 | 0 | 0 | |
| **Non-current Financial Liabilities** | | | **(41,964)** | **0** | |
| **Total** | | | **(45,020)** | **0** | |

* Declaration waived in line with IFRS 7.29 (a). For these instruments the carrying amount is a reasonable approximation of fair value.
** Declaration waived in line with IFRS 7.29 (d) as disclosure is not required for lease liabilities.

| Financial Assets at Fair Value (Through Profit or Loss) | Financial Assets at Fair Value (Through Other Comprehensive Income) | Financial Liabilities at Amortized Cost | Financial Liabilities at Fair Value | Total Carrying Amount | Fair value |
|---|---|---|---|---|---|
| 0 | 0 | 0 | 0 | 109,795 | * |
| 287,938 | 0 | 0 | 0 | 287,938 | 287,938 |
| 0 | 0 | 0 | 0 | 649,713 | * |
| 0 | 0 | 0 | 0 | 83,354 | * |
| 42,870 | 0 | 0 | 0 | 42,870 | 42,870 |
| 0 | 0 | 0 | 0 | 2,159 | * |
| **330,808** | **0** | **0** | **0** | **1,175,829** | |
| 0 | 0 | 0 | 0 | 196,588 | 197,749 |
| | | | | 1,567 | |
| 0 | 0 | 0 | 0 | 183 | n/a |
| 0 | 0 | 0 | 0 | 1,384 | 1,384 |
| **0** | **0** | **0** | **0** | **198,155** | |
| **330,808** | **0** | **0** | **0** | **1,373,985** | |
| 0 | 0 | (128,554) | 0 | (128,554) | * |
| 0 | 0 | 0 | 0 | (3,056) | ** |
| 0 | 0 | (423) | 0 | (423) | * |
| 0 | 0 | (155) | 0 | (155) | * |
| 0 | 0 | (129,132) | 0 | (132,188) | |
| 0 | 0 | 0 | 0 | (41,964) | ** |
| 0 | 0 | (272,760) | 0 | (272,760) | (334,124) |
| 0 | 0 | (516,351) | 0 | (516,351) | (617,178) |
| **0** | **0** | **(789,111)** | **0** | **(831,075)** | |
| **0** | **0** | **(918,243)** | **0** | **(963,263)** | |

| December 31, 2019; in 000' € | Note | Hierarchy Level | Not classified into a Measurement Category | Financial Assets at Amortized Cost |
|---|---|---|---|---|
| Cash and Cash Equivalents | 6.1 | * | 0 | 44,314 |
| Financial Assets at Fair Value through Profit or Loss | 6.2 | 1 | 0 | 0 |
| Other Financial Assets at Amortized Cost | 6.2 | * | 0 | 207,735 |
| Accounts Receivable | 6.3 | * | 0 | 15,082 |
| Other Receivables | | | | |
| thereof Financial Assets | | * | 0 | 1,217 |
| thereof Forward Exchange Contracts used for Hedging | 6.4 | 2 | 0 | 0 |
| **Current Financial Assets** | | | **0** | **268,348** |
| Other Financial Assets at Amortized Cost, Net of Current Portion | 6.2 | 2 | 0 | 84,922 |
| Shares at Fair Value through Other Comprehensive Income | 6.9 | | | |
| thereof Shares at Level 1 | | 1 | 0 | 0 |
| thereof Shares at Level 3 | | 3 | 0 | 0 |
| Prepaid Expenses and Other Assets, Net of Current Portion | 6.10 | | | |
| thereof Non-Financial Assets | | n/a | 147 | 0 |
| thereof Restricted Cash | | 2 | 0 | 989 |
| **Non-current Financial Assets** | | | **147** | **85,911** |
| **Total** | | | **147** | **354,259** |
| Accounts Payable and Accruals | 7.1 | * | 0 | 0 |
| Current Portion of Lease Liabilities | 6.7 | n/a | (2,515) | 0 |
| Convertible Bonds - Liability Component | | 2 | 0 | 0 |
| Current Financial Liabilities | | | (2,515) | 0 |
| Lease Liabilities, Net of Current Portion | 6.7 | n/a | (40,042) | 0 |
| **Non-current Financial Liabilities** | | | **(40,042)** | **0** |
| **Total** | | | **(42,557)** | **0** |

* Declaration waived in line with IFRS 7.29 (a). For these instruments the carrying amount is a reasonable approximation of fair value.
** Declaration waived in line with IFRS 7.29 (d) as disclosure is not required for lease liabilities.

## 2.4 Impairment

### 2.4.1 Financial Instruments According to General Expected Credit Loss Model

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost (term deposits with fixed and variable interest rates and bonds). The impairment method applied depends on whether there has been a significant increase in credit risk. If at the reporting date, the credit risk of a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to twelve-month expected credit losses (Level 1). Where the expected lifetime of an asset is less than twelve months, expected losses are measured at its expected lifetime. Expected credit losses are based on the contractual cash flows multiplied by the premium of a credit default swap according to the expected maturity of the contracting party (Level 1). In case the credit risk of a financial instrument has increased significantly since initial recognition, the Group measures impairment for that financial instrument at an amount equal to the lifetime expected credit losses. The Group currently classifies an increase in credit risk on debt instruments as significant when the premium on a counterparty credit default swap has increased by 100 basis points since the initial recognition of the instrument (Level 2). If there is an objective indication of impairment, the interest received must also be adjusted so that the interest as of this date is accrued based on the net carrying amount (carrying amount less risk provisions) of the financial instrument (Level 3).

Objective evidence of a financial instrument's impairment may arise from material financial difficulties of the issuer or the borrower, a breach of contract such as a default or delay in interest or principal payments, an increased likelihood of insolvency or other remediation process, or from the disappearance of an active market for a financial asset due to financial difficulties.

Financial instruments are derecognized when it can be reasonably expected that they will not be recovered and there is objective evidence of this. This is usually assumed to be the case when financial instruments are more than two years overdue. Impairment of financial instruments is recognized under impairment losses on financial assets.

| Financial Assets at Fair Value (Through Profit or Loss) | Financial Assets at Fair Value (Through Other Comprehensive Income) | Financial Liabilities at Amortized Cost | Financial Liabilities at Fair Value | Total Carrying Amount | Fair value |
|---|---|---|---|---|---|
| 0 | 0 | 0 | 0 | 44,314 | * |
| 20,455 | 0 | 0 | 0 | 20,455 | 20,455 |
| 0 | 0 | 0 | 0 | 207,735 | * |
| 0 | 0 | 0 | 0 | 15,082 | * |
| | | | | 1,613 | |
| 0 | 0 | 0 | 0 | 1,217 | * |
| 396 | 0 | 0 | 0 | 396 | 396 |
| **20,851** | **0** | **0** | **0** | **289,199** | |
| 0 | 0 | 0 | 0 | 84,922 | 84,922 |
| | | | | 14,077 | |
| 0 | 13,690 | 0 | 0 | 13,690 | 13,690 |
| 0 | 387 | 0 | 0 | 387 | 387 |
| | | | | 1,136 | |
| 0 | 0 | 0 | 0 | 147 | n/a |
| 0 | 0 | 0 | 0 | 989 | 989 |
| **0** | **14,077** | **0** | **0** | **100,135** | |
| **20,851** | **14,077** | **0** | **0** | **389,334** | |
| 0 | 0 | (57,042) | 0 | (57,042) | * |
| 0 | 0 | 0 | 0 | (2,515) | ** |
| 0 | 0 | (12) | 0 | (12) | (12) |
| 0 | 0 | (57,042) | 0 | (59,569) | |
| 0 | 0 | 0 | 0 | (40,042) | ** |
| **0** | **0** | **(12)** | **0** | **(40,042)** | |
| **0** | **0** | **(57,054)** | **0** | **(99,611)** | |

### 2.4.2 Financial Instruments According to Simplified Expected Credit Loss Model

In the case of accounts receivable, the Group applies the simplified approach, which requires expected lifetime losses to be recognized from the initial recognition of the receivables (Level 2). In the event of objective indications of an impairment of accounts receivable, the expected loss must be calculated as the difference between the gross carrying amount and the present value of the expected cash flows discounted at the original effective interest rate (Level 3). An indicator that there is insufficient reason to expect recovery includes a situation, among others, when internal or external information indicates that the Group will not fully receive the contractual amounts outstanding.

All accounts receivable were aggregated to measure the expected credit losses, as they all share the same credit risk characteristics. All accounts receivable are currently due from customers with similar credit risk profiles. The impairment is determined on the basis of the premium for an industry credit default swap. In the event that accounts receivable cannot be grouped together, they are measured individually.

Accounts receivable are derecognized when it can be reasonably expected that they will not be recovered. Impairment of accounts receivable is recognized under other expenses. This is usually assumed to be the case when accounts receivable are more than two years overdue. If, in subsequent periods, amounts are received that were previously impaired, these amounts are recognized in other income.

### 2.4.3 Non-Financial Assets

The carrying amounts of the Group's non-financial assets and inventories are reviewed at each reporting date for any indication of impairment. The non-financial asset's recoverable amount and the inventory's net realizable value are estimated if such indication exists. For goodwill and intangible assets that have indefinite useful lives or are not yet available for use, the recoverable amount is estimated at the same time each year or determined on an interim basis, if required. Impairment is recognized if the carrying amount of an asset or the cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value-in-use or its fair value less the cost of disposal. In assessing value-in-use, the estimated future pre-tax cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purposes of impairment testing, assets that cannot be tested individually are grouped into the smallest group of assets that generates cash flows from ongoing use that are largely independent of the cash flows of other assets or CGUs. A ceiling test for the operating segment must be carried out for goodwill impairment testing. CGUs that have been allocated goodwill are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination may be allocated to groups of CGUs that are expected to benefit from the combination's synergies.

The Group's corporate assets do not generate separate cash flows and are utilized by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and are tested for impairment as part of the impairment testing of the CGU that was allocated the corporate asset.

Impairment losses are recognized in profit or loss. Goodwill impairment cannot be reversed. For all other assets, the impairment recognized in prior periods is assessed on each reporting date for any indications that the losses decreased or no longer exist. Impairment is reversed when there has been a change in the estimates used to determine the recoverable amount. Impairment losses can only be reversed to the extent that the asset's carrying amount does not exceed the carrying amount net of depreciation or amortization that would have been determined if an impairment had not been recognized.

## 2.5 Additional Information

### 2.5.1 Key Estimates and Assumptions

Estimates and assumptions are continually evaluated and based on historical experience and other factors, including the expectation of future events that are believed to be realistic under the prevailing circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting-related estimates will, by definition, seldom correspond to the actual results. The estimates and assumptions that carry a significant risk of causing material adjustments to the carrying amounts of assets and liabilities in the next financial year are addressed below.

#### Revenues

Revenues from product sales, license fees, milestones, royalties and contracts with multiple performance obligations are subject to assumptions regarding variable consideration components, probabilities of occurrence and individual selling prices within the scope of the accounting and measurement principles explained in Note 2.7.1*. Accruals in connection with revenues products sales are also affected by estimates and assumptions.

*cross-reference to page 158

#### Financial Assets

Impairment losses on financial assets in the form of debt instruments and accounts receivable are based on assumptions about credit risk. The Group exercises discretion in making these assumptions and in selecting the inputs to calculate the impairment based on past experience, current market conditions and forward-looking estimates at the end of each reporting period.

#### Financial Assets and Liabilities from Collaborations

For details on estimates and assumptions in connection with financial assets and liabilities from collaborations refer to note 4*.

*cross-reference to page 170

#### Leases

In determining the lease term, all facts and circumstances are considered that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

#### In-Process R&D Programs and Goodwill

The Group performs an annual review to determine whether in-process R&D programs or goodwill is subject to impairment in accordance with the accounting policies discussed in Note 2.4.3*. The recoverable amounts from in-process R&D programs and cash-generating units have been determined using value-in-use calculations and are subjected to a sensitivity analysis. These calculations require the use of estimates (see Note 6.9*).

*cross-reference to page 156 and page 183

### Convertible Bond

The convertible bond is to be separated in a liability and an equity component. The amount allocated to the equity component was calculated by using a Black-Scholes valuation model. A Monte-Carlo simulation was used in order to determine the liability component. It was assessed that all cash flows associated with the liability component should be discounted by using a yield curve subject to default risk. All parameters necessary for the valuation are market observable, except for the risk premium included in MorphoSys' default risk. The risk premium (assumed to be constant over the term) was calibrated in the manner that the value of the convertible bond in the model corresponds to the nominal value of the bond in the amount of € 325.0 million.

### Income Taxes

Income taxes comprise taxes levied in the individual countries on taxable profit and changes in deferred taxes. The income taxes reported are recognized on the basis of the statutory regulations in force or enacted as of the reporting date in the amount in which they are expected to be paid or refunded. Deferred taxes are recognized for tax-deductible or temporary taxable differences between the carrying amounts of assets and liabilities in the IFRS balance sheet and the tax base, as well as for tax effects arising from consolidation measures and tax reduction claims arising from loss carryforwards that are likely to be realized in subsequent years. Goodwill is excluded.

The assessment of the recoverability of deferred tax assets considers the currently achieved total results of a legal entity as well as the expected future taxable results, derived from the corporate planning. The recognition of deferred tax assets on tax loss carryforwards requires management to make estimates and judgments about the amount of future taxable profit available against which the tax loss carryforwards can be utilized. Deferred tax assets on loss carryforwards are only recognized to the extent that sufficient taxable income is expected in the future.

Uncertain tax positions are analyzed on an ongoing basis and, if taxes are sufficiently probable, risk provisions are recognized in an appropriate amount in each case. Uncertainties arise, among other things, from matters that are being discussed in ongoing tax audits but have not yet resulted in final findings or are under discussion due to disputed legal situations or new case law.

As the estimates can change over time, for example, as a result of findings in the course of the tax audit or current case law, there will also be a corresponding effect on the amount of the required assessment of the risk provision. The amount of the expected tax liability or tax receivable reflects the amount representing the best estimate or the expected value, taking into account any existing tax uncertainties.

For the assessment of the impairment of deferred tax assets, the planning assumptions are influenced by key estimates and mainly include the Company's profit forecasts for the period up to 2039.

## 2.5.2 Capital Management

The Management Board's policy for capital management is to preserve a strong and sustainable capital base in order to maintain the confidence of investors, business partners, and the capital market and to support future business development. As of December 31, 2020, the equity ratio was 37.4% (December 31, 2019: 79.5%; see also the following overview). The equity ratio decreased mainly due to the initial recognition of the financial liabilities from collaborations from the collaboration and license agreement with Incyte as well as the convertible bond.

| in 000' € | 12/31/2020 | 12/31/2019 |
|---|---|---|
| Stockholders' Equity | 621,322 | 394,702 |
| In % of Total Capital | 37.4% | 79.5% |
| Total Liabilities | 1,038,191 | 101,738 |
| In % of Total Capital | 62.6% | 20.5% |
| **Total Capital** | **1,659,513** | **496,439** |

The Management Board and employees can participate in the Group's performance through long-term, performance-related remuneration components. These components consist of convertible bonds issued in 2013 and stock option plans (SOP) granted to the Management Board and certain employees of MorphoSys AG in 2017, 2018, 2019 and 2020, in accordance with the bonus system approved by the Annual General Meeting. In addition, MorphoSys established a Long-Term Incentive Plan (LTI Plan) in 2016, 2017, 2018 and 2019, as well as a performance share unit program (PSU program) in 2020 for the Management Board and certain employees of MorphoSys AG. In 2019 and 2020, MorphoSys established long-term incentive programs (Long-Term Incentive Plan – LTI Plan and Restricted Stock Unit Plan – RSU Plan) for certain employees of MorphoSys US Inc. In 2020, MorphoSys also established a long-term cash incentive plan (CLTI plan) for certain employees of MorphoSys US Inc. These LTI Plans are based on the performance-related issuance of shares ("performance shares" and shares still to be created from authorized capital under the RSU plans), which are finally allocated upon achievement of specific predefined performance criteria and after the expiration of the vesting period (see Notes 8.3* and 8.6*). The PSU program and CLTI plan are settled in cash upon achievement of certain predefined performance criteria and the expiration of the vesting period.

*cross-reference to page 192 and page 197

There are no liabilities to banks. During the financial year, the Group made changes to its capital management by reflecting the financial liabilities from collaborations from the collaboration and license agreement with Incyte as well as from the issuance of the convertible bond.

Following overview contains the presentation and development of net liabilities. "Other Changes" include non-cash movements, including accrued interest expense, which are presented in operating activities in the cash flow statement.

| in 000' € | Lease Liabilities | Financial Liabilities from Collaborations | Convertible Bonds | Sub-Total |
|---|---|---|---|---|
| Balance as of January 1, 2019 | (40,783) | 0 | 0 | (40,783) |
| Cash Flows | 3,280 | 0 | 0 | 3,280 |
| New Leases | (4,122) | 0 | 0 | (4,122) |
| Exchange differences | 0 | 0 | 0 | 0 |
| Other Changes | (932) | 0 | 0 | (932) |
| **Balance as of December 31, 2019** | **(42,557)** | **0** | **0** | **(42,557)** |
| | | | | |
| Balance as of January 1, 2020 | (42,557) | 0 | 0 | (42,557) |
| Cash Flows | 3,918 | (542,599) | (319,946) | (858,627) |
| New Leases | (5,286) | 0 | 0 | (5,286) |
| Exchange differences | 0 | 66,379 | 0 | 66,379 |
| Changes recognized in Equity | 0 | 0 | 49,217 | 49,217 |
| Other Changes | (1,094) | (40,285) | (2,454) | (43,833) |
| **Balance as of December 31, 2020** | **(45,019)** | **(516,506)** | **(273,183)** | **(834,708)** |

## 2.6 Use of Interest Rates for Measurement

The Group uses maturity-specific and credit risk adjusted interest rates to measure fair value. When calculating share-based payments, MorphoSys uses the interest rate on four-year German government bonds on the date the share-based payment was granted.

## 2.7 Accounting Policies Applied to Line Items of the Statement of Profit or Loss

### 2.7.1 Revenues and Revenue Recognition

Recognizing revenue from contracts with customers requires the following five-stage approach:

- Identification of the contract
- Identification of performance obligations
- Determination of the transaction price
- Allocation of the transaction price
- Revenue recognition

The Group's revenues typically include revenue from product sales, license fees, milestone payments, service fees, and royalties.

#### Revenues from Product Sales

Revenues from the sale of MorphoSys products are recognized at the transaction price at the time the customer obtains control of the product (defined as the point at which the customer receives the product). As a result, revenues are recognized based on a specific point in time. The transaction price represents the consideration expected by MorphoSys in exchange for the product and takes into account variable components. The variable consideration is only included in the transaction price if it is highly probable that there will not be a subsequent material adjustment to the transaction price.

The most common elements of variable consideration related to product sales at MorphoSys are listed below and are determined according to the expected value approach.

- Rebates and discounts agreed with government agencies, buying groups, specialty distributors and specialty pharmacies are accrued and deducted from revenues at the time the related revenues are recognized. They are calculated based on actual discounts and rebates granted, specific regulatory requirements, specific terms in individual agreements, product pricing and/or the anticipated sales channel mix. Because the Company recognizes revenue upon transfer of control of the product to specialty distributors and specialty pharmacies, and not upon transfer to the end-user (patient), for certain rebates the Company is required to estimate of the mix of product sales between its sales channels in determining the amount of rebate that will ultimately be paid.
- Discounts offered to customers are intended to encourage prompt payment and are deferred and recognized as revenue deductions at the time the related revenues are recognized.
- Accruals for product returns are recognized as revenue deductions at the time the corresponding revenues are recognized.

Variable consideration is deducted from trade receivables, in case these are directly paid to the direct customer. In case payments are to be made to another party, these are presented as accruals. Accruals for revenue deductions are adjusted to the actual amounts when rebates and discounts and cash discounts are realized. The accruals represent estimates of the related obligations, meaning that management's judgment is required in estimating the impact of these revenue deductions.

| Cash and Cash Equivalents | Financial Assets at Fair Value through Profit or Loss | Financial Assets from Collaborations | Total |
|---|---|---|---|
| 45,460 | 44,581 | 0 | 49,258 |
| 79,837 | (24,854) | 0 | 58,263 |
| 0 | 0 | 0 | (4,122) |
| 87 | (24) | 0 | 63 |
| (81,070) | 752 | 0 | (81,250) |
| **44,314** | **20,455** | **0** | **22,212** |
| | | | |
| 44,314 | 20,455 | 0 | 22,212 |
| 26,813 | 281,761 | 32,413 | (517,640) |
| 0 | 0 | 0 | (5,286) |
| 3,398 | (877) | (5,549) | 63,350 |
| 0 | 0 | 0 | 49,217 |
| 35,270 | (13,402) | 16,007 | (5,958) |
| **109,795** | **287,938** | **42,870** | **(394,105)** |

### License Fees and Milestone Payments

The Group recognizes revenues from license fees for intellectual property (IP) both at a point in time and over a period of time. The Group must make an assessment as to whether such a license represents a right-to-use the IP (at a point in time) or a right to access the IP (over time). Revenue for a right-to-use license is recognized by the Group when the licensee can use and benefit from the IP after the license term begins, e.g., the Group has no further obligations in the context of the out-licensing of a drug candidate or technology. A license is considered a right to access the intellectual property when the Group undertakes activities during the license term that significantly affect the IP, the customer is directly exposed to any positive or negative effects of these activities, and these activities do not result in the transfer of a good or service to the customer. Revenues from the right to access the IP are recognized on a straight-line basis over the license term.

Milestone payments for research and development are contingent upon the occurrence of a future event and represent variable consideration. The Group's management estimates at the contract's inception that the most likely amount for milestone payments is zero. The most likely amount method of estimation is considered the most predictive for the outcome since the outcome is binary; for example, achieving a specific success in clinical development (or not). The Group includes milestone payments in the total transaction price only to the extent that it is highly probable that a significant reversal of accumulated revenue will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Sales-based milestone payments included in contracts for IP licenses are considered by the Group to be sales-based license fees because they are solely determined by the sales of an approved drug. Accordingly, such milestones are recognized as revenue once the sales of such drugs occur or at a later point if the performance obligation has not been fulfilled.

### Service Fees

Service fees for the assignment of personnel to research and development collaborations are recognized as revenues in the period the services were provided. If a Group company acts as an agent, revenues are recognized on a net basis.

### Royalties

Revenue recognition for royalties (income based on a percentage of sales of a marketed product) is based on the same revenue recognition principles that apply to sales-based milestones, as described above.

### Agreements with Multiple Performance Obligations

A Group company may enter into agreements with multiple performance obligations that include both licenses and services. In such cases, an assessment must be made as to whether the license is distinct from the services (or other performance obligations) provided under the same agreement. The transaction price is allocated to separate performance obligations based on the relative stand-alone selling price of the performance obligations in the agreement. The Group company estimates stand-alone selling prices for goods and services not sold separately on the basis of comparable transactions with other customers. The residual approach is the method used to estimate a stand-alone selling price when the selling price for a good or service is highly variable or uncertain.

### Principle-Agent Relationships

In agreements involving two or more independent parties who contribute to the provision of a specific good or service to a customer, the Group company assesses whether it has promised to provide the specific good or service itself (the company acting as a principal) or to arrange for this specific good or service to be provided by another party (the company acting as an agent). Depending on the result of this assessment, the Group company recognizes revenues on a gross (principal) or net (agent) basis. A Group company is an agent and recognizes revenue on a net basis if its obligation is to arrange for another party to provide goods or services, i.e., the Group company does not control the

specified good or service before it is transferred to the customer. Indicators to assist a company in determining whether it does not control the good or service before it is provided to a customer and is, therefore, an agent, include, but are not limited to, the following criteria:

- Another party is primarily responsible for fulfilling the contract.
- The company does not have inventory risk.
- The company does not have discretion in establishing the price.

No single indicator is determinative or weighted more heavily than other indicators. However, some indicators may provide stronger evidence than others, depending on the individual facts and circumstances. A Group company's control needs to be substantive; obtaining the legal title to a good or service only momentarily before it is transferred to the customer does not necessarily indicate that a Group company is a principal. Generally, an assessment as to whether a Group company is acting as a principal or an agent in a transaction requires a considerable degree of judgment.

Based on the relevant facts and circumstances, the assessment of an agreement may lead to the conclusion that the counterparty is a cooperation partner or partner rather than a customer because the contract parties share equally in the risk of co-developing a drug and in the future profits from the marketing of the approved drug.

### 2.7.2 Operating Expenses

Operating expenses are allocated to the functional costs on the basis of cost centers or percentage allocation keys.

#### Cost of Sales

The cost of sales includes the acquisition and production cost of inventories recognized as an expense, personnel expenses, inventory write-downs, reversals of inventory write-downs, operating costs, impairments and scheduled depreciation and other expenses for intangible assets as well as costs for external services. Cost of sales are recognized as an expense as incurred.

#### Research and Development Expenses

Research costs are expensed in the period in which they occur. Development costs are generally expensed as incurred. Development costs are recognized as an intangible asset when the criteria such as the probability of expected future economic benefits, as well as the reliability of cost measurement, are met.

This line item contains personnel expenses, consumable supplies, other operating expenses, impairment charges, impairment reversals, amortization and other costs related to intangible assets (additional information can be found in Note 6.9*), costs for external services, infrastructure costs and depreciation.

*cross-reference to page 183

#### Selling Expenses

The line item includes personnel costs, consumable supplies, operating costs, amortization of intangible assets (software; additional information can be found in Note 6.9*), costs for external services, infrastructure costs and depreciation. This item also includes all expenses for services provided by Incyte in connection with the joint US sales activities.

*cross-reference to page 183

#### General and Administrative Expenses

The line item includes personnel costs, consumable supplies, operating costs, amortization of intangible assets (software; additional information can be found in Note 6.9*), costs for external services, infrastructure costs and depreciation.

*cross-reference to page 183

#### Personnel Expenses from Stock Options

The Group spreads the compensation expenses from the estimated fair values of share-based payments on the reporting date over the period in which the beneficiaries provide the services that triggered the granting of the share-based payments. Personnel expense is recognized in the respective functional area to which the beneficiary is allocated.

Share-based compensation is considered when the Group acquires goods or services in exchange for shares or stock options ("settlement in equity instruments") or other assets that represent the value of a specific number of shares or stock options ("cash settlement"). Additional information can be found in Notes 8.1* through 8.7*.

*cross-reference to page 189 and page 199

#### Operating Lease Payments

Through December 31, 2018, payments made within the scope of operating leases were recognized in profit or loss on a straight-line basis over the term of the lease according to IAS 17. According to SIC 15, all incentive agreements within the scope of operating leases are recognized as an integral part of the net consideration agreed for the use of the leased asset. The total amount of income from incentives is recognized as a reduction in lease expenses on a straight-line basis over the term of the lease.

The Group's lease agreements were classified exclusively as operating leases through December 31, 2018. The Group did not engage in any finance lease arrangements.

### 2.7.3 Other Income

The line item "other income" consists primarily of foreign currency gains from operating activities.

Non-repayable grants received from government agencies to fund specific research and development projects are recognized in profit or loss in the separate line item "other income" to the extent that the related expenses have already occurred. Under the terms of the grants, government agencies generally have the right to audit the use of the funds granted to the Group. The government grants are generally cost subsidies, and their recognition through profit or loss is limited to the corresponding costs.

No payments were granted in financial years 2020, 2019 or 2018 that are required to be classified as investment subsidies.

### 2.7.4 Other Expenses

The line item "other expenses" consists mainly of currency losses from the operating business.

### 2.7.5 Finance Income and Finance Expenses

Gains and losses on hedges of foreign exchange rate fluctuations, changes in fair value and interest effects from the application of the effective interest method to financial assets and liabilities are recognized in finance income and finance expenses.

The accounting policies resulting from the collaboration and license agreement with Incyte are presented in Note 4*.

*cross-reference to page 170

### 2.7.6 Income Tax Expenses/Benefits

Current income taxes are calculated based on the respective local taxable income and local tax rules for the period. In addition, current income taxes presented for the period include adjustments for uncertain tax payments or tax refunds for periods not yet finally assessed, excluding interest expenses and penalties on the underpayment of taxes. In the event that amounts included in the tax returns are considered unlikely to be accepted by the tax authorities (uncertain tax positions), a provision for income taxes is recognized. Tax refund claims from uncertain tax positions are recognized when it is probable that they can be realized. Current taxes reflect the expected tax liability on the taxable income for the year, based on the enacted or r substantially enacted tax rates, as well as adjustments to the tax liability for previous years.

Deferred tax assets or liabilities are calculated for temporary differences between the tax bases and the financial statement carrying amounts, including differences from consolidation, unused tax loss carryforwards, and unused tax credits. Measurement is based on enacted or substantively enacted tax rates and tax rules.

Deferred tax assets are offset against deferred tax liabilities when the taxes are levied by the same taxation authority, and the entity has a legally enforceable right to offset current tax assets against current tax liabilities according to their maturity.

Assessments as to the recoverability of deferred tax assets require the use of judgment regarding assumptions related to estimated future taxable profits. This includes the amounts of taxable future profits, the periods in which those profits are expected to occur, and the availability of tax planning opportunities. The Group record a deferred tax asset only when it is probable that a corresponding amount of taxable profit will be available against which the deductible temporary differences relating to the same taxation authority and the same taxable entity can be utilized.

The analysis and forecasting required in this process are performed for individual jurisdictions by qualified local tax and financial professionals. Given the potential significance surrounding the underlying estimates and assumptions, group-wide policies and procedures have been designed to ensure consistency and reliability around the recoverability assessment process. Forecast operating results are based upon approved business plans, which are themselves subject to a well-defined process of control. As a matter of policy, especially strong evidence supporting the recognition of deferred tax assets is required if an entity has suffered a loss in either the current or the preceding period.

Changes in deferred tax assets and liabilities are generally recognized through profit and loss in the consolidated statement of profit or loss, except for changes recognized directly in equity. Deferred tax assets are recognized only to the extent that it is likely that there will be future taxable income to offset. Deferred tax assets are reduced by the amount that the related tax benefit is no longer expected to be realized.

### 2.7.7 Earnings per Share

The Group reports basic and diluted earnings per share. Basic earnings per share are computed by dividing the net profit or loss attributable to parent company shareholders by the weighted-average number of ordinary shares outstanding for the reporting period. Diluted earnings per share are calculated in the same manner with the exception that the net profit or loss attributable to parent company shareholders and the weighted-average number of ordinary shares outstanding are adjusted for any dilutive effects resulting from stock options granted to the Management Board and employees and convertible bonds.

In 2019 and 2018, diluted earnings per share equaled basic earnings per share. The effect of 57,035 potentially dilutive shares in 2019 and 120,214 dilutive shares in 2018 resulting from stock options and convertible bonds granted to the Management Board and certain employees of the Company has been excluded from the diluted earnings per share as it would result in a decline in the loss per share and should, therefore, not be treated as dilutive.

The 67,964 stock options and 58,811 restricted stock units still unvested as of December 31, 2020 and the 515,433 shares from the convertible bond are included in the calculation of potentially dilutive shares as they are dilutive for the 2020 financial year.

## 2.8 Accounting Policies Applied to Balance Sheet Assets

### 2.8.1 Liquidity

Liquidity is defined as the sum of the balance sheet positions “Cash and Cash Equivalents”, “Financial Assets at Fair Value through Profit or Loss” and “Other Financial Assets at Amortized Cost”.

#### Classification

The Group classifies its financial assets (debt instruments) in the measurement categories of those subsequently measured at fair value (either through other comprehensive income or profit or loss) and those measured at amortized cost.

The Group defines all cash held at banks and on hand, as well as all short-term deposits with a maturity of three months or less as of the purchase date, as cash and cash equivalents. The Group invests the majority of its cash and cash equivalents at several major financial institutions including, Commerzbank, UniCredit, BayernLB, LBBW, BNP Paribas, Deutsche Bank, Sparkasse, Banque Européenne du Crédit Mutuel, Credit Suisse, UBS and Bank of America Merrill Lynch.

Guarantees granted for rent deposits and obligations from convertible bonds issued to employees are recorded as restricted cash under “Other Assets” because they are not available for use in the Group’s operations.

#### Recognition and Derecognition

The Group recognizes a financial asset at the point in time when it becomes the contractual party of the financial asset. Financial assets are derecognized when the claims to receive cash flows from the financial assets expire or have been transferred, and the Group has transferred substantially all the risks and rewards of ownership.

#### Measurement

Upon initial recognition, the Group measures a financial asset at fair value and – when the financial asset is not subsequently measured at fair value in profit or loss – plus transaction costs directly attributable to the acquisition of that asset. Transaction costs of financial assets measured at fair value through profit or loss are recognized as expenses in profit or loss.

The subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the asset's cash flow characteristics. The Group classifies its debt instruments in one of the following measurement categories described below.

Assets that are held in order to collect the contractual cash flows and for which these cash flows represent interest and principal payments only are measured at amortized cost. Interest income from these financial assets is recognized in finance income using the effective interest method. Negative interests are recognized in Finance Expense. Gains and losses upon derecognition are recognized directly in profit or loss and recorded in the finance result. Impairment losses are recognized as a separate line item in profit or loss.

Assets that are held to collect the contractual cash flows and to sell the financial assets and where the cash flows represent principal and interest payments only are measured at fair value through other comprehensive income. Changes in the carrying amounts are recognized in other comprehensive income, with the exception of impairment losses, income from impairment reversals, interest income and foreign currency gains and losses, which are recognized in profit or loss. Upon the derecognition of the financial asset, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and is recorded in the finance result. Interest income from these financial assets is reported in finance income using the effective interest method. Foreign exchange gains and losses are shown under other income/expenses, and impairment losses are included in a separate line item in profit or loss.

Assets that do not meet the criteria of the categories "at amortized cost" or "at fair value through other comprehensive income" are allocated to the category "at fair value through profit or loss." Gains and losses on debt instruments that are subsequently measured at fair value through profit or loss are recognized in the finance result in the period in which they occur.

The Group reclassifies debts instruments only in case when there is a change in the business model for managing such assets.

#### Derivatives

The Group uses derivatives to hedge cash flows associated to foreign exchange risks. The use of derivatives is subject to a Group policy approved by the Management Board, which sets out a written guideline on the use of derivatives. According to the Group's hedging policy, only highly probable future cash flows and clearly identifiable receivables that can be collected within a twelve-month period are hedged.

Derivatives are initially recognized at fair value at the time of the conclusion of a derivative transaction and subsequently measured at fair value at the end of each reporting period. The derivatives are presented as other receivables or other provision, depending on their nature. Changes in the fair value of a derivative instrument that is not accounted for as a hedging relationship are recognized directly in profit or loss in the finance result.

MorphoSys has not applied hedge accounting in the financial years 2020, 2019 and 2018.

### 2.8.2 Accounts Receivable, Income Tax Receivables and Other Receivables

Accounts receivable are measured at amortized cost less any impairment using the simplified impairment model (see Notes 2.3.1*, 2.4.2* and 6.3*).

*cross-reference to page 146, page 155 and page 180

Income tax receivables mainly include receivables due from tax authorities in the context of capital gain taxes withheld to the nominal value without discount.

Other non-derivative financial instruments are measured at amortized cost using the effective interest method.

### 2.8.3 Financial Assets from Collaborations

The accounting policies applied to financial assets from collaborations are presented in Notes 2.3.3* and 4*.

*cross-reference to page 150 and page 170

### 2.8.4 Inventories

Inventories are measured at the lower value of production or acquisition cost and net realizable value under the first-in, first-out method. Acquisition costs comprise all purchase costs, including those incurred in bringing the inventories into operating condition, and take purchase price reductions into account, such as bonuses and discounts. Manufacturing costs comprise all directly attributable costs as well as reasonably allocated overhead. Net realizable value is the estimated selling price less the estimated expenses necessary for completion and sale. Inventories are divided into the categories of raw materials and supplies as well as finished goods.

The impairment to a net realizable value of zero on the antibody material (tafasitamab) derived from fermenter runs, recognized in cost of sales as well as research and development expenses in prior periods, was reversed due to the market approval of Monjuvi. This was now usable for commercialization and therefore represents inventory. Following its market approval, tafasitamab used for commercialization purposes is presented as inventory, which is measured at its cost of production and recognized in cost of sales upon its sale.

Inventory of tafasitamab used for clinical trials or research activities are presented as other current assets and once it is used costs are recognized in the income statement under research and development expenses when consumed.

### 2.8.5 Prepaid Expenses and Other Current Assets

Prepaid expenses include expenses resulting from an outflow of liquid assets prior to the reporting date that are only recognized as expenses in the subsequent financial year. Such expenses usually involve maintenance contracts, sublicenses and upfront payments for external laboratory services not yet performed. Other current assets primarily consist of receivables from tax authorities from input tax surpluses, combination compounds as well as receivables from upfront payments. This item is recognized at nominal value or acquisition cost less impairments.

### 2.8.6 Property, Plant and Equipment

Property, plant and equipment are recorded at historical cost less accumulated depreciation (see Note 6.7*) and any impairment losses (see Note 2.4.3*). Historical cost includes expenditures directly related to the purchase at the time of the acquisition. Replacement purchases, building alterations and improvements are capitalized, whereas repair and maintenance expenses are recognized as expenses as they are incurred. Property, plant and equipment are depreciated on a straight-line basis over its estimated useful life (see table below). Leasehold improvements are depreciated on a straight-line basis over the shorter of either the asset's estimated useful life or the remaining term of the lease.

*cross-reference to page 156 and page 181

| Asset Class | Useful Life | Depreciation Rates |
|---|---|---|
| Office Equipment | 8 years | 13% |
| Laboratory Equipment | 4 years | 25% |
| Low-value Office and Laboratory Equipment | Immediately | 100% |
| Computer Hardware | 3 years | 33% |
| Permanent Improvements to Property/Buildings | 10 years | 10% |

The residual values and useful lives of assets are reviewed at the end of each reporting period and adjusted when necessary.

Borrowing costs that can be directly attributed to the acquisition, construction or production of a qualifying asset are not included in the acquisition or production costs because the Group's operating business is funded with equity.

### 2.8.7 Leases

As of January 1, 2019, the Group applies the IFRS 16 standard on leases.

For lessees, a uniform approach is applied to the recognition of leases, according to which assets for the right-of-use assets of the leased assets and liabilities for the payment obligations entered into are required to be recognized in the balance sheet for all leases. At the time a leased asset becomes available for the Group's use, a right-of-use asset and corresponding lease liability are recognized in the balance sheet.

Right-of-use assets are measured at cost, which is calculated as the lease liability plus lease payments made at or before the date on which the asset is made available for use, less lease incentives received and additional initial direct costs and dismantling obligations. Subsequent measurement of right-of-use assets is at amortized cost. The right-of-use assets are amortized on a straight-line basis over the shorter of either the useful life or the term of the lease agreement.

The lease liability is the present value of the fixed and variable lease payments that are paid during the term of the lease less any lease incentives receivable. The discounting is carried out based on the implied interest rate underlying the lease contract if the rate can be determined. If not, discounting is carried out based on the lessee's incremental borrowing rate, i.e., the interest rate a lessee would need to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of similar value and condition to the right-of-use asset in a similar economic environment.

In subsequent measurement, the carrying amount of the lease liability is increased to reflect the interest expense on the lease liability and reduced to reflect the lease payments made. Each lease installment is separated into a repayment portion and a financing expense portion. Finance expenses are recognized in profit or loss over the term of the lease.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

As of January 1, 2019, the rental expenses recognized in the statement of profit or loss up to and including the 2018 financial year were replaced by depreciation and amortization of assets and interest expenses from the compounding of lease liabilities. This means that the related costs are recorded in various items of the statement of profit or loss and differ in their total amount compared to the application of IAS 17. As a result of the interest expenses recorded under finance expenses in the statement of profit or loss, there was a material effect on Group EBIT in the 2019 financial year compared with the application of IAS 17 in financial year 2018. In accordance with IAS 17, interest expenses were part of rental expenses and were recorded under operating expenses in the statement of profit or loss.

The payments for the redemption of lease liabilities and the payments attributable to the interest portion of the lease liabilities are allocated to cash flow from financing activities.

For low-value leases and short-term leases (terms of less than twelve months), mainly technical equipment, use is made of the simplified application. Accordingly, no right-of-use assets or lease liabilities are recognized; instead, the lease payments are recognized as an expense over the term of the lease.

Impairment losses are recognized in accordance with the principles described in Note 2.4.3*.

*cross-reference to page 156

### 2.8.8 Intangible Assets

Purchased intangible assets are capitalized at acquisition cost and exclusively amortized on a straight-line basis over their useful lives. Internally generated intangible assets are recognized to the degree the corresponding recognition criteria are met.

Development costs are capitalized as intangible assets when the corresponding capitalization criteria have been met, namely, clear specification of the product or procedure, technical feasibility, intention of completion, use, commercialization, coverage of development costs through future free cash flows, reliable determination of these free cash flows and availability of sufficient resources for completion of development and sale. Amortization of intangible assets is recorded in cost of goods sold or research and development expenses.

Expenses to be classified as research expenses are allocated to research and development expenses.

Subsequent expenditures for capitalized intangible assets are capitalized only when they substantially increase the future economic benefit of the specific asset to which they relate. All other expenditures are expensed as incurred.

#### Patents

Patents obtained by the Group are recorded at acquisition cost less accumulated amortization (see below) and any impairment (see Note 2.4.3*). Patent costs are amortized on a straight-line basis over the lower of the estimated useful life of the patent (ten years) or the remaining patent term. Amortization starts when the patent is issued. Technology identified in the purchase price allocation for the acquisition of Sloning BioTechnology GmbH was recorded at the fair value at the time of acquisition, less accumulated amortization (useful life of 10 years).

*cross-reference to page 156

#### Licenses

The Group has acquired license rights from third parties by making upfront license payments, paying annual fees to maintain the license and paying fees for sublicenses. The Group amortizes upfront license payments on a straight-line basis over the estimated useful life of the acquired license (8 to 13 years). The amortization period and method are reviewed at the end of each financial year. Annual fees to maintain a license are amortized over the term of each annual agreement. Sublicense fees are amortized on a straight-line basis over the term of the contract or the estimated useful life of the collaboration for contracts without a set duration.

#### Licenses For Marketed Products

Due to the market approval of Monjuvi, the amount recognized in the balance sheet item "In-process R&D programs" as of December 31, 2019, has been reclassified to the balance sheet item "Licenses for marketed products." The prepaid license fees and milestone payments that are subsequently paid after the milestones have been reached are amortized over the estimated useful life of the acquired license. The duration and method of amortization are reviewed at the end of each financial year. In the case of triggering events, the asset is tested for any impairment. Because the Group applies the cost accumulation approach, milestones in the near future are not taken into account.

#### In-Process R&D Programs

This line item previously contained capitalized payments from the in-licensing of compounds for the Proprietary Development segment, as well as milestone payments for these compounds subsequently paid as milestones were achieved. Additionally, this line item also included compounds and antibody programs resulting from acquisitions. As of December 31, 2020, no assets were recognized in this balance sheet item due to the launch of Monjuvi and the divestment of the Lanthio entities' in-process R&D programs.

#### Software

Software is recorded at acquisition cost less accumulated amortization (see below) and any impairment (see Note 2.4.3*). Amortization is recognized in profit or loss on a straight-line basis over the estimated useful life of three to five years. Software is amortized from the date the software is operational.

*cross-reference to page 156

#### Goodwill

Goodwill is recognized for expected synergies from business combinations and the skills of the acquired workforce. Goodwill is tested annually for impairment (see Note 6.9*).

*cross-reference to page 183

| Intangible Asset Class | Useful Life | Amortization Rates |
|---|---|---|
| Patents | 10 years | 10% |
| Licenses and Licenses for Marketed Products | 8–24 years | 13%–4% |
| In-process R&D Programs | Not yet amortized, Impairment Only | – |
| Software | 3–5 years | 33%–20% |
| Goodwill | Impairment Only | – |

### 2.8.9 Sharesat Fair Value, with Changes Recognized in Other Comprehensive Income

The investments in adivo GmbH and Vivoryon Therapeutics AG are accounted for as equity financial instruments at fair value. Changes in fair value are recognized in other comprehensive income. This was irrevocably determined when the investments were first recognized. These investments are strategic financial investments, and the Group considers this classification to be more meaningful. If one of the investment is derecognized, no subsequent reclassification of gains or losses to profit or loss will occur. Dividends from these investments are recognized in profit or loss when there is a justified right to receive payment.

### 2.8.10 Prepaid Expenses and Other Assets, net of Current Portion

The non-current portion of expenses incurred prior to the reporting date but recognized in subsequent financial years is recorded in prepaid expenses. This line item contains maintenance contracts and sublicenses.

This line item also includes other non-current assets recognized at fair value. Other non-current assets consist mainly of restricted cash, such as rent deposits.

## 2.9 Accounting Policies Applied to Equity and Liability Items of the Balance Sheet

### 2.9.1 Financial Liabilites

#### Initial Recognition and Measurement

Financial liabilities are recognized when the group entity becomes a party to the financial instrument that establishes the financial liability. Financial instruments are initially recognized on the settlement date in the case of regular way purchases or sales, and derivative financial instruments are initially recognized on the trade date.

Financial liabilities are measured at fair value on initial recognition. Direct attributable transaction costs are deducted from the fair value if they are attributable to financial liabilities measured at amortized cost. Transaction costs are recognized directly in profit or loss if they are related to the issue of financial liabilities measured at fair value.

#### Subsequent Measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortized cost

Subsequent measurement of financial liabilities at fair value through profit or loss is at fair value. Gains or losses from changes in fair value are recognized in profit or loss in the financial result.

After initial recognition of financial liabilities at amortized cost, these financial liabilities are measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss in the financial result using the effective interest method.

#### Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

### 2.9.2 Accounts Payable, Accruals and other Provisions

Accounts payable and accruals are initially recognized at fair value and subsequently at amortized cost using the effective interest method. Non-financial liabilities with a term of more than one year are discounted to their net present value. Liabilities that are uncertain in their timing or amount are recorded as accruals.

Accruals are recognized for obligations to third parties arising from past events. Furthermore, accruals are only recognized for legal or factual obligations to third parties if the event's occurrence is more likely than not. Accruals are recognized in the amount required to settle the respective obligation and discounted to the reporting date when the interest effect is material. The amount required to meet the obligation also includes expected price and cost increases. The interest portion of the addition to accruals is recorded in the finance result. The measurement of accruals is based on past experience and considers the circumstances in existence on the reporting date.

The Group has entered into various research and development contracts with research institutions and other companies. These agreements are generally cancelable, and related costs are recorded as research and development expenses as incurred. The Group recognizes accruals for estimated ongoing research costs that have been incurred. When evaluating the appropriateness of the deferred expenses, the Group analyzes the progress of the studies, including the phase and completion of events, invoices received and contractually agreed costs. Significant judgments and estimates are made in determining the deferred balances at the end of any reporting period. Actual results may differ from the Group's estimates. The Group's historical accrual estimates have not been materially different from the actual costs.

Other provisions mainly include cash-settled share-based payments.

### 2.9.3 Tax Liabilities

Tax liabilities are recognized and measured at their nominal value. Tax liabilities contain obligations from current taxes, excluding deferred taxes. Liabilities for trade taxes, corporate taxes and similar taxes on income are determined based on the taxable income of the consolidated entities less any prepayments made.

### 2.9.4 Current Portion of Contract Liabilities

Upfront payments from customers for services to be rendered by the Group and revenue that must be recognized over a period of time are deferred and measured at the nominal amount of cash received. The corresponding rendering of services and revenue recognition is expected to occur within a twelve-month period following the reporting date.

### 2.9.5 Contract Liabilities, net of Current Portion

This line item includes the non-current portion of deferred customer upfront payments and revenue that must be recognized over a period of time. Contractual liabilities are measured at the nominal amount of cash received.

### 2.9.6 Convertible Bonds

The components of the convertible bonds issued by MorphoSys are recognized separately as a financial liability and as an equity instrument according to the economic substance of the contractual arrangement. As of the date of issuance, the fair value of the liability component was determined using the market interest rate applicable to comparable non-convertible instruments. This amount was recognized as a financial liability at amortized cost using the effective interest method until settlement on conversion or maturity of the instrument. The conversion option classified as equity was determined as the difference between the total value of the convertible bond and the fair value of the liability component. The resulting amount, net of income tax effects, is recognized in the capital reserve as part of equity and is not adjusted in subsequent periods. No gain or loss arises from the exercise or expiration of the conversion option. Transaction costs associated with the instrument are allocated between the two components based on the allocation of proceeds. The transaction costs attributable to the borrowed capital were deducted from carrying amount of the liability component and are amortized over the term of the convertible bond using the effective interest method.

Interest calculated pro rata and payable within the next 12 months is shown as current.

### 2.9.7 Convertible Bonds due to Related Parties

The Group has issued convertible bonds to the Group's Management Board and employees. The equity component of a convertible bond must be recorded separately under additional paid-in capital. The equity component is determined by deducting the separately determined amount of the liability component from the fair value of the convertible bond. The effect of the equity component on profit or loss is recognized in personnel expenses from stock options, whereas the effect on profit or loss from the liability component is recognized as interest expense. The exercise period of the conversion rights expired on March 31, 2020.

### 2.9.8 Deferred Taxes

Deferred tax assets and liabilities are calculated using the liability method, which is commonly used internationally. Under this method, taxes expected to be paid or recovered in subsequent financial years are based on the applicable tax rate at the time of recognition.

Deferred tax assets and liabilities are recorded separately in the balance sheet and take into account the future tax effect resulting from temporary differences between carrying amounts in the balance sheet for assets and liabilities and tax loss carryforwards.

Deferred tax assets are offset against deferred tax liabilities when the taxes are levied by the same taxation authority and their maturity and the entity has a legally enforceable right to offset current tax assets against current tax liabilities. Deferred tax assets and liabilities may not be discounted.

Deferred tax assets on loss carryforwards and temporary differences are recognized and measured on the basis of projected future taxable income. They are only recognized if sufficient taxable income is available in the future to utilize the deferred tax assets.

In assessing the recoverability of deferred tax assets, only the effects on earnings of the reversal of temporary differences arising from deferred tax liabilities, the planned results from operating activities, and possible tax strategies are taken into account. The planned results are based on internal forecasts of the future earnings situation of the respective Group company for the assessment of recoverability in the case of loss carryforwards and the long-term planning of the respective company for the assessment of recoverability in the case of temporary differences. If there are doubts about the realizability of the loss carryforwards, no corresponding deferred tax assets are recognized in individual cases, or deferred tax assets already recognized are impaired. The tax deferrals recognized are subject to ongoing reviews of the underlying assumptions. Changes in assumptions or circumstances may necessitate adjustments, which may result in additional tax deferrals or their reversal. Deferred tax assets and liabilities are offset if they relate to the same tax authority, and the right to offset current tax assets and liabilities is legally enforceable. Deferred tax assets and liabilities are recognized on an undiscounted basis. If the items underlying the temporary differences, or tax expenses and income respectively, are recognized directly in equity, this also applies to the current taxes or deferred tax assets and liabilities attributable thereto.

### 2.9.9 Financial Liabilities from Collaborations

The accounting policies applied to financial liabilities from collaborations are presented in Note 2.3.3* and Note 4*.

*cross-reference to page 150 and page 170

### 2.9.10 Stockholders' Equity

#### Common Stock

Ordinary shares are classified as stockholders' equity. Incremental costs directly attributable to the issue of ordinary shares and stock options are recognized as a deduction from stockholders' equity.

#### Treasury Stock

Repurchases of the Company's own shares at prices quoted on an exchange or at market value are recorded in this line item as a deduction from common stock.

When common stock recorded as stockholders' equity is repurchased, the amount of consideration paid, including directly attributable costs, is recognized as a deduction from stockholders' equity net of taxes and classified as treasury shares. When treasury shares are subsequently sold or reissued, the proceeds are recognized as an increase in stockholders' equity, and any difference between the proceeds from the transaction and the initial acquisition costs is recognized in additional paid-in capital.

The allocation of treasury shares to beneficiaries under long-term incentive plans (in this case: performance shares) is reflected in this line item based on the set number of shares to be allocated after the expiration of the four-year vesting period (quantity structure) and multiplied by the weighted-average purchase price of the treasury shares (value structure). The adjustment is carried out directly in equity through a reduction in the line item "treasury stock," which is a deduction from common stock, while simultaneously reducing additional paid-in capital. Further information can be found in Notes 8.3.1* and 8.3.2*.

*cross-reference to page 192 and page 193

### Additional Paid-In Capital

Additional paid-in capital mainly consists of personnel expenses resulting from the grant of stock options, convertible bonds and performance shares, the conversion option of convertible bonds classified as equity, as well as the proceeds from newly created shares in excess of their nominal value.

### Other Comprehensive Income Reserve

The line item "other comprehensive income reserve" includes changes in the fair value of equity instruments that are recognized in other comprehensive income and currency exchange differences that are not recognized in profit or loss.

### Accumulated Income/Deficit

The "accumulated income/deficit" line item consists of the Group's accumulated consolidated net profits/losses. A separate measurement of this item is not made.

# 3 Segment Reporting

An operating segment is defined as a unit of an entity that engages in business activities from which it can earn revenues and incur expenses and whose operating results are regularly reviewed by the entity's chief operating decision-maker, the Management Board, and for which discrete financial information is available.

Segment information is provided for the Group's operating segments based on the Group's management and internal reporting structures. The segment results and segment assets include items that can be either directly attributed to the individual segment or allocated to the segments on a reasonable basis.

The Management Board evaluates a segment's economic success using selected key figures so that all relevant income and expenses are included. EBIT, which the Company defines as earnings before finance income, finance expenses, income from impairment reversals/expenses from impairment losses on financial assets and income taxes, is the key benchmark for measuring and evaluating the operating results. Refer to the table in Note 3.3* for a reconciliation of EBIT to net income as well as to the table in Note 5.3* for a breakdown of finance income and expenses. Other key internal reporting figures include revenues, operating expenses, segment results and the liquidity position.

*cross-reference to page 168 and page 174

Starting in first quarter of 2021, MorphoSys will no longer present the previous segment information for the Proprietary Development and Partnered Discovery segment to the Company's chief operating-decision maker, the Management Board. Internal reporting will only focus on the Groups key value drivers, which are product sales, further market approvals of tafasitamab and royalties. The previous segment reporting will be made for external reporting purposes for the last time as of December 31, 2020. The future reporting will only include the consolidated statement of profit or loss and there will no longer be any segment reporting.

## 3.1 Proprietary Development

The Proprietary Development segment comprises all activities related to the proprietary development of therapeutic antibodies. Currently, this segment's activities comprise a total of eleven antibody programs, with tafasitamab representing the Company's most advanced proprietary clinical program. Also included are the antibody felzartamab (MOR202), which was partially out-licensed to I-Mab and the proprietary program otilimab, which was out-licensed to GlaxoSmithKline (GSK) in 2013. The partially or completely out-licensed programs have been part of the Proprietary Development segment since the beginning of their development and will therefore continue to be reported in this segment. MorphoSys is also pursuing other early-stage proprietary development and co-development programs. One other program is in preclinical development and a further six programs are in drug discovery. The Proprietary Development segment also manages the development of proprietary technologies

## 3.2 Partnered Discovery

MorphoSys's technology for generating therapeutics is based on human antibodies. The Group markets this technology commercially through its partnerships with numerous pharmaceutical and biotechnology companies. The Partnered Discovery segment encompasses all operating activities relating to these commercial agreements.

## 3.3 Cross-Segment Information

The information on segment assets is based on the assets' respective locations.

| For the Twelve-month Period Ended December 31 (in 000' €) | Proprietary Development | | | Partnered Discovery | | |
|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2018 | 2020 | 2019 | 2018 |
| External Revenues | 278,630 | 34,286 | 53,610 | 49,068 | 37,469 | 22,832 |
| Operating Expenses | (265,159) | (143,459) | (107,019) | (11,643) | (10,671) | (9,516) |
| **Segment Result** | **13,471** | **(109,173)** | **(53,409)** | **37,425** | **26,798** | **13,316** |
| Other Income | 9,386 | 125 | 159 | 0 | 0 | 0 |
| Other Expenses | 0 | (19) | 0 | 0 | 0 | 0 |
| **Segment EBIT** | **22,857** | **(109,067)** | **(53,250)** | **37,425** | **26,798** | **13,316** |
| Finance Income | 81,995 | 0 | 0 | 0 | 0 | 0 |
| Finance Expenses | (45,443) | 0 | 0 | 0 | 0 | 0 |
| Income from Reversals of Impairment Losses/ (Impairment Losses) on Financial Assets | | | | | | |
| **Earnings before Taxes** | | | | | | |
| Income Tax Benefit/(Expenses) | | | | | | |
| **Consolidated Net Profit/(Loss)** | | | | | | |
| Current Assets | 138,515 | 12,155 | 15,842 | 13,965 | 11,078 | 7,114 |
| Non-current Assets | 103,747 | 72,928 | 42,041 | 7,166 | 11,851 | 6,288 |
| **Total Segment Assets** | **242,262** | **85,083** | **57,883** | **21,131** | **22,929** | **13,402** |
| Current Liabilities | 102,177 | 36,176 | 32,167 | 7,363 | 2,877 | 1,471 |
| Non-current Liabilities | 544,761 | 27,775 | 3,291 | 4,517 | 5,771 | 158 |
| Stockholders' Equity | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total Segment Liabilities and Equity** | **646,938** | **63,951** | **35,458** | **11,880** | **8,648** | **1,629** |
| Capital Expenditure | 48,260 | 2,830 | 1,319 | 429 | 625 | 879 |
| Depreciation and Amortization | 3,201 | 1,718 | 1,903 | 1,104 | 1,385 | 1,429 |

The segment result is defined as the segment's revenue, less the segment's operating expenses. The unallocated operating expenses of € 32.9 million (2019: € 25.7 million; 2018: € 20.0 million) included primarily expenses for central administrative functions that are not allocated to one of the two segments. Finance income, finance expense and income tax, except for the effects from the collaboration and license agreement with Incyte, are also not allocated to the segments as they are managed on a Group basis. Unallocated segment assets and liabilities have the same background as unallocated operating expenses. In the 2020 financial year, impairments totaling € 13.9 million were recognized in the Proprietary Development segment and € 2.1 million in the Partnered Discovery segment on property, plant and equipment as well as intangible assets (2019: impairments of € 1.6 million in the Proprietary Development segment; 2018: impairments of € 19.2 million in the Proprietary Development segment).

The Group's key customers are allocated to both the Proprietary Development and the Partnered Discovery segments. As of December 31, 2020, the single most important customer represented accounts receivable with a carrying amount of € 50.1 million (December 31, 2019: € 8.0 million). The largest customer for the Group accounted for revenues in 2020 of € 255.8 million, the second-largest for € 44.7 million, and the third-largest for € 4.1 million. The largest and third-largest customer in 2020 were allocated to the Proprietary Development segment and the second-largest customer to the Partnered Discovery segment.

In 2019, the largest customer for the Group accounted for revenues of € 32.3 million, the second-largest for € 22.0 million, and the third-largest for € 9.4 million. The largest customer was allocated to the Partnered Discovery segment and the second-largest and third-largest customers to the Proprietary Development segment.

In 2018, € 49.5 million of the Group's total revenues came from the largest customer, € 19.0 million from the second-largest customer, and € 3.9 million from the third-largest customer. The largest and third-largest customers were allocated to the Proprietary Development segment and the second-largest customer to the Partnered Discovery segment.

The following overview shows the Group's regional distribution of revenue:

| in 000' € | 2020 | 2019 | 2018 |
|---|---|---|---|
| Germany | 0 | 145 | 309 |
| Europe and Asia | 8,640 | 39,322 | 56,784 |
| USA and Canada | 319,058 | 32,288 | 19,350 |
| **Total** | **327,698** | **71,755** | **76,443** |

| Unallocated | | | Group | | |
|---|---|---|---|---|---|
| 2020 | 2019 | 2018 | 2020 | 2019 | 2018 |
| 0 | 0 | 0 | 327,698 | 71,755 | 76,442 |
| (32,945) | (25,723) | (19,969) | (309,747) | (179,853) | (136,504) |
| **(32,945)** | **(25,723)** | **(19,969)** | **17,951** | **(108,098)** | **(60,062)** |
| 5,199 | 680 | 1,486 | 14,585 | 805 | 1,645 |
| (5,175) | (608) | (689) | (5,175) | (627) | (689) |
| **(32,921)** | **(25,651)** | **(19,172)** | **27,361** | **(107,920)** | **(59,106)** |
| 10,052 | 0 | 0 | 92,047 | 2,799 | 418 |
| (50,771) | 0 | 0 | (96,214) | (2,272) | (754) |
| | | | (702) | 872 | (1,035) |
| | | | **22,492** | **(106,521)** | **(60,477)** |
| | | | 75,399 | 3,506 | 4,305 |
| | | | **97,891** | **(103,015)** | **(56,172)** |
| 1,054,336 | 280,460 | 365,949 | 1,206,816 | 303,693 | 388,905 |
| 341,784 | 107,967 | 101,530 | 452,697 | 192,746 | 149,859 |
| **1,396,120** | **388,427** | **467,479** | **1,659,513** | **496,439** | **538,764** |
| 90,919 | 22,505 | 12,285 | 200,459 | 61,558 | 45,923 |
| 288,454 | 6,633 | 1,019 | 837,732 | 40,179 | 4,468 |
| 621,322 | 394,702 | 488,373 | 621,322 | 394,702 | 488,373 |
| **1,000,695** | **423,840** | **501,677** | **1,659,513** | **496,439** | **538,764** |
| 526 | 207 | 268 | 49,215 | 3,662 | 2,466 |
| 425 | 355 | 418 | 4,730 | 3,458 | 3,750 |

The following overview shows the timing of the satisfaction of performance obligations:

| | Proprietary Development | | | Partnered Discovery | | |
|---|---|---|---|---|---|---|
| **in 000' €** | **2020** | **2019** | **2018** | **2020** | **2019** | **2018** |
| At a Point in Time thereof performance obligations fulfilled in previous periods: in Proprietary Development € 0.8 million in 2020, € 29.1 million in 2019 and € 0 in 2018 and in Partnered Discovery € 46.2 million in 2020, € 32.9 million in 2019 and € 19.0 million in 2019 | 278,630 | 34,286 | 53,610 | 48,808 | 36,984 | 22,268 |
| Over Time | 0 | 0 | 0 | 260 | 485 | 564 |
| **Total** | **278,630** | **34,286** | **53,610** | **49,068** | **37,469** | **22,832** |

A total of € 311.6 million (December 31, 2019: € 175.8 million) of the Group's non-current assets, excluding deferred tax assets, are located in Germany and € 8.3 million in the USA (December 31, 2019: € 4.4 million). In the Netherlands, there were no non-current assets as of December 31, 2020 due the sale of the Lanthio entities (December 31, 2019: € 12.5 million). Of the Group's investments, € 47.6 million (December 31, 2019: € 2.3 million) were made in Germany, € 1.6 million (December 31, 2019: € 1.3 million) in the USA and less than € 0.1 million (December 31, 2019: less than € 0.1 million) in the Netherlands. In accordance with internal definitions, investments solely include additions to property, plant and equipment and intangible assets not related to leases and business combinations.

# 4 Collaboration and License Agreement with Incyte

On January 13, 2020, MorphoSys AG and Incyte Corporation announced that both companies had signed a collaboration and license agreement for the further global development and commercialization of MorphoSys's proprietary anti-CD19 antibody tafasitamab. The agreement became effective on March 3, 2020 following the receipt of antitrust clearance. Under the terms of the agreement, MorphoSys received an upfront payment of US$ 750.0 million (€ 691.7 million). In addition, Incyte invested US$ 150.0 million (€ 130.9 million) in new ADSs of MorphoSys. MorphoSys increased its common stock by issuing 907,441 new ordinary shares from Authorized Capital 2017-I, excluding the preemptive rights of existing shareholders, to facilitate Incyte's purchase of 3,629,764 ADSs. Each ADS represents one-quarter of one MorphoSys ordinary share. The new ordinary shares underlying the ADSs represented 2.84 % of the registered common stock of MorphoSys prior to the capital increase. Incyte purchased the 3,629,764 new ADSs at a price of US$ 41.32 (approximately € 36.27) per ADS. This price represented a premium of 20 % on the volume-weighted average price of the ADSs 30 days prior to the signing of the collaboration and license agreement. Subject to limited exceptions, Incyte has agreed not to sell or otherwise transfer any of the new ADSs (representing 2.76 % of MorphoSys's registered common stock following the capital increase) for a period of 18 months.

Depending on the achievement of certain developmental, regulatory, and commercial milestones, MorphoSys is eligible to receive milestone payments amounting to up to US$ 1.1 billion (approximately € 973.0 million). MorphoSys will also receive tiered royalties in a mid-teen to mid-twenties percentage of net sales of Monjuvi outside the US. In the US, MorphoSys and Incyte will co-commercialize Monjuvi, with MorphoSys being responsible for the commercial relationship with the end customer, which also comprises the deliveries of the drug and the collection of the related cash inflows. The revenues from product sales of Monjuvi will, therefore, be recognized by MorphoSys, as it is the principal of the transaction. Incyte and MorphoSys are jointly responsible for the commercialization activities in the US and will equally share any profits and losses (50/50 basis). Outside the US, Incyte will receive exclusive commercialization rights, determine the commercialization strategy and be responsible for the commercial relationship with the end customer, including the deliveries of the drug and the collection of the related cash inflows. Therefore, Incyte will recognize all revenues generated from sales of tafasitamab outside the US and will pay royalties to MorphoSys on these sales.

MorphoSys received a total of US$ 900.0 million (€ 822.6 million) from Incyte upon signing the agreement. At the time of its initial recognition, a current financial asset in the amount of US$ 48.9 million (€ 45.1 million) and a non-current financial liability in the amount of US$ 588.3 million (€ 542.6 million) were recognized and recorded in the balance sheet items "Financial assets from collaborations" and "Financial liabilities from collaborations". The financial asset represents MorphoSys's current reimbursement claim against Incyte from the expected future losses associated with the US commercialization activities (as Incyte has agreed to compensate MorphoSys for 50 % of said losses) measured at fair value. The non-current financial liability, measured initially at fair value, represents Incyte's prepaid entitlement to future profit sharing on sales of Monjuvi in the US (as MorphoSys will share 50 % of these profits with Incyte). Incyte has already acquired this right with the payments made in March 2020; therefore, a liability had to be recognized at that time. The basis for the initial valuation at fair value is the corporate planning and its shared profits and losses thereof in connection with the commercialization activities of MorphoSys and Incyte in the United States for the years ahead. As part of Incyte's participation in the equity of MorphoSys AG through a capital increase, the equivalent of US$1.0 million (€ 0.9 million; equivalent to the nominal value of € 1 per ordinary share) was recognized in common stock and US$ 90.7 million (€ 79.7 million) in additional paid-in capital in the amount of the fair value of the investment. The remainder of US$ 268.9 million (€ 236.1 million) was recognized as revenues according to IFRS 15, as this is the amount recognized as consideration for the marketing license for tafasitamab outside the US. Due to the different timing of revenue recognition and receipt of payment from Incyte, foreign currency gains of € 8.4 million were recognized.

The financial asset is subsequently measured at fair value through profit or loss and the financial liability at amortized cost using the effective interest method. Any resulting effective interest is recognized in the finance result. The basis for the valuation at fair value is the corporate planning and its shared profits and losses thereof in connection with the commercialization activities of MorphoSys and Incyte in the US for the years ahead. Cash flows from the profits and losses shared equally between the two parties are generally recognized directly against the financial asset or financial liability. Differences between the planned and actual cash flows from the financial asset or financial liability are recorded in the finance result. Effects resulting from changes in planning estimates regarding the expected net cash flows from financial assets and financial liabilities are also recognized in the finance result. The initial interest rate continues to be applied for the subsequent measurement of the financial liability, whereas the current yield curve is used for the financial assets. Foreign currency translation effects from the financial asset or financial liability are also recognized in the finance result.

The planning assumptions are influenced by significant estimates and mainly comprise revenues and costs for the production and sale of Monjuvi in the US, the discount rate and the expected term of cash flows. Revenues are affected by variable influencing factors such as patient numbers and the number of doses of Monjuvi administered, as well as the price that can be obtained in the market. Costs include the manufacturing costs for these doses of Monjuvi and other cost components for e.g. sale, transport, insurance and packaging. For more information on the discount rate, see section 2.3.3* of these notes. The term is the estimated time period over which Monjuvi will generate benefits in the approved indication and therefore the expected term of product sales in the US.

*cross-reference to page 150

As of December 31, 2020, US$ 633.8 million (€ 516.5 million) was recognized as a current and non-current financial liability and US$ 52.6 million (€ 42.9 million) as a financial asset as a result of the collaboration with Incyte.

MorphoSys and Incyte will also share the development costs for the jointly initiated worldwide and US-specific clinical trials at a ratio of 55 % (Incyte) to 45 % (MorphoSys). This 45 % share of development costs borne by MorphoSys is included in research and development costs. Should MorphoSys provide services in excess of this 45 % share, MorphoSys will be entitled to a compensation claim against Incyte, which will qualify as revenue in accordance with IFRS 15. Related expenses for the provision of the service are recognized as cost of sales. Conversely, MorphoSys has to bear additional research and development expenses if Incyte performs more than 55 % of the total clinical trial services. In addition, Incyte will assume 100 % of future development costs for clinical trials in countries outside the United States, which are conducted in Incyte's own responisbility. Incyte has the option to obtain development services from MorphoSys for this purpose. If this option is exercised, the related income will be recognized as revenue.

The financial assets from collaborations measured according to Level 3 changed in 2020 as follows:

| in 000' € | 2020 |
|---|---|
| Opening Balance | 0 |
| Additions | 45,090 |
| Cash Receipts | (12,677) |
| Through Other Comprehensive Income | 0 |
| Through Profit or Loss (in Finance Result) | 10,458 |
| **Closing Balance** | **42,870** |

If the expected sales revenues and cost components had changed by 1 %, the fair value of the financial asset from collaborations would have been in a range of € 42.1 million to € 43.7 million (acquisition date: € 43.7 million to € 46.5 million).

The estimates underlying the financial liabilities from collaboration are subject to a sensitivity analysis below. This would have resulted in the following effects on the fair value of the financial liabilities from collaborations upon initial recognition. In each case, one planning assumption is changed and all other estimates are kept constant.

| in million € | +1% | (1%) |
|---|---|---|
| Change in Price obtained in the Market (revenue related) | 13.8 | (13.8) |
| Change in Patient Numbers and Number of Doses administered (revenue related) | 12.7 | (12.6) |
| Change in Manufacturing Costs and other Cost Components (cost related) | (7.2) | 7.2 |
| Change in Patient Numbers and Number of Doses administered (cost related) | (1.2) | 1.2 |
| Discount Rate | (43.1) | 47.7 |

The effects included in the previous table would have correspondingly affected the revenue recognized as residual value for the marketing license for tafasitamab outside the US at the acquisition date. An increase in financial liabilities from collaborations would have led to lower and a decrease to higher sales revenues.

As of December 31, 2020, percentage changes in significant estimates would have impacted the financial liabilities from collaborations as follows.

| in million € | +1% | (1%) |
|---|---|---|
| Change in Price obtained in the Market (revenue related) | 11.2 | (11.2) |
| Change in Patient Numbers and Number of Doses administered (revenue related) | 10.1 | (10.1) |
| Change in Manufacturing Costs and other Cost Components (cost related) | (6.2) | 6.2 |
| Change in Patient Numbers and Number of Doses administered (cost related) | (1.1) | 1.1 |

# 5 Notes to the Profit or Loss Statement

## 5.1 Revenues

| | Proprietary Development | | | Partnered Discovery | | |
|---|---|---|---|---|---|---|
| in 000' € | 2020 | 2019 | 2018 | 2020 | 2019 | 2018 |
| Product Sales, Net | 22,983 | 0 | 0 | 0 | 0 | 0 |
| License Fees | 236,051 | 0 | 50,596 | 43 | 265 | 618 |
| Milestone Payments | 847 | 29,100 | 0 | 3,978 | 1,370 | 3,917 |
| Service Fees | 18,749 | 5,186 | 3,014 | 2,580 | 4,046 | 2,919 |
| Royalties | 0 | 0 | 0 | 42,467 | 31,788 | 15,379 |
| **Total** | **278,630** | **34,286** | **53,610** | **49,068** | **37,469** | **22,833** |

Substantially all service fee revenues relate to revenues on a gross basis (principal).

Of the total revenues generated in 2020, a total of € 47.1 million were recognized from performance obligations that were fulfilled in previous periods and related to milestone payments and royalties (2019: € 62.0 million; 2019: € 19.0 million).

## 5.2 Operating Expenses

### 5.2.1 Cost of Sales

Cost of sales consisted of the following:

| in 000' € | 2020 | 2019 | 2018 |
|---|---|---|---|
| Expensed Acquisition or Production Cost of Inventories | 5,564 | 0 | 0 |
| Personnel Expenses | 11,054 | 3,233 | 1,797 |
| Impairment (+) and Reversals of Impairment (-) on Inventories | (9,933) | 8,685 | 0 |
| Other Operating Expenses | 12 | 18 | 0 |
| Impairment, Amortization and Other Costs of Intangible Assets | 2,251 | 0 | 0 |
| External Services | 128 | 49 | 0 |
| Depreciation and Other Costs for Infrastructure | 98 | 100 | 0 |
| **Total** | **9,174** | **12,085** | **1,797** |

For the explanation of the income in the line "impairment and reversals of impairment on inventories", see Note 6.5* of these notes.

*cross-reference to page 180

### 5.2.2 Research and Development Expenses

Research and development expenses consisted of the following:

| in 000' € | 2020 | 2019 | 2018 |
|---|---|---|---|
| Personnel Expenses | 35,495 | 30,131 | 25,288 |
| Impairment (+) and Reversals of Impairment (-) on Inventories | (3,338) | 0 | 0 |
| Consumable Supplies | 3,239 | 2,874 | 2,310 |
| Other Operating Expenses | 2,498 | 3,142 | 2,761 |
| Impairment, Amortization and Other Costs of Intangible Assets | 20,201 | 5,631 | 22,760 |
| External Services | 74,663 | 60,710 | 47,889 |
| Depreciation and Other Costs for Infrastructure | 8,669 | 5,944 | 5,389 |
| **Total** | **141,427** | **108,432** | **106,397** |

For the explanation of the income in the line "impairment and reversals of impairment on inventories", see Note 6.5* of these notes.
*cross-reference to page 180

In 2020, a total of € 16.0 million in impairment losses was recognized as expenses for intangible assets, which related to the MOR107 in-process R&D program, licenses and patents as well as to goodwill.

### 5.2.3 Selling Expenses

Selling expenses consisted of the following:

| in 000' € | 2020 | 2019 | 2018 |
|---|---|---|---|
| Personnel Expenses | 52,959 | 6,967 | 2,536 |
| Consumable Supplies | 125 | 14 | 3 |
| Other Operating Expenses | 3,360 | 1,158 | 538 |
| Amortization of Intangible Assets | 8 | 11 | 25 |
| External Services | 50,591 | 14,150 | 2,953 |
| Depreciation and Other Costs for Infrastructure | 700 | 371 | 328 |
| **Total** | **107,743** | **22,671** | **6,383** |

### 5.2.4 General and Administrative Expenses

General and administrative expenses consisted of the following:

| in 000' € | 2020 | 2019 | 2018 |
|---|---|---|---|
| Personnel Expenses | 32,352 | 23,382 | 15,016 |
| Consumable Supplies | 565 | 389 | 15 |
| Other Operating Expenses | 1,250 | 1,875 | 1,012 |
| Amortization of Intangible Assets | 55 | 39 | 97 |
| External Services | 13,097 | 9,241 | 4,475 |
| Depreciation and Other Costs for Infrastructure | 4,084 | 1,739 | 1,313 |
| **Total** | **51,403** | **36,665** | **21,928** |

### 5.2.5 Personnel Expenses

Personnel expenses consisted of the following:

| in 000' € | 2020 | 2019 | 2018 |
|---|---|---|---|
| Wages and Salaries | 99,438 | 43,476 | 30,349 |
| Social Security Contributions | 8,043 | 5,686 | 4,341 |
| Share-based Payment Expense | 8,955 | 6,654 | 5,585 |
| Temporary Staff (External) | 5,760 | 2,633 | 1,241 |
| Other | 9,664 | 5,264 | 3,121 |
| **Total** | **131,860** | **63,713** | **44,637** |

In the years 2020, 2019 and 2018, other personnel expenses consisted mainly of costs for personnel support and personnel development.

The cost of defined contribution plans amounted to € 0.8 million in 2020 (2019: € 0.7 million; 2018: € 0.7 million).

The following number of employees as of December 31 of a given year were employed in the various functions and allocated to the segments as follows:

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Research and Development | 351 | 300 | 246 |
| Selling | 142 | 40 | 21 |
| General and Administrative | 122 | 86 | 62 |
| **Total** | **615** | **426** | **329** |
| | | | |
| Proprietary Development | 423 | 249 | 209 |
| Partnered Discovery | 59 | 61 | 49 |
| Unallocated | 133 | 116 | 71 |
| **Total** | **615** | **426** | **329** |

The average number of employees for the 2020 financial year was 564 (2019: 374; 2018: 327).

## 5.3 Other Income and Expenses, Finance Income and Finance Expenses

The other income and other expenses are shown in the following overview.

| in 000' € | 2020 | 2019 | 2018 |
|---|---|---|---|
| Gain from Deconsolidation of Lanthio Entities | 379 | 0 | 0 |
| Gain on Foreign Exchange from Operating Activities | 13,656 | 233 | 677 |
| Grant Income | 61 | 98 | 153 |
| Gain from recognition of previously unrecognized intangible assets | 0 | 0 | 350 |
| Income from Other Items | 489 | 474 | 465 |
| **Other Income** | **14,585** | **805** | **1,645** |
| | | | |
| Loss on Foreign Exchange from Operating Activities | (4,581) | (413) | (457) |
| Expenses from Other Items | (594) | (214) | (232) |
| **Other Expenses** | **(5,175)** | **(627)** | **(689)** |

The finance income and finance expenses are shown in the following overview.

| in 000' € | 2020 | 2019 | 2018 |
|---|---|---|---|
| Foreign Currency Gains from Financial Liabilities from Collaborations | 66,379 | 0 | 0 |
| Gain from Changes of Estimates in Financial Assets from Collaborations | 15,616 | 0 | 0 |
| Gain from Foreign Currency Hedging | 698 | 1,476 | 322 |
| Gain on Financial Assets at Fair Value through Profit or Loss | 8,121 | 1,101 | 5 |
| Interest Income on Other Financial Assets at Amortized Cost | 1,233 | 223 | 91 |
| **Finance Income** | **92,047** | **2,799** | **418** |
| | | | |
| Foreign Currency Losses from Financial Assets from Collaborations | (5,549) | 0 | 0 |
| Effective Interest Expenses from Financial Liabilities from Collaborations | (15,329) | 0 | 0 |
| Losses from Changes of Estimates in Financial Liabilities from Collaborations | (24,565) | 0 | 0 |
| Losses from Foreign Currency Hedging | (4,950) | (214) | (444) |
| Loss on Financial Assets at Fair Value through Profit or Loss | (32,138) | (299) | (85) |
| Interest Expenses for Other Financial Assets at Amortized Cost | (9,391) | (796) | (53) |
| Interest Expenses on Lease Liabilities | (1,174) | (932) | 0 |
| Interest Expenses for Financial Liabilites at Amortized Cost | (2,454) | 0 | (126) |
| Bank Fees | (664) | (31) | (46) |
| **Finance Expenses** | **(96,215)** | **(2,273)** | **(754)** |

The following net gains or losses resulted from financial instruments in the financial year:

| in 000' € | 2020 | 2019 | 2018 |
|---|---|---|---|
| Financial Assets at Fair Value through Profit or Loss | (18,202) | 2,063 | (202) |
| Other Financial Assets at Amortized Cost | (8,860) | 299 | (978) |
| Shares at Fair Value through Other Comprehensive Income | 1,260 | (1,160) | (127) |
| Financial Liabilities at Amortized Cost | 24,031 | 0 | (126) |
| **Total** | **(1,771)** | **1,202** | **(1,433)** |

Net gains or losses mainly comprised gains and losses from hedging exchange rate fluctuations, interest income and expenses, as well as valuation effects from changes in fair value. The category financial liabilities at amortized cost also includes gains and losses from changes in planning estimates from financial liabilities from collaborations.

## 5.4 Income Tax Expenses and Benefits

MorphoSys AG is subject to corporate taxes, the solidarity surcharge and trade taxes. The Company's corporate income tax rate in the reporting year remained unchanged (15.0 %), as did the solidarity surcharge (5.5 %) and the effective trade tax rate (10.85 %), resulting in a combined effective tax rate of 26.68 %.

MorphoSys US Inc. is subject to Federal Corporate Income Tax of 21.0 % and a blended State Income Tax of combined and effective 4.11 %, resulting in a total effective income tax rate of 25.11 %.

| in 000' € | 2020 | 2019 | 2018 |
|---|---|---|---|
| Current Tax Benefit / (Expense) (Thereof Regarding Prior Years: k€ 66; 2019: € 0; 2018: k€ 1) | (67,073) | (1) | 1 |
| Deferred Tax Benefit / (Expenses) | 142,472 | 3,507 | 4,304 |
| **Total Income Tax Benefit / (Expenses)** | **75,399** | **3,506** | **4,305** |

The Group recorded total income tax benefits of € 75.4 million in 2020, which was mainly driven by the different accounting treatment of the collaboration and license agreement for tax purposes, since the resulting financial liability could not be recorded for tax purposes. This included current tax expenses of € 67.1 and deferred tax expenses from temporary differences of € 10.6 million. These were more than offset by deferred tax benefits from temporary differences of € 153.1 million. From the initial valuation of the convertible bond, € 12.8 million was recorded through equity and the share of deferred taxes to be recognized in profit or loss was recorded as current tax expense at € 1.3 million.

The following table reconciles the expected income tax expense to the actual income tax expense as presented in the consolidated financial statements. The combined income tax rate of 26.675 % in the 2020 financial year (2019: 26.675 %; 2018: 26.675 %) was applied to profit before taxes to calculate the statutory income tax expense. This rate consisted of a corporate income tax of 15.0 %, a solidarity surcharge of 5.5 % on the corporate tax, and an average trade tax of 10.85 % applicable to the Group.

| in 000' € | 2020 | 2019 | 2018 |
|---|---|---|---|
| **Earnings Before Income Taxes** | **22,492** | **(106,520)** | **(60,477)** |
| Expected Tax Rate | 26,675% | 26,675% | 26,675% |
| **Expected Income Tax** | **(6,000)** | **28,414** | **16,132** |
| **Tax Effects Resulting from:** | | | |
| Premium from Capital Increase by Incyte | 14,182 | 0 | 0 |
| Share-based Payment | (1,823) | (387) | (363) |
| Permanent Differences | 4,991 | (101) | 0 |
| Non-Tax-Deductible Items | (9,718) | (151) | (126) |
| Differences in Profit or Loss-Neutral Adjustments | 0 | (310) | 3,716 |
| Non-Recognition of Deferred Tax Assets on Temporary Differences | 0 | 0 | (349) |
| Non-Recognition of Deferred Tax Assets on Current Year Tax Losses | 0 | (24,285) | (14,497) |
| Recognition of Deferred Tax Assets on Prior Year Temporary Differences | 6,548 | 0 | 0 |
| Effect from Utilization of Loss Carryforwards for which no Deferred Tax Assets were recognized | 66,472 | 0 | 0 |
| Tax Rate Differences to Local Tax Rates | 140 | (1,461) | (268) |
| Effect of Tax Rate Changes | 0 | 1,789 | 0 |
| Prior Year Taxes | 0 | 0 | 1 |
| Other Effects | 607 | (2) | 59 |
| **Actual Income Tax** | **75,399** | **3,506** | **4,305** |
| **Effective Tax Rate** | **335.2%** | **(3.3)%** | **(7.1)%** |

As of December 31, 2020, the tax loss carryforwards in MorphoSys AG were fully utilized on the basis of the net income generated and the profit to be taken into account for tax purposes pursuant to Section 5 paragraph 2a of the German Income Tax Act. Tax loss carryforwards from previous years at MorphoSys US Inc. were capitalized as start-up losses for taxation purposes and are treated accordingly as temporary differences. The respective deferred tax asset of € 6.0 million was capitalized, because realization is likely based on the positive current planning and the implemented transferprice method. On November 16, 2020, the 100 % direct investment in Lanthio Pharma B.V. and the 100 % indirect investment in LantioPep B.V. were sold. As a result, the previous loss carryforwards are to be eliminated.

Deferred taxes on temporary differences are capitalized in full due to the long-term positive business development and the associated positive earnings forecasts of MorphoSys AG and MorphoSys US Inc. The forecast period is up to 2039 and in line with the accrual period of the financial liability from collaborations, and the respective analysis is based on long-term corporate planning and supports the assessment as strong evidence that the deferred tax assets will be realized.

| in 000' € | Unlimited Carry Forward of Tax Losses | Limited Carry Forward of Tax Losses |
|---|---|---|
| Tax Losses from Prior Years | 295,417 | 20,435 |
| Tax Losses from Current Year | 0 | 0 |
| Reclassification to Temporary Differences | (27,453) | 0 |
| Expiry / Deconsolidation | (18,772) | (20,435) |
| Utilization of Tax Losses | (249,193) | 0 |
| Total Tax Losses as of December 31, 2020 | 0 | 0 |

Deferred tax assets and deferred tax liabilities consisted of the following:

| in 000's €, as of December 31 | Deferred Tax Asset 2020 | Deferred Tax Asset 2019 | Deferred Tax Liability 2020 | Deferred Tax Liability 2019 |
|---|---|---|---|---|
| Collaborations | 137,778 | 0 | 5,475 | 0 |
| Convertible Bonds | 113 | 0 | 13,653 | 0 |
| Leases | 824 | 1 | 787 | 448 |
| Intangible Assets | 8,753 | 8,138 | 517 | 1,351 |
| Inventories | 1,328 | 0 | 0 | 0 |
| Receivables and Other Assets | 1,099 | 0 | 211 | 55 |
| Property, Plant and Equipment | 0 | 0 | 381 | 0 |
| Other Provisions | 2,581 | 0 | 2,723 | 9,778 |
| Other Liabilities | 0 | 0 | 980 | 350 |
| Tax Losses | 0 | 3,843 | 0 | 0 |
| Offsetting | (19,670) | (11,982) | (19,670) | (11,982) |
| **Total** | **132,806** | **0** | **5,057** | **0** |

€ 3.2 million of deferred tax assets were regarded as current and € 129.6 million as non-current (reversal or offset after more than 12 months). Deferred tax liabilities are of current nature, income tax receivables and income tax payables are both fully of current nature.

| | Changes in Deferred Taxes in 2020 | |
|---|---|---|
| in 000's €, as of December 31 | Recognized in Profit or Loss Income / (Expense) | Recognized in Equity |
| Collaborations | 132,303 | 0 |
| Convertible Bonds | (806) | (12,734) |
| Leases | 484 | 0 |
| Intangible Assets | 1,449 | 0 |
| Inventories | 1,328 | 0 |
| Receivables and Other Assets | 943 | 0 |
| Property, Plant and Equipment | (381) | 0 |
| Other Provisions | 9,636 | 0 |
| Other Liabilities | (630) | 0 |
| Tax Losses | (3,843) | 0 |
| Foreign Currency Translation Differences | 642 | 0 |
| **Total** | **141,125** | **(12,734)** |

As of December 31, 2020, there were no temporary differences in connection with investments in subsidiaries (as of December 31, 2019 the respective outside basis differences for which no deferred tax liability was recognized amounted to € 0.6 million).

## 5.5 Earnings per Share

Earnings per share are calculated by dividing the 2020 consolidated net profit of € 97,890,576 (2019: consolidated net loss of € 103,014,058; 2018: consolidated net loss of € 56,172,121) by the weighted-average number of ordinary shares outstanding during the respective year (2020: 32,525,644; 2019: 31,611,155; 2018: 31,338,948).

The table below shows the calculation of the weighted-average number of ordinary shares.

| | 2020 | 2019 |
|---|---|---|
| **Shares Issued on January 1** | **31,957,958** | **31,839,572** |
| Effect of Treasury Shares Held on January 1 | (225,800) | (281,036) |
| Effect of Share Issuance | 725,953 | 0 |
| Effect of Transfer of Treasury Stock/Shares Issued in January | 3,291 | 247 |
| Effect of Transfer of Treasury Stock/Shares Issued in February | 0 | 230 |
| Effect of Transfer of Treasury Stock/Shares Issued in March | 17,516 | 208 |
| Effect of Transfer of Treasury Stock/Shares Issued in April | 12,561 | 10,500 |
| Effect of Transfer of Treasury Stock/Shares Issued in May | 22,106 | 5,789 |
| Effect of Transfer of Treasury Stock/Shares Issued in June | 183 | 296 |
| Effect of Transfer of Treasury Stock/Shares Issued in July | 707 | 588 |
| Effect of Transfer of Treasury Stock/Shares Issued in August | 631 | 1,533 |
| Effect of Transfer of Treasury Stock/Shares Issued in September | 5,829 | 25,122 |
| Effect of Transfer of Treasury Stock/Shares Issued in October | 4,709 | 331 |
| Effect of Transfer of Treasury Stock/Shares Issued in November | 0 | 7,702 |
| Effect of Transfer of Treasury Stock/Shares Issued in December | 0 | 73 |
| **Weighted-average Number of Shares of Common Stock** | **32,525,644** | **31,611,155** |

Diluted earnings per share is calculated by taking into account the potential increase in the Group's ordinary shares as the result of granted stock options, restricted stock units and convertible bonds.

The following table shows the reconciliation of basic earnings per share to diluted earnings per share (in €, except for disclosures in shares).

| | 2020 |
|---|---|
| Numerator (in €) | |
| Consolidated Net Profit – used in calculating Basic Earnings per Share | 97,890,576 |
| Interest in connection with Dilutive Shares | 654,487 |
| Profit used in calculating Diluted Earnings per Share | 98,545,063 |
| Denominator (in Shares) | |
| Weighted average Ordinary Shares Used in Calculating Basic Earnings per Share | 32,525,644 |
| Dilutive Shares | 642,208 |
| Weighted average Ordinary Shares and potential Ordinary Shares Used in Calculating Diluted Earnings per Share | 33,167,852 |
| Earnings per Share (in €) | |
| Basic | 3.01 |
| Diluted | 2.97 |

In 2019 and 2018, diluted earnings per share equaled basic earnings per share. The effect of 115,684 potentially dilutive shares in 2019 and 52,930 dilutive shares in 2018 resulting from stock options granted to the Management Board and certain employees of the Company was excluded from the diluted earnings per share as it would result in a decline in the loss per share and should, therefore, not be treated as dilutive.

# 6 Notes to the Balance Sheet Assets

## 6.1 Cashand Cash Equivalents

| in 000' € | 12/31/2020 | 12/31/2019 |
|---|---|---|
| Bank Balances and Cash in Hand | 109,797 | 44,314 |
| Impairment | (2) | 0 |
| **Cash and Cash Equivalents** | **109,795** | **44,314** |

The presentation of the development of the expected twelve-month loss for cash and cash equivalents can be found in Note 2.3.1*.

*cross-reference to page 146

## 6.2 Financial Assets at Fair Value, with Changes Recognized in Profit or Loss and Other Financial Assets at Amortized Costs

The financial assets at fair value, with changes recognized in profit or loss, are shown in the following overview.

| | | | Gross Unrealized | | |
|---|---|---|---|---|---|
| in 000' € | Maturity | Cost | Gains | Losses | Market Value |
| **December 31, 2020** | | | | | |
| Money Market Funds | daily | 288,050 | 293 | (405) | 287,938 |
| **Total** | | | | | **287,938** |
| | | | | | |
| **December 31, 2019** | | | | | |
| Money Market Funds | daily | 20,330 | 125 | 0 | 20,455 |
| **Total** | | | | | **20,455** |

Realized and unrealized gains and losses on money market funds held or sold were recognized in the finance result in profit or loss. The valuation of financial assets resulted in a net loss of € 6.1 million in 2020 (2019: net gain of € 0.4 million; 2018: net loss of less than € 0.1 million).

The other financial assets at amortized cost are shown in the following overview.

| in 000' € | Maturity | Cost | Unrealized Interest Gain (+) / Loss (-) | Impairment | Carrying amount |
|---|---|---|---|---|---|
| **December 31, 2020** | | | | | |
| Term Deposits, Current Portion | 4–12 Months | 649,745 | 380 | (412) | 649,713 |
| Bonds | More than 12 Months | 197,827 | (652) | (587) | 196,588 |
| **Total** | | | | | **846,301** |
| | | | | | |
| **December 31, 2019** | | | | | |
| Term Deposits, Current Portion | 4–12 Months | 207,846 | 90 | (201) | 207,735 |
| Commercial Papers | More than 12 Months | 10,000 | 1 | 0 | 10,001 |
| Term Deposits, Net of Current Portion | More than 12 Months | 75,000 | 18 | (97) | 74,921 |
| **Total** | | | | | **292,657** |

As of December 31, 2020, these assets mainly consisted of term deposits with fixed or variable interest rates, as well as corporate bonds with fixed interest.

Interest expense from financial assets classified as "at amortized cost" amounted to € 0.5 million in 2020 (2019: € 0.1 million interest income; 2018: € 0.1 million interest income) and was recognized in the finance result.

The risk associated with these financial instruments results primarily from bank credit risks. The presentation of the development of the expected twelve-month loss and the lifetime expected credit loss for term deposits and corporate bonds can be found in Note 2.3.1*.

*cross-reference to page 146

Further information on the accounting for financial assets is provided in Note 2.8.1*.

*cross-reference to page 161

## 6.3 Accounts Receivable

All accounts receivable are non-interest-bearing and generally have payment terms of between 30 and 180 days. As of December 31, 2020, accounts receivable mainly included royalty payments not yet received and receivables from the collaboration and license agreement with Incyte. As of December 31, 2019, accounts receivable mainly consisted of royalty payments not yet received and unbilled services associated with the transfer of projects to customers.

The presentation of the development of the risk provisions in the 2020 and 2019 financial years for accounts receivable using the simplified impairment model can be found in Note 2.3.1*.

*cross-reference to page 146

## 6.4 Other Receivables

Other receivables as of December 31, 2020, mainly consisted of receivables from creditors with debit accounts in the amount of € 1.2 million (December 31, 2019: € 0.3 million). As of December 31, 2019, other receivables mainly consisted of receivables from unrealized gross gains on foreign exchange forward agreements in the amount of € 0.4 million. The foreign exchange forward agreements were classified as financial assets at fair value through profit or loss.

As of December 31, 2020 and December 31, 2019, there were no impairments recognized on other receivables.

## 6.5 Inventories

Inventories amounted to € 10.0 million as of December 31, 2020 (December 31, 2019: € 0.3 million) and consisted of raw materials and supplies (€ 5.3 million) and finished goods (€ 4.7 million).

The impairment to a net realizable value of zero on the antibody material (tafasitamab) derived from fermenter runs, which was recognized in cost of sales and research and development expenses in prior periods, was reversed due to the market approval of Monjuvi. At the time of the reversal tafasitamab was allocated only under inventories. The reversal resulted in a net gain of € 13.3 million, which was fully attributable to financial year 2019. The reversal of the impairment loss was recognized in cost of sales of € 9.9 million and in research and development expenses of € 3.3 million. There were no impairment losses to be recognized in 2020 and 2019.

## 6.6 Income Tax Receivables, Prepaid Expenses and Other Current Assets

As of December 31, 2020, income tax receivables amounted to € 0.4 million (December 31, 2019: € 0.1 million) and consisted of receivables from capital gain taxes withheld.

Prepaid expenses and other current assets are shown in the following table.

| in 000' € | 12/31/2020 | 12/31/2019 |
|---|---|---|
| Combination Drugs | 10,003 | 4,790 |
| Receivables due from Tax Authorities from Input Tax Surplus | 3,920 | 3,502 |
| Upfront Fees for External Laboratory Services | 1,210 | 745 |
| Upfront Fees for Sublicenses | 777 | 466 |
| Other Prepayments | 4,711 | 4,557 |
| **Total** | **20,621** | **14,060** |

An impairment of € 0.5 million was recognized on combination drugs in 2020 (December 31, 2019: € 0.7 million).

## 6.7 Property, Plant and Equipment

| in 000' € | Office and Laboratory Equipment | Furniture and Fixtures | Total |
|---|---|---|---|
| Cost | | | |
| **January 1, 2020** | **18,386** | **2,390** | **20,776** |
| Additions | 2,662 | 1,672 | 4,334 |
| Disposals | (1,006) | (8) | (1,014) |
| Exchange differences | (1) | (112) | (113) |
| **December 31, 2020** | **20,041** | **3,942** | **23,983** |
| | | | |
| Accumulated Depreciation and Impairment | | | |
| **January 1, 2020** | **15,654** | **469** | **16,123** |
| Depreciation Charge for the Year | 2,101 | 363 | 2,464 |
| Disposals | (921) | (2) | (923) |
| Exchange differences | 0 | (5) | (5) |
| **December 31, 2020** | **16,834** | **825** | **17,659** |
| | | | |
| Carrying Amount | | | |
| **January 1, 2020** | **2,732** | **1,921** | **4,653** |
| **December 31, 2020** | **3,207** | **3,117** | **6,324** |
| | | | |
| Cost | | | |
| **January 1, 2019** | **17,658** | **939** | **18,597** |
| Additions | 1,647 | 1,452 | 3,099 |
| Disposals | (919) | (1) | (920) |
| **December 31, 2019** | **18,386** | **2,390** | **20,776** |
| | | | |
| Accumulated Depreciation and Impairment | | | |
| **January 1, 2019** | **14,758** | **308** | **15,066** |
| Depreciation Charge for the Year | 1,805 | 161 | 1,966 |
| Impairment | 10 | 0 | 10 |
| Disposals | (919) | 0 | (919) |
| **December 31, 2019** | **15,654** | **469** | **16,123** |
| | | | |
| Carrying Amount | | | |
| **January 1, 2019** | **2,900** | **631** | **3,531** |
| **December 31, 2019** | **2,732** | **1,921** | **4,653** |

No borrowing costs were capitalized during the reporting period, and there were neither restrictions on the retention of title nor property, plant and equipment pledged as security for liabilities. There were no material contractual commitments for the purchase of property, plant and equipment as of the reporting date.

The disposals in the 2020 financial year included € 0.4 million in acquisition costs and € 0.3 million in accumulated depreciation and impairment from the sales of the Lanthio entities.

Depreciation is contained in the following line items of profit or loss.

| in 000' € | 2020 | 2019 | 2018 |
|---|---|---|---|
| Research and Development | 1,663 | 1,478 | 1,398 |
| Research and Development (Impairment) | 0 | 10 | 0 |
| Selling | 132 | 92 | 87 |
| General and Administrative | 692 | 396 | 327 |
| **Total** | **2,487** | **1,976** | **1,812** |

## 6.8 Leases

The development of the right-of-use assets and lease liabilities is shown below.

| | Right-of-Use Assets | | | | Lease Liabilities |
|---|---|---|---|---|---|
| in 000' € | Building | Cars | Technical Equipment | Total | |
| Balance as of January 1, 2019 | 42,094 | 244 | 168 | 42,506 | 40,783 |
| Additions | 3,009 | 138 | 312 | 3,459 | 4,122 |
| Depreciation of Right-of-Use Assets | (2,517) | (144) | (144) | (2,805) | 0 |
| Interest Expenses on Lease Liabilities | 0 | 0 | 0 | 0 | 932 |
| Lease Payments | 0 | 0 | 0 | 0 | (3,280) |
| **Stand am 31. Dezember 2019** | **42,586** | **238** | **336** | **43,160** | **42,557** |
| | | | | | |
| Balance as of January 1, 2020 | 42,586 | 238 | 336 | 43,160 | 42,557 |
| Additions | 4,660 | 196 | 12 | 4,868 | 5,286 |
| Depreciation of Right-of-Use Assets | (3,218) | (162) | (152) | (3,532) | 0 |
| Interest Expenses on Lease Liabilities | 0 | 0 | 0 | 0 | 1,173 |
| Lease Payments | 0 | 0 | 0 | 0 | (3,918) |
| Disposals | (78) | 0 | 0 | (78) | (79) |
| **Balance as of December 31, 2020** | **43,950** | **272** | **196** | **44,418** | **45,019** |

Lease agreements had the following effects on the statement of profit or loss.

| in 000' € | 2020 | 2019 |
|---|---|---|
| Depreciation of Right-of-Use Assets | (3,586) | (2,805) |
| Interest Expenses on Lease Liabilities | (1,173) | (932) |
| Expenses for Short Term Leases | 0 | 0 |
| Expenses for Leases of Low Value Assets and Short-Term Leases | (81) | (41) |
| **Total** | **(4,840)** | **(3,778)** |

Depreciation of right-of-use assets is contained in the following line items of profit or loss.

| in 000' € | 2020 | 2019 |
|---|---|---|
| Cost of Sales | 98 | 100 |
| Research and Development | 1,991 | 1,985 |
| Selling | 145 | 123 |
| General and Administrative | 1,352 | 597 |
| **Total** | **3,586** | **2,805** |

The maturity analysis of the lease liabilities as of December 31, 2020 is as follows.

| December 31, 2020; in 000' €<br>Contractual Maturities of Financial Liabilities | Up to One Year | Between One and Five Years | More than Five Years | Total Contractual Cash Flows | Carrying Amount Liabilities |
|---|---|---|---|---|---|
| Lease Liabilities | 4,150 | 16,025 | 32,913 | 53,088 | 45,019 |

The rental conditions for leases are negotiated individually and include different terms. Leases are generally concluded for fixed periods but may include extension options. Such contractual conditions offer the Group the greatest possible operational flexibility. In determining the term of the lease, all facts and circumstances are taken into account that provide an economic incentive to exercise extension options. If extension options are exercised with sufficient certainty, they are taken into account when determining the term of the contract. The leases contain fixed and variable lease payments linked to an index.

The Group entered into an additional lease for office space in Boston in January 2020. The minimum lease term of six and a half years results in a contractually agreed cash outflow of US$ 5.6 million (€ 5.0 million).

## 6.9 Intangible Assets

| in 000' € | Patents | Licenses | Licenses for Marketed Products | In-process R&D Programs | Software | Goodwill | Total |
|---|---|---|---|---|---|---|---|
| Cost | | | | | | | |
| **January 1, 2020** | **18,034** | **23,896** | **0** | **52,159** | **5,758** | **11,041** | **110,888** |
| Additions | 290 | 12,000 | 0 | 32,501 | 90 | 0 | 44,881 |
| Disposals | (110) | (500) | 0 | (28,211) | (1) | (3,689) | (32,511) |
| Reclassification | 0 | 0 | 56,449 | (56,449) | 0 | 0 | 0 |
| **December 31, 2020** | **18,214** | **35,396** | **56,449** | **0** | **5,847** | **7,352** | **123,258** |
| | | | | | | | |
| Accumulated Amortization and Impairment | | | | | | | |
| **January 1, 2020** | **15,053** | **21,546** | **0** | **16,475** | **5,651** | **7,365** | **66,090** |
| Amortization Charge for the Year | 990 | 206 | 963 | 0 | 81 | 0 | 2,240 |
| Impairment | 233 | 2,000 | 0 | 11,736 | 0 | 2,057 | 16,026 |
| Disposals | 0 | (192) | 0 | (28,211) | (1) | (3,689) | (32,093) |
| Reclassification | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **December 31, 2020** | **16,276** | **23,560** | **963** | **0** | **5,731** | **5,733** | **52,263** |
| | | | | | | | |
| Carrying Amount | | | | | | | |
| **January 1, 2020** | **2,981** | **2,350** | **0** | **35,684** | **107** | **3,676** | **44,798** |
| **December 31, 2020** | **1,938** | **11,836** | **55,486** | **0** | **116** | **1,619** | **70,995** |
| | | | | | | | |
| Cost | | | | | | | |
| **January 1, 2019** | **17,585** | **23,896** | **0** | **52,159** | **5,644** | **11,041** | **110,325** |
| Additions | 449 | 0 | 0 | 0 | 114 | 0 | 563 |
| **December 31, 2019** | **18,034** | **23,896** | **0** | **52,159** | **5,758** | **11,041** | **110,888** |
| | | | | | | | |
| Accumulated Amortization and Impairment | | | | | | | |
| **January 1, 2019** | **13,646** | **21,369** | **0** | **15,140** | **5,440** | **7,365** | **62,960** |
| Amortization Charge for the Year | 1,209 | 72 | 0 | 0 | 211 | 0 | 1,492 |
| Impairment | 198 | 105 | 0 | 1,335 | 0 | 0 | 1,638 |
| **December 31, 2019** | **15,053** | **21,546** | **0** | **16,475** | **5,651** | **7,365** | **66,090** |
| | | | | | | | |
| Carrying Amount | | | | | | | |
| **January 1, 2019** | **3,939** | **2,527** | **0** | **37,019** | **204** | **3,676** | **47,365** |
| **December 31, 2019** | **2,981** | **2,350** | **0** | **35,684** | **107** | **3,676** | **44,798** |

As of December 31, 2020, Goodwill was subject to an impairment test. This test indicated a need for impairment.

There were no material contractual commitments for the purchase of intangible assets as of the reporting date.

The disposals in the 2020 financial year included € 32.5 million in acquisition costs and € 32.1 million in accumulated amortization and impairment from the deconsolidation of the Lanthio entities. This included costs and accumulated amortization and impairment for in-process R&D programs in the amount of € 28.2 million and for goodwill in the amount of € 3.7 million.

Amortization was included in the following line items of profit or loss.

| in 000' € | 2020 | 2019 | 2018 |
|---|---|---|---|
| Cost of Sales | 963 | 0 | 0 |
| Research and Development | 1,258 | 1,444 | 1,822 |
| Research and Development (Impairment) | 16,026 | 1,639 | 19,189 |
| Selling | 5 | 11 | 25 |
| General and Administrative | 17 | 37 | 91 |
| **Total** | **18,269** | **3,131** | **21,127** |

## Licenses for Marketed Products

Due to the market launch of Monjuvi, the amount reported for this purpose under the line item "In-process R&D programs" was reclassified to the line item "Licenses for marketed products".

### Tafasitamab

Until market approval on July 31, 2020, the compound tafasitamab was measured as an intangible asset with an indefinite useful life (no foreseeable limit to the period in which the compound is expected to generate cash flows) and subjected to an impairment test. Due to the market approval of Monjuvi, the compound is from now on classified as an intangible asset with a finite useful life and amortized as of that date. The Group amortizes the intangible asset on a straight-line basis over the estimated useful life of the acquired license until 2044 and recognizes the amortization in cost of sales. The duration and method of amortization are reviewed at the end of each financial year. In the event of triggering events, the asset is tested for impairment, if any. As of December 31, 2020, no indications of impairment were identified.

## In-Process R&D Programs

Until the market approval of Monjuvi, this balance sheet item included capitalized payments from in-licensing as well as milestone payments made for this compound at later dates. In 2020, further milestone payments of € 32.5 million were capitalized for a total amount of € 56.4 million. Due to the market approval, this amount was reclassified to the balance sheet item "Licenses for marketed products."

### Lanthio Group

As of June 30, 2020, an intangible asset (MOR107) from the acquisition of the Lanthio group that is not yet ready for use was subject to an event-driven impairment test. As the program is not expected to be advanced towards clinical development, a full impairment loss of € 11.7 million was recognized

Effective November 16, 2020, the 100 % direct interest in Lanthio Pharma B.V. (Groningen, the Netherlands) and the 100 % indirect interest via Lanthio Pharma B.V. in LanthioPep B.V. (Groningen, the Netherlands) were divested.

## Goodwill

The annual goodwill impairment test was performed on September 30, 2020.

### Slonomics Technology

As of September 30, 2020, goodwill of € 3.7 million from the 2010 acquisition of Sloning BioTechnology GmbH was subject to an impairment test. The recoverable amount of the cash-generating unit Slonomics technology, which is part of the Partnered Discovery segment, was determined on the basis of value-in-use calculations. The calculation showed that the value-in-use was lower than the carrying amount of the cash-generating unit, and a € 2.1 million impairment was recognized as a result. The cash flow forecasts took into account future free cash flows from the contribution of the Slonomics technology to partnered programs. The cash flow forecasts are based on a period of ten years because the Management Board believes that commercialization through licensing agreements, milestone payments, and royalties is only feasible by means of medium- to long-term contracts. For this reason, a planning horizon of ten years is considered appropriate for the value-in-use calculation. The lower year-on-year cash flow forecasts are predominantly based on the assumption that the advantage of incorporating the Slonomics technology into partnered programs can no longer be extended for more advanced partnered programs. The values of the underlying assumptions were determined using both internal (past experience) and external sources of information (market information). Based on the updated ten-year cash flow forecast, the value-in-use was determined as follows: A beta factor of 0.9 (2019: 1.2), WACC before taxes of 8.5 % (2019: 9.4 %) and a perpetual growth rate of 1 % (2019: 1 %). A detailed sensitivity analysis was performed for the growth rate and the discount rate for calculating value-in-use. The sensitivity analysis took into account the change in one assumption, with the remaining assumptions remaining unchanged from the original calculation. A change in the pre-tax WACC of +/–1.0 % would cause a € 0.2 million lower or € 0.3 million higher impairment of goodwill. A sensitivity analysis for changes in the cash flows has not been performed since the cash flows have already been probability-adjusted in the value-in-use calculations so as to reflect the probabilities of success in phases of clinical trials. This analysis did not reveal any additional need for impairment. The values ascribed to the assumptions correspond to the Management Board's forecasts for future development and are based on internal planning scenarios as well as external sources of information

No indication of further impairment was identified as of December 31, 2020.

## 6.10 Investments at fair Value, with Changes Recognized in Other Comprehensive Income

This item concerns an investment in adivo GmbH, Martinsried, Germany.

MorphoSys has held an investment in adivo GmbH since July 2019. As of December 31, 2020, the fair value of the investment in adivo GmbH was measured at € 0 (December 31, 2019: € 0.4 million). The decrease of € 0.4 million was recognized directly in equity.

| | Currency | Stake in % | Equity in Domestic Currency (in €) | Loss for the Year in Domestic Currency (in €) |
|---|---|---|---|---|
| adivo GmbH, Martinsried, Germany | € | 17.2 | (346,691) | (467,272) |

No observable market data is available for the determination of the fair value of the investment in adivo GmbH. This corresponds to hierarchy level 3 for the fair value. The change in the investment in adivo GmbH is shown below.

| in 000' € | 2020 | 2019 |
|---|---|---|
| **Opening Balance** | **387** | **232** |
| Additions | 0 | 0 |
| Disposals | 0 | 0 |
| Through Other Comprehensive Income | (387) | 155 |
| Through Profit or Loss | 0 | 0 |
| **Closing Balance** | **0** | **387** |

MorphoSys has held an investment in Vivoryon Therapeutics AG since July 2019. During the 2020 financial year, all shares in this investment were sold in several steps for strategic reasons. The gain on the disposal amounted to € 0.3 million and was recognized in equity. This corresponds to a fair value before sale of € 15.3 million. As of December 31, 2019, the fair value of the investment was measured at € 13.7 million.

In the 2020 and 2019 financial years, no dividends from the investments were recognized in profit or loss, and there were no reclassifications of gains or losses made within equity.

## 6.11 Deferred Tax Assets

The Group recognized deferred tax assets of € 132.8 million in the 2020 financial year that were mainly related to the collaboration and license agreement with Incyte because the financial liability resulting from this collaboration cannot be recognized in the tax accounts. As of December 31, 2019, no deferred tax assets had to be recognized due to the Company's history of losses.

## 6.12 Prepaid Expenses and other Assets, Net of Current Portion

This balance sheet item includes the non-current portion of prepaid expenses and other assets.

The Group has classified certain items within other assets as "restricted cash" that is not available for operational purposes (see Note 2.8.1*). As of December 31, 2020, the Group had non-current restricted cash of € 1.2 million for rental deposits issued (December 31, 2019: € 0.8 million). As of December 31, 2020, € 0.2 million were deposited as collateral by MorphoSys US Inc. (December 31, 2019: € 0.2 million).

*cross-reference to page 161

This line item consisted of the following:

| in 000' € | 12/31/2020 | 12/31/2019 |
|---|---|---|
| Prepaid Expenses, Net of Current Portion | 183 | 134 |
| Other Current Assets | 1,384 | 1,002 |
| **Total** | **1,567** | **1,136** |

# 7 Notes to the Balance Sheet Equity and Liabilities

## 7.1 Accounts Payable and Accruals

Accounts payable and licenses payable were non-interest-bearing and, under normal circumstances, have payment terms of no more than 30 days.

Accounts payable and accruals are listed in the following table:

| in 000' € | 12/31/2020 | 12/31/2019 |
|---|---|---|
| Trade Accounts Payable | 47,559 | 10,655 |
| Licenses Payable | 259 | 357 |
| Accruals | 79,200 | 44,971 |
| Other Liabilities | 1,536 | 1,059 |
| **Total** | **128,554** | **57,042** |

Accruals are shown in the following overview:

| in 000' € | 12/31/2020 | 12/31/2019 |
|---|---|---|
| Accruals for External Laboratory Services | 43,500 | 24,383 |
| Accrued Personnel Expenses from Payments to Employees and Management | 17,320 | 13,975 |
| Accruals for Outstanding Invoices | 15,236 | 5,639 |
| Accruals for Revenue Deductions from Product Sales | 943 | 0 |
| Accruals for Legal Fees | 472 | 272 |
| Accruals for Audit Fees and other related Costs | 683 | 663 |
| Accruals for License Payments | 1,046 | 39 |
| **Total** | **79,200** | **44,971** |

At the Company's Annual General Meeting in May 2020, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC GmbH), Munich, was appointed as the auditor. The Supervisory Board engaged PwC GmbH to audit the financial statements.

In the 2020 financial year, PwC GmbH received total fees from MorphoSys of € 1,632,883, including fees for audit services of € 1,561,233, fees of € 70,000 for other assurance services in connection with the non-financial group report and fees of € 1,650 for other services. PwC GmbH did not provide tax advisory services in 2020.

## 7.2 Tax Liabilities and other Provisions

As of December 31, 2020, the Group recorded tax liabilities and other provisions of € 67.5 million (2019: € 0.4 million).

Tax liabilities included primarily expenses for income taxes. Other provisions included mainly expenses for share-based payments when these are settled by other assets equivalent to the value of a certain number of shares or stock options ("cash settlement"), as well as personnel recruitment measures.

The table below shows the development of tax liabilities and current and non-current other provisions in the 2020 financial year.

| in 000' € | 01/01/2020 | Additions | Utilized | Released | 12/31/2020 |
|---|---|---|---|---|---|
| Tax Liabilities | 95 | 65,633 | 0 | 0 | 65,728 |
| Other Provisions | 346 | 1,505 | 323 | 0 | 1,528 |
| **Total** | **441** | **67,138** | **323** | **0** | **67,256** |

## 7.3 Contract Liabilities

Contract liabilities related to transaction prices paid by customers that were allocated to unfulfilled performance obligations as of December 31, 2020. It is expected that the realization of current contract liabilities will be in the 2021 financial year and non-current contract liabilities mainly in the 2022 financial year. The changes in this item are shown in the table below.

| in 000' € | 2020 | 2019 |
|---|---|---|
| **Opening Balance** | **1,686** | **952** |
| Prepayments Received in the Financial Year | 13,430 | 6,070 |
| Revenues Recognized in the Reporting Period that was included in the Contract Liability at the Beginning of the Period | (1,571) | (794) |
| Revenues Recognized for Received Prepayments and Services Performed in the Financial Year | (10,929) | (4,542) |
| **Closing Balance** | **2,616** | **1,686** |
| thereof short-term | 2,544 | 1,571 |
| thereof long-term | 72 | 115 |

## 7.4 Deferred Tax Liabilities

The Group recognized deferred tax liabilities of € 14.1 million in the 2020 financial year in connection with the issuance of convertible bonds. As of December 31, 2020, deferred tax liabilities of € 5.1 million were recognized after offsetting.

There are no uncertain tax positions requiring disclosure under IFRIC 23.

## 7.5 Convertible Bonds

By resolution of the Annual General Meeting on June 2, 2016, Conditional Capital 2016-I of up to € 500.0 million has been created until April 2021, authorizing the issuance of a total of 5,307,536 new no-par-value bearer shares.

Making partial use of the conditional capital, MorphoSys AG placed non-subordinated, unsecured convertible bonds on October 16, 2020 for a nominal amount of € 325.0 million, equal to 3,250 bonds with a nominal amount of € 100,000 each, and maturing on October 16, 2025. The convertible bonds are initially convertible into approximately 2,475,436 new or existing bearer ordinary shares MorphoSys.

The convertible bonds were issued at 100% of their nominal amount and carry a coupon of 0.625% p.a. payable semi-annually. The conversion price is € 131.29, corresponding to a conversion premium of 40% to the reference price of € 93.7766 (volume-weighted average price of the share on XETRA between issue and pricing). The convertible bonds are traded on the Open Market Segment (Freiverkehr) of the Frankfurt Stock Exchange.

The convertible bonds are convertible between November 26, 2020 and the fortieth trading day prior to maturity. As of the maturity date, MorphoSys has the right to either pay the full amount in cash or to settle a certain amount through the delivery of shares.

MorphoSys is entitled to redeem the convertible bonds at any time the market price of MorphoSys shares reaches at least 130% of the then applicable conversion price over a period of twenty trading days or when only 20% or less of the original total nominal amount of the convertible bond is still outstanding. Repayment is then made in the amount of the nominal value plus accrued interest.

The holders of the convertible bonds have a conditional call right should an investor directly or indirectly acquire at least 30% of the voting rights in MorphoSys (representing a change of control). In the event of such a change of control, each convertible bondholder has the right to call the bonds that have not yet been converted or redeemed. Repayment is then made in the amount of the nominal value plus accrued interest.

MorphoSys raised gross proceeds of € 325.0 million through the issuance of the convertible bonds. Issuance costs of € 5.1 million were incurred in the transaction. The net issue proceeds are to be used for general corporate activities, including proprietary development, in-licensing and/or M&A transactions.

The conversion right securitized in the convertible bond represents an equity instrument and was recognized in equity for an amount of € 49.2 million net of issuance costs attributable to the equity component. The equity component is not adjusted over time, and the liability component is classified as a financial liability at amortized cost. As of the date of initial recognition, the liability component amounted to € 270.7 million after the deduction of issuance costs. The difference between this amount and the nominal value of € 325.0 million is recognized as an interest expense over the term of the financial liability using the effective interest method.

The early termination rights from MorphoSys (issuer call and clean-up call) and the put option of the convertible bondholders in the case of change of control all represent embedded derivatives that, however, have not been separated in accordance with IFRS 9, as they are considered to be closely related to the base contract. Accordingly, these components are included in the financial liability.

## 7.6 Stockholders' Equity

### 7.6.1 Common Stock

As of December 31, 2020, the Company's common stock, including treasury shares, amounted to € 32,890,046 and 32,890,046 shares, representing an increase of € 932,088 and 932,088 shares compared to € 31,957,958 and 31,957,958 shares as of December 31, 2019. Each share of common stock grants one vote. The common stock increased due to Incyte's purchase of 3,692,764 ADSs, or 907,441 shares, created from a capital increase from Authorized Capital 2017-I, as well as from the exercise of 24,647 convertible bonds granted to employees amounting to € 24,647, or 24,647 shares. The weighted-average exercise price of the exercised convertible bonds amounted to € 31.88.

### 7.6.2 Authorized Capital

In comparison to December 31, 2019, the number of authorized ordinary shares increased from 14,843,488 to 15,214,050. The number was reduced by the capital increase of € 907,441 from the Authorized Capital 2017-I carried out in April 2020 under the collaboration and license agreement with Incyte. At the Annual General Meeting on May 27, 2020, Authorized Capital 2020-I in the amount of € 3,286,539 was newly created, and the remaining Authorized Capital 2017-I in the amount of € 2,008,536 was canceled. Under Authorized Capital 2020-I, the Management Board is authorized, with the consent of the Supervisory Board, to increase the Company's share capital on one or more occasions on or before the end of May 26, 2025 against cash contributions by a total of up to € 3,286,539 by issuing up to 3,286,539 new no-par-value bearer shares.

Pursuant to the Company's articles of association, the shareholders may authorize the Management Board to increase the share capital with the consent of the Supervisory Board within a period of five years by issuing shares for a specific total amount referred to as authorized capital (Genehmigtes Kapital), which is a concept under German law that enables the company to issue shares without going through the process of obtaining an additional shareholders' resolution. The aggregate nominal amount of the authorized capital created by the shareholders may not exceed half of the share capital existing at the time of registration of the authorized capital in the commercial register.

### 7.6.3 Conditional Capital

In comparison to December 31, 2019, the number of ordinary shares of conditional capital increased from 6,340,760 to 7,630,728. At the Annual General Meeting on May 27, 2020, Conditional Capital 2020-I in the amount of € 1,314,615 was newly created. The exercise of 24,647 conversion rights in 2020 had an offsetting effect. The reduction from the exercise of the 24,647 conversion rights was entered into the commercial register in February 2021.

Although shareholders may resolve to amend or create conditional capital (Bedingtes Kapital), they may do so only to issue conversion or subscription rights to holders of convertible bonds in preparation for a merger with another company or to issue subscription rights to employees and members of the Management Board of the Company or of an affiliated company by way of consent or authorizing resolution. According to German law, the aggregate nominal amount of the conditional capital created at the shareholders' meeting may not exceed half of the share capital existing at the time of the shareholders' meeting adopting such resolution. The aggregate nominal amount of the conditional capital created for the purpose of granting subscription rights to employees and members of the management of our Company or of an affiliated company may not exceed 10% of the share capital existing at the time of the shareholders' meeting adopting such resolution.

### 7.6.4 Treasury Stock

In the years 2020 and 2019, the Group did not repurchase any of its own shares. The composition and development of this line item are listed in the table below.

| | Number of Shares | Value |
|---|---|---|
| As of 12/31/2010 | 79,896 | 9,774 |
| Purchase in 2011 | 84,019 | 1,747,067 |
| As of 12/31/2011 | 163,915 | 1,756,841 |
| Purchase in 2012 | 91,500 | 1,837,552 |
| As of 12/31/2012 | 255,415 | 3,594,393 |
| Purchase in 2013 | 84,475 | 2,823,625 |
| As of 12/31/2013 | 339,890 | 6,418,018 |
| Purchase in 2014 | 111,000 | 7,833,944 |
| As of 12/31/2014 | 450,890 | 14,251,962 |
| Purchase in 2015 | 88,670 | 5,392,931 |
| Transfer in 2015 | (104,890) | (3,816,947) |
| As of 12/31/2015 | 434,670 | 15,827,946 |
| Purchase in 2016 | 52,295 | 2,181,963 |
| Transfer in 2016 | (90,955) | (3,361,697) |
| As of 12/31/2016 | 396,010 | 14,648,212 |
| Transfer in 2017 | (76,332) | (2,821,231) |
| As of 12/31/2017 | 319,678 | 11,826,981 |
| Transfer in 2018 | (38,642) | (1,428,208) |
| As of 12/31/2018 | 281,036 | 10,398,773 |
| Transfer in 2019 | (55,236) | (2,041,523) |
| As of 12/31/2019 | 225,800 | 8,357,250 |
| Transfer in 2020 | (94,386) | (3,488,506) |
| As of 12/31/2020 | 131,414 | 4,868,744 |

On December 31, 2020, the Company held 131,414 treasury shares with a value of € 4,868,744 – a decrease of € 3,488,506 compared to December 31, 2019 (225,800 shares, € 8,357,250). The reason for this decrease was the transfer of 91,037 treasury shares amounting to € 3,364,727 to the Management Board and selected employees of the Company (beneficiaries) from the 2016 Long-Term Incentive Plan (LTI Plan). The vesting period for this LTI Plan expired on April 1, 2020 and offered beneficiaries a six-month period until October 20, 2020 to receive a total of 91,037 shares. In addition, 3,349 treasury shares for an amount of € 123,779 from the 2019 Long-Term Incentive Plan were transferred to certain employees of MorphoSys US Inc.

Consequently, the number of MorphoSys shares owned by the Company as of December 31, 2020, was 131,414 (December 31, 2019: 225,800). The repurchased shares may be used for all of the purposes named in the authorization granted by the Annual General Meeting on May 23, 2014, particularly for existing and future employee stock option programs and/or to finance acquisitions. The shares may also be redeemed.

### 7.6.5 Additional Paid-In Capital

As of December 31, 2020, the capital reserve amounted to € 748,978,506 (December 31, 2019: € 628,176,568). The increase by a total of € 120,801,938 resulted mainly from the capital increase with Incyte in the amount of € 79,590,657 after deducting transaction costs of € 100,370 and from the convertible bond option of € 49,994,274 classified as equity and deducting deferred taxes directly recognized in equity of € 12,733,806 as well as transaction costs of € 777,418. Furthermore, the additional paid-in capital increased due to the addition of

personnel expenses from share-based payments in the amount of € 7,455,761 and the exercise of convertible bonds in the amount of € 760,976. This was offset by the decrease from reclassifications of treasury shares in connection with the allocation of shares from the MorphoSys AG 2016 Performance Share Plan in the amount of € 3,364,727 and from the MorphoSys US Inc. 2019 LTI Plan in the amount of € 123,779.

### 7.6.6 Other Comprehensive Income Reserve

On December 31, 2020, this reserve included changes in the fair value of equity instruments of € 1,260,132 (December 31, 2019: € 1,160,160) recognized directly in equity, as well as currency translation differences from consolidation of € 2,247,005 (December 31, 2019: of € 75,332). The currency translation differences from consolidation included exchange rate differences from the revaluation of the financial statements of Group companies prepared in foreign currencies and differences between the exchange rates used in the balance sheet and income statement.

### 7.6.7 Accumulated Deficit

The consolidated net profit for the year of € 97,890,576 is reported under "accumulated deficit." As a result, the accumulated deficit decreased from € 255,779,786 in 2019 to € 157,889,210 in 2020.

## 8 Remuneration System for the Management Board and Employees of the Group

A change in the organizational structure of MorphoSys took effect as of July 1, 2020. This change had an impact on the definition of related parties who hold a key position in MorphoSys AG as the parent company of the Group. In addition to the members of the Management Board and the Supervisory Board, all persons on the management level below who have direct or indirect authority and responsibility for planning, directing, or supervising the activities of the Company are also considered to be key management personnel. From the Group's perspective, key management personnel are those persons who direct and control a significant part of the Group's activities. Starting in 2020, in addition to the Management Board and the Supervisory Board, the other members of the Executive Committee that was newly formed in 2020 are considered key management personnel from the perspective of MorphoSys AG and are therefore relevant for the disclosures. Prior-year figures do not need to be adjusted and are therefore not comparable to the figures for 2020.

### 8.1 Stock Option Plans

#### 8.1.1 2017 Stock Option Plan

On April 1, 2017, MorphoSys established a stock option plan (SOP) for the Management Board and selected employees of the Company (beneficiaries). The program is considered an equity-settled share-based payment and is accounted for accordingly. The grant date was April 1, 2017, and the vesting period/performance period is four years. Each stock option grants up to two subscription rights to shares in the Company. The subscription rights vest each year by 25 % within the four-year vesting period, provided that the performance criteria specified for the respective period have been 100 % fulfilled. The number of subscription rights vested per year is calculated based on the key performance criteria of the absolute and relative MorphoSys share price performance compared to the Nasdaq Biotech Index and the TecDAX Index. The program's performance criteria can be met annually up to a maximum of 200 %. If the share price development falls short of the program's performance parameters, the target achievement for that year is 0 %.

The exercise price, derived from the average market price of the Company's shares in the XETRA closing auction on the Frankfurt Stock Exchange from the 30 trading days prior to the issue of the stock options, is € 55.52.

MorphoSys reserves the right to settle the exercise of stock options through newly created shares from Conditional Capital 2016-III, the issuance of treasury shares, or in cash. The exercise period is three years after the end of the four-year vesting period/performance period, which is March 31, 2024.

In the event of a departure from the Company, the beneficiaries generally retain the stock options that have vested by the time of their departure.

In the event of a termination of a beneficiary for reasons of conduct or a revocation of the appointment of a member of the Management Board for reasons constituting good cause within the meaning of Section 626 (2) of the German Civil Code (BGB), all unexercised stock options forfeit without entitlement to compensation.

If a change of control occurs during the four-year vesting period, the stock options will become fully vested. In this case, however, the right to exercise the stock options arises only at the end of the four-year vesting period.

In 2020, personnel expenses from stock options under the Group's 2017 SOP amounted to € 62,780 based on the fair value on the grant date (2019: € 252,393; 2018: € 436,154).

#### 8.1.2 2018 Stock Option Plan

On April 1, 2018, MorphoSys established a stock option plan (SOP) for the Management Board and selected Company employees (beneficiaries). The program is considered an equity-settled share-based payment and is accounted for accordingly. The grant date was April 1, 2018, and the vesting period/performance period is four years. Each stock option grants up to two subscription rights to shares in the Company. The subscription rights vest each year by 25 % within the four-year vesting period, provided that the performance criteria specified for the respective period have been 100 % fulfilled. The number of subscription rights vested per year is calculated based on the key performance criteria of the absolute and relative MorphoSys share price performance compared to the Nasdaq Biotech Index and the TecDAX Index. The program's performance criteria can be met annually up to a maximum of 200 %. If the share price development falls short of the program's performance parameters, the target achievement for that year is 0 %.

The exercise price, derived from the average market price of the Company's shares in the XETRA closing auction on the Frankfurt Stock Exchange from the 30 trading days prior to the issue of the stock options, is € 81.04.

MorphoSys reserves the right to settle the exercise of stock options using either newly created shares from Conditional Capital 2016-III or by issuing treasury shares, or in cash should the exercise from Conditional Capital 2016-III not be possible. The exercise period is three years after the end of the four-year vesting period/performance period, which is March 31, 2025.

In the event of a departure from the Company, the beneficiaries generally retain the stock options that have vested by the time of their departure.

In the event of a termination of a beneficiary for reasons of conduct or a revocation of the appointment of a member of the Management Board for reasons constituting good cause within the meaning of Section 626 (2) of the German Civil Code (BGB), all unexercised stock options forfeit without entitlement to compensation.

If an accumulated period of absence of more than 90 days occurs during the four-year vesting period/performance period, 1/48 of the stock options granted are forfeited for each up to 30 days of absence. A period of absence is defined as absence due to illness, continued payment of remuneration in the event of illness or a suspended service or employment relationship without continued payment of remuneration.

If a change of control occurs during the four-year vesting period, the stock options will become fully vested. In this case, however, the right to exercise the stock options arises only at the end of the four-year vesting period.

In 2020, personnel expenses from stock options under the Group's 2018 SOP amounted to € 251,855 based on the fair value on the grant date (2019: € 704,954; 2018: € 925,635).

### 8.1.3 2019 Stock Option Plan

On April 1, 2019, MorphoSys established a stock option plan (SOP) for the Management Board and selected employees of the Company (beneficiaries). The program is considered an equity-settled share-based payment and is accounted for accordingly. The grant date was April 1, 2019, and the vesting period/performance period is four years. Each stock option grants up to two subscription rights to shares in the Company. The subscription rights vest each year by 25% within the four-year vesting period, provided that the performance criteria specified for the respective period have been 100% fulfilled. The number of subscription rights vested per year is calculated based on the key performance criteria of the absolute and relative MorphoSys share price performance compared to the Nasdaq Biotech Index and the TecDAX Index. The program's performance criteria can be met annually up to a maximum of 200%. If the share price development falls short of the program's performance parameters, the target achievement for that year is 0%.

The exercise price, derived from the average market price of the Company's shares in the XETRA closing auction on the Frankfurt Stock Exchange from the 30 trading days prior to the issue of the stock options, is € 87.86.

MorphoSys reserves the right to settle the exercise of stock options using either newly created shares from Conditional Capital 2016-III, issuing treasury shares, or in cash should the exercise from Conditional Capital 2016-III not be possible. The exercise period is three years after the end of the four-year vesting period/performance period, which is March 31, 2026.

In the event of a departure from the Company, the beneficiaries generally retain the stock options that have vested by the time of their departure.

In the event of a termination of a beneficiary for reasons of conduct or a revocation of the appointment of a member of the Management Board for reasons constituting good cause within the meaning of Section 626 (2) of the German Civil Code (BGB), all unexercised stock options forfeit without entitlement to compensation.

If an accumulated period of absence of more than 90 days occurs during the four-year vesting period/performance period, 1/48 of the stock options granted are forfeited for each up to 30 days of absence. A period of absence is defined as absence due to illness, continued payment of remuneration in the event of illness or a suspended service or employment relationship without continued payment of remuneration.

If a change of control occurs during the four-year vesting period, the stock options will become fully vested. In this case, however, the right to exercise the stock options arises only at the end of the four-year vesting period.

On October 1, 2019, MorphoSys established a further stock option plan (SOP plan) for one member of the Management Board. The terms and conditions were identical to those of the April 1, 2019 program, and the exercise price was € 106.16.

In 2020, personnel expenses from stock options under the Group's 2019 SOP amounted to € 1,570,241 based on the fair value on the grant date (2019: € 1,718,087).

### 8.1.4 2020 Stock Option Plan

On April 1, 2020, MorphoSys established a stock option plan (SOP) for the Management Board and selected employees of the Company (beneficiaries). The program is considered an equity-settled share-based payment and is accounted for accordingly. The grant date was April 21, 2020, and the vesting period/performance period is four years. Each stock option grants up to two subscription rights to shares in the Company. The subscription rights vest each year by 25% within the four-year vesting period, provided that the performance criteria specified for the respective period have been 100% fulfilled. The number of subscription rights vested per year is calculated based on the key performance criteria of the absolute and relative MorphoSys share price performance compared to the Nasdaq Biotech Index and the TecDAX Index. The program's performance criteria can be met annually up to a maximum of 200%. If the share price development falls short of the program's performance parameters, the target achievement for that year is 0%.

The exercise price, derived from the average market price of the Company's shares in the XETRA closing auction on the Frankfurt Stock Exchange from the 30 trading days prior to the issue of the stock options, is € 93.66.

MorphoSys reserves the right to settle the exercise of stock options using either newly created shares from Conditional Capital 2016-III, through the issue of treasury shares, or in cash should the exercise from Conditional Capital 2016-III not be possible. The exercise period is three years after the end of the four-year vesting period/performance period, which is March 31, 2027.

In the event of a departure from the Company, the beneficiaries generally retain the stock options that have vested by the time of their departure.

In the event of a termination of a beneficiary for reasons of conduct or a revocation of the appointment of a member of the Management Board for reasons constituting good cause within the meaning of Section 626 (2) of the German Civil Code (BGB), all unexercised stock options forfeit without entitlement to compensation.

If an accumulated period of absence of more than 90 days occurs during the four-year vesting period/performance period, 1/48 of the stock options granted are forfeited for each up to 30 days of absence. A period of absence is defined as absence due to illness, continued payment of remuneration in the event of illness or a suspended service or employment relationship without continued payment of remuneration.

If a change of control occurs during the four-year vesting period, the stock options will become fully vested. In this case, however, the right to exercise the stock options arises only at the end of the four-year vesting period.

As of April 1, 2020, a total of 108,215 stock options had been granted to beneficiaries, of which 36,412 had been granted to the Management Board (further details can be found in the "Stock Options" table in Note 8.8* "Related Parties"), 10,466 to the further members of the Executive Committee and 61,337 to selected Company employees who do not belong to the Executive Committee. For the calculation of personnel expenses resulting from share-based payment under the 2020 Stock Option Plan, the assumption is that ten beneficiaries would leave the Company during the four-year period.

*cross-reference to page 199

In 2020, personnel expenses from stock options under the Group's 2020 SOP amounted to € 1,990,326 based on the fair value on the grant date.

The table below shows the development of the stock options plans in the financial year 2020.

| | April 2017 Stock Option Plan | April 2018 Stock Option Plan | April 2019 Stock Option Plan | October 2019 Stock Option Plan | April 2020 Stock Option Plan |
|---|---|---|---|---|---|
| **Outstanding on January 1, 2020** | **72,759** | **65,335** | **76,021** | **57,078** | **0** |
| Granted | 0 | 0 | 0 | 0 | 108,215 |
| Exercised | 0 | 0 | 0 | 0 | 0 |
| Forfeited | (109) | (1,080) | (2,838) | 0 | (1,173) |
| Expired | 0 | 0 | 0 | 0 | 0 |
| **Outstanding on December 31, 2020** | **72,650** | **64,255** | **73,183** | **57,078** | **107,042** |
| Weighted-average Price (€) | 55.52 | 81.04 | 87.86 | 106.16 | 93.66 |

The fair value of the stock options from the 2017, 2018, 2019 and 2020 stock option plans was determined using a Monte Carlo simulation. The expected volatility is based on the development of the share volatility of the last four years. Furthermore, the calculation of fair value equally considered the performance criteria of the absolute and relative performance of MorphoSys shares compared to the development of the Nasdaq Biotech Index and the TecDAX Index. The parameters and fair value of each program are listed in the table below.

| | April 2017 Stock Option Plan | April 2018 Stock Option Plan | April 2019 Stock Option Plan | October 2019 Stock Option Plan | April 2020 Stock Option Plan |
|---|---|---|---|---|---|
| Share Price on Grant Date in € | 55.07 | 81.05 | 85.00 | 98.10 | 94.90 |
| Exercise Price in € | 55.52 | 81.04 | 87.86 | 106.16 | 93.66 |
| Expected Volatility of the MorphoSys share in % | 37.49 | 35.95 | 37.76 | 38.02 | 39.86 |
| Expected Volatility of the Nasdaq Biotech Index in % | 25.07 | 25.10 | 18.61 | 18.17 | 25.32 |
| Expected Volatility of the TecDAX Index in % | 16.94 | 17.73 | 26.46 | 24.82 | 20.48 |
| Performance Term of Program in Years | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 |
| Dividend Yield in % | n/a | n/a | n/a | n/a | n/a |
| Risk-free Interest Rate in % | between 0.03 and 0.23 | between 0.02 and 0.15 | between 0.02 and 0.13 | between 0.0 and 0.02 | between (0.55) and (0.83) |
| **Fair Value on Grant Date in €** | **21.41** | **30.43** | **31.81** | **35.04** | **38.20** |

## 8.2 2013 Convertible Bond Program

On April 1, 2013, MorphoSys AG granted the Management Board and certain employees of the Group (beneficiaries) convertible bonds with a total nominal value of € 225,000, divided into 449,999 no-par-value bearer bonds with equal rights from "Conditional Capital 2008-III". The beneficiaries received the right to convert the bonds into Company shares. Each convertible bond can be exchanged for one of the Company's no-par-value bearer shares equal to the proportional amount of common stock, which is € 1. Exercise of the convertible bonds was subject to several conditions, such as the achievement of performance targets, the expiration of vesting periods, the exercisability of the conversion rights, the existence of an employment or service contract that is not under notice and the commencement of the exercise period.

The conversion price amounted to € 31.88 and was derived from the Company's share price in the XETRA closing auction of the Frankfurt Stock Exchange on the trading day preceding the issue of the convertible bonds. The exercise of the conversion rights is admissible since, on at least one trading day during the lifetime of the convertible bonds, the share price of the Company has risen to more than 120% of the price in the XETRA closing auction of the Frankfurt Stock Exchange on the trading day preceding the issue of the convertible bonds.

The table below shows the development of the convertible bond programs in the financial year 2020.

| | Convertible Bonds |
|---|---|
| **Outstanding on January 1, 2020** | **24,647** |
| Granted | 0 |
| Exercised | (24,647) |
| Forfeited | 0 |
| Expired | 0 |
| **Outstanding on December 31, 2020** | **0** |

In the period from the grant date until March 31, 2020, one beneficiary had left MorphoSys, resulting in the forfeiture of 13,414 convertible bonds. Prior to March 31, 2020, all remaining convertible bonds had been exercised.

## 8.3 Long-Term Incentive Programs

### 8.3.1 2015 Long-Term Incentive Plan

On April 1, 2015, MorphoSys established a Long-Term Incentive Plan (LTI Plan) for the Management Board and certain employees of the Company (beneficiaries). The vesting period for this LTI Plan expired on April 1, 2019. The program is considered an equity-settled share-based payment and is accounted for accordingly. The LTI Plan is a performance-related share plan and will be paid out in ordinary shares (performance shares) of MorphoSys AG if predefined key performance criteria are achieved. These criteria are evaluated annually by the Supervisory Board. The performance criteria are based on a mathematical comparison of the absolute and relative performance of the MorphoSys share price against the Nasdaq Biotech Index and the TecDAX Index. Achievement of these criteria was set at 100% for one year, 94% for one year and 200% each for two years. In addition, the Supervisory Board set a "company factor" as 1, which determines the number of performance shares to be issued. Based on these conditions and the set factor, 52,328 performance shares of MorphoSys AG were transferred to the beneficiaries after the four-year vesting period during the period ending December 31, 2019. In August 2019, the original six-month transfer period for the performance shares was extended from October 14, 2019 to December 31, 2019 and had no impact on the fair value of the performance shares or the period over which the compensation expense was recognized. The Management Board received 19,815 performance shares, and the Senior Management Group received 18,798 performance shares. A total of 13,715 performance shares were granted to former members of the Management Board and the Senior Management Group who have since left the Company.

In 2020, personnel expenses resulting from performance shares under the Group's 2015 LTI Plan amounted to € 0 based on the fair value on the grant date (2019: € 6,714; 2018: € 109,511).

### 8.3.2 2016 Long-Term Incentive Plan

On April 1, 2016, MorphoSys established a Long-Term Incentive Plan (LTI Plan) for the Management Board and certain employees of the Company (beneficiaries). The vesting period for this LTI Plan expired on April 1, 2020. The program is considered an equity-settled share-based payment and is accounted for accordingly. The LTI Plan is a performance-related share plan and will be paid out in ordinary shares (performance shares) of MorphoSys AG if predefined key performance criteria are achieved. These criteria are evaluated annually by the Supervisory Board. The performance criteria were based on a mathematical comparison of the absolute and relative performance of the MorphoSys share price against the Nasdaq Biotech Index and the TecDAX Index. Achievement of these criteria was set at 94 % for one year and 200 % each for three years. In addition, the Supervisory Board set a "company factor" as 1, which determines the number of performance shares to be issued. Based on these conditions and the set factor, 91,037 performance shares of MorphoSys AG were transferred to the beneficiaries after the four-year vesting period in the period ending October 20, 2020. The Management Board received 13,677 performance shares (for further information, see the tables entitled "Shares" and "Performance Shares" in Note 8.8* "Related Parties"), and the members of the Executive Committee received 8,754 performance shares. A total of 68,606 performance shares were granted to current and former employees of the Company.

*cross-reference to page 199

In 2020, personnel expenses resulting from performance shares under the Group's 2016 LTI Plan amounted to € 4,921 based on the fair value on the grant date (2019: € 141,473; 2018: € 330,727).

### 8.3.3 2017 Long-Term Incentive Plan

On April 1, 2017, MorphoSys established another Long-Term Incentive Plan (LTI Plan) for the Management Board and selected employees of the Company (beneficiaries). This plan is considered a share-based payment program with settlement in equity instruments and is accounted for accordingly. The LTI Plan is a performance-related share plan and will be paid out in ordinary shares (performance shares) of MorphoSys AG if predefined key performance criteria are achieved. The grant date was April 1, 2017, and the vesting/performance period is four years. If the predefined performance criteria for the respective period are fully met, 25 % of the performance shares become vested in each year of the four-year vesting period. The number of performance shares vested per year is calculated based on the key performance criteria of the absolute and relative MorphoSys share price performance compared to the Nasdaq Biotech Index and the TecDAX Index. The performance criteria can be met annually up to a maximum of 300 % and up to 200 % for the entire four-year period. If the specified performance criteria are met by less than 0 % in one year, no shares will be earned for that year (entitlement). In any case, the maximum payout at the end of the four-year period is limited by a factor determined by the Group, which generally amounts to 1. However, in justified cases, the Supervisory Board may set this factor freely between 0 and 2, for example, if the level of payment is regarded as unreasonable in view of the Company's general development. The right to receive a specific allocation of performance shares under the LTI Plan, however, occurs only at the end of the four-year vesting/performance period.

At the end of the four-year waiting period, there is a six-month exercise period during which the Company can transfer the performance shares to the beneficiaries. The beneficiaries are free to choose the award date within this exercise period.

If the number of repurchased shares is not sufficient for servicing the LTI Plan, MorphoSys reserves the right to pay a specific amount of the LTI Plan in cash in the amount of the performance shares at the end of the vesting period, provided the cash amount does not exceed 200 % of the fair value of the performance shares on the grant date.

In the event of a departure from the Company, the beneficiaries are generally entitled to the performance shares that have vested up to the date of their departure on a pro rata basis.

In the event of a termination of a beneficiary for reasons of conduct or a revocation of the appointment of a member of the Management Board for reasons constituting good cause within the meaning of Section 626 (2) of the German Civil Code (BGB), all performance shares forfeit without entitlement to compensation.

If a change of control occurs during the four-year vesting period, all performance shares will become fully vested. In this case, the right to receive a specific allocation of performance shares under the LTI Plan occurs only at the end of the four-year vesting period.

In 2020, personnel expenses resulting from performance shares under the Group's 2017 LTI Plan amounted to € 80,383 based on the fair value on the grant date (2019: € 323,165; 2018: € 558,446).

### 8.3.4 2018 Long-Term Incentive Plan

On April 1, 2018, MorphoSys established another Long-Term Incentive Plan (LTI Plan) for the Management Board and selected employees of the Company (beneficiaries). This plan is considered a share-based payment program with settlement in equity instruments and is accounted for accordingly. The LTI Plan is a performance-related share plan and will be paid out in ordinary shares (performance shares) of MorphoSys AG if predefined key performance criteria are achieved. The grant date was April 1, 2018, and the vesting/performance period is four years. If the predefined performance criteria for the respective period are 100 % met, 25 % of the performance shares become vested in each year of the four-year vesting period. The number of performance shares vested per year is calculated based on the key performance criteria of the absolute and relative MorphoSys share price performance compared to the Nasdaq Biotech Index and the TecDAX Index. The performance criteria can be met annually up to a maximum of 300 % and up to 200 % for the entire four-year period. If the specified performance criteria are met by less than 0 % in one year, no shares will be earned for that year (entitlement). In any case, the maximum payout at the end of the four-year period is limited by a factor determined by the Group, which generally amounts to 1. However, in justified cases, the Supervisory Board may set this factor freely between 0 and 2, for example, if the level of payment is regarded as unreasonable in view of the general development of the Company. The right to receive a specific allocation of performance shares under the LTI Plan, however, occurs only at the end of the four-year vesting/performance period.

At the end of the four-year waiting period, there is a six-month exercise period during which the Company can transfer the performance shares to the beneficiaries. The beneficiaries are free to choose the award date within this exercise period.

If the number of repurchased shares is not sufficient for servicing the LTI Plan, MorphoSys reserves the right to pay a specific amount of the LTI Plan in cash in the amount of the performance shares at the end of the vesting period, provided the cash amount does not exceed 200 % of the fair value of the performance shares on the grant date.

In the event of a departure from the Company, the beneficiaries are generally entitled to the performance shares that have vested up to the date of their departure on a pro rata basis.

In the event of a termination of a beneficiary for reasons of conduct or a revocation of the appointment of a member of the Management Board for reasons constituting good cause within the meaning of Section 626 (2) of the German Civil Code (BGB), all performance shares forfeit without entitlement to compensation.

If an accumulated period of absence of more than 90 days occurs during the four-year vesting period/performance period, the beneficiary is entitled to performance shares on a pro rata basis. A period of absence is defined as absence due to illness, continued payment of remuneration in the event of illness or a suspended service or employment relationship without continued payment of remuneration.

If a change of control occurs during the four-year vesting period, all performance shares will become fully vested. In this case, the right to receive a specific allocation of performance shares under the LTI Plan occurs only at the end of the four-year vesting period.

In 2020, personnel expenses resulting from performance shares under the Group's 2018 LTI Plan amounted to € 257,494 based on the fair value on the grant date (2019: € 720,764; 2018: € 946,346).

### 8.3.5 2019 Long-Term Incentive Plan

On April 1, 2019, MorphoSys established another Long-Term Incentive Plan (LTI Plan) for the Management Board and selected employees of the Company (beneficiaries). This plan is considered a share-based payment program with settlement in equity instruments and is accounted for accordingly. The LTI Plan is a performance-related share plan and will be paid out in ordinary shares (performance shares) of MorphoSys AG if predefined key performance criteria are achieved. The grant date was April 1, 2019, and the vesting/performance period is four years. If the predefined performance criteria for the respective period are 100 % met, 25 % of the performance shares become vested in each year of the four-year vesting period. The number of performance shares vested per year is calculated based on the key performance criteria of the absolute and relative MorphoSys share price performance compared to the Nasdaq Biotech Index and the TecDAX Index. The performance criteria can be met annually up to a maximum of 300 % and up to 200 % for the entire four-year period. If the specified performance criteria are met by less than 0 % in one year, no shares will be earned for that year (entitlement). In any case, the maximum payout at the end of the four-year period is limited by a factor determined by the Group, which generally amounts to 1. However, in justified cases, the Supervisory Board may set this factor freely between 0 and 2, for example, if the level of payment is regarded as unreasonable in view of the general development of the Company. The right to receive a specific allocation of performance shares under the LTI Plan, however, occurs only at the end of the four-year vesting/performance period. At the end of the four-year vesting period, there is a six-month exercise period during which the Company can transfer the performance shares to the beneficiaries.

If the number of repurchased shares is not sufficient for servicing the LTI Plan, MorphoSys reserves the right to pay a specific amount of the LTI Plan in cash in the amount of the performance shares at the end of the vesting period, provided the cash amount does not exceed 200 % of the fair value of the performance shares on the grant date.

In the event of a departure from the Company, the beneficiaries are generally entitled to the performance shares that have vested up to the date of their departure on a pro rata basis.

In the event of a termination of a beneficiary for reasons of conduct or a revocation of the appointment of a member of the Management Board for reasons constituting good cause within the meaning of Section 626 (2) of the German Civil Code (BGB), all performance shares forfeit without entitlement to compensation.

If an accumulated period of absence of more than 90 days occurs during the four-year vesting period/performance period, the beneficiary is entitled to performance shares on a pro rata basis. A period of absence is defined as absence due to illness, continued payment of remuneration in the event of illness or a suspended service or employment relationship without continued payment of remuneration.

If a change of control occurs during the four-year vesting period, all performance shares will become fully vested. In this case, the right to receive a specific allocation of performance shares under the LTI Plan occurs only at the end of the four-year vesting period.

In 2020, personnel expenses resulting from performance shares under the Group's 2019 LTI Plan amounted to € 682,162 based on the fair value on the grant date (2019: € 1,294,974).

The table below shows the development of the LTI plans in the financial year 2020.

| | April 2016 Long-Term Incentive Program | April 2017 Long-Term Incentive Program | April 2018 Long-Term Incentive Program | April 2019 Long-Term Incentive Program |
|---|---|---|---|---|
| **Outstanding on January 1, 2020** | **56,002** | **29,838** | **19,654** | **22,626** |
| Granted | 0 | 0 | 0 | 0 |
| Adjustment due to Performance Criteria | 35,035 | 0 | 0 | 0 |
| Exercised | (91,037) | 0 | 0 | 0 |
| Forfeited | 0 | 0 | (283) | (843) |
| Expired | 0 | 0 | 0 | 0 |
| **Outstanding on December 31, 2020** | **0** | **29,838** | **19,371** | **21,783** |
| Weighted-average Exercise Price (€) | n/a | n/a | n/a | n/a |

The fair value of the performance shares from the Long-Term Incentive Plans from 2017 through 2019 has been determined using a Monte Carlo simulation. The expected volatility is based on the development of the share volatility of the last four years. Furthermore, the calculation of fair value equally considered the performance criteria of the absolute and relative performance of MorphoSys shares compared to the development of the Nasdaq Biotech Index and the TecDAX Index. The parameters and the fair value of each program are listed in the table below.

| | April 2017 Long-Term Incentive Program | April 2018 Long-Term Incentive Program | April 2019 Long-Term Incentive Program |
|---|---|---|---|
| Share Price on Grant Date in € | 55.07 | 81.05 | 85.00 |
| Exercise Price in € | n/a | n/a | n/a |
| Expected Volatility of the MorphoSys share in % | 37.49 | 35.95 | 37.76 |
| Expected Volatility of the Nasdaq Biotech Index in % | 25.07 | 25.10 | 18.61 |
| Expected Volatility of the TecDAX Index in % | 16.94 | 17.73 | 26.46 |
| Performance Term of Program in Years | 4.0 | 4.0 | 4.0 |
| Dividend Yield in % | n/a | n/a | n/a |
| Risk-free Interest Rate in % | between 0.03 and 0.23 | between 0.02 and 0.15 | between 0.02 and 0.13 |
| **Fair Value on Grant Date in €** | **70.52** | **103.58** | **106.85** |

### 8.3.6 2020 Performance Share Unit Program

On April 1, 2020, MorphoSys established a performance share unit program (PSU program) for the Management Board and certain employees of the Company (beneficiaries). The program is considered a cash-settled, share-based payment and is accounted for accordingly. The PSU program is a performance-based program and is paid out in cash subject to the fulfillment of predefined performance criteria. The grant date was April 21, 2020; the vesting period/performance period is four years. If the predefined performance criteria for the respective period are fully met, 25% of the performance share units become vested in each year of the four-year vesting period. The number of performance share units vested per year is calculated on the basis of the performance criteria of the absolute and relative development of the MorphoSys share price compared to the development of the Nasdaq Biotech Index and the TecDAX Index. The performance criteria can be met each year up to a maximum of 200%. If the defined performance criteria are met by less than 0% in any one year, no performance share units will be earned for that year. However, the right to receive a certain cash settlement from the PSU program does not arise until the end of the four-year vesting period/performance period. After the end of the four-year vesting period, there is a six-month period during which the performance shares can be transferred from the Company to the beneficiaries.

MorphoSys reserves the right to settle the PSU program at the end of the vesting period in MorphoSys AG's own ordinary shares equal to the amount of the performance share units earned. The currently available treasury stock is not sufficient to settle the vested awards. MorphoSys therefore accounts for the plan only as a cash-settled share-based payment.

In the event of a departure from the Company, the beneficiaries generally retain the performance share units that have vested by the time of their departure.

In the event of a termination of a beneficiary for reasons of conduct or a revocation of the appointment of a member of the Management Board for reasons constituting good cause within the meaning of Section 626 (2) of the German Civil Code (BGB), all performance share units forfeit without entitlement to compensation.

If an accumulated period of absence of more than 12 months occurs during the four-year vesting period/performance period, 1/48 of the performance share units are forfeited for each month of absence. A period of absence is defined as an absence due to illness or a period of inactive service or employment without continued payment of remuneration.

If a change of control occurs during the four-year vesting period, all performance share units will become fully vested. In this case, the right to receive a specific allocation of performance share units under the PSU program occurs only at the end of the four-year vesting period.

As of April 1, 2020, a total of 27,795 performance share units were granted to beneficiaries, consisting of 9,363 performance share units to the Management Board, 2,688 performance share units to other members of the Executive Committee and 15,744 performance share units to certain employees of the Company who are not members of the Executive Committee. For the calculation of the personnel expenses from share-based compensation, it was assumed for the PSU program 2020 that ten beneficiaries would leave the Company during the four-year period.

On June 1, 2020, MorphoSys established another performance share unit program (PSU program) for one member of the Management Board. The terms and conditions were identical to those of the April 1, 2020 program, and a total of 8,361 performance share units were granted.

In 2020, personnel expenses under the Group's 2020 performance share unit program amounted to € 1,166,194.

The table below shows the development of the performance share unit programs in the financial year 2020.

| | April 2020 Performance Share Unit Program | June 2020 Performance Share Unit Program |
|---|---|---|
| **Outstanding on January 1, 2020** | **0** | **0** |
| Granted | 27,795 | 8,361 |
| Exercised | 0 | 0 |
| Forfeited | (301) | 0 |
| Expired | 0 | 0 |
| **Outstanding on December 31, 2020** | **27,494** | **8,361** |
| Weighted-average Price (€) | n/a | n/a |

The fair values of the performance share units of the 2020 PSU programs are determined using a Monte Carlo simulation. The expected volatility is based on the development of the share price volatility of the last four years. Furthermore, the calculation of fair values equally considered the performance criteria of the absolute and relative performance of MorphoSys shares compared to the development of the Nasdaq Biotech Index and the TecDAX Index. The parameters and the fair value of each program are listed in the table below.

| | April 2020 Performance Share Unit Program | June 2020 Performance Share Unit Program |
|---|---|---|
| Share Price in € on December 31, 2020 | 93.82 | 93.82 |
| Exercise Price in € | n/a | n/a |
| Expected Volatility of the MorphoSys share in % | 40.24 | 39.83 |
| Expected Volatility of the Nasdaq Biotech Index in % | 25.73 | 25.52 |
| Expected Volatility of the TecDAX Index in % | 23.32 | 22.88 |
| Remaining Performance Term of Program in Years | 3.25 | 3.42 |
| Dividend Yield in % | n/a | n/a |
| Risk-free Interest Rate in % | between (0.68) and (0.91) | between (0.71) and (0.84) |
| **Fair Value on December 31, 2020, in €** | **68.46** | **68.23** |

## 8.4 Morphosys US Inc. – Share Plan

On September 10, 2018, MorphoSys established a share plan for one employee of MorphoSys US Inc. This program was considered a share-based payment program with settlement in equity instruments (treasury shares of MorphoSys AG). The grant date was September 25, 2018. The fair value at the grant date was € 91.90 per share and the vesting period was one year. The total number of shares granted was calculated by dividing the total plan value of US$ 370,000 by the average XETRA share price on the Frankfurt Stock Exchange over the 30 trading days prior to the start date of the program (€ 102.95). As a result, the share plan thus comprised a maximum of 3,104 shares. With the end of the vesting period in 2019, all 3,104 shares were transferred to the beneficiary.

In 2020, personnel expenses of the Group under this share plan amounted to € 0 (2019: € 96,374; 2018:€ 188,884).

## 8.5 Morphosys US Inc. – 2019 Long-Term Incentive Program

On April 1, 2019, MorphoSys AG established a Long-Term Incentive Plan (LTI Plan) for selected employees of MorphoSys US Inc. (beneficiaries). This program is considered a share-based payment program with settlement in equity instruments and is accounted for accordingly. The LTI Plan is a performance-related share plan and will be paid out in ordinary shares (performance shares) of MorphoSys AG if predefined key performance criteria are achieved. The plan has a term of four years and comprises four one-year performance periods. If the predefined performance criteria for the respective period are fully met, 25 % of the performance shares become vested in each year. The number of shares vested per year is calculated based on key performance criteria of MorphoSys US Inc. during the annual performance period. The performance criteria can be met up to a maximum of 125 % per year. If less than 0 % of the defined performance criteria are met in any one year, no shares will be vested for that year. After the end of each one-year performance period, there is a six-month period during which the performance shares can be transferred from the Company to the beneficiaries.

If the number of repurchased shares is not sufficient for servicing the LTI Plan, MorphoSys reserves the right to pay a specific amount of the LTI Plan in cash in the amount of the performance shares at the end of the vesting period, provided the cash amount does not exceed 200 % of the average market price of one share of the Company in the XETRA closing auction on the Frankfurt Stock Exchange during the 30 trading days preceding the grant of the performance shares.

In the event of a departure from the Company, the beneficiaries are generally entitled to the performance shares that have vested up to the date of their departure on a pro rata basis.

In the event of termination by a beneficiary for good cause, all performance shares will be forfeited without entitlement to compensation.

After the end of the first one-year performance period, a target achievement of 100 % was determined. Taking this target achievement into account, 3,349 performance shares of MorphoSys AG were transferred to the beneficiaries in the period from April 1, 2020 to October 20, 2020.

The fair value of the performance shares on December 31, 2020 was € 93.82 per share.

In 2020, personnel expenses of the Group from performance shares under the MorphoSys US Inc. 2019 LTI Plan amounted to € 38,888 based on the fair value on December 31, 2020. (2019: € 1,076,158).

The table below shows the development of the performance shares under the MorphoSys US Inc. 2019 LTI Plan in the financial year 2020.

| | MorphoSys US Inc. – 2019 Long-Term Incentive Program |
|---|---|
| **Outstanding on January 1, 2020** | **12,467** |
| Granted | 0 |
| Exercised | (3,349) |
| Forfeited | 0 |
| Expired | 0 |
| **Outstanding on December 31, 2020** | **9,118** |
| Weighted-average Price (€) | n/a |

## 8.6 Morphosys US Inc. – Restricted Stock Unit Plan (RSUP)

### 8.6.1 2019 Long-Term Incentive Program

On October 1, 2019, MorphoSys AG established a Long-Term Incentive Plan (LTI Plan) for selected employees of MorphoSys US Inc. (beneficiaries). The program is considered a share-based payment program with settlement in equity instruments and is accounted for accordingly. The LTI Plan is a restricted stock unit plan (RSUP) and is paid out in shares of MorphoSys AG that are to be created from authorized capital provided predefined performance criteria have been fulfilled. The term of the plan is three years and includes three one-year performance periods. If the predefined performance criteria for the respective period are fully met, 33.3 % of the performance shares become vested in each year. The number of performance shares vested per year is calculated based on the key performance criteria of MorphoSys US Inc. and the MorphoSys share price performance during the annual performance period. The performance criteria can be met up to a maximum of 125 % per year. If less than 0 % of the defined performance criteria are met in any one year, no shares will be vested for that year. At the end of the total three-year performance period, the corresponding number of shares eventually vested is calculated, and the shares created from authorized capital are transferred from the Company to the beneficiaries.

MorphoSys reserves the right to pay a specific amount of the LTI Plan in cash at the end of the performance period, equal to the value of the performance shares granted.

If a beneficiary loses his office or terminates his employment with MorphoSys US Inc. prior to the end of a performance period, the beneficiary will generally be entitled to all vested restricted stock units for already completed one-year performance periods. All remaining restricted stock units are forfeited without entitlement to compensation.

The fair values of the performance shares according to the grant dates or measurement dates for each of the three performance periods were € 127.90 per share on December 13, 2019, € 94.14 per share on November 30, 2020, and € 93.82 per share on December 31, 2020.

In 2020, personnel expenses of the Group from the MorphoSys US Inc. 2019 RSU Plan amounted to € 600,445 based on the fair values (2019: € 269,415).

### 8.6.2 2020 Long-Term Incentive Program

On April 1, 2020, MorphoSys AG established a Long-Term Incentive Plan (LTI Plan) for selected employees of MorphoSys US Inc. (beneficiaries). The program is considered a share-based payment program with settlement in equity instruments and is accounted for accordingly. The LTI Plan is a restricted stock unit plan (RSUP) and is paid out in shares of MorphoSys AG that are to be created from authorized capital provided predefined performance criteria have been fulfilled. The term of the plan is three years and includes three one-year performance periods. If the predefined performance criteria for the respective period are fully met, 33.3 % of the performance shares become vested in each year. The number of performance shares vested per year is calculated based on the key performance criteria of MorphoSys US Inc. and the MorphoSys share price performance during the annual performance period. The performance criteria can be met up to a maximum of 125 % per year. If less than 0 % of the defined performance criteria are met in any one year, no shares will be vested for that year. At the end of the total three-year performance period, the corresponding number of shares eventually vested is calculated, and the shares created from authorized capital are transferred from the Company to the beneficiaries.

MorphoSys reserves the right to pay a specific amount of the LTI Plan in cash at the end of the performance period, equal to the value of the performance shares granted.

If a beneficiary loses his office or terminates his employment with MorphoSys US Inc. prior to the end of a performance period, the beneficiary will generally be entitled to all vested restricted stock units for already completed one-year performance periods. All remaining restricted stock units are forfeited without entitlement to compensation.

As of April 1, 2020, 42,307 restricted shares were granted to US beneficiaries. For the calculation of the personnel expenses from share-based compensation, it was assumed for the LTI Plan 2020 that four beneficiaries would leave the Company during the three-year period.

The fair value of the restricted shares granted on April 1, 2020, in accordance with the grant dates or measurement dates for each of the three performance periods were € 94.14 per share on November 30, 2020, and € 93.82 per share on December 31, 2020.

On October 1, 2020, MorphoSys established an additional Long-Term Incentive Plan in the form of a restricted stock unit plan (RSUP) for certain employees of MorphoSys US Inc. (beneficiaries). The terms and conditions were identical to those of the April 1, 2020 program, with 7,678 restricted shares granted. For the calculation of the personnel expenses from share-based compensation, it was assumed for the 2020 LTI Plan that two beneficiaries would leave the Company during the three-year period.

The fair value of the restricted shares granted on October 1, 2020, in accordance with the grant dates or measurement dates for each of the three performance periods were € 94.14 per share as of November 30, 2020, and € 93.82 per share as of December 31, 2020.

In 2020, personnel expenses of the Group from the MorphoSys US Inc. 2020 RSU Plan amounted to € 1,916,267 based on the fair values.

The table below shows the development of the performance shares under the MorphoSys US Inc. RSU Plans in the financial year 2020.

| | MorphoSys US Inc. – October 2019 Restricted Stock Unit Plan | MorphoSys US Inc. – April 2020 Restricted Stock Unit Plan | MorphoSys US Inc. – October 2020 Restricted Stock Unit Plan |
|---|---|---|---|
| **Outstanding on January 1, 2020** | **14,990** | **0** | **0** |
| Granted | 0 | 42,307 | 7,678 |
| Exercised | 0 | 0 | 0 |
| Forfeited | (2,273) | (2,537) | 0 |
| Expired | 0 | 0 | 0 |
| **Outstanding on December 31, 2020** | **12,717** | **39,770** | **7,678** |
| Weighted-average Price (€) | n/a | n/a | n/a |

## 8.7 Morphosys Us Inc. – Long-Term Cash Incentive Plan (CLTI Plan)

On April 30, 2020, MorphoSys US Inc. established a long-term cash incentive plan (CLTI plan) for certain employees of MorphoSys US Inc. (beneficiaries). The program is considered a cash-settled, share-based payment and is accounted for accordingly. The CLTI plan is paid out in cash provided predefined performance criteria have been fulfilled. The term of the plan is three years and includes three one-year performance periods. If the predefined performance criteria for the respective period are fully met, 33.3 % of the performance shares become vested in each year. The amount of compensation vested per year is calculated based on the key performance criteria of the performance of MorphoSys US Inc. and the share price performance of MorphoSys AG during the annual performance period. The performance criteria can be met up to a maximum of 125 % per year. If less than 50 % of the defined performance criteria are met in any one year, no award will be granted for that year. At the end of the total three-year performance period, the cash compensation earned is paid by MorphoSys US Inc.

If a beneficiary terminates his employment with MorphoSys US Inc. prior to the end of a one-year performance period, the beneficiary shall lose his entitlement to a cash settlement during the relevant one-year performance period and future performance periods. Entitlements from previously completed one-year performance periods are retained.

As of December 31, 2020, and based on 100 % target achievement, cash settlement under the CLTI plan at the end of the three-year performance period is expected to be € 0.8 million.

In 2020, personnel expenses of the Group from the MorphoSys US Inc. 2020 CLTI plan amounted to € 325,513. The other provision for this program amounts to € 0.3 million as of December 31, 2020.

## 8.8 Related Parties

Related parties that can be influenced by the Group or can have a significant influence on the Group can be divided into subsidiaries, members of the Supervisory Board, members of management in key positions and other related entities.

The Group engages in business relationships with members of the Management Board and Supervisory Board as related parties responsible for the planning, management and monitoring of the Group. In addition to cash compensation, the Group has granted the Management Board performance shares. The tables below show the shares, stock options and performance shares held by the members of the Management Board and Supervisory Board, as well as the changes in their ownership during the 2020 financial year.

## Shares

| | 01/01/2020 | Additions | Sales | 12/31/2020 |
|---|---|---|---|---|
| **Management Board** | | | | |
| Jean-Paul Kress, M.D. | 0 | 0 | 0 | 0 |
| Malte Peters, M.D. | 3,313 | 0 | 0 | 3,313 |
| Roland Wandeler, Ph.D.[1] | – | 0 | 0 | 0 |
| Jens Holstein[2] | 19,517 | 13,677 | 9,000 | – |
| Markus Enzelberger, Ph.D.[3] | 1,676 | 0 | 0 | – |
| **Total** | **24,506** | **13,677** | **9,000** | **3,313** |
| | | | | |
| **Supervisory Board** | | | | |
| Dr. Marc Cluzel | 750 | 0 | 0 | 750 |
| Michael Brosnan | 0 | 0 | 0 | 0 |
| Sharon Curran | 0 | 0 | 0 | 0 |
| Dr. George Golumbeski | 0 | 0 | 0 | 0 |
| Wendy Johnson | 500 | 0 | 0 | 500 |
| Krisja Vermeylen | 350 | 0 | 0 | 350 |
| Dr. Frank Morich[4] | 1,000 | 0 | 0 | – |
| **Total** | **2,600** | **0** | **0** | **1,600** |

## Stock Options

| | 01/01/2020 | Additions | Forfeitures | Exercises | 12/31/2020 |
|---|---|---|---|---|---|
| **Management Board** | | | | | |
| Jean-Paul Kress, M.D. | 57,078 | 24,911 | 0 | 0 | 81,989 |
| Malte Peters, M.D. | 21,609 | 11,501 | 0 | 0 | 33,110 |
| Roland Wandeler, Ph.D.[1] | – | 0 | 0 | 0 | 0 |
| Jens Holstein[2] | 21,609 | 11,501 | 0 | 0 | – |
| Markus Enzelberger, Ph.D.[3] | 18,678 | 0 | 0 | 0 | – |
| **Total** | **118,974** | **47,913** | **0** | **0** | **115,099** |

## Performance Shares

| | 01/01/2020 | Additions | Adjustment due to performance criteria[5] | Forfeitures | Allocations[6] | 12/31/2020 |
|---|---|---|---|---|---|---|
| **Management Board** | | | | | | |
| Jean-Paul Kress, M.D. | 0 | 0 | 0 | 0 | 0 | 0 |
| Malte Peters, M.D. | 7,197 | 0 | 1,850 | 0 | 0 | 9,047 |
| Roland Wandeler, Ph.D.[1] | – | 0 | 0 | 0 | 0 | 0 |
| Jens Holstein[2] | 12,693 | 0 | 10,031 | 0 | 13,677 | – |
| Dr. Markus Enzelberger[3] | 7,259 | 0 | 0 | 0 | 0 | – |
| **Total** | **27,149** | **0** | **11,881** | **0** | **13,677** | **9,047** |

[1] Roland Wandeler, Ph.D., joined the Management Board of MorphoSys AG effective May 5, 2020.
[2] Jens Holstein resigned as a member of the Management Board with effect from the end of November 13, 2020. Changes in the number of shares after his departure from the Management Board are not presented.
[3] Markus Enzelberger, Ph.D., resigned as a member of the Management Board with effect from the end of February 29, 2020. Changes in the number of shares after his departure from the Board of Management are not presented.
[4] Dr. Frank Morich resigned as a member of the Supervisory Board with effect from the end of April 11, 2020. Changes in the number of shares after his departure from the Board of Management are not presented.
[5] Adjustment due to established performance criteria. For performance criteria that have not yet been met, a target achievement of 100% is assumed.
[6] Allocations are made as soon as performance shares are transferred within the six-month exercise period after the end of the four-year waiting period.

The Supervisory Board of MorphoSys AG does not hold any stock options or performance shares.

The remuneration system for the Management Board is intended to provide sustainable, results-oriented corporate governance. The Management Board's total remuneration consists of several components, including fixed compensation, an annual cash bonus that is dependent upon the achievement of corporate targets (short-term incentives – STI), variable compensation components with long-term incentives (LTI) and other remuneration components. Variable remuneration components with long-term incentive consist of long-term incentive plans (LTI Plan) from previous years, stock option and performance share plans from previous years, and a performance share unit program and a stock option plan from the current year. The members of the Management Board additionally receive fringe benefits in the form of benefits in kind, essentially consisting of a company car and insurance premiums. All total remuneration packages are reviewed annually by the Remuneration and Nomination Committee and compared to an annual Management Board remuneration analysis to check the scope and appropriateness of the remuneration packages. The amount of remuneration paid to members of the Management Board is based largely on the duties of the respective Management Board member, the financial situation and the performance and business outlook for the Company versus its competition. All resolutions on adjustments to the overall remuneration packages are passed by the plenum of the Supervisory Board. The Management Board's total remuneration package and the index-linked pension contracts were thoroughly reviewed and then adjusted by the Supervisory Board in 2020.

If a Management Board member's service contract terminates due to death, the member's spouse or life partner is entitled to the fixed monthly salary for the month of death and the 12 months thereafter. In the event of a change of control, Management Board members are entitled to exercise their extraordinary right to terminate their service contracts and receive any outstanding fixed salary and the annual bonus for the remainder of the agreed contract period, but at least 200% of the annual gross fixed salary and the annual bonus. Moreover, in such a case, all stock options, performance share units and performance shares granted will become vested immediately and can be exercised after the expiration of the statutory vesting periods. A change of control has occurred when (i) MorphoSys transfers assets or a substantial portion of its assets to unaffiliated third parties, (ii) MorphoSys merges with an unaffiliated company, (iii) an agreement pursuant to Section 291 AktG is entered into with MorphoSys as a dependent company, MorphoSys is integrated under Section 319 AktG or (iv) a shareholder or third party holds 30% or more of MorphoSys's voting rights.

For the fiscal year 2020, the members of the Executive Board were granted a total compensation of € 11,532,252 (€ 11,308,876), consisting of performance-unrelated remuneration of € 5,529,112 (€ 3,607,006), performance-related remuneration of € 2,478,346 (2019: € 3,704,457) as well as long-term incentive compensation of € 3,524,794 (€ 3,997,413) in the form of share-based compensation. Performance-unrelated compensation includes post-employment benefits in the amount of € 2,443,409 (2019: € 1,191,085) granted during the respective board membership terms.

As of April 1, 2020, the Executive Board was granted 9,363 Performance Share Units at a fair value of € 74.57 and as of June 1, 2020, 8,361 Performance Share Units at a fair value of € 92.79. Additionally, as of April 1, 2020, the Executive Board was granted 36,412 stock options at a fair value of € 36.13.

For the individualized Executive Board compensation, we refer to the remuneration report within the Management Report.

In the years 2020 and 2019, there were no other long-term benefits in accordance with IAS 24.17 (c) accruing to the Management Board or Supervisory Board. No benefits upon termination of service in accordance with IAS 24.17 (d) were accrued for the Supervisory Board in the years 2020 and 2019.

The new Chief Operating Officer, Roland Wandeler, Ph.D., (since May 5, 2020), received a signing bonus of 500,000 US dollar related to the execution of his employment agreement, payable in two installments (2020: 400,000 US dollar (about € 366,000) and 2021: 100,000 US dollar (about € 91,500)), as well as reimbursement of relocation expenses. In addition, Roland Wandeler, Ph.D., will receive an ongoing expense allowance for tax advice.

Jens Holstein will receive a severance payment of € 2,300,000, which will be paid in 2021, as well as an expense allowance for tax advice. Markus Enzelberger, Ph.D., received a severance payment amounting to 50% of his fixed remuneration and his bonus payment for the previous financial year until the regular expiry of his service contract. Due to their long years of commitment to the Company, the Supervisory Board decided that for both, the long-term incentive plans would not forfeit on a pro-rate basis despite their termination of the employment before the end of the respective four-year vesting periods. Because of this modification of terms and conditions, the respective personnel expense from share-based compensation for the outstanding vesting periods was allocated to the remaining period of performance. For Jens Holstein, € 487,327 were recognized earlier than anticipated in 2020, whereas for Markus Enzelberger, Ph.D., € 122,683 were booked earlier in the years 2019 and 2020.

Payments to former members of the Management Board amounted to € 0.6 million in 2020 (2019: € 0.3 million).

The total compensation for key management personnel in 2020 and 2019 was as follows.

| in 000' € | 2020 | 2019 |
|---|---|---|
| Total Short-Term Employee Benefits | 7,261,119 | 5,706,334 |
| Total Post-Employment Benefits | 424,300 | 414,044 |
| Total Termination Benefits | 2,443,409 | 1,191,085 |
| Total Share-Based Payment | 4,125,979 | 3,997,413 |
| **Total Compensation** | **14,254,807** | **11,308,876** |

In 2020, the total remuneration for the Supervisory Board, excluding reimbursed travel costs, amounted to € 634,752 (2019: € 633,597).

**Supervisory Board Remuneration for The Years 2020 and 2019:**

| | Fixed Compensation | | Attendance Fees[1] | | Total Compensation | |
|---|---|---|---|---|---|---|
| In € | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Dr. Marc Cluzel | 104,210 | 104,210 | 56,400 | 44,400 | 160,610 | 148,610 |
| Michael Brosnan | 57,284 | 51,284 | 28,400 | 34,000 | 85,684 | 85,284 |
| Sharon Curran | 45,284 | 27,791 | 30,000 | 11,600 | 75,284 | 39,391 |
| Dr. George Golumbeski | 65,345 | 51,284 | 30,800 | 31,600 | 96,145 | 82,884 |
| Wendy Johnson | 49,579 | 47,618 | 39,200 | 35,600 | 88,779 | 83,218 |
| Krisja Vermeylen | 57,284 | 57,284 | 38,400 | 32,400 | 95,684 | 89,684 |
| Dr. Frank Morich[2] | 19,766 | 70,926 | 12,800 | 33,600 | 32,566 | 104,526 |
| **Total** | **398,752** | **410,397** | **236,000** | **223,200** | **634,752** | **633,597** |

[1] The attendance fee contains expense allowances for the attendance at the Supervisory Board and the Committee meetings.
[2] Dr. Frank Morich resigned as a member of the Supervisory Board with effect from the end of April 11, 2020.

No other agreements currently exist with present or former members of the Supervisory Board.

The change in the organizational structure of MorphoSys AG in 2020 (see Note 8*) affects the following presentation of stock options, convertible bonds and performance shares held by related parties:
*cross-reference to page 189

As of December 31, 2020, the members of the Executive Committee (excluding the Management Board) held 31,067 stock options and 7,137 performance shares granted by the Company.

In 2020, a new stock option program and new performance share program were issued to the members of the Executive Committee (excluding the Management Board) (see Notes 8.1.4* and 8.3.6*).
*cross-reference to page 190 and page 196

On April 1, 2020, a total of 7,493 shares from the 2016 LTI Plan were allocated to the members of the Executive Committee (excluding the Management Board), who were given the option to receive the shares within an eight-month period. By December 31, 2020, this option had been exercised for a total of 7,493 shares.

On December 31, 2019, the Senior Management Group held 100,832 stock options, 11,233 convertible bonds and 63,786 performance shares granted by the Company. On December 31, 2019, the President of MorphoSys US Inc. held 5,065 performance shares granted to him by the Company.

# 9 Additional Notes

## 9.1 Obligations Arising from Leases and other Contracts

The future minimum payments under non-cancelable leases of low-value assets and contracts for insurance and other services on December 31, 2020 were as follows:

| in 000' € | Leases of Low-Value Assets and Short-Term Leases | Performance Share Unit Program | Other | Total |
|---|---|---|---|---|
| Up to One Year | 44 | 0 | 7,406 | 7,450 |
| Between One and Five Years | 0 | 1,868 | 992 | 2,860 |
| More than Five Years | 0 | 0 | 0 | 0 |
| **Total** | **44** | **1,868** | **8,398** | **10,310** |

Additionally, the future payments shown in the table below may become due for outsourced studies after December 31, 2020. These amounts could be shifted or substantially lower due to changes in the study timeline or premature study termination.

| in million € | Total 2020 |
|---|---|
| Up to One Year | 111.7 |
| Between One and Five Years | 81.6 |
| More than Five Years | 0.0 |
| **Total** | **193.3** |

## 9.2 Contingent Assets/Contingent Liabilities

Contingent liabilities are potential obligations from past events that exist only when the occurrence of one or more uncertain future events – beyond the Company's control – is confirmed. Current obligations can represent a contingent liability if it is not probable enough that an outflow of resources justifies the recognition of a provision. Moreover, it is not possible to make a sufficiently reliable estimate of the sum of obligations.

The Management Board is unaware of any proceedings that may result in a significant obligation for the Group or lead to a material adverse effect on the Group's net assets, financial position or results of operations.

If certain milestones are achieved in the Proprietary Development segment (for example, submitting an investigational new drug (IND) application for specific target molecules), this may trigger milestone payments to licensors of up to an aggregate of US$ 249.0 million (approximately € 203.0 million) related to regulatory events or the achievement of sales targets. The next milestone payment amounting to US$ 12.5 million (approximately € 10.2 million) could presumably occur in the next 12 months.

Milestone payments to MorphoSys may be triggered by the achievement of specific milestones by one of our partners (submitting an investigational new drug, or IND, application for specific target molecules or the transfer of technology, among others) in the Partnered Discovery segment. As the timing and achievement of such milestones are uncertain, further details cannot be published.

Monjuvi's product sales trigger percentage-based royalty payments.

Obligations may arise from enforcing the Company's patent rights versus third parties. It is also conceivable that competitors may challenge the patents of the MorphoSys Group or that MorphoSys may come to the conclusion that its patents or patent families have been infringed upon by competitors. This could prompt MorphoSys to take legal action against competitors or lead competitors to file counterclaims against MorphoSys. Currently, there are no specific indications such obligations have arisen.

## 9.3 Corporate Governance

The Group has submitted the Declaration of Conformity with the recommendations of the Government Commission on the German Corporate Governance Code for the 2019 financial year under Section 161 of the German Stock Corporation Act (AktG). This declaration was published on the Group's website (https://www.morphosys.com/media-and-investors/corporate-governance) on November 29, 2020 and made permanently available to the public.

## 9.4 Research and Development Agreements

The Group has entered numerous research and development agreements as part of its proprietary research and development activities and its partnered research strategy. The following information describes the agreements that have a material effect on the Group and the developments under the research and development agreements in the 2020 financial year.

### 9.4.1 Proprietary Development Segment

In the Proprietary Development segment, partnerships are entered into as part of the Group's strategy to develop proprietary drugs in its core areas of oncology and inflammatory diseases. Partnerships currently exist with (in alphabetical order) Galapagos, GlaxoSmithKline, I-Mab Biopharma, Immatics Biotechnologies, Incyte, MD Anderson Cancer Center, Novartis and Xencor.

In November 2008, MorphoSys and Galapagos announced a long-term drug discovery and co-development cooperation aimed at exploring novel mechanisms for the treatment of inflammatory diseases and developing antibody therapies against these diseases. The agreement covers all activities ranging from the probing of target molecules to the completion of clinical trials for novel therapeutic antibodies. After demonstrating clinical efficacy in humans, the programs may be out-licensed to partners for further development, approval and commercialization. Both MorphoSys and Galapagos contributed their core technologies and expertise to this alliance. Along with the use of its adenovirus-based platform to explore new target molecules for the development of antibodies, Galapagos provided access to already identified target molecules that are associated with bone and joint diseases. MorphoSys provided access to its antibody technologies used to generate fully human antibodies directed against these target molecules. Under the terms of the agreement, Galapagos and MorphoSys will share the research and development costs. In July 2014, the collaboration advanced into the preclinical development of MOR106, an antibody from MorphoSys's next-generation library Ylanthia directed against a novel Galapagos target molecule.

On July 19, 2018, MorphoSys announced an exclusive global agreement between MorphoSys and Galapagos with Novartis Pharma AG for the development and commercialization of MOR106. The companies agreed that they would work together to significantly expand the existing development plan for MOR106. Novartis received all of the exclusive rights to the product's commercialization resulting from the agreement. With the signing of the agreement, all future research, development, manufacturing and commercialization costs for MOR106 are borne by Novartis. The companies further agreed that Novartis would explore the potential of MOR106 in other indications beyond atopic dermatitis. In addition to receiving financing from Novartis for the current and future development of the MOR106 program, MorphoSys and Galapagos jointly received a payment of € 95 million. Of this amount, MorphoSys recognized its 50% share of that amount – € 47.5 million – as revenue in 2018. MorphoSys and Galapagos will continue to jointly receive significant milestone payments of up to approximately US$ 1 billion (approximately € 858.7 million; based on the current euro-dollar exchange rate at the time the agreement was signed) when specific development, regulatory, commercial and revenue milestones are met. MorphoSys and Galapagos also stand to jointly receive tiered royalties ranging from a low 10% to a low 20% of net sales. According to their 2008 agreement, MorphoSys and Galapagos will share equally in all payments (50/50). In October 2019, MorphoSys, Galapagos and Novartis announced a stop in the clinical development of MOR106 in atopic dermatitis. The decision was based on the results of a benefit-based interim analysis of the IGUANA phase 2 study. Novartis terminated the development and commercialization agreement in a timely manner, and the ongoing activities related to the terminated studies are being completed jointly by the three parties.

In June 2013, MorphoSys announced it had entered into a global agreement with GlaxoSmithKline (GSK) for the development and commercialization of otilimab. Otilimab is MorphoSys's proprietary HuCAL antibody against the GM-CSF target molecule. Under the agreement, GSK assumes responsibility for the compound's entire development and commercialization. MorphoSys has already received a payment of € 22.5 million under this agreement and, next to tiered double-digit royalties on net sales, is still eligible to receive additional payments from GSK of up to € 423 million, depending on the achievement of certain developmental stages, as well as regulatory, commercial and revenue-related milestones. GSK is clinically investigating otilimab in rheumatoid arthritis and, in July 2019, started a phase 3 development program in this indication. The treatment of the first patients in this program triggered a milestone payment of € 22.0 million to MorphoSys. GSK has also initiated a clinical trial (OSCAR) to evaluate the efficacy and safety of otilimab in patients with severe pulmonary COVID 19-associated disease.

In 2017, MorphoSys announced it had signed an exclusive regional licensing agreement with I-Mab Biopharma to develop and commercialize felzartamab (MOR202) in China, Taiwan, Hong Kong and Macau. Felzartamab (MOR202) is MorphoSys's proprietary antibody targeting CD38. Under the terms of the agreement, I-Mab Biopharma has the exclusive right for the later development and commercialization of felzartamab (MOR202) in the agreed regions. MorphoSys received a payment of US$ 20.0 million and is also entitled to receive additional success-based clinical and commercial milestone payments from I-Mab of up to roughly US$ 100 million (approximately€ 84.1 million). In addition, MorphoSys will be entitled to receive double-digit, staggered royalties on the net revenue of felzartamab (MOR202) in the agreed regions. I-Mab is investigating felzartamab (MOR202/TJ202) in a phase 3 clinical study in Mainland China to evaluate felzartamab (MOR202/TJ202) in combination with lenalidomide plus dexamethasone in r/r multiple myeloma. I-Mab is also evaluating felzartamab (MOR202/TJ202) as a potential third-line therapy in r/r multiple myeloma in a phase 2 trial that started in March 2019. Both studies are considered pivotal in the agreed regions. In 2019, MorphoSys initiated a phase 1/2 study (M-PLACE study) with felzartamab (MOR202) for the treatment of anti-PLA2R-positive membranous nephropathy, an autoimmune disease affecting the kidneys.

In 2018, MorphoSys announced the completion of an exclusive, strategic development collaboration and regional licensing agreement with I-Mab Biopharma for the MOR210 antibody. MOR210 is a preclinical antibody candidate developed by MorphoSys against C5aR1 with the potential for development in immuno-oncology. I-Mab has exclusive rights to develop and market MOR210 in China, Hong Kong, Macao, Taiwan and South Korea, while MorphoSys retains the rights for the rest of the world. Under the terms of the agreement, I-Mab will exercise the exclusive rights to develop and market MOR210 in its contracted territories. With the support of MorphoSys, I-Mab will undertake and fund all global development activities, including clinical trials in China and the United States, to clinical proof of concept in cancer medicine. MorphoSys received a payment of US$ 3.5 million and is further eligible to receive performance-related clinical and sales-based milestone payments of up to US$ 101.5 million (approximately € 89.6 million). MorphoSys recognized the payment of US$ 3.5 million (€ 3.1 million) as revenue in 2018. In addition, MorphoSys will receive tiered royalties in the mid-single-digit percentage range of net sales on the contracted territory of I-Mab. In return for conducting a successful clinical proof of concept trial, I-Mab is entitled to low-single-digit royalties on net sales of MOR210 outside the I-Mab territory, as well as staggered shares of proceeds from the further out-licensing of MOR210.

In August 2015, MorphoSys announced a strategic alliance with the German company Immatics Biotechnologies GmbH in the field of immuno-oncology. The alliance was formed to develop novel antibody-based therapies against a variety of cancer antigens that are recognized by T cells. The alliance agreement gives MorphoSys access to several of Immatics's proprietary tumor-associated peptides (TUMAPs) and, in return, Immatics receives the right to develop MorphoSys's Ylanthia antibodies against several TUMAPs. The companies will pay each other milestone payments and royalties on marketed products based on the companies' development progress.

In January 2020, MorphoSys and Incyte announced that the companies had signed a collaboration and license agreement for the continued global development and commercialization of MorphoSys's proprietary anti-CD19 antibody tafasitamab. A detailed description of the agreement can be found in Note 4*.

*cross-reference to page 170

In May 2016, MorphoSys and the MD Anderson Cancer Center from the University of Texas announced a long-term strategic alliance. Within the scope of this alliance, MorphoSys is applying its Ylanthia technology platform and, together, the companies are working to identify, validate and develop novel anti-cancer antibodies through to clinical proof of concept by researching targets in a variety of oncology indications. MD Anderson, in cooperation with MorphoSys, will conduct early clinical studies of therapeutic antibody candidates, after which MorphoSys has the option to continue developing selected antibodies for its own proprietary pipeline.

In June 2010, MorphoSys and the US-based biopharmaceutical company Xencor signed an exclusive global licensing and cooperation agreement under which MorphoSys receives exclusive global licensing rights to tafasitamab, the antibody for the treatment of cancer and other indications. The companies jointly conducted a phase 1/2a trial in the US in patients with chronic lymphocytic leukemia. MorphoSys is solely responsible for the further clinical development after the successful completion of the phase 1 clinical trial and commercialization. Upon signing the license and cooperation agreement, Xencor received a payment of US$ 13.0 million (approximately € 10.5 million) from MorphoSys and milestone payments totaling US$ 53.0 million (approximately € 43.4 million), which was then capitalized under in-process R&D programs. Xencor is entitled to development, regulatory and commercially related milestone payments. Furthermore, Xencor is also eligible to receive tiered royalty payments of tafasitamab in the mid single-digit to sub-teen double-digit percentage range based upon net sales of licensed antibody sold by us or our licensees. Our royalty obligations continue on a product-by-product and country-by-country basis until the later to occur of the expiration of the last valid claim in the licensed patent covering a licensed product in such country, or 11 years after the first sale of a licensed product following marketing authorization in such country.

In November 2020, MorphoSys, Incyte and Xencor announced a clinical collaboration agreement to study the combination of tafasitamab, plamotamab and lenalidomide in patients with relapsed or refractory diffuse large b cell lymphoma (DLBCL), first-line DLBCL and relapsed or refractory follicular lymphoma (FL). MorphoSys and Incyte will provide tafasitamab for the studies. The studies are sponsored and funded by Xencor and are planned to be conducted in North America, Europe and the Asia-Pacific region.

### 9.4.2 Partnered Discovery Segment

Through its commercial partnerships in the Partnered Discovery segment, MorphoSys receives various types of payments that are spread over the duration of the agreements or recognized in full as revenue as predefined targets and milestones are reached. These payments include payments upon signature, annual license fees in exchange for access to MorphoSys's technologies and payments for funded research to be performed by MorphoSys on behalf of the partner. MorphoSys is also entitled to development-related milestone payments and royalties on product sales for specific antibody programs.

Prior to the 2020 financial year, active collaborations with a number of partners had already ended. However, drug development programs initiated in the active phase are designed so that they can be continued by the partner and, therefore, still result in performance-based payments for the achievement of the defined milestones.

Partnerships in the Partnered Discovery segment that ended before the beginning of 2020 but where drug development programs were still being pursued include (in alphabetical order): Bayer AG, Boehringer Ingelheim, Fibron Ltd. (transfer of the contract from ProChon Biotech Ltd.), Janssen Research and Development LLC, Novartis, OncoMed Pharmaceuticals (fully acquired in April 2019 by Mereo BioPharma Group), Pfizer, Roche and Sosei Heptares.

Partnerships that were still active in 2020 include (in alphabetical order): GeneFrontier Corporation/Kaneka and LEO Pharma.

In MorphoSys's strategic alliance with LEO Pharma, which has been in place since 2016, the two companies are working together to discover and develop antibody-based therapies for dermatology.

The Group's alliance with Novartis AG for the research and development of biopharmaceuticals came to an end in November 2017. The collaboration began in 2004 and led to the creation of several ongoing therapeutic antibody programs against a number of diseases. MorphoSys receives performance-based milestones contingent upon the successful clinical development and regulatory approval of several products. In addition to these payments, MorphoSys is also entitled to royalties on any future product sales.

## 9.5 Subsequent Events

On January 5, 2021, MorphoSys and Incyte announced that the Swiss Agency for Therapeutic Products (Swissmedic) has accepted the marketing authorization application (MAA) for tafasitamab. The MAA seeks approval for tafasitamab, in combination with lenalidomide, followed by tafasitamab monotherapy, for the treatment of adult patients with relapsed or refractory diffuse large B-cell lymphoma (DLBCL), including DLBCL arising from low grade lymphoma, who are not candidates for autologous stem cell transplantation (ASCT). The MAA will now enter the formal review process by Swissmedic.

On January 06, 2021, MorphoSys announced the appointment of Mr. Sung Lee as Chief Financial Officer (CFO) of the Company, effective February 2, 2021. Mr. Sung Lee succeeds Mr. Jens Holstein, who resigned from the Management Board effective November 13, 2020 and left MorphoSys effective December 31, 2020. As a member of the Management Board of MorphoSys AG, Mr. Sung Lee will lead all corporate finance functions of the Company and his place of employment will be Planegg, Germany.

On January 12, 2021, MorphoSys and Incyte announced that Health Canada has accepted the New Drug Submission (NDS) for tafasitamab. The application seeks approval of tafasitamab in combination with lenalidomide, followed by tafasitamab monotherapy, for the treatment of adult patients with relapsed or refractory diffuse large B-cell lymphoma (DLBCL), including DLBCL arising from low grade lymphoma, who are not eligible for, or refuse, autologous stem cell transplant (ASCT).

On January 25, 2021, MorphoSys and I-Mab announced that the first patient has been dosed in a phase 1 dose escalation study to evaluate the safety, tolerability, pharmacokinetics (PK) and pharmacodynamics (PD) of MOR210/ TJ210 monotherapy in patients with relapsed or refractory advanced solid tumors in the United States.

On March 2, 2021, MorphoSys announced that its licensing partner GSK reported preliminary results of the OSCAR (Otilimab in Severe COVID-19 Related Disease) study using otilimab for the treatment of severe pulmonary COVID-19 related disease. Given these data suggest an important clinical benefit in a pre-defined sub-group of high-risk patients and the urgent public health need, GSK has amended the OSCAR study to expand this cohort to confirm these potentially significant findings. The dosing of the first patient in the expanded study triggered milestone payments of a total of €16 million to MorphoSys.

Planegg, March 11, 2021

Jean-Paul Kress, M.D
Chief Executive Officer

Sung Lee
Chief Financial Officer

Malte Peters, M.D
Chief Research and
Development Officer

Roland Wandeler, Ph.D.
Chief Operating Officer

# Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the Group's net assets, financial position and results of operations, and the group management report provides a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the Group's expected development.

Planegg, March 11, 2021

Jean-Paul Kress, M.D
Chief Executive Officer

Sung Lee
Chief Financial Officer

Malte Peters, M.D
Chief Research and Development Officer

Roland Wandeler, Ph.D.
Chief Operating Officer