



**Written report of the Management Board on Agenda Item 7  
pursuant to section 203 para. 2 sentence 2  
in conjunction with section 186 para. 4 sentence 2 AktG**

Under agenda item 7, the Management Board and the Supervisory Board propose to the general meeting on May 18, 2022, to create a new authorized capital (Authorized Capital 2022-I). Pursuant to section 203 para. 1 sentence 1 in conjunction with section 186 para. 4 sentence 2 AktG, the Management Board provides the following report on agenda item 7 to the general meeting on the reason for the exclusion of subscription rights of the shareholders when issuing new shares from the Authorized Capital 2022-I:

1. Background on the proposal for the creation of a new Authorized Capital 2022-I

In 2021, MorphoSys AG acquired Constellation Pharmaceuticals Inc. and thus further increased its already strong local presence in the USA.

An attractive and competitive remuneration program is essential for the recruitment and long-term commitment of highly qualified employees. The existing Restricted Stock Unit Programs of the Company, which were implemented for the purpose of having a share-based employee participation program which also takes into account US standards and expectations, only include senior managers and employees (including directors and officers) of MorphoSys US Inc. Thus, the Management Board intends, with the consent of the Supervisory Board, to resolve on a further Restricted Stock Unit Program to function as a further long-term share-based remuneration component for senior managers and employees (including directors and officers) of all U.S. subsidiaries of the Company, including Constellation Pharmaceuticals Inc. (the "RSUP" or "Restricted Stock Unit Program").

The new RSUP is intended to be substantially similar to the existing Restricted Stock Unit Programs of the Companies. Accordingly, also pursuant to the planned RSUP, the Company shall be allowed to grant so-called "Restricted Stock Units" ("RSUs") to beneficiaries, which – if certain requirements are met – grant the beneficiaries a claim against the Company for a cash payment, depending on the stock exchange price of the shares of the Company (further details are given below under no. 2 of this report). However, the terms and conditions of the RSUP shall give the Company the right to

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fulfill the cash payment claims of the RSU beneficiaries by delivering shares of the Company. In order for the Company to be able to issue new shares in such case, and to fulfill the payment claims of the respective beneficiaries under the RSUP when due, the Authorized Capital 2022-I shall be created.

### 2. Key aspects of the planned RSUP

It is currently planned to implement the RSUP as follows:

#### a. Granting of RSUs to beneficiaries

Under the RSUP, only senior managers and employees (including directors and officers) of all U.S. subsidiaries of the Company, including Constellation Pharmaceuticals Inc., will be eligible for participation, to the extent they are not at the same time members of the Management Board or employees of MorphoSys AG. Each tranche of the RSUP has a term of three years. The Company may, at the beginning of a tranche, grant a certain number of RSUs to beneficiaries. In this context, the basis for calculation shall be an individual award amount for each beneficiary as well as the stock exchange price of the MorphoSys share. To calculate the exact number of RSUs, the respective individual award amount is divided by the average XETRA closing price of the MorphoSys share on the regulated market of the Frankfurt Stock Exchange on the last 30 trading days before the grant date.

#### b. Vesting and key performance indicators

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

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The vesting of RSUs for a certain annual cycle (at the end of such cycle) is conditional on the beneficiary still having a service or employment relationship with MorphoSys US Inc. and Constellation Pharmaceuticals Inc, respectively, at the end of the relevant annual cycle. If the beneficiary leaves MorphoSys US Inc. and Constellation Pharmaceuticals Inc., respectively, during the term of a tranche, such beneficiary will retain the RSUs that have vested until the point in time of leaving. The additional RSUs that were granted to such beneficiary will not continue to vest, rather they are forfeited without compensation. No partial vesting will take place within an annual cycle of a tranche.

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

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

The terms and conditions of the RSUP shall give the Company the right to opt, in its full discretion, whether to fulfill the cash payment claims from the beneficiaries' vested RSUs by delivering shares of the Company. In order to give the Company the required flexibility to grant new shares, the Authorized Capital 2022-I shall be created (as laid out in detail under no. 3 of this report). In this regard, the stock exchange price of one MorphoSys share immediately prior to the utilization of the Authorized Capital 2022-I by the Management Board, with the consent of the Supervisory Board, shall be relevant, such that one vested RSU corresponds to one new share.

#### **3. Authorized Capital 2022-I**

The registered share capital of the Company currently amounts to € 34,231,943.00. Under the Authorized Capital 2022-I, the Management Board shall be authorized, with the consent of the Supervisory Board, until 17 May 2027 (including), to increase the Company's registered share

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capital by up to € 1,978,907.00 against cash contributions and/or contributions in kind once or several times by issuing up to 1,978,907 new no-par value bearer shares (auf den Inhaber lautende Stückaktien), i.e. by approximately 5.78% of the current registered share capital. Adding together all conditional and authorized capitals of the Company, including the amount of the Authorized Capital 2022-I of up to € 1,978,907.00, and the respective number of up to 1,978,907 new shares and taking into account the proposed reduction of the Conditional Capital 2016-III, the Conditional Capital 2020-I and the Authorized Capital 2019-I, such amount corresponds to a proportion of approximately 46.74%. The total volume of all authorized capitals would amount to € 9,195,696.00, i.e. approximately 26.86% of the current registered share capital. Adding together all conditional and authorized capital under which new shares can be issued in connection with employee incentive programs would result in a total volume of up to € 3,422,561.00 and accordingly a total number of up to 3,422,561 new shares, i.e. around 9.99% of the registered share capital.

To increase the flexibility of the Company and preserve its liquidity, the Company shall be given the possibility, through the creation of the Authorized Capital 2022-I, to fulfill the cash payment claims of beneficiaries whose RSUs have fully vested under the RSUP by delivering new shares. Namely, pursuant to the terms and conditions of the RSUP, the Company shall be authorized to opt, in its full discretion, to fulfill the cash payment claims by delivering shares. The fulfillment of the cash payment claims by delivering shares instead of paying a cash amount has the advantage that no cash outflow will occur and that the Company will continue to have the respective liquidity at its disposal. In the view of the Management Board, the available liquidity should primarily be invested into existing and future research and development programs, as well as into the further setup and expansion of the organization.

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

Under the Authorized Capital 2022-I, the subscription rights of shareholders shall be excluded in accordance with section 203 para. 1 sentence 1 in conjunction with section 186 paras. 3, 4 AktG. The background is that the Authorized Capital 2022-I shall serve the sole purpose of delivering shares of the Company against the contribution of payment claims resulting from RSUs in order to fulfill RSUs that were granted to Employees under the RSUP. Shares issued from the Authorized Capital 2022-I may solely be issued for this purpose; the issuance of shares for any other purpose – or to other beneficiaries – is not permitted.

The issue price of the new shares from the Authorized Capital 2022-I must amount to at least € 1,00 and can be paid either by way of a cash contribution and/or contribution in kind, including in particular the contribution of claims against the Company under the RSUP. Furthermore, the amount

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of a cash claim resulting from one fully vested RSU corresponds to the stock exchange price of one MorphoSys share immediately prior to the payout. The Management Board shall be authorized to determine the further details of the capital increase and its implementation with the consent of the Supervisory Board; this also includes the determination of the profit participation of the new shares, which may be determined in deviation from section 60 para. 2 AktG, also for the profit of an already completed fiscal year provided that the shareholders' meeting has not already resolved on the profit participation for such fiscal year when the new shares are issued.

A potential dilution of voting rights of the shareholders whose subscription rights are excluded is limited, amongst others, due to the small size of the Authorized Capital 2022-I. Taking into consideration all relevant factors, the Management Board and the Supervisory Board conclude that the exclusion of subscription rights under the respective limitations is appropriate, necessary and adequate and lies in the best interest of the Company.

5. Utilization of the Authorized Capital 2022-I

The Management Board will report on the utilization of the Authorized Capital 2022-I each case to the respective following annual general meeting.

Planegg, March 30, 2022  
MorphoSys AG

The Management Board

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

Sung Lee  
Chief Financial Officer

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